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FOREWORD

As with other Sahelian countries, Burkina Faso is facing severe economic difficulties. While many of these problems require short-term responses, long-term economic development is also necessary. This longer term development strategy rightly emphasizes rural projects in fostering local economic growth. The success of such projects is, however, likely to be tied to enhanced budgetary capacity and expenditure control at the provincial and commune levels.

This initiative toward decentralization and local control together with the difficult economic situation constitute the context for this report of the second phase of the Syracuse University Project on Local Revenue and Service Provision in Burkina Faso. The Project's first phase was initiated in 1981 as a result of joint interest by USAID and the Government of Upper Volta in examining the potential for local resource mobilization in a country with centralized administrative traditions. It was recognized that additional resources would be necessary to support the recurrent costs of basic public services. The first phase report provided detailed information about local revenues and services; however, much remained to be learned. The second phase of the Project was commenced in October 1983 coincidentally with changes in the Government of Burkina.

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August 1984

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At the outset of Phase II, the decision was made to integrate Burkinabé technicians into the research process so as to improve the possibility of infusing project concerns, experiences and findings into the ongoing policy dialogue of the GOB. We were able to recruit two very resourceful and competent public servants, Siguian COMPAORE (Economist) of the Direction des Etudes, Ministre du Plan and Clement PITRIOPA (Tax Administrator) of the Direction-Générale des Impôts, Ministère des Finances. We would like to thank the authorities of their respective ministries for having consented to release two such valuable specialists during a crucial period in the life of the country. Compaore and Pitroipa were joined by Alhassane CONDE, a socio-economist with diverse research experiences in the Sahel. Together with the authors, these three constituted the second phase research team.

Many individuals in Burkina Faso provided their time and energy in supplying the data and information used here, particularly noteworthy were the efforts of a group of civil servants located in Bobo Dioulasso and the Provinces of Kéné Dougou and Houët and which included Messrs Saki Roger TRAORE (Treasury), Yacouba SANGARE (Treasury), Lamoussa SALAMBARE (Tax Service), Jean Paul TRAORE (Secretary-General, Mayor's Office), Ismaila KOUMAYAN (Financial Control), Dekrin SANON (Province of Houët), Alassane BAMBARA (Perception of N'Dorola), Emile TAPSOBA (Perception of Orodara) and Jean Baptiste Sansan DA (High Commissioner, Province of Kéné Dougou). To this short list should be added the regional service chiefs and administrative officers in the Provinces of Houët and Kéné Dougou and the Commune of Bobo Dioulasso. In Ouagadougou we benefitted from the counsel and assistance of various technicians and administrators, among whom figured prominently Mmes Thérèse DRABO (BLI), Rosalie BARRAS (SERPOCO), Tahé DIAWARA (Treasury) and Etienne YAMEOGO (Secretary-General, Budget). Special recognition is due our Burkinabé counterpart, M. Loic Emile POODA, Director of Applied Research at the National School of Administration and Magistracy (E.N.A.M.), for his dedication to the research mission and willingness to organize a number of forums at which our comprehension, observations and conclusions were discussed and evaluated by key technical personnel from more than eight ministries.

We received both encouragement and administrative support from a number of people at the USAID mission in Ouagadougou. Dr. James T. SMITH was a source of constant support throughout Phase I of the Project. Dr. Tham TRUONG and Mr. Richard TRAORE provided guidance, encouragement and a valuable sounding board during the second phase.

Finally, we would be amiss not to acknowledge the fine efforts and perseverance of Ms. Martha GRANDINETTI, who typed the entire English version of the manuscript and of Ms. Isabelle DOHERTY-BIGARA who carried out the translation and typing of the French version.

August 15, 1985
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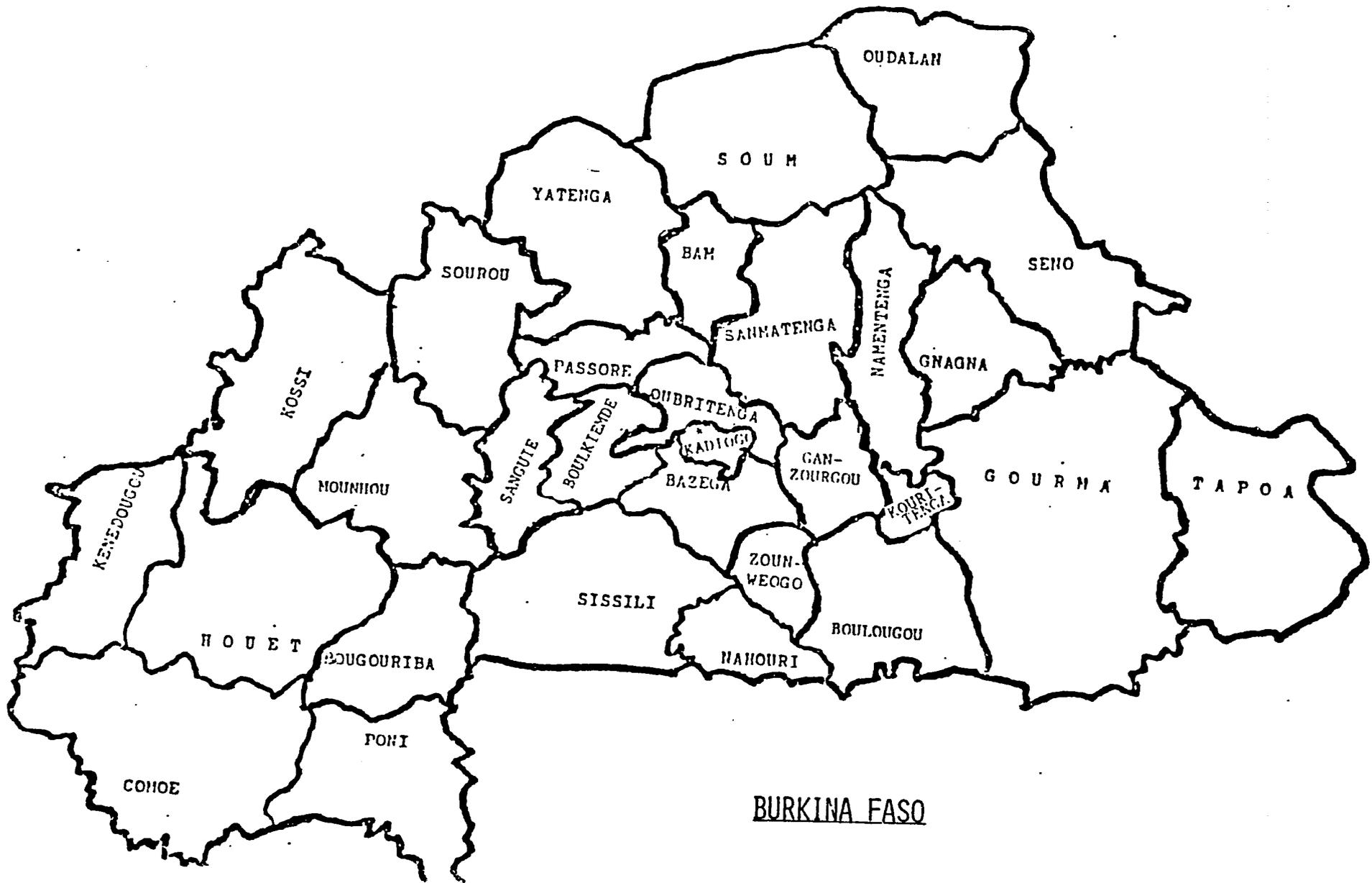


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CHAPTER I

THE CURRENT ECONOMIC AND FISCAL SITUATION

Introduction

Burkina Faso, like other Sahelian countries, is currently engaged in struggle for its economic survival. Its predominant economic activities, rain-fed agriculture and livestock production, have been dealt devastating blows by a prolonged drought. Its manufacturing service and commercial sectors, never robust, have failed to grow over the past few years. The deficit in the current account of the balance of payments has increased by approximately 50 percent since 1979, despite increases in exports in 1983 and 1984. Many public enterprises, operating far below capacity, have incurred large losses, and are in substantial arrears in payments to private-sector suppliers. Finally, the deficit of the central government budget, excluding foreign grants, has grown to the point where in 1984 its share of gross domestic product (GDP) (11.3 percent) is almost double that of 1979, as slow growth restrained revenues while budgeted expenditures increased in response to inflation and debt service payments. The growth in external debt, borrowed to finance government investment in social and economic infrastructure, jeopardizes prospects for further external borrowing to offset temporary deficits and to support needed capital formation.

Fortunately for Burkina, substantial stocks of food grains were available at the start of 1983. The release of these stocks, along with reduced, but not disasterous, yields from food grain crops of 1984, bolstered by considerable cereal imports and food relief aid, have prevented extensive famine. However, while this has permitted maintenance of the modest living standards of the bulk of the population, it does not resolve the problem of paying for the government employees who maintain the political and administrative structure of the nation, supporting the extended administrative network envisioned by the new government, and financing their proposed development projects and initiatives.

The present regime is extremely sensitive to these short-run problems and is also working on a long-run development plan. In response to the budgetary deficits of 1982 and 1983 the National Revolutionary Committee (CNR) has frozen government hiring and salaries, lowered the retirement age for public employees, and retained a portion of public employee salaries. It has also established a voluntary fund for the purchase of food grains to be sent to the drought-stricken areas.

For the intermediate term the CNR is implementing a development program (Programme Populaire du Developpement; PPD) which will probably serve as a model for its future long-term development strategy. The basic approach involves a threefold program: major infrastructure projects such as dams, irrigation networks, and railroad lines financed by external grants; national and local socio-economic infrastructure such as

communications and transportation networks, animal health centers and slaughter-houses, funded largely from national budget appropriations; rural projects such as boreholes, wells, water-retention dams, schools and health facilities which will rely heavily on local voluntary contribution of labor plus some proposed loan funds.

The development program places heavy emphasis on rural projects and the substantial role in their implementation of the High Commissioner, the administrative chief of the newly-created province. To carry out his obligations in promoting local economic development, the High Commissioner will need enhanced budgetary capacity and expenditure control for both the province and the commune.

These developments in the general framework of public policy make an approach to local revenue mobilization and service delivery even more apposite. At the same time the extremely unpromising situation of the national budget and prospects for foreign lending make local resource mobilization absolutely crucial if there is to be any improvement of local services or even maintenance of the rudimentary network currently in place.

Economic Situation

The present economic situation in Burkina is characterized by a slowdown of a previously modest and irregular rate of growth of GDP. The GDP per capita of US\$210 in 1982 (about US\$135 in rural areas) grew at an average rate of 1.1 percent from 1960 to 1982, and evidence suggests that

due to the drought and other factors real GDP (and gross national product also) actually declined from 1982 to 1983. Projections which suggested that production would grow substantially in 1984 seem now to have been overly optimistic, and it will be fortunate if the final figures for 1984 show no real decline. Measures of production tell a similar story of irregular growth and decline from year to year, with a negative growth rate for output of major crops in both 1982 and 1983 and an index of production per capita which shows 1982 levels at 95 percent of those of 1969-71.

The effects of the prolonged drought are superimposed on an economy which is characteristic of the Sahelian region of West Africa. Subsistence agriculture is the primary economic activity for over 90 percent of the population. The public sector is the second largest economic sector and the most rapidly growing one. Industry accounts for only about 16 percent of production. Because private and public consumption and exports exceed domestic production, the overall resource balance is negative, as is gross domestic saving. Imports have amounted to slightly over a quarter of GDP for the past five years, while exports have varied from 10 to 13 percent of GDP. External debt as a percent of GDP, which at 29 percent in 1982 was above average for Sahelian countries, has raced ahead in the last two years to almost 42 percent in 1984. This has increased the ratio of debt service to exports from 10.6 to 14.5, and indicates serious difficulties for the balance of payments and for prospects of further foreign assistance to finance domestic investment which, due to such aid, increased at a

respectable annual rate of 3.2 percent from 1970 to 1982.¹

It is useful background to this brief sketch of the Burkina economy to provide some indicators of the conditions of life in Burkina. Life expectancy is 44 years, somewhat lower than the average of 51 years for the group of countries classified as low income by the World Bank.² Consequently, the rate of population growth, 2.0-2.2 percent, is somewhat lower than the average low income country. Burkina is among the least urbanized countries in the world with only 11 percent of its population residing in urban areas in 1982. The growth of energy consumption since 1974 has been above average for low income countries; nevertheless, at 22 thousands of kilograms of oil-equivalent per capita, it is only a quarter of the average for countries with comparable incomes. Finally, as regards measures of health, the availability of physicians in Burkina at 1 per 48,510 persons is far below that in other low income countries, although the number of nurses is above average. Enrollment ratios for primary, secondary and higher education of 20, 3 and less than 1 percent of the relevant populations are below average even for low income countries, and the adult literacy rate, estimated in 1976 at 5 percent, is one of the lowest in the world.

¹Data in this paragraph are from the International Monetary Fund, "Upper Volta - Recent Economic Developments," August 15, 1984, Basic Data pp. v-viii.

²Figures presented in this paragraph are from the World Bank, World Development Report 1984, and are shown along with comparisons of Burkina with other countries in Appendice Tables A-1 and 2.

Scope of the Public Sector

In developing countries it is usually difficult to define the "public sector" and measure comprehensively public revenues and expenditures. The central or national budget provides, at best, a partial portrait of the economic magnitude and importance of government and government related activities. There are "off-budget" government expenditures financed by special funds which may come from domestic loans or earmarked taxes (e.g., social security) or from external loans or grants provided directly to governments. Also omitted from national budgets are the large sums spent by foreign donors for specific projects which may require local counterpart contributions and must be approved by the central government. These outlays, then, are subject to host government control, use local as well as imported resources, produce increased physical and/or human capital, yet are not generally accounted for in conventional measures of government revenues and expenditures. A further source of incomplete measurement of government activities is the treatment of public enterprises. The subsidies provided from the national budget and included there are insufficient to cover operating losses and arrears in the payment of debts outstanding by these enterprises. These losses, however, do not appear in government accounts.

Another component of government finances often excluded from conventional statements are receipts and expenditures of sub-national government authorities. This area, vital to the substance of this report, is frequently overlooked in portraits of government activities in countries with centralized, unitary administrative structures. This arises because

the role and responsibilities of local authorities under centralized systems primarily concern territorial administration while the actual provision of government services to local residents is organized and operated by field officials and other personnel employed by "functional" ministries of the central government. While the amounts raised and spent by local authorities in centralized systems generally are only 5 to 10 percent of central budgets, they often represent significant amounts in urban areas and for certain purposes such as road maintenance, local education and health services. Furthermore, as mentioned above, for Sahelian and other developing countries facing virtually insuperable obstacles to central finance posed by the recurrent costs of their functional ministerial field services, increased local resource mobilization is the only possible means of maintaining or augmenting these activities.

Economic Activities of the Central Government

An essential background for the extended description and analysis of local resource mobilization and service provision in Burkina is an overview of the finances and other economic involvements of the central government. The economy of Burkina, while heavily subject to national government policies and regulations, is largely private in terms of ownership. A recent study estimates that 73 percent of value added and 95 percent of employment is private.³ This estimate treats government and fully

³See Steve Haggblade, Private Sector Assessment: Synthesis Report for Burkina Faso, December 15, 1984, a report prepared for USAID/Burkina, p. 5.

government owned enterprises as public and allocates value added and employment in enterprises with partial government ownership in proportion to shares owned. The impact of government on the entire private sector is, however, extremely strong due to government regulation of prices of domestically produced goods including food grains, of minimum wages (earned by 2 percent of private sector employees), of mark-ups on imported goods, and of interest rates and the amount and allocation of bank credit by the West Africa Central Bank (BCEAO).

Turning to public finance, the national budget includes revenues from direct and indirect taxes (exclusive of social security taxes), administrative fees, charges, fines and forfeits, sales of government property and general purpose grants from abroad. On the expenditure side, the national budget encompasses outlays for repayment of debts, transfer payments to individuals and organizations, personnel and material expenditure by ministries and investments. Apart from its lack of comprehensiveness, a continuing concern as regards the national budget is that the system of expenditure classification does not permit functional distribution of all expenditures, nor does it separate investment outlays by function. A new, elaborate system of budget nomenclature designed to yield expenditures on these and other detailed categories has been adopted, but its application will present serious problems for the already overburdened staff of the Ministry of the Budget.

Levels of national budgetary revenue and expenditure in Burkina were typical of low income African countries during the 1970s and early 1980s. While the absolute level of tax revenues amounted to no more than US\$20 per

person, per capita income was no more than US\$200. Taxes as a percentage of GDP and tax buoyancy over time were a bit below the norm for low income semi-arid African nations but an index of the use of tax capacity showed Burkina Faso above most African countries regardless of their incomes.⁴ Budgetary expenditures were kept quite close to budgetary revenues, which included an annual grant from France applicable to the general budget of some 2-3 percent of the budget.

In 1982 increased budgetary expenditure along with normal growth in revenues brought about a considerable imbalance between budgeted revenue and expenditures. Then in 1983, budgetary revenues scarcely increased, due to a combination of factors including the drought and political and economic uncertainty. Data on budgetary expenditures for 1983 are not clear. Some estimates show a fall in spending leading to virtual balance with revenues. Other estimates, which take account of arrears in government payments and other adjustments, show expenditure considerably above revenue. Complete figures for 1984 are not yet available, but all sources agree that budgetary expenditures were seriously cut back, while revenues increased enough to bring about a virtual balance in the national budget.

Another perspective on public finance in Burkina, however, emerges from a more comprehensive view which includes foreign grants and extra-

⁴See J. Miner and R. Hall, "Local Revenue and Service Provision in Upper Volta: Phase I Final Report," Monograph No. 13, Local Revenue Administration Project, Metropolitan Studies Program, The Maxwell School (Syracuse, New York: Syracuse University, August 1983), p. 8.

budgetary capital outlays of the Government of Burkina (GOB), such as expenditures from the Treasury's Special Accounts. The deficit, including unpaid arrears, began to grow in 1980 and has increased absolutely every year since; it reached 10 percent of the GDP in 1983 before expenditures reduction lowered it to 9 percent in 1984 (Table I-1). Although budgeted expenditure in excess of revenues accounted for some of this deficit increase, the main culprit has been the growing excess of extra budgetary capital outlay over foreign grants. Since domestic saving is negative, foreign borrowing is the sole means of financing this discrepancy. The rise in foreign debt, mainly in short-term loans, and the principal payments now coming due are imposing an intolerable burden on budgetary revenues forcing the GOB to make difficult decisions regarding reductions in operating outlays.

The GOB has taken extraordinary measures to augment tax revenues and cut expenditures. With over 50 percent of budgeted expenditure concentrated in personnel and material and investment expenditure at minimal levels, expenditure reduction has concentrated on government employees. While there have been no wholesale dismissals, over 300 civil servants have been fired and 1,600 teachers laid off and replaced by recent secondary school graduates. Also, as mentioned above, the government has frozen salaries and hiring, accelerated retirements, reduced housing indemnities and imposed a contribution to the Treasury of 4 to 8 percent of public employees' salaries.

Administrative Structure and Recent Changes

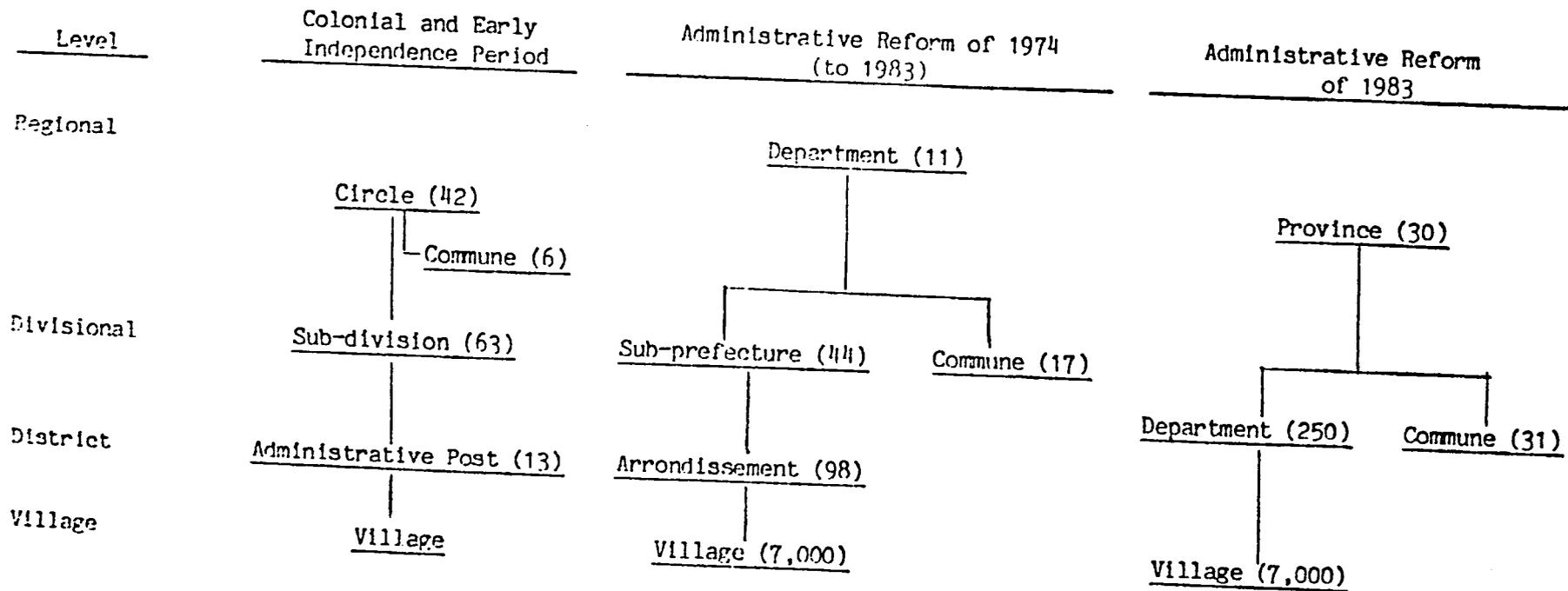
Examination of local revenues and expenditures requires a clear indication of the nature of local administrative units, particularly the

powers they possess and responsibilities assigned to them. As mentioned above, the highly centralized system characteristic of previous Burkina administrations is presently undergoing substantial revision. Ministries have been changed in scope and function and the fundamental territorial organization has been altered in the direction of dramatic increases in the numbers of local authorities. At the same time, the responsibility of local territorial administrative units and their administrative heads have been increased, although without increase in available revenues.

In Burkina today two local territorial authorities, the province and the commune, possess the right to acquire revenues and make expenditures and, therefore, have responsibility for preparing and executing budgets. The provinces, of which there are presently 30, are successors to the former departments, of which there were 11 (see Appendix Table A-3). Under the new system the administrative heads of the province, called High Commissioners, continue to be named by the President. They are, however, no longer drawn only from those trained and experienced in civil administration, but include men and women of various backgrounds. Unlike the prefects who governed the Departments and were field officials of the Interior Ministry with strictly delimited authority for departmental policy, the High Commissioner has enhanced responsibility for a wide range of economic and social programs as well as for political and ideological formation within the province. The subordinate administrative unit of the province is now called a department, instead of its former title, sous-prefecture or arrondissement, and is headed by a prefect. As the organization chart shows (Figure I-1), the new departments will in many

FIGURE I-1

TERRITORIAL ADMINISTRATION IN BURKINA FASO:
1947 TO THE PRESENT



cases correspond to the former sub-prefectures and arrondissements. While there are at present about as many operating local territorial units in the new scheme as in the old, there are plans for the creation of a large number of new departments.

The new departments will have a role in provincial budgetary matters similar to that of the sous-prefecture in the old. That is, they will provide estimates of expenditures to the budget authority at the provincial level and they will normally assist in preparing the village tax rolls and in collecting revenues from villages, although it should be noted that, with the suppression of the basic rate of the standard tax (IFR), there are at present no village taxes to be collected.

The village is an official unit of territorial administration. Formerly, an elected chief was the unpaid administrative officer of the village. His responsibilities centered on the maintenance of order and the collection of taxes due by village residents. All administrative functions were removed from the chief in 1984 and accorded to the "village delegate" who is to be elected from among the membership of the local Committee for the Defense of the Revolution (CDR).

The organization of the commune, the second type of local territorial administrative unit with budgetary authority, has not been altered. Every provincial seat has been declared a commune. As of 1983, however, there were only 18 fully operational communes that collected taxes according to communal regulations. Gourcy, located in the Province of Yatenga, is not the provincial capital although it is a functioning commune. This accounts for the discrepancy between the number of communes and the number of provinces.

The proposed increases in local authorities and in administrative sub-units will pose serious problems regarding construction of necessary offices and housing, finding qualified staff, and meeting recurrent costs of personnel and material. So far, no comprehensive estimation has been made of these costs.

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CHAPTER II

NATIONAL AND LOCAL REVENUE

Introduction

Description and analysis of central tax structure and administration is an essential background to the question of local revenue and resource mobilization. First of all, the Tax Division (Direction General des Impots) of the National Ministry of Finance (Ministère des Ressources Financières) has responsibility for assessment of all direct taxes including those whose proceeds accrue to rural and communal budgets. The Tax Division also assesses central government indirect taxes, except for customs duties. Secondly, the eleven regional treasuries (Tresoreries Rgionales), offices of the general treasury (Tresorerie General), also under the finance ministry, are in charge of collecting local as well as central taxes. The regional treasuries also hold and disburse funds of the provinces, communes, and the central government recovered from direct taxes and from the fees and charges collected and retained by the provinces and communes. The effectiveness of tax administration and prospects for improvement, then, hinge on the local field practices of central tax and treasury agencies which were examined thoroughly in the course of this project.

The relevance of central tax administration for this report on local resource mobilization derives partly from the intertwining of central and local tax assessment and collection procedures. Also, trends in central

revenues and their future prospects strongly affect possibilities for providing grants-in-aid to localities or local sharing of central taxes, or for increasing or even maintaining those local services presently provided by field agencies of central ministries. Finding clear evidence of the improbability of such alternatives places even greater importance on improved tax administration and on development of new local revenue sources. Further, along these lines, if new local revenue sources are to be developed for provinces and communes, proper analysis of their efficiency and equity requires that the effects of these new sources be considered within the entire system of taxation, including the far larger central taxes.

National Budgetary Revenues

National revenues in Burkina may be usefully grouped into the following broad categories: direct taxes, domestic indirect taxes, taxes on international trade, and nontax revenue. Table II-1 summarizes revenues from these broad categories of sources of revenue for the period 1970-1984. General provisions and rates of specific taxes under each heading are presented in Appendix Table A-4. Details of tax recoveries by specific taxes over time are contained in Tables III-3, 5 and 10 of Chapter III, where tax recovery issues are discussed.

National Taxes, 1970-1984. As with most developing countries, direct taxes in Burkina are relatively low, constituting about 20 percent of the total, while taxes on international trade, mainly on imports, provide about half of budgetary revenue. According to the official GOB classification, excise and domestic turnover taxes produce another 20 percent. This classification, however, understates taxes on trade and

TABLE II-1
CENTRAL GOVERNMENT REVENUE BY BROAD CLASSIFICATION
(in billions of CFAF)

<u>Source</u>	<u>1970</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
<u>Tax Revenue</u>							
Direct Taxes	2.6	5.8	8.7	9.4	10.0	10.6	11.6
Domestic Indirect Taxes	2.6	7.6	8.4	11.0	12.0	12.3	15.3
Taxes on International Trade	<u>4.7</u>	<u>14.5</u>	<u>17.3</u>	<u>18.8</u>	<u>21.4</u>	<u>19.1</u>	<u>23.7</u>
Total Tax Revenue	9.9	27.9	34.4	39.2	43.4	42.0	50.6
<u>Non-Tax Revenue</u>	<u>1.1</u>	<u>3.3</u>	<u>4.3</u>	<u>1.9</u>	<u>6.8</u>	<u>10.2</u>	<u>6.8</u>
Total Revenue	11.0	31.2	38.7	41.1	50.2	52.2	57.4
Total Revenue as Percent. of GDP	13.0	12.3	13.6	12.6	13.9	13.9	13.8
Percent Annual Change in Tax Revenue		2.7	23.2	14.0	10.7	-3.3	20.5

SOURCE: USAID/Burkina, A Macroeconomic Profile of Burkina Faso, p. 49.

overstates the contribution of excise taxes on consumption because revenues from petroleum and imported tobacco are included in the latter while they would normally be considered to be customs duties. Consequently, virtually all domestic excise revenue comes from the turnover tax (taxe sur le chiffre d'affaires), and amounts to less than 10 percent of total tax revenue. Nontax revenues, including income from the use of government property, fees, charges, fines, and foreign aid provided for general budgetary purposes make up the remainder; their importance varies from year to year and averages about 5 percent.

Historical data for the 1970-1984 period on overall receipts reveals a remarkably stable relation of total revenue to GDP equal to 13 to 14 percent. As discussed in Chapter I, this ratio is slightly below the average for all low income countries as well as for low income African ones, and the responsiveness or buoyancy of central revenues to growth in nominal GDP in Burkina also is a bit below average. The recent history of central revenues is, therefore, not promising as regards additional resources for local service provision. Without major changes, the Burkinabe tax system can at best be expected to provide revenues equal to about 14 percent of GDP. With GDP scarcely growing this implies little or no revenue increase. Combined with the increasing share of national budgetary expenditure required for debt repayment this suggests that the central government will be able to provide little or no help with the recurrent cost gap for local services.

Partly in response to the emergence of this situation and partly to promote improved tax practices in general, various studies and consultant groups, including the Phase I Report of this project, have suggested tax

reforms intended to raise the revenue potential of the national tax system and its responsiveness to growth in incomes and prices. The following brief review of the major reform proposals serves as a background for description of specific recent tax changes in Burkina.

Import taxes, the largest source of revenue, are based on a series of differential rates applied to the value of imported goods. The unit value of imports is determined by a schedule of "posted prices" (valeurs mercuriales). Updating of these posted prices, as recommended by the IMF, was put into effect for some goods in 1982 along with increases in the import duties for selected products. While these changes do respond to recommendations for updating of the value of imports and exports, they do not provide a mechanism for continuous establishment and maintenance of taxable values at market prices. It is generally agreed, however, that the customs service lacks sufficient trained personnel to implement such a procedure at the present time. Also, it should be noted that setting import prices at current values does not always increase revenues since revenues would fall with reductions in market prices, a circumstance which does not happen with fixed posted prices.

Burkina's excise taxes are per unit rather than ad valorem and, consequently, do not respond automatically to inflation. Excise rates on both petroleum and cola nuts were raised in 1975 (although the cola tax was reduced somewhat in 1977), but those on beverages and other products subject to excise taxes remained unchanged for well over a decade. In August 1983 unit tax rates on petroleum products other than kerosene and diesel fuel were almost doubled and in 1984 the tax on domestic beer was doubled and the rate on imported alcoholic beverages was increased by over

800 percent. The effects of the tax increase on petroleum products did not reveal itself until 1983 when these revenues increased by almost 70 percent over the previous year.

The strongest and most persistent recommendations for tax reform in Burkina have concentrated on changes in these two aspects of indirect taxation designed to permit revenues to respond more quickly to increases in the price of imports. Other areas mentioned for reform include possible reductions in tax exonerations for investment, establishment of a single comprehensive income and profits tax schedule, and replacement of import duties with domestic consumption taxes on products which are not produced in Burkina.

National Tax Provisions, 1985. Between 1981 and 1984 only the few minor changes mentioned above were made in direct taxes, none of which had major impact on the national budget. In 1985, however, the CNR imposed several measures, some temporary, to increase direct tax revenue so as to reduce the budgetary deficit and, at the same time, to reduce the taxation of peasant farmers.

As of 1985 all taxes on commercial and noncommercial profits and on rental income have the same progressive rate schedule. This culminates a series of changes started in 1981 in which the noncommercial income tax (BNC) and the tax on rental income (IRI) were converted to progressive rate from flat rate taxes. Taxable income from each of these three sources is now taxed according to a schedule whose rates were increased in 1985 from 5-35 percent to 10-45 percent. A different rate schedule applies, however, to interest and dividends. These rates, which varied from 16 to 27 percent depending on the income source, were increased in 1985 to range from 21 to

37 percent. Real estate capital gains continue to be taxed at a 15 percent flat rate.

These changes, particularly the increased rates, will produce some small revenue gains, but the potential here is extremely modest considering that the total of all these taxes amounts to less than 5 percent of budgetary revenues. The importance, if any, of such changes concerns equity and incentives. As regards equity, these adjustments are only a very small step toward the recommended adoption of a single comprehensive income tax. Establishing identical but separate progressive rate schedules for commercial, noncommercial, and rental incomes is not equivalent to a single rate schedule being applied to the sum of these and other sources of income. Thus, a taxpayer with income all from one source will pay more than another taxpayer with the same total income from several sources. Further, more income from wages and salaries as well as interest and dividends are taxed at different rates than income from business and rents. The question of a single progressive income or personal tax remains an issue for Burkina's future tax policy. Tax experts have suggested that, in the absence of the capacity to administer and operate a comprehensive income tax, it may be better to tax income from various sources at a single flat rate. This would produce equity in tax rates regardless of income source and would provide no incentive for shifting of income from one to another source to reduce tax liability. For a country whose direct tax receipts are so modest and whose resources for tax administration and compliance are so limited, such a proposal has obvious merits.

Despite a suggestion from the World Bank that little stimulation resulted from the tax exonerations provided to both foreign and domestic firms for new investment, the period from 1981 to 1985 has seen no modifications of these generous provisions. The value of such concessions for promoting investment is seriously in question, particularly for foreign investors, because home countries generally provide a credit against domestic taxes for taxes paid to foreign governments on overseas investments. Consequently, Burkina's tax exoneration policies may simply amount to a transfer of tax revenues from Burkina to the treasury of the home country of the investors without inducing any greater amount of foreign investment.

The tax on wages and salaries (IUTS) is the largest source of direct revenues. The growth of 20 percent in its yield from 1981 to 1982 reflected the increase in government salaries and in the minimum wage in 1982. These tax rates are progressive with marginal rates ranging from 2 to 30 percent, and, up to 1985, with percentage reductions in tax liabilities for dependents. In 1985, as a revenue enhancing measure, the reductions in tax liability for dependents which ranged from 8 to 22 percent (for seven or more dependents) were eliminated. This will raise effective average rates by 10 to 15 percent and will undoubtedly impose serious burdens on those with large families.

Since government functionaries pay a large portion of the tax on wages and salaries they will be heavily burdened by this change. In addition, for the year 1985 government employees are to contribute from 4 to 8 percent of their salaries, depending on civil service grade, to a special fund for the reduction of the deficit. This contribution is not deductible

from income subject to the wage and salary tax, so the functionaries will have to pay tax rates on incomes which are 4 to 8 percent higher than they will actually receive, due to the contribution.

Another change in direct taxation in 1985 is suspension of the lowest category of the standard tax (IFR) and increases in the other five categories. This tax, paid by those who are not subject to the wage and salary tax, is levied according to categories reflecting estimated capacity to pay. The lowest group (sixth category), consisting mainly of those in subsistence agriculture, were assessed from 300 to 550 CFAF per year (depending on location), plus a supplement of up to 60 percent of the IFR imposed on those residing outside communes. When collected in the rural areas, the IFR has historically been assigned to the central budget. This policy was changed in 1982 when it was supposed to be returned to the departmental treasury for infrastructure investment projects. The departmental tax (Impt de departement) assessed at a rate fixed by the localities and not exceeding 60 percent of the IFR is retained by the department and typically accounts for over half of its direct revenues. Communes retain the IFR collected within their boundaries; however, it yields only about 15 percent of communal direct tax revenues. In communes the IFR along with the tax on rental value of domiciles (CM) and the patente is a component of the base of the "centimes additionnel", a supplementary tax, which varies by location from 5 to 15 percent and whose proceeds also accrue to the commune.

The net effect of this change in the IFR is to reduce departmental (now provincial) revenues significantly since virtually all rural taxpayers are assessed at the sixth category rate. Results in the communes are

harder to assess but a less dramatic change in total revenues is likely because of the relatively large proportion of communal residents who receive wages and salaries and pay the IUTS rather than the IFR, and a tradeoff between the gains from higher rates on those above the IFR sixth category and the losses from those exonerated.

This brief summary of central revenues reveals that, despite some tax reforms and temporary revenue enhancement measures imposed by the new government, central revenue in Burkina will not be capable of providing any significant new budgetary support for operational activities in the provinces and communes for the foreseeable future without fundamental increase in the growth of the economy. Yet, the CNR in its Popular Plan for Development (PPD) and other expressions of policy places heavy emphasis on increased local services and creation of socio-economic infrastructure. Voluntary labor alone, even if available, cannot accomplish these tasks. Additional revenue needs to be found by the provinces and communes, and this need will intensify to meet the operational and recurrent costs of the planned expansion of infrastructure.

Local Revenues

As discussed above, the past centralized political and administrative structure of Burkina Faso assigned few public responsibilities to its second level administrative authorities. These units, provinces (formerly departments) and communes, previously functioned primarily as agencies of territorial administration and provided the relatively few services consonant with such limited functions. Consequently, their revenue sources were severely attenuated. At present local authorities garner their revenues from low rate taxes on persons and the rental value of premises, a

combined business license and rental value of business premises tax (patente), and an assortment of fees and charges. Detailed description of these revenue sources, which differ somewhat for communes and for departments (provinces), is contained in Appendix Table A-5. A primary objective of this study is to review and evaluate in detail these local revenue sources and to suggest possible reforms in light of current GOB interest in decentralization of government administration and the already-assigned increased responsibilities of provinces for economic development. An essential background to examination of the legal provisions and administration of local revenues is a quantitative review of the amounts of local revenues and their distribution by revenue source and by individual departments and communes.

Perhaps the most striking fact about local revenues in Burkina is not their extremely modest magnitude which averaged less than 300 CFAF per capita in departments and less than 1400 CFAF per capita in communes in 1982 and 1983, but the fact that there are no official published figures for revenues of local administrative units. This is explained, no doubt, by the past unimportance of these units which merely served to register births and deaths, to certify official documents and letters, and as a territorial base for the important service activities of field agencies of central government ministries. Fulfillment of their new responsibilities will require new, accurate, comprehensive data on the fiscal situation of provinces and communes.

The basic data in Table II-2 come from the "local accounts service" of the General Treasury (Service des Postes Comptables, SERPOCO) which is supposed to receive annual management reports (Comptes de Gestion) and

TABLE II-2
REVENUES OF DEPARTMENTS AND COMMUNES, 1976-1983

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
(in millions of current CFAF)								
Departments	748	841	723	811	750	988	1,622	1,599
Communes	<u>741</u>	<u>880</u>	<u>838</u>	<u>897</u>	<u>1,026</u>	<u>1,371</u>	<u>1,330</u>	<u>1,264</u>
Total	1,489	1,721	1,561	1,708	1,776	2,359	2,952	2,863
(in millions of constant 1977 CFAF) ^a								
Departments	874	841	673	677	562	673	1,002	933
Communes	<u>865</u>	<u>880</u>	<u>780</u>	<u>748</u>	<u>769</u>	<u>934</u>	<u>822</u>	<u>738</u>
Total	1,739	1,721	1,453	1,425	1,331	1,607	1,824	1,671
<u>Percent Annual Change in Revenues (Current CFAF)</u>								
								<u>Average Annual Percent Change 1976-1983</u>
Departments	12	-14	12	- 8	32	64	- 1	11.7
Communes	<u>19</u>	<u>- 5</u>	<u>7</u>	<u>14</u>	<u>35</u>	<u>5</u>	<u>-11</u>	<u>8.3</u>
Average	16	- 9	9	4	33	25	- 3	13.0
<u>Per Capita CFAF and US\$</u>								
	<u>Average 1976-1977</u>		<u>Average 1982-1983</u>					
	<u>Current CFAF</u>	<u>US\$</u>	<u>Current CFAF</u>	<u>US\$</u>	<u>Constant 1977 CFAF</u>	<u>US\$</u>		
Departments	135	.55	281	.80	169	.48		
Communes	<u>1,706</u>	<u>6.96</u>	<u>1,363</u>	<u>3.89</u>	<u>819</u>	<u>2.34</u>		
Average	251	1.02	435	1.24	254	.72		

^aPrice index 1976-1980 taken from index of Final Consumption of Public Sector, Table 2, p. 8 of Comptes Nationaux de la Haute-Volta, 1980; index for 1981-1983 equal to implicit GDP deflator estimated by IMF.

SOURCE: Service des Postes Comptables (SERPOCO), Trésorerie Générale.

monthly revenue summaries from the appropriate regional treasury for each department and commune. SERPOCO provided annual figures going back to 1976 for both total receipts and expenditures for each department and commune. Unfortunately, these figures often do not correspond with those provided to our researchers by the regional treasurers in Ouagadougou and Bobo Dioulasso, nor with data from individual departmental and communal management reports.

It is not difficult to find explanations for these discrepancies. The local accounts service of the General Treasury receives a monthly report of revenues from the regional treasury, and the yearly total of these receipts may be different from that in the accounts at the regional treasury or in the management reports. Receipts recorded in one source may be only up to the end of the year, while another source may include receipts from the previous year's taxes obtained during the first two months of the following year which, by regulation, accrue to the previous year's revenues.

Whatever the reasons, the problem for an analysis of local revenues and revenue sources is that data are often partially or completely missing, and when available, usually are not consistent with those of other sources. Still, we did obtain a great deal of information which reveals much about local revenues and about the inadequacies of the recording and registering of such information.

Overall Revenues of Departments and Communes

Average revenues of local authorities in Burkina for 1982 and 1983 averaged approximately 435 CFAF per person (Table II-2). This total of about one dollar per person represents essentially the same amount in real terms as was raised in 1976-1977, and is about 5 percent of central

government revenues. Communes and departments raise roughly the same amount of revenues, but since the total population of communes is far lower, their per capita revenues (1363 CFAF in 1982/83) are five times those of departments (281 CFAF).¹ This reflects the greater level and range of economic activity in communes, which, however, is accompanied by a greater need for services. The communal totals include all those designated communes for which there was an operating local accounting unit for the year in question. Still, these figures are dominated by Bobo Dioulasso and Ouagadougou which account for about 80 percent of communal totals.

The average annual compound rate of growth of departmental revenues for 1976-83 was 11.7 percent, somewhat higher than the corresponding rate of 8.3 percent for communes. Variations from year to year are quite large for both departments and communes, but greater for the former. There is a tendency for revenue of the two authorities to move together; both suffered reduction in revenues in 1978 and 1983 and a sharp increase in 1981. Departments experienced a dramatic increase of 64 percent in 1982, unmatched by similar growth in communes. The extreme instability exhibited by these year-to-year changes in local revenues undermines the capacity to plan expenditures or to stabilize provision of local public services.

Per capita nominal departmental revenues have increased slightly more than communal revenues over the period from 1977. The growth of departmental revenues, however, has been both irregular and very modest.

¹Rural population in departments and communal population for 1977 are taken from the 1975 census and populations for 1983 are our estimates.

On the other hand, communal nominal revenues increased fairly regularly through 1981. Revenues for 1982, however, were lower than those of 1981 and in 1983 receipts declined still further. The effects of inflation and rising communal populations reduced real per capita revenues of communes in 1983 by 25 percent in relation to 1977; on the other hand, 1983 real per capita departmental revenues had increased by about 20 percent over their 1977 levels. The low growth of total local authority revenues between 1977 and 1983, however, is not particularly different from the growth of central government tax revenues. Total central revenues during this period grew at essentially the same average annual rate, 13 percent, as did revenues of local authorities.

Sources of Local Authority Revenues

Examination of sources of specific revenue is vital to understanding the level and patterns of revenues of local authorities and the potential of reform to increase revenues and improve their efficiency and equity. Here, the inadequacies of data availability are particularly inhibiting. No official report provides a breakdown of revenue sources by departments or communes. SERPOCO, which tabulates total revenues by individual department and commune, does not classify revenues by source. A comprehensive portrait of revenue sources of departments and communes cannot be developed from the management accounts filed at SERPOCO because only a small fraction of the total is available there. Further, to our surprise we discovered that the management accounts for communes no longer contain figures for tax recoveries, but only for anticipated and assessed amounts. At first, the absence of so many of these documents seems puzzling, given the availability of totals for each year for each local

authority. Officials explain that accounts are frequently returned to local authorities for correction on the basis of errors noted at SERPOCO and often are not returned. Furthermore, SERPOCO's data for total revenues is based on the monthly reports on total receipts and expenditures from the regional treasuries rather than the management accounts, and these do not contain details on revenue sources or categories of spending.

In the absence of official data or even of tabulations for internal use by responsible agencies, other means are necessary to obtain a picture of local revenues by source. Where available, management accounts and tabulations made by regional treasuries responsible for revenue collection provide information on revenue sources of specific departments and communes for years before 1982. We collected many of these, particularly for the areas in which the project focused, and results of their analysis are presented below. These sources provide information on the most detailed sources of revenue, but we were not able to transcribe this full detail in all cases. To further complicate matters, data from local treasury records often differ from those in the management accounts, although to our knowledge the same officials are responsible for the two documents.

Because neither management accounts nor local treasury tabulations are available for all departments and communes it is not possible to provide comprehensive data on their revenue sources. Receipts from specific revenue sources are presented below for selected local units. On a comprehensive basis it is possible to estimate the broad breakdown of total revenues into what might be termed direct and indirect taxes. By direct taxes here is meant the group of taxes whose proceeds accrue to local authorities for which tax rolls are established and for which tax bills

TABLE II-3

LOCAL DIRECT AND INDIRECT REVENUES, 1977-1983
(in millions of CFAF and percent distribution)

	1977		1978		1979		1980		1980 ^a		1981		1982		1983	
	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.	CFAF	Percent.
<u>Departments</u>																
Direct	518	61.6	489	67.6	441	51.5	489	65.2	580	78.6	478	48.4	586	36.1	497	32.5
Indirect	<u>323</u>	<u>38.4</u>	<u>234</u>	<u>32.4</u>	<u>370</u>	<u>45.6</u>	<u>261</u>	<u>34.8</u>	<u>158</u>	<u>21.4</u>	<u>510</u>	<u>51.6</u>	<u>1,036</u>	<u>63.9</u>	<u>1,101</u>	<u>67.5</u>
Total	841	100.0	723	100.0	811	100.0	750	100.0	738	100.0	988	100.0	1,622	100.0	1,528	100.0
<u>Communes</u>																
Direct	282	32.0	378	45.1	379	42.3	465	45.3	394	29.8	673	49.1	599	45.0	522	41.3
Indirect	<u>598</u>	<u>68.0</u>	<u>460</u>	<u>54.9</u>	<u>518</u>	<u>57.7</u>	<u>561</u>	<u>54.7</u>	<u>929</u>	<u>70.2</u>	<u>698</u>	<u>50.9</u>	<u>731</u>	<u>55.0</u>	<u>742</u>	<u>58.7</u>
Total	880	100.0	838	100.0	897	100.0	1,026	100.0	1,323	100.0	1,371	100.0	1,330	100.0	1,264	100.0

^aThe Comptes Nationaux de la Haute-Volta, 1980, Table 19, p. 41, shows revenues of a partial set of departments and communes by broad revenue source. Although no date is given for the data, it is presumed to be for 1980.

SOURCE: SEIFODO and CHATPIN printouts.

(avertissements) are prepared by CENATRIN and sent to regional treasuries. All remaining revenue sources are classified as indirect taxes. These include fees for services and charges for use of public property which are collected without the establishment of tax rolls. (A more detailed description of local revenue sources is presented in the next section.)

Table II-3 contains an estimate of the distribution of local revenues by "roll" taxes and all other revenue sources. The only source of a comprehensive estimate of roll taxes is from CENATRIN, and the figures for direct taxes used in Table II-3 are the amounts of revenues recovered for the year in question from those taxes for which CENATRIN prepares tax bills. For purposes of comparability amounts collected from taxes due from previous years are included in the year in which they are recovered. Indirect taxes are then estimated as the difference between the amount of total revenue reported by SERPOCO and the direct tax recoveries as reported by CENATRIN. Use of different sources here is likely to lead to error, but this appears to be the only way to make comprehensive comparisons over time.

The analysis reveals sharp differences regarding revenue sources between departments and communes. Departments rely heavily on roll taxes, while communal revenues are more evenly balanced between roll taxes and indirect revenues. This difference seems reasonable in light of the far more limited indirect tax base of departments in comparison with communes. Departmental figures, however, show a doubling of indirect revenues from 1981 to 1982, and a continuation of this higher amount in 1983. As discussed below, this increase extends to all departments. There was no change in the composition of these taxes or their rates to account for this

increase, and it is rather puzzling.² The composition of direct or roll taxes for all departments and communes can be determined from CENATRIN data, although CENATRIN figures frequently do not correspond to those for direct taxes provided by the regional treasury of selected communes and departments (see below, Table II-6). Analysis of CENATRIN data (Table II-4) reveals, as expected, that traditional taxes³ dominate direct revenue in departments but are less important for communes. The status of traditional taxes as the major source of department direct revenues has crucial importance in light of the suppression of the lowest category of the standard tax (IFR) paid by rural peasants. What are here classified as traditional taxes consist primarily of the surtax on the IFR, called the department (ID) or collectivity tax (ICT), levied by departments. Suppression of the lowest category of the IFR will totally eliminate this revenue and reduce the income of the new provinces by an estimated average of 20 percent. This loss, however, will be substantially greater for those rural authorities which depend on direct taxes to a greater than average extent (see Table II-18 for information on importance of direct taxes in specific departments).

²A possible explanation is that the IFR collected in the departments, which is allocated to central revenues, was scheduled to be returned to departments as a subvention for infrastructure development as of January 1982. If the authorities at SERPOCO decided to include the proceeds of the IFR in their estimates of departmental revenues, our data would show an increase in indirect taxes as the CENATRIN direct taxes are subtracted from the larger SERPOCO figures to derive estimates of indirect taxes. This, however, is only a speculation. The amount of the IFR assigned to the central government for 1982 and 1983 was 673 and 635 million CFAF respectively, which is consistent with the magnitude of the increase.

³See footnote to Table II-4 or Appendix Table A-5 for specification of traditional taxes applied to departmental and communal budgets.

TABLE II-4

DISTRIBUTION OF TYPES OF DIRECT TAXES
IN DEPARTMENTS AND COMMUNES
(in percents)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Departments</u>							
Traditional ^a	81.7	73.2	71.4	55.8	47.6	50.0	57.3
Business ^b	12.5	22.1	23.6	37.2 ^e	41.8 ^e	43.5	35.7
Property ^c	.8	1.0	.7	1.0	1.7	2.0	1.9
Armes	<u>5.0</u>	<u>3.7</u>	<u>4.3</u>	<u>5.7</u>	<u>9.0</u>	<u>4.4</u>	<u>5.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>All Communes</u>							
Traditional ^{a'}	22.7	16.2	18.7	14.2	13.4	15.8	13.8
Business ^b	51.5	62.9	56.1	61.6	59.7	58.0	60.2
Property ^{c'}	16.0	13.0	16.3	15.9	17.4	17.9	18.4
Communal Surtax	4.6	4.2	5.0	4.7	4.6	4.8	4.8
Other ^d	<u>5.7</u>	<u>3.7</u>	<u>3.9</u>	<u>3.6</u>	<u>4.9</u>	<u>3.5</u>	<u>2.9</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>Bobo Dioulasso and Ouagadougou</u>							
Traditional ^{a'}	13.9	9.5	11.9	8.4	7.3	8.8	7.8
Business ^b	56.7	68.8	61.5	67.1	64.2	62.8	64.3
Property ^{c'}	18.3	13.5	17.9	16.3	19.0	19.5	20.4
Communal Surtax	4.3	4.3	4.8	4.5	4.4	4.5	4.8
Other ^d	<u>6.7</u>	<u>3.9</u>	<u>3.8</u>	<u>3.7</u>	<u>5.2</u>	<u>4.3</u>	<u>2.8</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>Other Communes</u>							
Traditional ^{a'}	47.0	44.0	50.0	40.0	35.0	35.0	33.0
Business ^b	35.0	38.0	31.0	52.0	44.0	44.0	47.0
Property ^c	10.0	11.0	9.0	17.0	12.0	14.0	12.0
Communal Surtax	5.0	4.0	6.0	7.0	5.0	6.0	5.0
Other ^d	<u>3.0</u>	<u>3.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>1.0</u>	<u>3.0</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aIF, ID^cCM, MM^{a'}IFR, TBET, IF, Voirie^{c'}CM, TVLH, TVLP, MM^bPatente, License^dArmes, Bayalage

^eAppears to be overstated due to misreporting of beverage license tax. See text for explanation.

SOURCE: CENATRIN printouts.

The apparent increase in the importance of business taxes in departments starting in 1980 and continuing through 1983 is the result of an extraordinary rise in the beverage license recorded by CENATRIN, to the extent that its proceeds substantially exceed the revenue from the business license tax (patente) for the period 1980-83. It appears that some error or misclassification has taken place here.⁴

For the communes, the relative importance of traditional taxes has declined since 1977 while business taxes increased somewhat. One surprising finding is that although taxes on rental value of premises, as expected, are more important in communes than departments, this source of revenue has remained virtually constant despite the growth in population and economic activity of the two major urban communes.

Revenues of Individual Communes

As of 1983 there were 18 communes in Burkina with operating local accounting units that received the proceeds of those roll tax revenues assigned to communes. This reflects an increase of 8 small communes since 1979. Despite this increase, Ouagadougou and Bobo Dioulasso continue to dominate communal population, revenue and expenditure. Estimates made in this study set population residing in communes in 1983 at 952,000. This is almost exactly a doubling of the communal population estimated in the 1975

⁴The beverage license levied as a local direct tax produced only from 1.2 to 4.2 million CFAF in the years up to 1979. In 1982 the beverage license was combined with a national license fee for selling beverages and the proceeds assigned to the national budget as an indirect tax. Recoveries amounted to 13.0 million CFAF in 1980, about 5 million CFAF in 1981 and, then, in response to the combined license, rise to 33 million in 1982 and 1983. CENATRIN's data show departmental revenue from the license tax to be 114, 117, 141, and 92 million CFAF respectively for the period from 1980 to 1983.

census. Virtually all of the increase is attributable to Ouagadougou and Bobo Dioulasso, whose populations, presented here for 1983, reflect estimates of the office of the High Commissioners of the relevant provinces. Figures here differ from those used in other reports on Burkina which apply an average rate of urbanization of 7 percent, to the 1975 populations of Ouagadougou and Bobo Dioulasso. This method fails to allow for the differential rates of migration into these major cities and produces lower estimates than those of local officials, who base their figures on communal censuses and personal familiarity with their communities.

Table II-5 presents SERPOCO data on total revenues of communes and rates of change in revenue from 1977 to 1983. Table II-6 shows the percentage distribution of revenue by commune. Ouagadougou and Bobo Dioulasso dominate the totals, accounting for 63 percent of communal population in 1983 and over 75 percent of revenues. Koudougou, Ouahigouya, Kaya and Banfora together amount to about 16 percent of revenue and the remainder is distributed among the other communes, none of whose revenues exceeds 1.2 percent of the total.

Apart from their modest magnitudes, perhaps the most striking feature of communal revenues is their extreme variability. The average annual compound growth rate of revenue for both Ouagadougou and Bobo Dioulasso from 1976 to 1983 was about 7.5 percent, yet for the two major communes during this time there were five years in which revenues decreased and five in which revenues grew by more than 30 percent. These data further confirm the conclusion drawn above, based on the variability of total communal revenue, that planning of local contributions to public service provision

TABLE II-5
COMMUNAL REVENUES, 1976-1983

Commune	Population (in thousands)		Revenues (in millions of CFAF)							
	1977	1983	1976	1977	1978	1979	1980	1981	1982	1983
Ouagadougou	173	350	360	511	371	374	513	676	721	591
Bobo Dioulasso	115	250	220	194	295	314	295	388	359	372
Koudougou	37	46	39	50	44	58	54	77	71	54
Ouahigouya	26	40	27	26	32	36	36	54	59	56
Kaya	19	22	27	24	22	20	22	30	32	30
Tenkodogo	18	38	11	11	11	18	15	17	15	9
Reo	14	22	9	7	8	8	4	11	8	7
Fada N' Gourma	13	24	14	0	11	13	12	20	24	13
Banfara	12	20	29	43	49	50	61	66	86	80
Courcy	10	15	5	6	5	6	5	7	6	8
Kombissiri	NA	12	—	—	—	—	—	3	5	6
Yako	NA	17	—	—	—	—	—	—	7	9
Dori	6	19	—	—	—	—	—	5	11	9
Diebougou	NA	11	—	—	—	—	—	—	—	5
Gaoua	7	7	—	—	—	—	4	6	7	11
Dedougou	8	17	—	—	—	—	1	8	17	15
Nouna	12	19	—	—	—	—	7	8	15	12
Tougan	9	23	—	—	—	—	5	3	10	6
Total/Average	479	952	741	881	838	897	1,024	1,379	1,453	1,293

Annual Percent Change

Commune	Average Annual Percent Change 1976-1983								
	1976	1977	1978	1979	1980	1981	1982	1983	Average
Ouagadougou	42	-27	1	37	32	7	-18	7	7
Bobo Dioulasso	-12	47	10	-9	36	-7	4	8	8
Koudougou	28	-12	32	-7	43	-8	-24	5	5
Ouahigouya	-4	23	13	0	50	9	-5	11	11
Kaya	-11	-8	-9	10	36	7	-6	2	2
Tenkodogo	0	0	64	-17	13	-12	-40	-3	-3
Reo	-22	14	0	-50	175	-27	-13	-4	-4
Fada N' Gourma	-36	22	18	-8	67	20	-46	-1	-1
Banfara	48	14	2	22	8	30	-7	16	16
Courcy	20	-17	20	-17	40	-14	33	7	7
Kombissiri	—	—	—	—	—	67	20	—	—
Yako	—	—	—	—	—	—	29	—	—
Dori	—	—	—	—	—	120	-18	—	—
Diebougou	—	—	—	—	—	—	—	—	—
Gaoua	—	—	—	—	50	17	57	—	—
Dedougou	—	—	—	—	700	113	-12	—	—
Nouna	—	—	—	—	14	88	-20	—	—
Tougan	—	—	—	—	-40	233	-40	—	—
Average	19	-5	7	14	35	5	-11	8	8

SOURCE: 1977 population data—Annuaire Statistique de Burkina Faso, October 1984. 1983 population estimates and annual percent change calculations by LRAP staff. Revenue data—SERVOCO.

TABLE II-6
DISTRIBUTION OF COMMUNAL REVENUES, 1976-1983
(in percent)

<u>Commune</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Ouagadougou	48.6	58.0	44.3	41.7	50.1	49.0	49.6	45.7
Bobo Dioulasso	29.7	22.0	34.0	36.0	27.8	28.1	24.7	28.8
Koudougou	5.3	5.7	5.3	6.5	5.3	5.6	5.9	4.2
Ouahigouya	3.6	3.0	3.8	4.0	3.5	3.9	4.1	4.3
Kaya	3.6	2.7	2.6	2.2	2.1	2.2	2.2	2.3
Tenkodogo	1.5	1.2	1.3	2.0	1.5	1.2	1.0	0.7
Reo	1.2	0.8	1.0	0.9	0.4	0.8	0.6	0.5
Fada N'Gourma	1.9	1.0	1.3	1.4	1.2	1.5	1.7	1.0
Banfora	3.9	4.9	5.8	5.6	6.0	4.8	5.9	6.2
Gourcy	0.7	0.7	0.6	0.7	0.5	0.5	0.4	0.6
Kombissiri	--	--	--	--	--	0.2	0.3	0.5
Yako	--	--	--	--	--	--	0.5	0.7
Dori	--	--	--	--	--	0.4	0.8	0.7
Diebougou	--	--	--	--	--	--	--	0.4
Gaoua	--	--	--	--	0.4	0.4	0.5	0.9
Dedougou	--	--	--	--	0.1	0.6	1.2	1.2
Nouna	--	--	--	--	0.7	0.6	1.0	0.9
Tougan	--	--	--	--	0.5	0.2	0.7	0.5
Total	100.0							

SOURCE: Computed from data in Table II-5.

is virtually impossible in the face of such widely fluctuating communal revenue.

Further differences in taxation among communes is revealed in Table II-7. In view of the year-to-year variability of revenues, two year averages of per capita revenues were calculated for the beginning (76/77) and end (82/83) of the period. These averages were then used to construct indices of relative revenue per capita among the Burkina communes. Results here show that Banfora has the highest communal revenue per capita, substantially in excess of those for either Ouagadougou or Bobo Dioulasso, the next two highest. Three other large communes, Koudougou, Ouahigouya, and Kaya, however, all spent only slightly less in 1982/83 than did Bobo Dioulasso. Despite absolute increases in revenues in all communes from 1976 to 1983, nominal per capita revenues in some communes actually declined during this period as population increased more than proportionately to revenue. Caution should be used in interpreting these per capita figures, however, because of the imprecision of the 1983 estimates of communal population.

It is instructive to examine per capita revenues for individual communes in relation to the average as shown in Table II-7. Such measures show that Banfora's revenues increased relative to the average between 1976/77 and 1982/83 as did Koudougou and Kaya. A final and revealing indication of tax effort emerges from comparison of relative incomes and per capita revenues among communes based on estimates of 1975 per capita income derived in a joint study by the International Labor Organization and

TABLE II-7
COMMUNAL TAXATION AND INCOME

Commune	Population (in thousands)		Revenue Per Capita				Relative Income Per Capita, 1975 (index=100)
	1977	1983	Average (in CFAF)		Relative (index=100)		
			1976/1977	1982/1983	1976/1977	1982/1983	
Ouagadougou	173	350	2,517	1,874	135	130	115
Bobo Dioulasso	115	250	1,800	1,462	97	101	130
Koudougou	37	46	1,203	1,359	65	94	59
Quahigouya	26	40	1,019	1,438	55	100	58
Kaya	19	22	1,342	1,409	72	98	45
Tenkologo	18	38	611	316	33	22	35
Reo	14	22	571	341	31	24	59
Fada N' Gourma	13	24	885	771	48	53	67
Banfora	12	20	3,000	4,150	162	288	179
Gourcy	10	15	550	467	30	32	58
Kambissiri	—	12	—	458	—	32	—
Yako	—	17	—	471	—	33	59
Dori	6	19	—	526	—	36	66
Diebougou	—	11	—	227	—	16	80
Gaoua	7	7	—	1,286	—	89	80
Dedougou	8	17	—	941	—	55	57
Nouna	12	19	—	711	—	49	57
Tougan	9	23	—	348	—	24	57
Total	479	952	1,856	1,442			

SOURCE: Computed from data in Tables II-5 and Disparités de Revenu entre les Villes et les Campagnes en Haute-Volta, pp. 14, 16.

the African Program for Employment and Technical Competence.⁵ These data indicate that as of 1976/77 the index of tax revenues exceeded the index of income in Ouagadougou, Kaya and Banfora, while the reverse was true for Bobo Dioulasso. Unfortunately, lack of more recent estimates of communal incomes weaken comparisons with revenues for 1982/83.

The lack of responsiveness of communal revenues over the period from 1977-83 is partly a result of the slow economic growth of Burkina. As mentioned above, the average annual increase in communal revenues over the period was slightly lower than central revenues. However, the communal areas, particularly Bobo Dioulasso and Ouagadougou are the locus of a disproportionate share of the modern economic sector in Burkina and one would expect them to experience greater than average economic growth. Further possible explanation is that communal revenue sources are even more unresponsive to economic growth than national revenues because: (1) rates of communal taxes, fees and charges are primarily set on a per unit basis and have not been raised as prices have increased; (2) tax assessments and liabilities have not been expanding as rapidly as has growth in their bases over time; (3) as persons enter the modern sector they shift from paying taxes which accrue to the commune (e.g., IFR) to those accruing to the national budget (e.g., IUTS); and (4) low recovery rates on assessed taxes.

The responsiveness of rates of communal taxes and charges to increase in prices is readily described. Apart from reductions in the rate of the minimum category of the IFR in 1980 there had been no changes in the rates

⁵ Organization Internationale du Travail, Disparites de Revenues entre les Villes et les Campagnes en Haute Volta, BIT, PECTA: Addis Ababa, 1984, pp. 14, 16.

of communal revenue sources until the reforms of 1984, discussed above, which exonerate the sixth category of the IFR and raise the others. This change is expected to have little revenue effect on larger communes.

Understanding the other factors which potentially explain the failure of per capita local revenues to expand requires a detailed examination of the nature of the various communal and departmental revenue sources and of methods of revenue collection. Discussion of tax administration is reserved for the next chapter. Here we will look at the relative importance and variation over time of specific revenue sources of individual communes and departments.

Sources of Data for Detailed Communal Revenues

As much information as possible was obtained for Ouagadougou and Bobo Dioulasso as well as for other relatively large communes. Information on receipts from roll taxes by individual commune are available from CENATRIN printouts. Data on roll and nonroll taxes for selected years were provided by the regional treasuries of the two major cities. Similar data for other selected years are contained in a preliminary version of a World Bank Report⁶ on the finance of Ouagadougou and Bobo Dioulasso. Finally, SERPOCO provides total revenues by commune. These data sources provide alternative estimates of actual revenues collected by the communes of Ouagadougou and Bobo Dioulasso from detailed, specific sources of revenue over a period of time. In Appendix Table A-6 data from these alternative sources are compared. Comparison of alternative data sources is important here because

⁶B. Tagournet and G. Palacio, Project de Developpement Urbain, Finances Municipales, Ouagadougou - Bobo Dioulasso, Republique de Haute Volte, Banque Mondiale, Juin 1984.

more confidence can be placed in findings if different sources yield similar estimates. Figures from the regional treasury and SERPOCO for total revenues generally agree, but CENATRIN data for direct tax recoveries consistently differ from those provided by the regional treasury.

Communal Direct Taxes

Ouagadougou and Bobo Dioulasso dominate direct tax revenues of communes to an even greater extent than they do total revenues (Table II-8). The two major communes accounted for 86 percent of all communal direct revenue in 1983, in comparison with 74 percent of total revenues.

Since 1978 direct taxes have averaged between 40 and 48 percent of total communal revenues (Table II-9). However, Koudougou, which in 1977 accounted for 10 percent of direct communal taxes, dropped to only 4 percent in 1983. Banfora is the only urban commune to have a larger share in 1983 than in 1977. In 1983 it had the largest share, 6.4 percent, after the two major communes. None of the new small communes accounted for as much as 2 percent of direct revenues in 1983.

Data on communal direct and indirect taxes permits estimation of the per capita amounts generated from each source. Average per capita direct taxes amount to less than 600 CFAF and in fact are below 500 CFAF in all but Ouagadougou, Banfora and Koudougou (Table II-10). Indirect taxes in the relatively larger communes tend to be about 1,000 CFAF per capita, but range between 100 to 500 CFAF per capita in the small communes. There is considerable variation both within communes over time and among communes. Possible errors in data sources, the distribution of the tax bases of direct and indirect taxes, the effectiveness of direct and indirect tax

TABLE II-8

COMMUNAL DIRECT TAX REVENUES,^a 1977-1983
(in millions of CFAF and percentage distribution)

Commune	1977		1978		1979		1980		1981		1982		1983	
	Revenue	Percent												
Ouagadougou	140.5	50.4	216.5	57.3	174.7	45.7	263.1	60.4	324.5	48.5	328.7	54.8	272.9	52.2
Bobo Dioulasso	67.5	24.2	86.9	23.0	134.2	35.1	91.7	21.1	187.4	28.0	111.2	18.5	125.0	23.9
Koudougou	28.2	10.1	24.2	6.4	25.1	6.6	19.9	4.6	39.1	6.7	39.1	6.5	21.0	4.0
Quahigouya	10.3	3.7	11.2	3.0	12.1	3.2	10.4	2.4	17.8	2.7	13.5	2.3	14.7	2.8
Kaya	4.2	1.5	4.1	1.1	5.8	1.5	6.3	1.4	10.3	1.5	8.1	1.4	5.0	1.0
Tenkodogo	6.2	2.2	5.7	1.5	5.1	1.3	7.4	1.7	6.7	1.0	7.9	1.3	4.3	0.8
Reo	5.0	1.8	5.7	1.5	4.0	1.0	1.8	0.4	4.0	0.6	5.9	1.0	4.7	0.9
Fada N'Gourma	4.9	1.8	6.4	1.7	5.6	1.5	5.9	1.4	14.2	2.1	7.6	1.3	4.9	0.9
Barifera	12.2	4.4	13.8	3.7	11.6	3.0	17.5	4.0	34.6	5.2	43.0	7.2	33.5	6.4
Gouncey	—	—	3.3	0.9	4.0	1.0	3.2	0.7	5.0	0.7	4.7	0.8	5.2	1.0
Yako	—	—	—	—	—	—	—	—	—	—	3.5	0.6	5.5	1.1
Dori	—	—	—	—	—	—	—	—	—	—	6.1	1.0	4.1	0.8
Diebougou	—	—	—	—	—	—	—	—	4.1	0.6	—	—	4.1	0.8
Gao	—	—	—	—	—	—	—	—	—	—	—	—	4.1	0.8
Dudougou	—	—	—	—	—	—	2.5	0.6	3.8	0.6	3.8	0.6	4.9	0.9
Houna	—	—	—	—	—	—	0.7	0.6	4.7	0.7	8.3	1.4	6.4	1.2
Tougan	—	—	—	—	—	—	3.4	0.8	5.3	0.8	5.4	0.9	3.5	0.7
	—	—	—	—	—	—	1.8	0.4	1.2	0.2	3.2	0.5	2.7	0.5
Total	279.0	100.0	377.8	100.0	382.2	100.0	435.6	100.0	668.4	100.0	600.0	100.0	522.4	100.0

^aRevenues include recoveries from previous years.

SOURCE: CENATRIN printouts.

TABLE II-9

DIRECT TAXES AS PERCENT OF TOTAL COMMUNAL REVENUE, 1977-1983

<u>Commune</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Ouagadougou	27.5	58.4	46.7	51.3	48.0	45.6	46.2
Bobo Dioulasso	34.8	30.5	42.7	32.2	48.3	31.0	33.6
Koudougou	56.4	55.0	43.3	36.9	58.2	55.1	38.9
Ouaahigouya	39.6	35.0	33.6	28.9	33.0	22.9	26.3
Kaya	17.5	18.6	29.0	28.6	34.3	25.3	16.7
Tenkodogo	56.4	51.8	28.3	49.3	39.4	52.7	47.8
Reo	71.4	71.3	50.0	45.0	36.4	73.8	67.1
Fada N'Gourma	54.4	58.2	43.1	49.2	71.0	31.7	37.7
Banfora	28.4	28.2	23.2	28.7	52.4	50.0	41.9
Gourcy	—	66.0	66.7	64.0	71.4	78.3	65.0
Kombissiri	—	—	—	—	—	—	—
Yako	—	—	—	—	—	50.0	61.1
Dori	—	—	—	—	82.0	55.5	45.6
Diebougou	—	—	—	—	—	—	82.0
Gaoua	—	—	—	62.5	63.3	54.3	44.5
Dedougou	—	—	—	70.0	58.8	48.8	42.7
Nouna	—	—	—	48.6	66.3	36.0	29.2
Tougan	—	—	—	36.0	40.0	32.0	45.0
Total	31.7	45.1	42.6	42.5	48.5	41.3	40.4

SOURCE: Computed from data in Tables II-5 and II-8.

TABLE II-10
 PER CAPITA DIRECT AND INDIRECT TAX REVENUE
 IN COMMUNES, AVERAGE OF 1982 AND 1983
 (in CFAF)

<u>Commune</u>	<u>Total Revenue</u>	<u>Direct Tax Revenue</u>	<u>Indirect Tax Revenue</u>
Ouagadougou	1,874	862	1,012
Bcbo Dioulasso	1,462	468	994
Koudougou	1,359	571	788
Ouahigouya	1,438	352	1,086
Kaya	1,409	296	1,113
Tenkodogo	316	158	158
Reo	341	239	102
Fada N'Gourma	771	270	501
Banfara	<u>4,150</u>	<u>1,909</u>	<u>2,241</u>
Average	1,442	558	854

SOURCE: Computed from data in Tables II-5 and II-8.

recoveries and local economic circumstances all are potential explanations for these variations.

Examination of variation in the use of specific direct revenue sources over time and by different communes is limited here to looking at the five largest communes. Table II-11 shows that as expected the two major communes receive the majority of their revenue from business taxes, while the smaller communes receive relatively more from traditional taxes. Property taxes are relatively more important in the smaller communes. This may be the result of lower overall direct tax levels which increases the importance of the property taxes in the communes with fewer business tax revenue.

Communal and Departmental Indirect Taxes

Table II-3 shows that indirect or nonroll revenues account for almost 60 percent of total local revenues in 1982 and 1983. While they display considerable variation from year to year in amount and share of communal and departmental revenues, they are extremely important sources of income. As explained above, comprehensive data on the amounts of these revenues by detailed source and for each individual local authority are nonexistent in Burkina Faso, although in principle they are provided in the annual management accounts submitted by the regional treasuries. In the present study, data on communal indirect revenues was acquired for Ouagadougou and Bobo Dioulasso along with similar information for a number of departments. Limited as it is, this provides the only systematic information we were able to obtain on the actual recoveries of fees, charges, and other such revenues of local authorities. Communal preliminary budgets (budgets primitifs) contain estimates of these revenues for the next year, but collections are shown only up to September when the budgets are prepared.

TABLE II-11

SOURCES OF DIRECT TAXES AMONG SELECTED COMMUNES, 1977-1983
(in percent)

<u>Tax</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Ouagadougou</u>							
Traditional ^a	13	8	14	7	7	8	7
Business ^b	57	71	63	69	66	67	69
Property ^c	19	15	15	17	18	17	17
Communal Surtax	4	3	4	4	4	4	4
Other ^d	<u>7</u>	<u>3</u>	<u>4</u>	<u>3</u>	<u>5</u>	<u>4</u>	<u>3</u>
Total	100	100	100	100	100	100	100
<u>Bobo Dioulasso</u>							
Traditional	17	14	10	11	8	11	9
Business	54	63	60	63	60	51	54
Property	17	10	20	16	21	27	28
Communal Surtax	6	8	6	7	6	7	6
Other	<u>6</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>4</u>	<u>3</u>
Total	100	100	100	100	100	100	100
<u>Koudougou</u>							
Traditional	38	36	33	29	21	22	27
Business	37	37	46	35	49	47	40
Property	16	18	11	27	22	24	24
Communal Surtax	7	7	9	7	7	6	5
Other	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>3</u>
Total	100	100	100	100	100	100	100
<u>Ouahigouya</u>							
Traditional	36	32	43	35	29	32	25
Business	39	43	31	42	46	45	52
Property	13	14	14	12	12	12	13
Communal Surtax	5	5	5	6	5	5	6
Other	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>5</u>	<u>4</u>
Total	100	100	100	100	100	100	100
<u>Banfora</u>							
Traditional	17	16	24	14	13	16	11
Business	72	75	60	72	71	67	74
Property	4	3	10	7	9	12	9
Communal Surtax	4	5	4	4	4	4	4
Other	<u>3</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>2</u>
Total	100	100	100	100	100	100	100

^aIFR, TEET, IF, Voirie

^cCM, TVLH, TVLP, MM

^bPatente, License

^dArmes, Bayalage

SOURCE: CENATRIN printouts.

There are accounting regulations governing the reporting of these nonroll taxes which differ for communes and departments. For communes, a large number of communal fees, charges and taxes are classified into five broad categories: service charges (produits de l'exploitation); charges for use of state property (produits domaniaux); finance charges (produits financiers), cost recoveries (recouvrements-participations); miscellaneous charges (produits divers); other taxes (autres taxes). For departments, the individual sources of nonroll revenues are grouped into four chapters: vehicle registrations (taxes et impositions perçues sur ordre de recette); service charges (taxes-droits et remuneration pour services rendus); charges for state property (revenue ordinaire due patrimoniale départementale); and miscellaneous receipts (recettes ordinaires diverses). A full specification of these revenue sources for communes and departments is contained in Appendix Table A-5.

Amounts collected from these sources for Ouagadougou and Bobo Dioulasso are presented in Table II-12. These data come mainly from the regional treasuries of Ouagadougou and Bobo Dioulasso, and the figures do not always correspond with those from other sources. For the most part these totals match those from SERPOCO. Still, figures do differ slightly in several cases and substantially for Ouagadougou in 1980. The amounts of direct tax revenues shown in Table II-12 are, however, quite different from those appearing in the CENATRIN outputs for these two communes as shown in Table II-6.

The major points of interest in Table II-12 are the lack of growth in almost all areas of nonroll taxes between 1981 and 1983 and the greater relative importance of direct taxes in Ouagadougou and of charges for

TABLE II-12
 DIRECT AND INDIRECT REVENUES IN OUAGADOUGOU AND BOBO DIULASSO
 (in millions of CFAF)

	Ouagadougou				Bobo Dioulasso				
	1980	1981	1982	1983	1977	1980	1981	1982	1983
Direct	201	370	335	278	58	103	146	70	55
Vehicle Registration	84	121	135	133	38	52	64	59	59
Public Property Charges ^b	61	103	166	104	61	107 ^a	118 ^a	146	111
Service Charges	14	54	49	54	12	12	15	17	42
Other	15	27	36	22	15	—	1	16	16
Previous Years	NA	—	—	—	NA	25	37	NA	91
Total	375	676	721	592	184	299	380	309	376
SERPOCO	513	676	721	592	194	285	388	333	372

^aReported figures contain apparent errors which understate market fees.

^bIncludes market and parking fees which are presented separately in Table II-13.

SOURCE: Tabulations from the Regional Treasuries of Ouagadougou and Bobo Dioulasso.

public property in Bobo Dioulasso. A somewhat more revealing analysis of these communal fees, charges, and taxes is contained in Tables II-13 and II-14. Here the major specific items which constitute the broad categories are shown for 1977 and 1983 with per capita figures shown both in current and constant amounts. The items included account for over 90 percent of the total. The amounts of indirect revenues from most sources have increased over the period from 1977 to 1983. However, growth of communal population and of prices need to be taken into account to determine real revenues per capita. The results of doing this show a reduction of almost 50 percent in Bobo Dioulasso and of 35 percent in Ouagadougou (Table II-13). Reductions in real per capita market fees, and bicycle and motor vehicle charges stand out. Charges for services have more or less kept pace. Property use and land transfer fees show considerable variation, probably in response to policy decisions regarding communal land use rather than to changes in services provided or in tax enforcement.

Individual Departmental Revenues

It might be argued that the utility of description of revenues by individual departments is somewhat questionable. The former 11 departments no longer exist, having been replaced as the second-tier administrative unit by the 30 smaller provinces. Further, until 1983, CENATRIN produced no printouts of individual departmental direct tax assessments and recoveries. These circumstances do not, however, undermine the usefulness of an analysis of departmental revenues. The new provinces retain essentially the same revenue sources as the old departments and comprise the same total area. Provinces are composed of parts of former departments and the patterns of past departmental revenues can be expected to apply to

TABLE II-13
 EVOLUTION OF MAJOR INDIRECT TAXES AND CHARGES
 IN OUAGADOUGOU AND BOBO DIOULASSO
 (in millions of CFAF)

<u>Type of Revenue</u>	<u>Ouagadougou</u>			<u>Bobo Dioulasso</u>		
	<u>1977</u>	<u>1982</u>	<u>1983</u>	<u>1977</u>	<u>1982</u>	<u>1983</u>
Market fees	34.8	59.2	38.0	36.6	71.1	60.7
Motor vehicle fees	38.8	60.0	68.7	16.3	24.6	26.8
Bicycle fees	12.7	31.0	25.6	8.4	15.1	19.8
Property use and land transfer fees	NA	73.0	3.1	20.7	61.0	35.4
Charges for services	10.8	49.1	54.0	12.2	17.3	42.4
Amusement tax	12.6	36.0	26.0	6.4	11.7	10.4
Parking fees	4.9	20.0	23.0	3.3	12.9	14.3
Fines	<u>14.5</u>	<u>35.0</u>	<u>22.0</u>	<u>12.7</u>	<u>14.4</u>	<u>11.2</u>
Total	129.1	363.3	288.3	166.6	228.1	221
Percent of all indirect revenues	73.8%	94.1%	92.0%	92.5%	95.8%	96.9%

SOURCE: Comptes de Gestion; Regional Treasuries of Ouagadougou and Bobo Dioulasso.

TABLE II-14

PER CAPITA MAJOR INDIRECT TAXES AND CHARGES
IN OUAGADOUGOU AND BOBO DIOLASSO
(in CFAF)

	Ouagadougou			Bobo Dioulasso		
	1977	1983		1977	1983	
		Current	Constant ^a		Current	Constant ^a
Market fees	202	169 ^b	105 ^b	318	243	142
Motor vehicle fees	224	196	115	142	107	63
Bicycle fees	73	73	43	73	79	46
Property use and transfer fees	NA	89	52	280	142	83
Charges for services	62	154	90	106	120	99
Amusement tax	73	74	43	56	42	24
Parking fees	28	66	38	29	57	33
Fines	84	63	37	110	45	26
Total	746	823	481	1,014	884	516

^aIn 1977 prices; price index 1976-1980 taken from index of Final Consumption of Public Sector, Table 2, p. 8 of Comptes Nationaux de la Haute-Volta, 1980; index for 1983-1983 equal to implicit GDP deflator estimated by IMF.

^b1982 amounts and deflators.

SOURCE: Comptes de Gestion; Regional Treasuries of Ouagadougou and Bobo Dioulasso.

the provinces. The lack of department by department detail on direct taxes from CENATRIN for years before 1983 can be partially overcome by aggregation of accounting units, for which data were available, into departments.

The starting point for examination of departmental revenues is data by department provided by SERPOCO. As with the communal data, SERPOCO estimates do not always coincide with figures obtained from departmental treasuries or management accounts. They remain, however, the only source of comprehensive data on all departmental revenues. Department by department revenues from direct taxes were constructed from CENATRIN data. Table II-15 shows total revenues by department for the period from 1976 to 1983 and annual rates of change. There is considerable variation in the level of revenues among departments, but, of course, less than among communes where Ouagadougou and Bobo Dioulasso are so much larger than any of the others.

As mentioned, departmental revenues display extreme variation from year to year. This pattern is even more in evidence on a department by department basis. There often are huge variations from year to year for the same department. For example, in Hauts-Bassin revenues grew by 162 percent in 1979 and then fell by 58 percent the next year. At the same time, trends in some departments depart greatly from the average, as when revenues in the Nord grew by 112 percent in 1981 when the average growth was 32 percent.

The distribution of revenue is reasonably closely related to relative population as is shown in Table II-16. Relative per capita revenue in relation to various indicators of tax capacity are shown in Table II-15.

TABLE II-15
DEPARTMENTAL REVENUES, 1976-1983

Department	Rural Population (in thousands)		Revenues (in millions of CFAF)							
	1975	1983	1976	1977	1978	1979	1980	1981	1982	1983
Centre	859	870	138	143	140	121	136	167	286	280
Centre-Est	443	453	52	59	49	54	55	69	131	172
Centre-Nord	887	742	90	76	64	66	79	117	197	221
Centre-Ouest	681	887	88	116	127	120	91	136	198	199
Comoe	NA	186	—	—	—	—	37	41	74	89
Est	438	465	63	51	44	45	38	54	84	101
Hauts-Bassins	521	347	75	78	55	144	61	73	124	107
Nord	645	579	59	69	41	55	60	127	164	90
Sahel	402	409	50	68	49	45	46	47	114	90
Sud-Ouest	355	401	48	61	61	52	67	64	88	123
Volta Noire	674	713	85	120	93	109	80	94	161	89
Total	5,905	6,052	748	841	723	811	750	989	1,621	1,598

Department	Annual Percent Change								Average Annual Percent Change 1976-1983
	1976	1977	1978	1979	1980	1981	1982	1983	
Centre	4	-2	-14	12	23	71	-2	11	
Centre-Est	13	-17	10	2	25	90	31	14	
Centre-Nord	-16	-16	3	20	48	63	12	12	
Centre-Ouest	32	9	-6	-24	49	46	1	12	
Comoe	—	—	—	—	11	80	20	26	
Est	-19	-14	2	-16	42	56	20	4	
Hauts-Bassins	4	-29	162	-58	20	70	-14	7	
Nord	17	-41	34	9	112	29	-23	16	
Sahel	36	-28	-8	2	2	143	-21	12	
Sud-Ouest	27	0	-15	29	-4	38	40	9	
Volta Noire	41	-12	17	-27	18	71	-45	10	
Average	12	-14	12	-8	32	64	-1	12	

SOURCE: SERPOCO.

TABLE II-16

PERCENT DISTRIBUTION OF DEPARTMENTAL REVENUE, 1976-1983

Department	Rural Population (in thousands)		Revenues (in millions of CFAF)							
	1975	1983	1976	1977	1978	1979	1980	1981	1982	1983
			<u>Total Revenue</u>							
Centre	14	13	18	17	19	15	18	17	18	18
Centre-Est	8	8	7	7	7	7	7	7	8	11
Centre-Nord	12	13	12	9	9	8	11	12	12	14
Centre-Ouest	15	15	12	14	18	15	12	14	12	12
Comoe	—	3	—	—	—	—	5	4	5	6
Est	7	3	8	6	6	6	5	5	5	6
Hauts-Bassins	9	4	10	9	8	18	8	7	8	7
Nord	11	10	8	8	6	7	8	13	10	8
Sahel	7	7	7	8	7	6	6	5	7	6
Sud-Ouest	6	8	6	7	8	6	9	6	5	8
Volta Noire	11	12	11	14	13	13	11	10	10	6
Total	100	100	100	100	100	100	100	100	100	100
			<u>Direct Revenue</u>							
Centre				13	16	9	14	16	20	18
Centre-Est				7	6	6	7	9	7	8
Centre-Nord				10	8	8	10	12	11	10
Centre-Ouest				15	21	16	15	8	13	14
Comoe				5	4	4	4	5	5	5
Est				8	6	6	6	8	6	6
Hauts-Bassins				6	5	16	7	6	6	7
Nord				8	8	5	9	9	8	8
Sahel				7	7	6	5	6	5	3
Sud-Ouest				8	7	10	8	7	6	7
Volta Noire				15	11	15	13	13	12	14
Total				100	100	100	100	100	100	100

SOURCE: SERPOCO.

The highest revenues per capita in 1976/77 were raised in the department of Centre and the lowest in the Nord. By 1982/83, revenues per capita were highest in the new department of Comoe and Volta Noire had fallen to the lowest per capita revenue. What is particularly interesting is the small range of variation among departmental per capita revenues. In 1976/77 all but two departments ranged between an index of 93 and 121 and in 1982/83 all but three between 84 and 125.

Several measures of departmental income and production are used in Table II-17 to examine the relative tax effort among departments. Only 1975 per capita income estimates were available for a few communes, but several additional measures exist for departments. Comparison of indices of per capita revenues and incomes reveals considerable discrepancies among departments. In 1976/77 Centre and Sud-Ouest appear to have raised less than their relative incomes would indicate, and Hauts-Bassins substantially more. Extending these comparisons to 1982/83 presents difficulties because the more recent measures of relative capacity concern only agricultural production. They do show that the departments Comoe and Hauts-Bassins with the highest indices of agricultural production also have the highest revenue per capita. But, beyond this the correspondence of revenues and other measures is rather weak.

Sources of Revenue among Departments

Direct vs. Indirect Revenues. Earlier in this chapter the evolution of the distribution of departmental revenues between direct and indirect taxes was discussed. The problem of the sudden increase in the beverage license was a major factor in explaining the apparent increased relative importance of direct taxation. The absence of official published

TABLE II-17
 MEASURES OF DEPARTMENTAL REVENUE, INCOME, AND PRODUCTION

Department	Population (in thousands)		Relative Per Capita (index=100)					
	1977	1983	Revenue 1976/1977	Revenue 1982/1983	Income 1975	Agricultural Production 1980	Cattle 1980	Grain Production 1981
	Centre	859	870	122	122	86	97	75
Centre-Est	443	453	93	116	89	97	75	75
Centre-Nord	887	742	70	106	91	98	125	85
Centre-Ouest	681	887	111	84	81	71	50	87
Comoe	NA	186	NA	165	NA	253	125	250
Est	438	465	97	75	101	96	175	94
Hauts-Bassins	521	347	109	125	175	253	150	176
Nord	645	579	74	95	73	54	100	53
Sahel	402	409	109	94	98	42	400	82
Sud-Ouest	355	401	114	99	86	114	100	103
Volta Noire	674	713	113	66	129	147	125	118
Total	5,905	6,052						
Average	537	550	135 (CFAF)	266 (CFAF)	12,220 (CFAF)	11,165 (CFAF)	.4 (Head)	202 (Tons)

SOURCE: Production data from Avant-Projet, IVème Plan de Développement Economique-Social et Cultural, 1983-1987.

data on the composition of departmental revenues leaves a good deal of uncertainty as to what has been happening. We have obtained a series of management accounts for some departments which show total revenue and its distribution by direct and indirect tax. In Appendix Table A-7 these data are compared with total revenues from SERPOCO and direct revenues from CENATRIN for the same departments. The amount of direct tax recoveries for the different sources reveals similar figures for some departments (Sud-Ouest), widely divergent ones for others (Centre), and both similar and divergent figures, depending on the year, for others (Centre-Ouest). Here, again, is evidence of inconsistent recording of information needed for fiscal planning.

Direct Taxes. Table II-4 indicates that direct taxes of all departments comprised more than half of their revenue through 1980 after which a decline in the relative share of direct taxes occurred. Proportions of direct taxes among departments have varied over time and few persistent trends emerge in Table II-18. Hauts-Bassins and Centre historically have had a lower than average proportion of direct taxes, probably reflecting their higher indirect tax base, although this tendency has not been observed in the last two years for the Centre. Table II-19 presents average per capita revenue for 1982/83 separated into direct and indirect taxes on a department by department basis. The pervasive ineffectiveness of direct tax collection in departments is evident. Only three departments raised as much as 100 CFAF per capita. Indirect taxes yield about twice as much per capita in departments, and were highest in Comoe, Hauts-Bassins, and Centre where urban centers generate economic activity which provides the base for indirect taxes.

TABLE II-18

DIRECT TAXES AS PERCENT OF TOTAL DEPARTMENTAL REVENUE, 1977-1983

<u>Department</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Centre	49	56	34	48	46	40	34
Centre-Est	58	63	50	64	65	31	23
Centre-Nord	67	61	56	63	50	34	24
Centre-Ouest	66	81	58	79	29	39	36
Comoe	--	--	--	57	56	41	30
Est	80	68	58	82	72	45	31
Hauts-Bassins	38	47	50	52	38	27	32
Nord	62	93	42	75	34	28	33
Sahel	56	76	58	57	66	27	18
Sud-Ouest	66	59	83	55	52	43	29
Volta-Noire	<u>63</u>	<u>59</u>	<u>60</u>	<u>79</u>	<u>66</u>	<u>43</u>	<u>21</u>
Average	62	69	55	64	48	36	32

SOURCE: CENATRIN printouts.

TABLE II-19
 DEPARTMENTAL PER CAPITA TAXES, 1983
 (in CFAF)

	<u>Average Revenue Per Capita</u>	<u>Indirect</u>	<u>Direct</u>
Centre	325	284	41
Centre-Est	334	247	87
Centre-Nord	281	202	79
Centre-Ouest	224	140	84
Comoe	438	284	153
Est	199	123	76
Hauts-Bassins	333	233	100
Nord	251	173	78
Sahel	250	194	56
Sud-Ouest	263	168	95
Volta-Noire	<u>175</u>	<u>67</u>	<u>108</u>
Average	266	176	90

SOURCE: Computed from data in Table II-15.

Based on CENATRIN data reported in Table II-4, traditional taxes, mainly the departmental surtax on the IFR, predominate as sources of departmental direct taxes. The business license tax (patente) is a distant second and other direct taxes are even less important. Here, we examine the extent to which this general pattern of direct tax recoveries is characteristic of individual departments. Table II-20 summarizes data obtained for selected departments from their management accounts for various years and from CENATRIN for 1983, the first year for which department by department data was provided. It shows differences in estimates of the total direct tax recoveries among the sources and the amounts of the major departmental taxes recovered. It should be noted that comprehensive data for all departments are not available.

The surtax on the IFR, the business license tax, and the tax on firearms yield the most direct revenue. CENATRIN data for departments for 1981-83 includes an inordinate amount of revenue for the beverage license. Data from the management accounts of individual departments or from regional treasuries show no such revenues from 1982 onward when this revenue source was assigned to the central budget. If the departmental tax, the patente, and the tax on firearms are related to estimates of total direct revenue from the management accounts rather than from CENATRIN, they account for virtually all departmental revenue in the five departments for which detailed tax recovery information was obtained.

Indirect Tax Recoveries in Departments. As mentioned above, there is a smaller base for indirect revenues in departments than in communes. For 1982/83 the average per capita indirect department tax recovery was 182 CFAP or about US\$.50. The specific sources of these departmental indirect

TABLE II-20

DIRECT TAXES OF SELECTED DEPARTMENTS BY
DATA SOURCES AND MAIN TAXES
(in millions of CFAF)

Department/ Year	Total Direct Taxes by Source			Amounts of Main Direct Taxes		
	Regional Treasury	CENATRIN	Management Accounts	ID	Patente	Armes
Centre						
1978	--	75	84	57	NA	NA
1979	--	36	61	31	NA	NA
1980	--	59	82	31	NA	NA
1981	--	75	107	64	28	4
Centre-Ouest						
1980	--	68	74	59	8.2	2.6
1981	--	39	83	67	9.3	2.0
1982	--	73	78	63	7.1	1.8
1983 ^a	--	68	NA	51	8.2	2.1
Hauts-Bassins						
1980	NA	32	27	18	3.9	3.7
1981	34	25	35	22	4.8	6.1
1982	40	27	37	23	7.8	4.1
1983 ^a	NA	--	40	22	6.2	4.5
1983 ^a	NA	32	--	19	6.2	4.5
Sahel						
1981	--	29	32	23	4.8	2.3
1983 ^a	--	15	NA	10	4.1	.2
Sud-Ouest						
1979	--	40	40	30	5.0	4.0
1980	--	36	36	26	4.4	4.4
1981	--	32	39	28	5.4	4.3
1982	--	38	38	29	4.7	3.6
1983	--	--	36	28	4.0	3.4
1983 ^a	--	38	--	25	4.6	3.4
Volta-Noire						
1981	--	57	65	45	8.7	7.8

^aCENATRIN data.

SOURCE: Data from Regional Treasury of Hauts-Bassins, selected Comptes de Gestions, and CENATRIN.

taxes are shown in Appendix Table A-5. There are, however, no comprehensive data sources which show recoveries by specific tax, fee, or charge. Here, again, a selection of management accounts and records of regional treasuries is all that is available. Table II-21 presents the data we were able to acquire. It shows that vehicle taxes are the major regular source of departmental indirect tax revenues and service charges the second most important. However, other and extraordinary revenues are extremely volatile and occasionally dominate even vehicle receipts.

Further information on these indirect revenues is presented in Table II-22. Here, the components of vehicle receipts and of service fees are spelled out. Bicycle fees emerge as both more important and more volatile than motor fees. This suggests that the task of collecting small fees from the many bicycle owners requires constant and substantial enforcement efforts. Service fees are primarily for registration stamps to accompany official papers or correspondence. Here again the amounts raised represent many sales of small amounts. Departmental market fees seem particularly feeble and also appear highly variable. This situation also reflects difficulties of collection, enforcement and also the failure to increase charges with inflation. The next chapter treats these and other aspects of tax recoveries in considerable detail.

Summary

This chapter has presented a great deal of data on revenues from taxes, fees, and charges. The next chapter describes their administration and, in so doing, presents additional data on tax recoveries over time. At this point a useful way to summarize the information on so many disparate sources of revenue is to look at their responsiveness to changes in Gross

TABLE II-21
PERCENT DISTRIBUTION OF DIRECT AND INDIRECT REVENUE
OF SELECTED DEPARTMENTS

Department/ Year	Total Revenue (in millions of CFAF)	Direct	Previous Years	Indirect and Charges				Total
				Vehicles	Services	Public Property	Other	
Centre								
1980	109	44	3	26	22	0	0	100
1981	138	57	3	21	15	4	0	100
Centre-Nord								
1978	69	68	3	16	13	0	0	100
1979	129	69	14	11	6	0	0	100
Centre-Ouest								
1980	99	75	0	12	11	1	1	100
1981	109	76 ^a	0	10	12	1	1	100
1982	115	77 ^a	0	10	11	1	1	100
Est								
1978	42	62	29	3	5	0	1	100
1979	41	54	34	6	6	0	0	100
1980	37	65	22	6	7	0	0	100
1981	50	80	6	7	7	0	0	100
Hauts-Bassins								
1980	49	76	0	12	8	4	0	100
1981	83	53 ^b	11	19	7	2	8	100
1982	99	44 ^b	3	24	7	2	20	100
1983	76	53 ^b	4	26	7	1	9	100
Sahel								
1981	46	70	4	9	17	0	0	100
Sud-Ouest								
1979	58	74	5	10	10	0	1	100
1980	54	70	4	11	13	0	2	100
1981	64	68	8	12	12	0	0	100
1982	55	71	1	11	11	0	6	100
1983	53	78 ^b	2	10	10	0	0	100
Volta-Noire								
1978	99	73	4	11	12	0	0	100
1979	96	67	6	14	13	0	0	100
1980	83	70	4	15	11	0	0	100

^aIncludes other indirect plus extraordinary.

^bIncludes IFR returned to Department.

SOURCE: Regional Treasuries and Comptes de Gestion.

TABLE II-22
 PERCENT DISTRIBUTION OF MAJOR SOURCES OF
 INDIRECT TAXES AND CHARGES OF
 SELECTED DEPARTMENTS

Department/ Year	Total Indirect Taxes and Charges (in millions of CFAF)	Vehicles		Services				Total
		Motor	Bicycle	Stamps	Markets	Parking	Other	
Centre								
1981	81	30	20	4	14	0	32	100
Centre-Ouest								
1980	25	—	48	24	16	0	12	100
1981	26	—	42	31	15	0	12	100
1982	27	—	41	37	7	0	15	100
Est								
1980	5	17	15	18	18	9	23	100
1981	7	3	47	20	9	7	14	100
Hauts-Bassins								
1981	28	18	39	14	2	3	24	100
1982	58	12	29	5	2	2	50	100
1983	36	22	33	3	3	0	39	100
Sud-Ouest								
1978	15	13	27	13	13	0	34	100
1980	16	6	31	25	13	0	25	100
1981	20	10	30	20	10	0	30	100
1982	16	6	31	19	13	0	31	100
1983	12	8	33	17	17	0	25	100

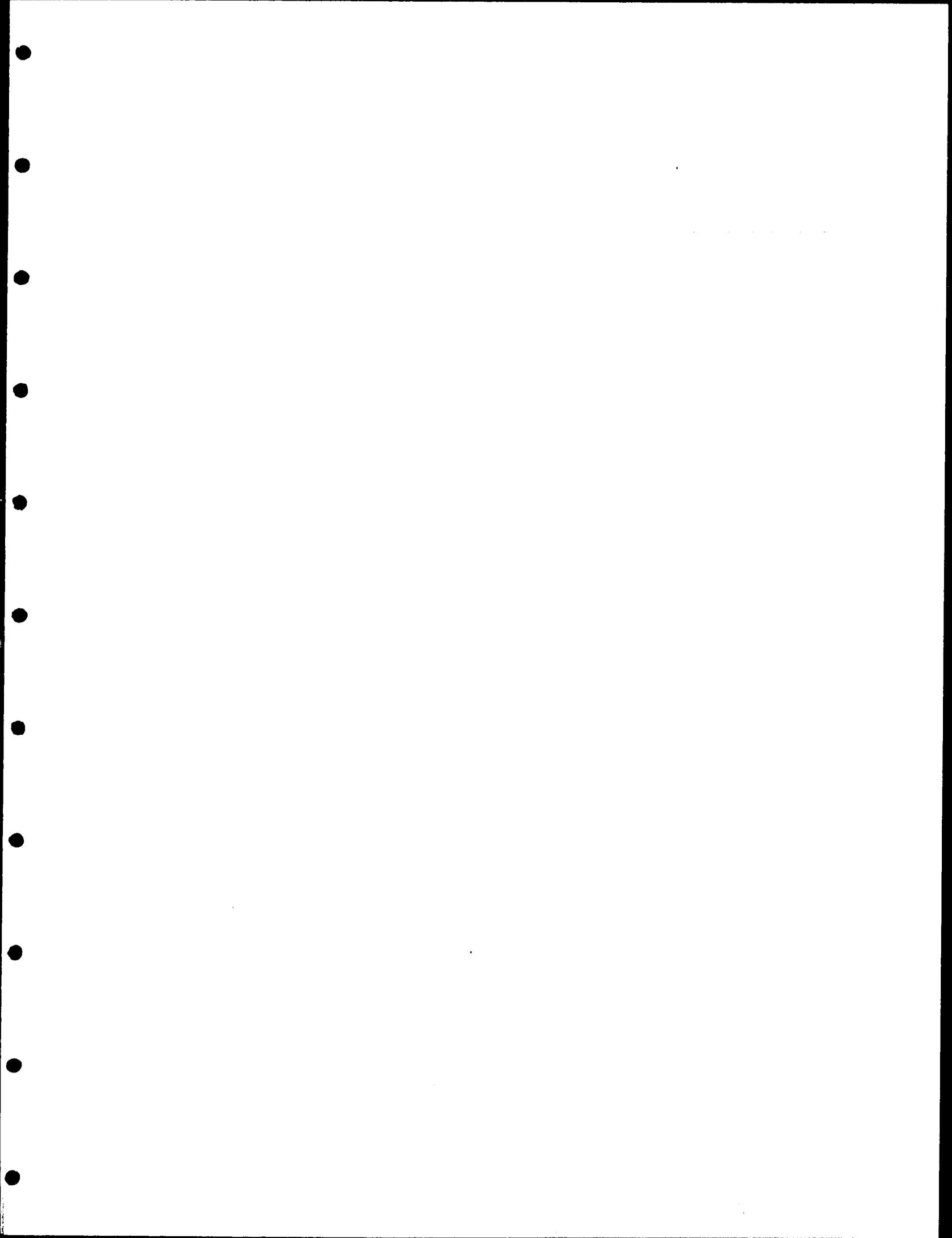
SOURCE: Regional Treasuries and Comptes de Gestion.

Domestic Product. While responsiveness to growth in GDP is only one desirable attribute of a tax it is easily measured and is a standard statistic applied to taxation.

Table II-23 presents GDP revenue elasticities for most taxes and other revenue sources. The elasticities are measured as ratios of compound annual percent of changes of taxes and of GDP for the period 1977 to 1982 or 1983. The results show recoveries from local business and property taxes to be as responsive to increases in GDP as are recoveries from the withheld wage and salary tax. But low responsiveness of other local direct taxes reduces the overall elasticity of direct local taxes to .68 in comparison with an elasticity of central direct taxes of 1.06. Local fees and charges of departments were responsive to growth of GDP but those for communes, essentially Ouagadougou and Bobo Dioulasso, lagged far behind. Central indirect taxes on domestic activities had an elasticity of 1.34 but taxes on international trade grew at only 61 percent of GDP growth.

TABLE II-23
GROSS DOMESTIC PRODUCT (GDP) ELASTICITIES OF
SELECTED REVENUE SOURCES

Revenue Source	Period	Compound Average Annual Change (in percent)		
		Revenue	Gross Domestic Product	Elasticity
Central Direct	1977-1982	15.1	14.3	1.06
Wage and Salary (IUTS)	1977-1983	19.9	12.6	1.58
Interest and Dividends (IRVM)	1977-1983	35.8	12.6	2.84
Apprenticeship (TPA)	1977-1983	13.3	12.6	1.06
Business Profits (BIC)	1977-1982	10.5	14.3	.73
Non-commercial (BNC)	1977-1982	2.4	14.3	.17
Rental Income (IRI)	1977-1982	54.4	14.3	3.80
Standard Tax (IFR) (from rural areas)	1977-1982	- 1.0	14.3	- .07
Local Direct	1977-1982	9.8	14.3	.68
Business	1977-1982	9.8	14.3	.68
Patente (Commune)	1977-1982	23.1	14.3	1.62
Patente (Department)	1977-1982	13.2	14.3	.92
License (Department)	1977-1982	169.1	14.3	11.83 ^a
License (Commune)	1977-1982	-24.2	14.3	-1.69
Property (CMOB, TVLH, TVLP, M40)	1977-1982	23.7	14.3	1.66
Total (Commune)	1977-1982	23.7	14.3	1.66
Total (Department)	1977-1982	20.1	14.3	1.41
Traditional				
Standard (IFR) (Commune)	1977-1982	8.3	14.3	.58
Surtax (CA) (Commune)	1977-1982	18.0	14.3	1.26
Departmental Tax (ID)	1977-1982	- 8.0	14.3	.56
Armes (Department)	1977-1982	2.4	14.3	.17
Central Indirect	1977-1982	10.6	14.3	.74
Domestic Activities	1977-1982	19.1	14.3	1.34
Turnover (TCA)	1977-1983	16.8	12.6	1.33
Property Registration and Capital Gains	1977-1983	8.8	12.6	.70
Local Beverages	1977-1983	14.4	12.6	1.14
Service Charges	1977-1983	20.1	12.6	1.60
Beverage Licenses	1977-1983	21.4	12.6	1.70



CHAPTER III
REVENUE ADMINISTRATION

Introduction

Arrangements for obtaining public revenues vary by type of revenue, the level of government which receives the revenue, and the general administrative and organizational structure of government. In Burkina, as in other countries whose administrative arrangements are derived from French traditions, tax administration has two distinguishing features: the dominant role of the central government in the administration of revenues which accrue to local as well as central authorities and the strict separation of tax assessment from tax collection.

In describing the assessment¹ and collection of public revenues in Burkina it is essential to separate revenues into five types: (1) customs duties; (2) direct taxes for which a "roll" of specific, named taxpayers is maintained (e.g., business and personal income tax); (3) direct taxes for which there is only a general or numerical roll (e.g., the standard tax in rural areas); (4) domestic indirect taxes accruing to the central government (e.g., turnover tax); and (5) fees and charges of local authorities (e.g., market fees, vehicle registrations). Each of these five has distinctive assessment and collection procedures which crucially affect

¹In tax administration the term "assessment" is used in at least two senses. In one it signifies acquiring all the information about a particular taxpayer necessary to determine the tax liability. In another, it indicates establishing the amount against which the tax rate is applied, or the actual amount of tax liability.

the key elements of tax administration: identification of potential taxpayers, correct assessment of tax liabilities, and collection of taxes due.

Before examining the administrative arrangements for each of these types of revenue in detail, it is useful to take a broad overview of tax administration in Burkina. Customs duties, as in most countries, are assessed at the border by agents of the Customs Service (Service des Douanes). Tax statements are prepared at the port of entry or exit and sent to importers or exporters who must then remit amounts owed to the local treasury. All direct taxes, except for the lowest category of the standard tax (IFR) and the livestock tax (TBET) in rural areas, are assessed by agents of the Tax Service (Service des Impt), although the tax agents have only a minor role in assessing those direct taxes withheld at the source. The individual taxpayer is not responsible for filing a return which specifies taxes due. Instead, tax liability is calculated either by the tax agent or by computer at CENATRIN. However, enterprises liable for the business and commercial profits tax (BIC) and for the turnover tax (TCA) regularly submit declarations specifying information relevant to the estimation of tax liability.² Tax forms containing information relevant to other direct taxes owed by a particular household or other taxpaying unit are prepared by the tax agents on the basis of an annual census or upon identification of non-censused taxpayers. The forms are processed by

²Enterprises which do not keep accounting records are assessed for the BIC and TCA by a "forfeit" method and do not submit tax declarations. Tax agents handle all aspects of their tax assessments.

computer at CENATRIN where for censused taxpayers the actual tax liability is calculated and bills prepared and sent to local treasury offices for collection. Except for taxes withheld, direct taxes are paid in person at the local treasury.

As regards domestic indirect taxes, the taxpayer is responsible for providing relevant information to the tax service and for sending regular monthly or quarterly tax payments to the receiver of indirect taxes. Tax agents identify those liable for indirect taxes and provide assistance in estimating taxes due. CENATRIN does not prepare tax bills for domestic indirect taxes.

The numerical tax roll for direct taxes levied on peasant farmers is organized by family head and specifies the numbers of taxpayers and livestock subject to tax. The relevant direct taxes here are traditional ones on persons and livestock which until 1983 were collected by the village chief for the entire village. Under the new government this function has been transferred from the village chief to a locally elected village delegate. Responsibility for establishing and maintaining these rolls lies with local territorial administrative officials rather than with agents of the Tax Service. These officials or their designates received the taxes collected in the village and convey the proceeds to the local treasury. Future arrangements here are unclear due to the suspension of the personal tax on peasant farmers in 1984 and the new system of territorial organization.

Finally, the administration of local fees and charges varies depending on the nature of the activity. Some, such as those for stamps for official

documents or vehicle licenses, are paid at the public office where the service is provided. Others, such as fees for market stalls, are paid to collectors hired by the local authority who are required to give receipts, and to deposit payments with the local treasury.

There are limited arrangements for auditing and enforcement. The central tax department has inspectors who review the assessments of the tax agents and the Brigade of Verification and Pursuit reviews tax declarations made by those subject to this procedure and examines complaints of taxpayers who dispute their tax assessments. Failure to pay a tax obligation legally subjects the taxpayer to a series of warnings and penalties, and even confiscation of assets. Officially, enforcement of these sanctions involves the Brigade of Verification and Pursuit as well as other agents of the tax service and the treasury. In practice, however, hardly any enforcement activity is undertaken.

Organization of Revenue Administration

The Ministry of Finance is the responsible ministry for central government administration related to public revenues. Among its major branches are those related to the imposition and collection of revenues, the Customs Service, the General Tax Division, and the Public Treasury and Accounting Division. The Customs Service, which deals with taxes on international trade, is not of particular interest in this study. The General Tax Division is the agency which is engaged in the assessment of domestic direct and indirect taxes and the Public Treasury and Accounting Division is the unit which collects the revenues and which maintains records on tax recoveries and budgetary expenditures.

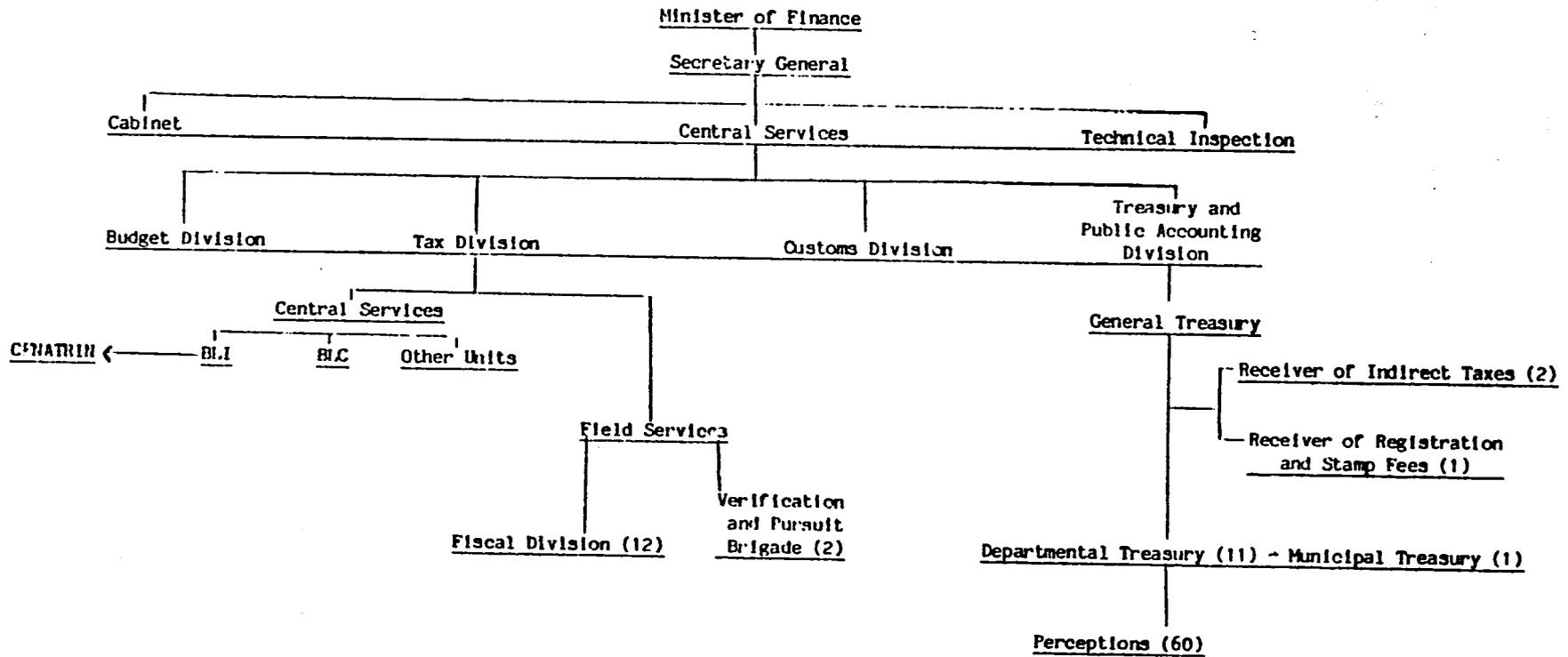
Tax Imposition. The organization of the General Tax Division shown in the left portion of Figure III-1 indicates the basic structure of the division. It is headed by a general directorate. The division has a number of central services. Several of these, such as the Personnel and Documentation Service and the Bureau of External Relations, deal with divisional management. Among the central services is the Bureau of Informational Relations (BLI) which includes in its mission the verification of tax forms submitted by tax agents in the field and their transmission to CENATRIN for computer preparation of tax bills. Another central service unit is the Bureau of Legislation and Claims (BLC) which reviews the tax laws and evaluates possible modification.

In addition to these central services are the external field services. These external services consist of fiscal divisions situated at key locations throughout the country. Under the former administrative structure there was a fiscal division in the administrative center of each department. At present the locale of the fiscal divisions remains unchanged. Ideally, each fiscal division would have a Verification and Pursuit Brigade attached to it to review and verify tax assessments and to assist in tax enforcement. Only two such brigades have been in operation, one in Ouagadougou and one in Bobo Dioulasso. The fiscal division is headed by an inspector and is staffed by several agents whose task is to identify those subject to certain taxes within their region and to assess these taxes.

Another component of the Ministry of Finance, the Property Division (Service de Domaine) has charge of registration of contracts and imposes and receives the registration and stamp fees associated with this function.

FIGURE III-1

ORGANIZATION OF UNITS OF MINISTRY OF FINANCE
RELEVANT TO TAX ASSESSMENT AND COLLECTION



Tax Recovery. Recovery or collection of most public revenues is administered by the General Treasury of the Ministry of Finance. The General Treasury maintains regional offices in the major towns and administrative centers. The number of regional treasuries has grown over time so that by 1984 there was a regional branch in 10 of the 11 departmental administrative seats. Each departmental treasury has a number of local treasury units (perceptions) attached to it. The local treasuries, of which there are approximately 60 dispersed throughout the country, are generally situated in the administrative seat of the former sub-prefectures. Communes may establish municipal treasuries (recettes municipales) but at the present time only one, in Ouagadougou, is fully operational. In the absence of a municipal treasury, responsibility for communal tax recovery is assumed by the regional treasury.

Regional and local treasuries receive and record direct tax payments and receipts from the various fees and charges for national, departmental and communal budgets. Central indirect taxes, however, are paid to one of four receivers of indirect taxes (Receveur des droits et taxes indirect) which are units of the Tax Division and then transferred to the treasury. There is only one receiver of the registration and stamp fees (Receveur de l'enregistrement et du timbre) attached to the Property Division, located in Ouagadougou.

In addition to their tax collection functions, the treasury branches also monitor and make payments for authorized expenditures, maintain records of revenues and expenditures of the departments and communes and pay the salaries of local administration employees. Treasury personnel

also collaborate with agents of territorial administration in the preparation of budget documents. Local treasuries may serve as post offices in communities with no regular post service.

The regional and local treasuries assume a basically passive role in the collection of public revenues. Payments are received at the treasury office but are rarely actively pursued by treasury agents. This is due in large degree to the multiplicity of functions performed with inadequate material and manpower resources. The regional treasury is headed by a senior civil servant and staffed by a number of modestly trained bookkeepers, tellers and clerical workers. In the case of the regional treasury in Bobo Dioulasso, there is only one A level civil servant (the treasurer) to administer a service which is responsible for the second largest city in the country and a region which until recently included three departments (Hauts-Bassins, Sud-Ouest and Como) covering the most economically advantaged areas of the country. The local treasury unit is staffed by a trained treasury agent (percepteur) who may have an assistant. The local collector is not provided with a vehicle. Since the collector is usually unassisted at his post, he would be required to close the office if he were to attempt to pursue recalcitrant or tardy taxpayers.

Many fees and charges in the departments and communes are received by ambulatory collectors who receive a fixed percentage (3 to 10 percent, depending on the fee) of collections as compensations. Receipts are deposited with either the municipal or regional treasury.

Resources of the Tax Department

As described above the central tax division (DCI) has considerable responsibilities related to domestic taxation. These include (1)

conducting an annual tax census, (2) assessment of many taxes and filling out tax forms for individual taxpaying units (IFR; ID; patente; CM; centimes additionel; TVLP; TVLH; mainmorte; voirie; balayage), (3) assessing and estimating the tax liability for those using the forfait system for the BIC and TCA, (4) checking the information provided on tax declarations filed by those paying by the "real system" for the BIC, BNC, and TCA, (5) checking on the information provided by those withholding for the IUTS and the IRI; (6) collecting domestic indirect taxes, (7) hearing and deciding on appeals of those who dispute their tax liability; (8) pursuing and dealing with those who do not pay their direct tax liabilities.

To accomplish all these tasks the tax department received budget allocations of some 190 million CFAF per year in 1982 and 1983. This allowed for the employment of about 250 employees (Table III-1). Beyond this small staff, the nonpersonnel budget amounted to only 15 million CFAF, of which 11.8 was allocated to printing, central administration materials and supplies and fiscal stamps. This left 3.2 million CFAF for field operations which was devoted entirely to gasoline and vehicle repair. Except for Ouagadougou, the materials and supplies budgets of the individual fiscal divisions, including allocations for gasoline and repair, ranged from 250 to 400 thousand CFAF per year.

Rough calculations show that for the country as a whole spending for direct tax assessment and enforcement is about 28 CFAF per person. While this excludes the costs of collection, it is still a strikingly low figure.

TABLE III-1

CENTRAL BUDGET RESOURCES AND EXPENDITURES FOR THE TAX SERVICE
(in millions of CFAF)

<u>Expenditure</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Personnel	115	176	174
Material, Supplies and Equipment	<u>15</u>	<u>15</u>	<u>15</u>
Total	130	191	189

1983 Detailed Expenditures

<u>Personnel</u>	<u>Total</u>		<u>Fiscal Division Hauts-Bassins</u>		<u>Bureau of Verification and Pursuit Hauts-Bassins</u>	
	<u>Number</u>	<u>Expenditure</u>	<u>Number</u>	<u>Expenditure</u>	<u>Number</u>	<u>Expenditure</u>
Grade A	37		2		2	
Grade B	48		2		2	
Grade C-D	104		16		3	
Temporary	<u>59</u>	—	<u>99^a</u>	—	<u>11</u>	—
Total Personnel	248	174	20	54.5	11	8
<u>Material, Supplies and Equipment</u>						
Printing		4.5		—		
General Administration		4.8		—		
Fiscal Stamps		2.5		—		
Maintenance		.4		—		
Other		.2		—		
Operational Fiscal Division		<u>2.6</u>		<u>.4</u>		
Total Material, Supplies and Equipment		15		.4		NA
Per Capita Expenditures		28 CFAF		90 CFAF		

^aTemporary local agents.

SOURCE: Direction Generale des Impôts.

The tax service in Hauts-Bassins consists of the local fiscal division and one of the two regional Verification and Pursuit Brigades. The brigade has seven regular staff members, four other agents and a yearly allocation of 225 litres of gasoline to cover the western region of Burkina, an area of close to 100,000 square kilometers. The local fiscal division, responsible for the region covered by the former department of Hauts-Bassins, including the Commune of Bobo Dioulasso, has 20 regular agents to cover an area of 43,000 square kilometers and a population of 600,000. The tax service also employs 95 temporary agents, but these are locally hired part-time employees who mainly help with the tax census. The average per capita expenditure for the tax service in Hauts-Bassins, at about 90 CFAF, is roughly three times the national average, reflecting the high level of taxable activity in this area.

An idea of the demands on the tax agents' time can be gleaned from the fact that in the Commune of Bobo Dioulasso above, according to the communal budget, there are an estimated 4,167 taxpayers liable for the patente and 30,000 for the standard tax. Many of those liable for the patente also should pay the BIC. If to this is added those residing throughout the department liable for the patente and those liable for local property taxes in both the commune and the department, one gets an idea of the enormous task assigned to the small resources of the tax service.³ Assessment of

³Estimates provided by the Tax Division, admitted to be incomplete, indicate that there are 13,000 known taxpayers liable for the BIC, of whom over 11,700 pay by the forfait method. Another source indicates that only 900 taxpayers in Bobo Dioulasso were liable for the BIC in 1985, a figure which seems too low.

these taxes requires information on numbers of adults in the household and the annual rental value of residential and business premises. Comprehensive updating of tax rolls is obviously beyond the capacity provided by available resources.

The situation in the Department of the East is at least equally difficult. Before 1980 there was only a single chief agent and two volunteers in the local fiscal division. After 1980, eight trainees were assigned. The area to be covered encompasses 50,000 square kilometers and its population is approximately 450,000. The fiscal division was provided with one vehicle, a light weight pickup, to travel to the other major towns in the department. Due to the almost nonexistent road infrastructure, a trip to Bogand (presently the seat of the Province of Gnagna) which is only 130 Km (80 miles) from Fada, required a minimum of four hours of arduous road time. The departmental budget estimated 1,335 taxpayers subject to the patente in the department. These plus taxpayers in the commune of Fada N'Gourma are supposed to be annually censused and assessed by the tax agents.

Given these work assignments perhaps it is not surprising to find that virtually no records are kept by the local fiscal divisions of their tax assessing and related activities. One does not find data tabulated for such information as the number of units censused per year; regular tax forms (FIM) transmitted to CENATRIN by type of form; tax forms filled out for payment in anticipation (FDC); and tax declarations for TCA and BIC reviewed. Information of this sort surely would help in evaluating the functioning of the fiscal division and testing the effectiveness of alternative arrangements.

It should be noted that information on assessed tax liabilities cannot be obtained from the fiscal division. For the most part, the actual tax liability is computed by CENATRIN and the result is not even transmitted to the fiscal division.

An Overview of Tax Administration

Customs Duties. Taxes on foreign trade, both imports and exports, are administered by the Customs Service (Service des Douanes). Strictly speaking, customs duties in Burkina also include taxes on those imported consumption items generally classified as consumption excise taxes in official reports of the Ministry of Finance. Taxes on these items, mainly tobacco, petroleum products and imported beverages, are assessed by customs agents and paid at the border, along with other taxes on imports. Customs policy and administration are vital not only to the revenues of Burkina but to its entire economic well being. Important as these matters are, however, they lie outside the scope of this study.

Direct Taxes: Central Budget. The GOB imposes a number of what are termed direct taxes (impts directs). The tax code of Burkina classifies direct taxes as those based on either a "nominative roll" or itemization of specified, named taxpayers, or a numerical roll for villages which sums the tax obligations of their residents. These taxes, then, might be more properly termed "roll" taxes instead of direct taxes. Agents of the tax service are mainly engaged in the preparation of the nominative rolls, the related taxpayer forms, and, under certain circumstances, the actual tax bills.

As mentioned in Chapter II, direct taxes amount to about 20 percent of total central government revenues and about 40 percent of local authority revenues. However, because of its far greater revenue, the center receives about 90 percent of all direct taxes. The major source of central direct taxes is the tax on wages and salaries (Impt Unique sur Traitements et Salaires; IUTS) which produces approximately half of all direct tax revenues. Administration of this tax is relatively straightforward since it is withheld at the source. Individual employers prepare and submit a single tax bill declaration which includes all of their employees and are responsible for forwarding monthly payments to the appropriate regional treasury. Payments for the Apprenticeship Tax (TPA) are handled in a similar manner. Despite withholding at the source for the tax on wages and salaries and the TPA, the tax agents do include pertinent information for these taxes on the tax forms they fill out during the tax census. Neither the IUTS nor the TPA, however, appears on the tax bill issued for taxpaying units by CENATRIN. A potential difficulty is ensuring that all employers withhold and transmit withholdings for all employees to the regional treasury. The same problem may arise for the tax on income from interest, dividends and other financial securities (IRVM) which also is withheld at the source.

After the IUTS, the other large direct tax revenue producer is the tax on business profits (BIC), which accounts for over 20 percent of direct taxes. Here, as with the tax on noncommercial profits (BNC), the tax agents determine the tax base and the actual amount of tax liability. Businesses with gross sales above 15 million CFAF (about US\$37,500) must

provide accounting information to the regional office of the fiscal division of the tax service. Tax agents trained in assessing the BIC use this information to estimate the tax base, fill out the tax forms, and send them to CENATRIN for the preparation of tax bills. Bills are then sent to the regional treasury, which distributes them to these large businesses. If the business objects to the amount of its tax liability it can request verification of the calculation of the tax from the Brigade of Verification and Pursuit. There are, however, only two offices of this bureau located in Ouagadougou and Bobo Dioulasso.

Businesses subject to the BIC but with turnover of less than 15 million CFAF may choose to pay by a forfeit method of tax determination based on observable business characteristics. The rationale for this arrangement is that small businesses generally do not keep accounts and, therefore, would not be able to provide the requisite information for a determination of liability based on accounting records. In these cases, tax agents must visit the individual business and determine the relevant characteristics for the "forfeit" based estimate of tax liability.

Comprehensive information was not available on the amounts of tax recoveries received from the "real" method of assessment in comparison with the "forfeit" method for the BIC. Fragmentary evidence for 1983 indicates that in Ouagadougou of a reported 5,249 payers of the BIC 4,116, or 78 percent, paid according to the forfeit regime while in Bobo Dioulasso the comparable figures were 862 out of 945, or 91 percent. Of course, since large firms pay by the "real" regime, the proportion of revenues generated exceeds the proportion of taxpayers who pay by this method. The

high share using the forfeit method indicates the small size of the typical Burkinabe business establishment, and that much of the "modern" sector is still unable to keep accounting records. Some portion of this apparent lack of business accounts, however, may be attributable to a lower tax liability resulting from application of the forfeit method instead of the real. Studies should be undertaken to establish whether the characteristics taken into account for the forfeit regime need modification and whether a more precise, higher yielding formula needs to be established for the forfeit regime which would serve as an inducement for modern record keeping.

Direct Taxes: Local Budgets. The remaining "nominative roll" taxes accrue to the budgets of local authorities. These taxes, already described in detail in Chapter II, vary somewhat between commune and province (department). Both types of local authorities receive the proceeds of the business license tax (patente), property taxes on the rental value of domiciles (contribution mobili-
re and its surtax the TVLH), on professional premises (TVLP), and on corporate premises (mainmorte), and the tax on firearms. Communes also receive the proceeds of the standard personal tax (IFR), the livestock tax (TBET), a local public works tax (taxe de voirie), a street cleaning tax (balayage), and a surtax of up to 15 percent on the sum of the patente, the IFR, and the contribution mobili-
re, called centimes additionel (see Appendix Table A-5 for a full description of these taxes). Nominally, receipts from the IFR collected outside communes accrue to the central budget, but since 1982 the proceeds are supposed to be returned to the rural authority as an investment

subsidy, provided an acceptable plan for their use has been submitted by the authority. Rural authorities do, however, receive the proceeds of a 60 percent surtax on the IFR, formerly called the departmental tax (impt departemental).

There are essential differences in tax administration between communes and rural areas, due mainly to the scarcity of taxable bases outside communes and the lack of resources of the Tax Service to travel outside of communes. In communes tax agents are supposed to conduct an annual tax census in which they return to all previously identified tax-paying units for updated information relevant to direct taxes attributable to either the national or communal budget. During this census, which takes place from October through January, new taxpayers are identified by inquiring about those living in various residences, or working in shops or other places of business. Relevant tax information is obtained for any new taxpaying units so identified.

After the census is completed, the tax agents enter the appropriate information on tax forms to be sent to the Tax Service's information coordination unit BLI (Bureau de Liaison Informatique) which, after checking, sends them to CENATRIN. A copy of the form used in this census is included in the Appendix as Exhibit 1. The information on the tax forms is entered into the CENATRIN computer and, using programmed formulae, CENATRIN determines the actual tax liabilities for each taxpaying unit. The amount owed for each tax for which a taxpaying unit is liable is shown on an individual tax bill (avertissement) which CENATRIN prepares. Two copies of these bills, along with a copy of a roll showing all taxpaying

units and the amounts owed for each tax, are sent to the office of the regional treasury, which is responsible for the collection of direct taxes. Tax bills and rolls are scheduled to be delivered to the regional treasuries in June. Once received by the local treasury the tax bills are distributed to the communal taxpayers. There is no precisely stated process for this distribution. Where possible, they are delivered to post box addresses, and tax bills for employees are taken to the larger establishments and government offices for distribution. Those who do not receive their bills in these ways are supposed to pick them up at the treasury office. The taxpayer has responsibility for appearing at the regional treasury to discharge the obligation and to receive a receipt for payment (quittance). The regional treasury enters this payment in its books and, on a month-to-month basis, sends a record of tax receipts to CENATRIN to record the payments and update its computer accounts. By this means, in principle, an accurate account of amounts received from direct taxes on a tax-by-tax basis is maintained.

The key point here is that, although the direct taxes which accrue to the budgets of local authorities amount to only about 10 percent of all direct taxes, their assessment takes far more than proportionate amounts of the time and resources of the field staff of the Tax Service. The departmental IFR as a numerical roll tax assessed and collected by agents of territorial administration imposes little burden on local agents of the Tax Service; however, the communal IFR does make heavy demands on tax agents. The other local direct taxes, such as the patente and the rental value taxes, are imposed on large numbers of small taxpayers whose tax

assessments are not based on easily determined and objectively measured earnings or profits. These levies, therefore, require an inordinate amount of the time of individual agents.

Direct Taxes: Rural Areas. In rural areas, formal procedures for administering direct taxes levied according to nominative rolls are no different from those employed in communal areas. There are, however, some taxes levied in communes, such as taxes for street maintenance and sanitation, which are not suited to rural areas. An important practical difference is that in rural areas tax agents find it virtually impossible to conduct an annual tax census and the local treasuries have great difficulty in delivering tax bills or in enforcing collection. Jurisdictions tend to be quite large and include numerous widely dispersed and frequently inaccessible small and medium size villages. These difficulties are compounded by the limited numbers of tax agents and the almost nonexistent resources for field travel. As a consequence the local treasury agent may perform some of the tasks assigned to the tax agents such as assessing the lower categories of the patente and IFR when small merchants appear for needed tax certificates.

The introductory section of this chapter distinguished between tax administration of nominative and numerical rolls. The major distinction is related more to the personnel involved than to the procedures applied. Numerical rolls and corresponding revenues tend to be handled by administrative rather than fiscal personnel. Tax rolls are established by agents of territorial administration in collaboration with canton secretaries. The village chief functions as a collection agent in a manner

similar to that of the employer for the IUTS. The difficulty faced by taxpayers living in small and often remote villages in reaching a local office of the treasury made it efficient for a locally stationed agent of territorial administration (formerly the canton secretary) to assist the chief in collecting the taxes and to deposit them at the local treasury. With the elimination of the lowest category of the standard tax, numerical rolls have lost their primary assessment function.

Domestic Indirect Taxes: Central Budget. Domestic indirect taxes of the central budget consist mainly of the turnover tax (TCA), plus small-yield taxes on the production and sale of beverages. The turnover tax, which yielded about 5 billion CFAF in 1983, provides about 10 percent of total central tax revenues and 15 percent of all indirect taxes, including import and export taxes. The other domestic central indirect taxes yield approximately one billion CFAF.

The tax agent's role in assessment and determination of tax liabilities for indirect taxes, while somewhat less than for direct taxes, is still considerable. One feature which distinguishes indirect from direct tax assessment is that the agents of the central tax service deal only with the indirect taxes assigned to the central budget. Local agents are hired to assess and collect the indirect taxes, fees and charges of the communes and rural authorities. Another distinguishing feature is that no formal tax bills are prepared by tax agents for indirect taxes. Instead, the taxpayer is required to submit regular declarations of transactions relevant to the indirect tax and an estimate of the taxes owed to the local fiscal division and to remit the amount of taxes owed to the receiver of

indirect taxes. These declarations and payments are due monthly for large taxpayers and quarterly if the amounts are small. The tax agent identifies new taxpayers in the tax census, and helps those who need assistance in computing their tax liability.

The turnover tax (TCA), like the business income tax, can be paid on a forfeit basis by firms below a minimum size (sales of less than 15 million CFAF per year). Assessment and setting of tax liability for these firms particularly require assistance from the tax agents.

While the ultimate goal is to have a receiver of indirect taxes at each fiscal division, at present there are only three such offices in all of Burkina, the main receiver in Ouagadougou and branches in Ouagadougou and Koudougou. Consequently, the monthly or quarterly payment for many taxpayers must be paid by money order or by check, which is forwarded from the receiver to the general treasury. Apart from the usual problems of identification, assessment and recovery, an additional difficulty arises here because there often is an inordinate delay in the forwarding of checks to the treasury. As a result the balance in the taxpayer's account frequently is no longer adequate to meet the tax obligation by the time the check is deposited. A remedy here would be for the receiver of indirect taxes to deposit checks immediately upon their receipt in the local bank or post office which would then credit the account of the national treasury.

Indirect Taxes: Local Budgets. We come now to the fifth and final revenue category, the indirect taxes, fees and charges of communal and rural administrative authorities. A comprehensive itemization of them is contained in the appendix. The discussion of Chapter II revealed that the

main sources of these revenues were vehicle licenses, market fees, and local fiscal stamps. Administrative procedures for recovery of these local revenues are relatively informal and vary from place to place. Ouagadougou and Bobo Dioulasso have more developed arrangements for obtaining their revenues than other communes. Some local taxes and charges, such as fees for market stalls and parking or for slaughtering and use of the facilities of the slaughterhouse, are collected by those who render the service or monitor it. Others, such as those for vehicle licenses, are paid in advance to the appropriate local treasury office or to designated tax collectors and the service is provided upon presentation of the payment receipt. Fiscal stamps are purchased directly from the local treasury by those needing them.

In the larger communes, these revenues may be deposited in the municipal treasury. In smaller communes and in rural areas the local representative of the national treasury also performs this function.

Other Central Domestic Taxes and Fees. In addition to the five types of tax administrative procedures just described, two further arrangements for obtaining revenues can be described. One concerns the tax stamps of the central government⁴ which must be attached to various types of legal contracts and documents. The other involves the small but not insignificant charges made for special services in areas such as health and education.

⁴These are different from the local fiscal stamps mentioned above, which have to be included on such local documents as birth certificates and identity cards.

Amounts raised from tax stamps, registrations, and the tax on insurance are not trivial, at about one billion CFAF per year. Tax stamps are purchased from the local treasury, which have purchased them from the national treasury, and attached as required to the various legal documents. Some documents, such as those registering a new corporation, require an amount of stamps proportional to the amount of capital or value; other documents require amounts valued in relation to the size of the document.

The charges for special government services are set by central authorities and collected by those operating the service. The amounts raised from these charges between 1980 and 1983 ranged from 241 to 474 million CFAF.

Operational Aspects of Direct Tax Administration

As described, the structures and procedures for direct tax administration in Burkina Faso provide methods for identifying taxpayers, assessing them, determining tax liabilities, and collecting revenues. There are requirements for reporting information on the magnitudes of assessments and collections. Mechanisms for tax enforcement clearly are weak and further exacerbate problems created by the absence of a tradition of tax compliance. In addition, however, there are further serious problems which interfere with comprehensive tax recovery and which prevent the accumulation of information needed for effective analysis of the cause of the low recoveries.

Taxpayer Assessment and Identification. There are two distinct aspects of taxpayer identification. One concerns identifying those who are liable for particular taxes so that they can be assessed by tax agents or

instructed to file appropriate tax statements. The other concerns unique identification of a particular payer so that payment can be properly credited against previously assessed tax liability and so those assessed but not paying can be clearly identified.

The absence of a unique taxpayer identification number creates problems for estimation of tax recovery rates because it prevents matching of payments in anticipation (PPA) with tax assessments. This issue arises because in order to conduct their affairs some of those already assessed for direct taxes require certificates showing that they have paid their taxes. However, often the approved tax bills based on the tax census and forms submitted by tax agents (FIM) have not yet been received by the local treasury when tax certificates are requested. To obtain a receipt for tax payment such taxpayers go to a local tax agent who calculates the taxes owed on a separate tax form (FDC) which the taxpayer takes to the local treasury and upon payment receives a receipt. Payment under these circumstances is called payment in anticipation (PPA). Lacking a unique taxpayer ID number, the treasury and subsequently CENATRIN cannot match these payments in anticipation with the tax bills prepared in connection with the tax census for the same taxpayer.

CENATRIN's records show (1) the amount of tax liabilities assessed by the tax agents on the basis of the census for which tax forms have been sent to CENATRIN. This amount is called "assessment" here, and CENATRIN calls it prise en charge brut (PCB); (2) the amounts recovered in anticipation, called by CENATRIN perception par anticipation (PPA). These include payments of assessed taxpayers before receipt of tax bills plus

payments by unassessed taxpayers who pay either because they require a tax certificate or because they have been caught in some tax compliance check (bouclage); (3) the amounts recovered from assessed taxpayers after tax bills have been received.

Without comprehensive taxpayer ID numbers it is impossible to determine which of the PPA recoveries apply to the censused assessments (PCB) and which represent payments by previously unassessed payers. As explained below, this prevents estimation of a definitive measure of tax recovery and requires calculation of several alternative such measures. Policies to assign such taxpayer IDs, much as Social Security numbers are used in the United States, are presently being intensified, but there is still much to be done before the problem is resolved well enough for accurate tax analysis.

As regards locating and assessing those who are liable for taxes, the major weakness appears to lie in the difficulty of placing on rolls taxpayers in rural and small towns subject to the BIC and the patente, and the exclusion of some wage and salary recipients who work for individuals or very small enterprises. The failure to identify rural taxpayers can be stated with reasonable certainty because of clear evidence that tax agents are unable to perform their tax census duties in these areas. Lack of funds for gasoline and for living expenses while on tour, and frequent absence or disrepair of vehicles was observed consistently throughout this study. Furthermore, the number of fully trained agents is too small to permit diverting them to rural towns given the extent of their responsibilities within the communes where they are stationed.

Quantitative evidence for these assertions emerges from our analysis of central tax recoveries from communal and rural areas. Results for 1978, 1980, and 1981 show that in most years virtually nothing was recovered from central taxes on business income in rural areas. Only in 1982 did rural recoveries from the business, industrial and commercial profits tax (BIC) and the noncommercial profits tax (BNC) in rural areas exceed 11 percent of the total (see Table III-3, below).

The question of what proportion of those liable for the IUTS actually is assessed is difficult to answer because of the absence of current data on employment in the modern sector and of information on the number of payers of the IUTS. This tax is withheld by employers, and we were able only to uncover estimates from the regional treasuries at Ouagadougou and Bobo Dioulasso of the number of employers who paid the IUTS. No information was found for the actual number of individuals for whom the IUTS was withheld and transmitted to the treasury. There is a place for the IUTS as well as the BIC and BNC on the tax census form for income related taxes which is transmitted to CENATRIN and used to produce the tax bill. Tabulation of information on those liable for the IUTS from the tax forms could provide indication of trends in the number of taxpayers and a base for comparison with other information indicative of potential taxpayers such as the number of social security participants.

Lacking this kind of quantitative information it is possible only to speculate about identification or enumeration of those subject to the tax on wages and salaries. Still, it does appear that the vast majority of those subject to substantial tax liabilities for central direct taxes are

identified by the present system. Attempts to improve identification of large numbers of small taxpayers would entail considerable costs and yield proportionately little additional revenue.

Assessment. Assessment of direct taxes where withholding is not feasible presents substantial problems in all developing countries. The frequent absence of accounting records, the inability of taxpayers to fill out tax forms, and the cost of comprehensive, frequent recensusing all combine to undermine accurate initial assessment and the adjustment of assessments as the actual direct tax base changes. In this area, the direct tax system of Burkina suffers from several problems. First, because it is often necessary to use estimates of income rather than accounting measures of income, assessments often are inequitable, differently assessing those with essentially equal incomes. This comes about primarily through the forfeit regime of the business profits tax (BIC), the fixed rate of the patente, and the IFR. Second, assessments do not always respond to increases in tax bases because tax agents tend not to revise assessments in response to rising rents or other components of the tax base, or to changes in the objective characteristics of a business which influence forfeit classifications.

It would seem extremely useful to examine data on the evolution over time of the amounts assessed for specific direct taxes. Such data could be examined over time, by tax, and by region to establish a record of the activities of the local Tax Service (Division Fiscale) and its field agents. At first glance it appears feasible to do this by examining the information routinely provided by CENATRIN on the amount of approved

assessed tax liabilities which are assigned to the regional treasuries for collection (prise en charge). Relating these tax assessments to actual taxes collected (recouvrements) would then also provide information on recovery rates over time, by tax, and by region. Alas, as described above, the system of fiscal recording for direct taxes does not permit such an analysis.

Tax Collection. Collection, the third element of effective tax administration mentioned above, is obviously crucial in that it constitutes the actual recovery of receipts. For taxes which are withheld at the source, collection requires that the employer or payer actually remit to the treasury amounts withheld at the stipulated intervals. Our study did not examine this issue, but conversations with GOB officials suggest that this is not a major problem. Collection of other direct taxes is the responsibility of the local offices of the treasury (perceptions) to whom CENATRIN sends the tax bills and the approved tax rolls (prise en charge) for those taxpaying units residing in the area served by the regional treasury.

The treasury attempts to deliver tax bills by two methods. First, for those taxpayers who rent post office boxes or who have made arrangements for delivery of mail with box renters, bills are placed in boxes by the postal authorities. Second, the treasury arranges to have bills delivered to relatively large employers, including the central government and local authorities, to be distributed to their employees. Whether a bill is received or not, it is the obligation of the taxpayer to pay all the taxes due for his household. Upon payment the treasury office provides a tax

receipt (quittance). Since there are few post offices outside major urban centers, the local treasury office finds it difficult to deliver tax bills in outlying areas. Virtually all of the relatively few such bills to be delivered are intended for merchants who reside in small towns. Mail for villages and towns is generally picked up by any resident who happens to be in a place where there is mail delivery. Tax bills, however, are more likely to be held for delivery by a policeman or other government official who happens to be travelling to an outlying village or town.

The collection system as described above clearly cannot be expected to produce high recovery rates. The regional treasury is what Richard Bird has called "little more than [a] 'telling' agency, waiting for taxpayers to come in and pay up."⁵ In practice, however, further components of the system come into play which enhance recoveries. The most important of these enforcement mechanisms is the requirement to present or display a tax compliance statement (attestation) in order to engage in various commercial activities or to receive certain public services. For example, the right to travel or to file a public document requires evidence of payment of the IFR, and in order to purchase supplies from a wholesaler or to make a sale to the government, a merchant must show proof of up-to-date tax payment of the BIC and patente. Tax certificates must be procured from the regional treasury and require payment of a registration stamp fee. Another enforcement measure is the cordoning-off (bouclage) of an area such as a

⁵Richard M. Bird, "Income Tax Reform in Developing Countries: The Administrative Dimension," Bulletin of the International Bureau of Fiscal Documentation 1 (1983), p. 14.

market or a neighborhood by the communal police, who then demand to see proof of tax payment. For those who cannot produce such proof some valuable such as a bicycle or moped is confiscated and held until proof of payment is provided either by returning home to obtain the "quittance" for an already paid tax bill, or by going to the regional treasury to pay up.

The requirement of proof of tax payment for commercial purposes and the police checks improve tax compliance. Once the taxpayer appears, the treasury can examine its records to see if there are previous unpaid tax bills on file. If there are, collection of these back taxes is required for the issuance of the requested document or return of the confiscated valuable. If there are no prior tax bills, questions are asked to determine whether this taxpayer was overlooked in the past (or was registered in another perception) and, if overlooked, past taxes are assessed by the tax service and collected.

Enforcement. Discussion of tax administration would be incomplete without mention of the Brigade of Pursuit and Verification. There are only two such Brigades in the entire country, one in Ouagadougou and the other in Bobo Dioulasso. This unit of the tax service operates mainly to review tax declarations and supporting financial documentation and to modify the amount of taxes owed if they detect errors. While we have no specific figures for the additional recoveries due to this review, it is reputed to be substantial. The Brigade also verifies tax liabilities contested by corporate or other business taxpayers. The Brigade also has some responsibility for enforcement of unpaid tax liabilities. The Brigade in coordination with the Director of the Tax service and the local treasury

agent has the right to impose fines and other penalties for nonpayment, but only if lengthy and complex legal procedures demonstrate fraud as the reason for non-compliance. Consequently, when a taxpayer in default is located, all that happens is that an attempt is made to collect the taxes owed. Sanctions are virtually never applied. We were unable to obtain any quantitative information regarding the number of cases of delinquent taxpayers who were assessed late penalties.

Tax Compliance and Recovery

Concept of Tax Compliance. With the procedures for identification, assessment, and collection spelled out, it is appropriate now to turn to quantification of tax compliance in Burkina. A useful starting point is an identity showing the relations among the component elements of tax compliance. Such an identity is shown in equation (3.1) where, for a given tax

$$(3.1) \quad \frac{\text{Tax Collections}}{\text{Tax Base}} = \frac{\text{Assessments}^6}{\text{Tax Base}} \times \frac{\text{Taxes Owed}}{\text{Assessments}} \times \frac{\text{Tax Collections}}{\text{Taxes Owed}}$$

The left hand portion of equation (3.1) is the ratio of taxes collected to the full statutory tax base, and can be thought of as the compliance rate. The right hand side of the equation breaks down the compliance rate into three components: (1) the assessment-audit ratio (assessments/base); (2) the nominal tax rate (taxes owed/assessments); and (3) the recovery ratio (taxes collected/taxes owed). Each of these ratios can be estimated from

⁶Here, assessment is used to mean the amount of the full statutory tax base which has been included in setting the tax liabilities.

data and knowledge of tax rates. Full tax compliance would yield a value of one for ratios (1) and (3). For a proportional tax without deductions ratio 2 is simply equal to the rate of the tax. For a tax with progressive rates or with exclusions or deductions the average rate would depend on the distribution of taxpayers' characteristics in relation to the tax base.

The appeal of this approach is that it gives a quantitative indication of the two components of the tax compliance ratio influenced by tax administration. The ratio of assessments to the tax base indicates the effectiveness of the assessment-audit procedures. The ratio of collections to assessments reveals the effectiveness of tax recovery and enforcement. Examination of these ratios over time provides evidence as to whether compliance is improving or worsening. Of course, results of such comparisons in and of themselves do not indicate exactly what policy measures should be taken. They do, however, indicate the nature and severity of problems which need attention.

Tax compliance can best be examined by looking separately at groups of taxes with similar assessment, collection, and enforcement patterns. In Burkina, this means separating direct from indirect taxes and further, among the direct taxes, separating taxes withheld at the source, business income and property taxes assessed by tax assessors and paid by those assessed, and traditional taxes assessed and collected by agents of territorial administration in cooperation with village authorities.

Analysis of tax compliance is complex. Each element needs careful discussion and requires its own particular data and analysis. In proceeding from here we first present and examine the historical record of

tax recoveries from central and local direct taxes. Then relevant data regarding direct tax compliance are presented and evaluated. Next, we shift to the indirect revenue of central and local authorities employing the same treatment. That is, discussion of historical data on recoveries is followed by analysis of compliance.

Direct Tax Recovery over the Period 1977-1983. Examination of actual tax recoveries for specific taxes provides information about the variability of tax collections. Such data then can be related to the variability of other measures such as GDP or one of its components or total wages and salaries which are thought to vary with the bases of different taxes. Comparison of these measures gives an indication of whether tax recoveries are responding, as they should, to changes in their bases. Comparisons of this sort, however, must be adjusted for changes in tax provisions which would affect the relationship.

Presenting data on the evolution of tax recoveries requires deciding how to treat revenues from taxes assessed in one year which are collected in subsequent years. The annual treasury report on central revenues (Situation Detaile des Recettes) shows current year collections by source and only totals for direct and indirect revenues from previous years' taxes. CENATRIN data, however, indicate the year and tax to which recoveries from prior years apply. Often collections in the year following imposition are substantial and failure to allow for these late recoveries would seriously distort the picture of tax collections. Late recovery can be explained by a variety of factors but usually results from the late arrival of tax forms at CENATRIN.

There is, however, a drawback to measuring the tax recovery for a particular year as the sum of recoveries of that year's tax liabilities for the initial year plus subsequent ones. Figures for the most recent year for which data is available, in this case, 1983, will not be comparable with past years' recoveries because of the absence of subsequent year recoveries. Since recoveries in the third year are almost invariably insignificant the difficulty arises only for the most recent year. Despite this difficulty, the figures used here are for the sum of recoveries and not for just "current year" recoveries. Use of current year figures leads to serious distortion because of the impossibility of distinguishing whether observed changes in recoveries are due to variation in actual recoveries or only to changes in the timing of recoveries.

Central Direct Tax Recoveries. It is useful to separate central direct tax recoveries into those derived from taxes withheld at source and those from non-withheld taxes. The former category includes taxes on wages and salaries, interest and dividends, and the apprenticeship tax. Table III-2 shows that recoveries from the tax on wages and salaries, the most important direct tax, have increased every year at a relatively steady rate except for an unusually large increase in 1980. Its average annual compound rate of growth for the period 1977 to 1982 (21 percent) exceeds that of any other revenue source (excluding customs duties) and of nominal GDP (14 percent) for the period. Recoveries from the tax on dividends and interest also have grown substantially since 1977, although from a very small initial level and with a surprisingly low growth rate in 1981. Apprenticeship tax recoveries too have grown since 1977 at a rate above

TABLE III-2

CENTRAL DIRECT TAX RECOVERIES, 1977-1983
(in millions of CFAF)^a

Tax	1977	1978	1979	1980	1981	1982	1983	Compounded Annual Percent Change 1977-1982
Withheld at Source								
Wage and Salary (IUTS)	1,765	2,226 (26)	2,506 (13)	3,680 (47)	3,922 (7)	4,651 (19)	5,257 (13)	(21.3)
Interest and Dividends (IRVM)	7	34 (143)	64 (88)	96 (50)	100 (4.1)	123 (23)	44 (-64)	(77.4)
Apprenticeship (TPA)	342	443 (30)	463 (5)	625 (35)	590 (- 6)	717 (22)	723 (1)	(16.0)
Not Withheld								
Commercial Business Profits (BIC)	1,367	1,456 (6.5)	1,535 (5)	1,815 (18)	1,962 (8)	2,247 (15)	1,978 (-12)	(10.4)
Non-commercial Profits (BNC)	16	7 (-56)	21 (3)	16 (-24)	11 (-31)	18 (64)	8 (-56)	(2.4)
Rental Income (IRI)	14	34 (143)	64 (88)	96 (50)	100 (4)	123 (23)	44 (-64)	(54.4)
Standard (IFR)	724	629 (-13)	735 (17)	573 (-21)	660 (15)	688 (4)	636 (- 8)	(- 1.0)
Exhibits: Annual Percent Change								
Nominal GDP		19.7	11.5	9.2	14.6	10.5	4.4	
Government Payrolls		18.5	16.2	12.8	11.5	20.5	7.6	

^a Figures in parentheses are annual percent change.

SOURCE: Direction Generale du Budget, Ministère des Finances.

that of GDP and other comparison indicators, but in an irregular way with rapid growth in one year followed by slow or negative change in the next.

The relation of the growth of tax recoveries to the growth of an indicator of the tax base provides a rough measure of whether overall tax compliance is improving or declining. This holds true so long as tax rates and other provisions have not changed during the period. Comparison of tax and base-indicator growth rates, however, does not reveal the proportion of the actual base recovered nor the proportion of the base which strict application of the tax statutes would recover. Unfortunately, in Burkina, data for such analyses are not available, although for some taxes relevant information is found on tax forms entered into CENATRIN's computers, but not tabulated.

For the IUTS, data needed to estimate potential revenue would include the distribution of earnings of salaried employees by income class and, before 1984, the average number of dependents for each income class. Lacking this data, a useful, feasible comparison can be made of growth in receipts from the IUTS with growth in wages and salaries in the national accounts. Such comparison shows that over the period from 1979 to 1982 revenues from the IUTS grew by 86 percent while wages and salaries in the national accounts rose by only 41 percent. This probably indicates progress in the tax recovery system, although some of the gain is a result of the automatic increase which occurs as inflation pushes taxpayers into higher marginal tax classes.

The non-withheld central direct revenues are dominated by the commercial and industrial profits tax (BIC). Year to year growth in

recoveries are quite stable and average 10.4 percent over the 1970-1982 period. Proceeds from the tax on rental income have experienced an average annual growth rate second only to those of the tax on interest and dividends, due in part to the doubling of the tax rate in 1980. Growth in these two sources reflects earlier extremely low levels of financial and commercial activity as well as improvements in their administration. The noncommercial profits tax is a very small and erratic revenue source.

Finally, the central share of the standard tax, collected from rural areas, is the only source for which recoveries actually declined during the period. In part, the decline is due to the reduction in the minimum rate which took place in 1980.

Except for the minimum standard tax, central direct taxes are imposed at uniform rates in all areas of the country. Actual collections, however, are recovered primarily from treasuries in communes, and more particularly from Ouagadougou and Bobo Dioulasso. Table III-3 reveals that virtually all of the direct taxes are recovered in these two communes. These findings are overstated because the tax on wages and salaries is assigned to the treasury located where the payment of salary is made and many government officials have their pay deposited in one or the other of the major cities even though they are stationed elsewhere.

The division of recoveries between urban and rural areas can provide a valuable insight into tax administration. Comparison of the proportion of recoveries from urban areas with the proportion of assessments (emissions) gives an indication of the effectiveness of tax collection in urban and rural areas. Such a comparison is valid only for taxes which are not

TABLE III-3
 DISTRIBUTION OF CENTRAL REVENUE COLLECTIONS AND ASSESSMENTS
 FROM URBAN AND RURAL AREAS
 (in percent)

<u>Tax/Year</u>	<u>Ouagadougou</u>	<u>Bobo Dioulasso</u>	<u>Other Communes</u>	<u>Rural Areas</u>	<u>Total</u>
All					
1978	68	10	7	15	100
1980	73	12	4	11	100
1981	76	11	4	9	100
IUTS					
1978	79	8	9	4	100
1980	84	8	5	2	100
1981	84	9	5	2	100
BIC					
1978	86 (90) ^a	12 (8)	<.5 (<.5)	2 (1)	100
1980	76 (73)	23 (25)	1 (<.5)	0 (<.5)	100
1981	69 (62)	15 (13)	1 (1)	15 (23)	100
BNC					
1978	100	0	0	0	100
1980	90	0	0	10	100
1981	88	0	0	12	100

^aFigures in parentheses = assessments.

SOURCE: CENATRIN printouts.

withheld at source and where there is a substantial amount of assessment outside urban areas. One tax which fulfills these criteria is the commercial and business profits tax (BIC), and it meets them only in 1981. Comparison of assessments with recoveries not surprisingly does show that recovery rates are higher in urban areas. This is indicated in Table III-3 where for the BIC in 1981, rural assessments comprise 23 percent of the total but rural recoveries amount only to 15 percent of total recoveries. Further evidence of higher urban recovery rates emerges later in this chapter when communal and departmental local revenues are analyzed.

Local Direct Tax Recoveries. The first impression from Table III-4 on local direct tax recoveries is their small magnitudes in relation to those from central sources. This has already been discussed in Chapter II. What Table III-4 also reveals that is new is that the growth of local business taxes in communes was almost double that in departments over the period 1977-1982, but that in 1981 and 1982 departmental recoveries grow at rates that compared favorably with those of communes. Also, departmental recoveries from the patente and from the departmental surtax on the IFR were more variable than recoveries from communes from similar taxes. Finally, communal recoveries from their various "modern" direct taxes increased throughout the period while recoveries from the standard tax fell similarly to the behavior of this tax at the central level.

Measurement of Tax Compliance Ratios. As described above, the overall compliance ratio is the product of its three components, the tax rate, the assessment-audit ratio, and the recovery ratio. While the provisions of taxes and their rates are, of course, stipulated in the tax

TABLE III-4
 LOCAL DIRECT TAX RECOVERIES, 1977-1983
 (in millions of CFAF)^a

Type of Tax/ Government Level	1977	1978	1979	1980	1981	1982	1983	Compounded Annual Percent Change 1977-1982
<u>Business</u>								
Patente (Commune)	153	226 (48)	263 (16)	266 (1)	352 (32)	432 (23)	168 (62)	(23.1)
Patente (Department)	63	109 (73)	108 (0)	66 (-39)	79 (20)	117 (48)	82 (-30)	(13.2)
License (Department)	1	1	5	115 ^b	117 ^b	141 ^b	92 ^b	
License (Commune)	4	3	3	3	3	1	0	
<u>Property</u>								
CM, TVLH, TVLP, MM (Commune)	37	64 (73)	74 (16)	85 (15)	108 (27)	107 (0)	35 (-67)	(23.7)
CM, MM (Department)	4	6 (50)	5 (-17)	7 (40)	6 (14)	10 (67)	6 (-40)	(20.1)
<u>Traditional</u>								
IFR (Commune)	43	52 (21)	56 (8)	58 (4)	63 (9)	64 (2)	31 (-50)	(8.3)
CA (Commune)	14	20 (43)	22 (10)	24 (9)	27 (13)	32 (19)	13 (-60)	(18.0)
ID (Department)	407	361 (-11)	277 (-23)	233 (-16)	213 (- 9)	268 (26)	281 (5)	(-8.0)
Armes (Department)	24	18 (-25)	19 (5)	27 (42)	41 (52)	27 (-34)	25 (- 7)	(2.4)

^a Figures in parentheses are annual percent change.

^b Data seem to be in error.

SOURCE: CENATRIN printouts.

code, information is not available on the distribution of taxpayers by the amount of the tax base and by characteristics related to deductions and exemptions from the various taxes. Thus, it is not possible to estimate the effective tax rate which should apply per unit of the tax base. The absence of this ratio, however, is not crucial to the analysis of tax compliance. The tax rate is essentially determined by legal regulations and does not depend on the effectiveness of tax assessment and collection procedures.

Measurement of the ratio of assessment to tax base requires estimates of the tax base and of the actual portion of the base against which taxes are calculated. Estimation of the base of various Burkinabe taxes is quite difficult because of the lack of appropriate data. Still, some information is available to estimate growth in tax bases, and was used in the previous section where, for example, growth in personnel outlays in the central government budget was taken to indicate the magnitude of changes in the base of the IUTS and growth in the industrial and private service sector treated as indicative of changes in the base of the turnover tax (TCA).

In addition to the base, estimation of the ratio of assessments to the tax base requires knowing the amount of the base actually included among those found to be liable (redevable). Unfortunately, the procedures and records of Burkinabe tax administration do not readily provide this kind of information. There is no single amount, such as salary or business profits, which is tabulated and could be considered as the portion of a tax base captured by the tax system. The tax forms submitted to CENATRIN and entered into CENATRIN data files do contain such information, but

tabulations of it are not made. Despite the obvious importance of such data to the routine analysis of tax issues, as well as to this study, a request made for authorization of special tabulations was rejected by the Director-General of the Tax Service.

The recovery rate (recoveries/assessments) is more amenable to estimation. Still serious difficulties remain due to the absence of comprehensive taxpayer identification numbers and the ambiguity of treatment of taxes paid by non-assessed taxpayers. Lacking definitive taxpayer identification, CENATRIN cannot identify those payments in anticipation⁷ which apply to previously assessed taxpayers. Consequently, it is not possible to determine the portion of total recoveries which apply to the tax liabilities assessed by the tax agents (PCB) and reported to CENATRIN on tax forms (FIM). As taxpayer identification becomes more comprehensive closer determination of this share will be feasible and it should be programmed into CENATRIN's tabulations.

Another problem arises as regards the treatment of that portion of payments in anticipation which represent payments by not previously assessed taxpayers. Should such payments be treated as recoveries, assessments or both? These payments generally are made because of regulations requiring tax certificates intended to enforce tax compliance. It seems appropriate then to treat these payments as indicative of recovery which should raise the recovery rates. However, to include these as recoveries without also increasing assessments would distort the recovery

⁷See pp. 22-24 for an explanation of payments-in-anticipation.

rate. As described above, it is, however, not possible at present to separate these recoveries for those assessed taxpayers who pay before their tax bills arrive at the local treasury office.

Under these circumstances, available data can be used to calculate several alternative measures of tax recovery ratios, which examined together indicate comparative recoveries over time and among different taxes. The "standard" measure, shown in CENATRIN tabulations under the heading of "percent recoveries," is, unfortunately, not particularly revealing. It is computed as the ratio of total recoveries of the current year's tax minus advance payments divided by assessments $[(R-PPA)/PCN]$. Put differently, it is the payments by assessed taxpayers recovered after the tax bills have arrived. As an indicator of the effectiveness of tax administration it is severely flawed. First, it ignores recoveries in subsequent years, which can be substantial and which vary greatly among taxes and for the same tax in different years, largely depending on the timing of the arrival of the tax bills. Second, this method treats only taxes paid after the receipt of the tax bills by the local treasuries as recoveries to be compared with assessments. That is, it does not include as recoveries relevant to the recovery rate those payments in anticipation for which prior assessments were made. These two procedures result in misleadingly low recovery percentages which are, however, the only generally available figures and as such are widely used in discussion and writing about tax recovery in Burkina. In fact, CENATRIN tabulates subsequent year recovery rates and, at least, the sum of these recovery rates for several years should be used in discussion of recoveries.

Two alternative measures of recovery rates, however, can readily be estimated from available data. These rates provide an upper and lower bound to the "true" recovery rate. Both use the sum of recoveries for several years (after the second year, recoveries for all taxes fall virtually to zero) as the numerator. The difference between them is that in the upper estimate, the denominator is simply the sum of the assessments for which tax bills have been prepared. Here, the assumption is that all recoveries, whether or not payments in anticipation, are for assessed liabilities. All those who pay in anticipation are assumed to be simply paying before their bills reach the local treasury. The lower estimate makes the opposite assumption, so that the denominator is equal to assessments, plus the payments in anticipation. Further, we assume here that payments made in subsequent years were entirely by those who had not been initially assessed. Thus, the lower estimate assumes that none of the payments in anticipation were from assessed taxpayers. It measures assessments as the sum of the amounts assessed by tax agents plus payments in anticipation.

Direct Tax Compliance: Analysis of Various Taxes

So far the discussion of tax compliance in this chapter has reviewed the evolution of direct tax recoveries and described issues in the measurement of assessment and recovery ratios. Now it turns to presentation of data on these measures and to evaluation. The approach here is to show for each direct tax considered: (1) annual percent change in assessments (emissions) and in recoveries; (2) the ratio of amounts paid in anticipation to assessments; and (3) alternative measures of tax recovery rates.

Each of these elements contributes to an overall picture of tax compliance for a particular tax. The annual percent change in assessments indicates the gross change in the amount of taxes owed. Growth in assessments reflects some combination of (1) more complete censusing of potential taxpayers, (2) updating assessments for inflation and economic growth, and (3) occasionally, increases in tax rates or the definition of the tax base. Reduction in assessments may represent decreases in tax liabilities due to decreased economic activity or, very rarely, to reductions in tax rates. More likely they result from failure of tax agents fully to complete the tax census. Growth in annual tax recoveries indicates receipt of additional revenues, but, due to the inclusion of payments from non-assessed taxpayers and the recovery of taxes owed from previous years, such growth does not provide definitive indication of improvements in recoveries by the collection system. Reductions in recoveries from one year to the next may indicate lower recovery rates, but they also may result from lower assessments or from unusually high recoveries in the previous year.

The ratio of taxes paid in anticipation (PPA) to assessments (PCB) reveals important aspects of the administration of the tax. Taxes withheld at the source are treated as PPA. For other taxes, a systematically high proportion of PPA indicates persistent late arrival of tax bills for a tax for which a tax certificate is needed.

Measures of tax recovery include the upper and lower estimates and the "standard" measure described above. It will be recalled that the standard measure often substantially understates the true recovery ratio because it

excludes recoveries in subsequent years as well as all recoveries paid in anticipation including those paid by assessed taxpayers. To provide more accurate indicators of recovery rates two alternative measures are calculated. Both incorporate revenues from subsequent years in the numerator. One uses the assessments of the tax agents (PCB) as the denominator. In effect it assumes that all of the payments in anticipation were by those who had been assessed and for whom an FIM had been submitted to BLI. This provides an upper estimate of the recovery rate. The other uses the sum of the assessments plus the payments in anticipation as the denominator. This assumes that none of those who paid in advance had been assessed and, thus, gives a lower estimate of recoveries in relation to an expanded tax base which includes both assessments (PCB) and payment in anticipation (PPA).

A low rate of recovery indicated by either of these two measures is cause for concern. Such a finding, however, does not reveal the reason for nonpayment. Have the tax bills delivered to the local treasuries been received by the taxpayers? Is there a higher rate of payment for taxpayers who receive their tax bills than for those whose bills remain gathering dust at the local treasury office? Unfortunately, our study is not able to answer this question quantitatively. We have some data for Bobo Dioulasso on the proportion of taxpayers who received their tax bills by sector of employment of the household head, but no information on the payment of taxes in relation to receipt of the tax bill.

The crucial question here is whether receipt of the tax bill by the taxpayer would increase tax recoveries. One view is that those who do not

pay would do so more frequently if they actually were presented with their tax bill. The other view is that nonpayment is essentially due to the absence of enforcement. Whether the taxpayer has the tax bill or not, if there is no need for tax compliance certification there is no reason to pay, since in practice the worst outcome is eventually being forced to pay the amount due without penalty.

Taxes Withheld at Source. The questions of tax recovery in relation to tax assessment examined in this chapter generally do not apply to withheld taxes. All such taxes imposed should be recovered, unless the withholders fail to transmit taxes due to the treasury. Data show total recovery rates close to 100 percent (Table III-5). One anomalous finding, however, is that the total recovery rate for the apprenticeship tax was only 92 and 89 percent respectively for 1982 and 1983. This suggests that some of those liable for this tax have not been remitting what they owe. In fact for both the TPA and the IUTS a small portion of the tax is not withheld, probably because those liable do not file tax declarations. When tax agents find and assess them and tax bills are prepared, they tend not to pay as indicated in column (6) of Table III-5.

Taxes on Business Income. Table III-6 shows tax compliance measures for central and local business taxes. These all have in common the tax agents' responsibility for assessment and preparation of a tax form and the taxpayers' obligation to obtain the tax bill and pay at the local treasury. Those who pay the BIC and BNC by the "real" (rather than forfeit) method are required to submit tax declarations containing information which the tax agents use to determine their tax liability. No

TABLE III-5
MEASURES OF TAX COMPLIANCE:
TAXES WITHHELD AT SOURCE
(in percent)

Tax/Year	Annual Change		Paid in Anticipation ^b	Estimated Recovery Rates		
	Assessed (1)	Collected ^a (2)		Upper ^c (4)	Lower ^d (5)	Standard ^e (6)
Wages and Salaries (IUTS)						
1983	14	14	f	96		6
1982	22	18		97		3
1981	1	7		100		14
1980	48	47		100		25
1979	16	12		95		3
1978	—	—		98		16
Average 1978-1983	20	20		98		11
Apprenticeship (TPA)						
1983	3	1	f	89		0
1982	33	21		91		4
1981	-5	-5		100		1
1980	-29	35		100		1
1979	7	5		95		0
1978	—	—		98		2
Average 1978-1983	4	11				1

^aIncludes all recoveries in year, including those due from previous years.

^bPaid-in-anticipation (PPA) as percent of assessed.

^cRecoveries in year in which due initially plus subsequent years (ΣR) divided by assessments (PCB) of initial year (i.e., $\Sigma R/PCB$). Average for 1978-82 only.

^dRecoveries (ΣR) as in footnote c divided by assessments plus taxes paid in anticipation (PPA) (i.e., $\Sigma R/(PCB + PPA)$). Average for 1978-82 only.

^eRecoveries in current year (R) minus taxes paid-in-anticipation divided by assessments (PCB) (i.e., $(R - PPA)/PCB$).

^fTaxes withheld at source are treated as paid-in-anticipation and are not considered to be assessed.

SOURCE: Tabulated from CENATRIN printouts.

TABLE III-6
MEASURES OF TAX COMPLIANCE:
BUSINESS TAXES
(in percent)

Tax/Year	Annual Change		Paid in Anticipation ^b	Estimated Recovery Rates		
	Assessed (1)	Collected ^a (2)		Upper ^c (4)	Lower ^d (5)	Standard ^e (6)
BIC (Central)						
1983	10	3	12	59	49	43
1982	24	19	22	74	56	43
1981	46	-9	36	80	54	34
1980	-7	33	44	107	70	55
1979	15	17	30	84	57	35
1978	—	—	<u>32</u>	<u>92</u>	<u>59</u>	<u>36</u>
Average 1978-1983	17	12	30	87	59	41
BNC (Central)						
1983	-69	33	30	46	35	16
1982	71	11	2	29	25	13
1981	42	-42	2	32	28	19
1980	-14	41	14	61	45	26
1979	116	73	8	74	55	40
1978	—	—	<u>10</u>	<u>57</u>	<u>45</u>	<u>31</u>
Average 1978-1983	29	23	11	51	40	24
Rent (IRI) (Central)						
1983	-33	34	0	18	18	18
1982	23	-1	0	34	28	20
1981	88	-7	0	33	29	15
1980	52	277	0	60	47	18
1979	60	145	-1	61	41	11
1978	—	—	<u>0</u>	<u>52</u>	<u>37</u>	<u>11</u>
Average 1978-1983	38	90	0	48	36	16
Patente (Commune)						
1983	-50	-10	35	43	32	9
1982	102	-9	21	55	40	17
1981	53	41	44	90	57	33
1980	-38	36	43	102	58	27
1979	63	-11	15	65	45	27
1978	—	—	<u>46</u>	<u>112</u>	<u>62</u>	<u>31</u>
Average 1978-1983	26	9	34	85	52	23
Patente (Department)						
1983	-57	-18	174	175	64	2
1982	54	38	92	109	53	6
1981	102	23	95	111	54	7
1980	-70	-33	145	190	68	13
1979	140	-6	40	93	62	42
1978	—	—	<u>133</u>	<u>228</u>	<u>94</u>	<u>68</u>
Average 1978-1983	34	1	113	146	66	23

TABLE III-6 (CONT.)

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- ^aIncludes all recoveries in year, including those due from previous years.
- ^bPaid-in-anticipation as percent of assessed.
- ^cRecoveries in year in which due initially plus subsequent years (ΣR) divided by assessments (PCB) of initial year (i.e., $\Sigma R/PCB$).
- ^dRecoveries (ΣR) as in footnote c divided by assessments plus taxes paid in anticipation (PPA) (i.e., $\Sigma R/(PCB + PPA)$).
- ^eRecoveries in current year (R) minus taxes paid-in-anticipation divided by assessments (PCB) (i.e., $(R - PPA)/PCB$).

SOURCE: Tabulated from CENATRIN printouts.

such declarations are required for the patente. With the exception of the noncommercial profits tax and the tax on rental income, those who pay these business taxes have a prospective need for a tax certificate.

The industrial and commercial profits tax (BIC) is by far the most important direct tax for which tax agents are involved in assessments and where taxes are not withheld at the source. The patente, the business license tax whose proceeds accrue to rural and communal budgets, is closely linked to the BIC in terms of tax assessment and collection. That is, all firms liable for the BIC also must pay the patente, although the reverse is not true. For businesses subject to the forfait form of the BIC, assessment of the two taxes is generally performed at the same time by the same tax agent, based on information gathered during the tax census or at a later time from records supplied by the taxpayer.

Assessments (emissions) of the business profits tax (BIC) have increased by an annual average of 17 percent between 1978 and 1983, but the rate of increase in recent years has diminished and in 1983 was only 10 percent above the previous year. Both in communes and rural areas assessments of the patente, important for local revenues, have grown more rapidly than the BIC, display greater variation and show sharp reductions from 1982 to 1983. Average annual growth in revenues from the patente, however, is less than that from the BIC or the BNC.

The proportion of taxes paid in advance in relation to total assessed tax liabilities is highest for the departmental patente, averaging 113 percent. This reflects the need for tax certification for business purposes, the relatively large proportion of unassessed small rural

businesses and the payment of taxes by assessed taxpayers who happen to be at the locale of the local treasury before the often late tax bills have arrived. Since those liable for the BIC are almost exclusively located in major communes, they along with those liable for the communal patente, are far more likely to be assessed. Nevertheless, taxes paid in advance for the BIC and the communal patente average about 30-35 percent of total assessed liabilities. It is not possible to determine whether this indicates that a fair proportion of those assessed for these business taxes come forward to pay even though they have not received tax bills, or whether it shows that tax bills are late in arriving in some areas so that assessed taxpayers needing certificates pay in anticipation.

This situation contrasts markedly with that of those liable for the noncommercial profits tax (BNC) and the tax on rental income (IRI). Essentially no one pays the tax on rental income in advance and payments in anticipation average only 11 percent of BNC assessments. Here, taxpayers appear to have no incentive to pay before receipt of their bills. Assessments for the BNC, which has provided revenue of more than 20 million CFAF in only one year since 1977, display extreme variation, due in part to their small magnitudes. An increase of 116 percent in 1979 was followed by a decline of 69 percent in 1983. The tax on rental income from both residential and commercial premises yielded about 100 million CFAF per year, from 1980 to 1982. The substantial increase in revenues in 1980 due to the tax rate increase was followed by further growth in the 1981 and 1982 assessments.⁸

⁸ Recoveries of the tax on income from rent (IRI) for 1985 present a special problem because of the exoneration of rent payments to owners. Burkinabe citizens do not have to pay rents and those of foreigners are to be paid to the government rather than to the owners of the rental property. In the

One puzzling matter is the reductions in assessments observed in certain years for all of the business taxes. Unless tax rates are reduced, and they rarely have been in Burkina, assessments generally should increase from year to year to reflect rising taxable bases and increased coverage by the tax census as new taxpayers are identified through the annual census and as a result of tax certification requirements. Small reductions in the bases of some taxes may reflect a poor year's harvest or other economic hardship, but reductions of a substantial magnitude cannot be so explained. The appearance of such reductions in some years for all taxes except the BIC in Table III-6, and in the tables shown below for other taxes, is disturbing and, at present, inexplicable. The most likely explanation is that in some years for various reasons tax agents and others responsible for tax censuses were unable to complete their censusing and tax form filing responsibilities. Observation of reductions in assessments should be a signal to those in the Tax Division that there may be serious problems in the field and that investigation is in order.

Related to this point is the question of whether a high ratio of payments in anticipation in one year should lead to an increase in the next year's assessments. This should happen if those paying in anticipation are primarily unassessed taxpayers who make themselves known because of the need for a tax certification or who are discovered in some other way after the census. Assessments would not be expected to rise, however, if those paying in anticipation were primarily assessed taxpayers who needed their

absence of rental income it appears likely that revenue from this tax will decline substantially.

tax receipts and found the tax bills not yet available. Current records do not permit analysis of these alternatives.

In light of the negative expectations about tax enforcement in developing countries, experience with the business taxes, as shown in Table III-6, holds some surprises. For example, for the industrial and commercial profits tax (BIC), an average of over 40 percent of tax bills not paid in anticipation were recovered in the initial year (Column [6] of Table III-6), and the lower estimate of recovery rates averages 59 percent (Column [5]). Recovery rates for other business taxes generally are below those for the BIC, with the exception of the departmental patente where the average lower estimate is 66 percent.

These results are at variance with the widely held view that tax recoveries from rural areas are particularly poor. The standard measure of recovery rates for both the communal and departmental patente average 23 percent and for 1983 are 9 and 2 percent respectively. These low percentages, however, emerge from a calculation which treats as recoveries only those payments which can be matched against already received tax bills. All other payments, whether related to assessments or not, are ignored. When as in the departmental patente late delivery of a large portion of tax bills is normal, and many payments are not made until after the end of the year, this standard measure will produce a greatly underestimated recovery rate. Our "lower" estimate, which includes collections in subsequent years and assumes that payments in anticipation are a part of recoveries, gives a more realistic indication of the actual percentage of known tax liabilities recovered.

There is no question that enforcement of these business taxes is far from satisfactory. However, there is evidence of relatively good recovery performance although results are somewhat weaker in recent years. The slowdown in nominal GNP growth and the generally poor recent economic conditions may account for this trend, but so also may the cumulative effects of observations of the absence of penalties for nonpayment.

Assessment and Recovery: Property and Other Local Taxes

Another group of direct taxes whose assessment and enforcement trends can be observed is the set of taxes on the rental value of residential, corporate and professional premises, whose proceeds accrue to local budgets. The taxes on residential premises (CM) and on the premises of corporations (MM) apply in both communal and rural areas. In addition, the communes receive the proceeds of a tax on professional premises (TVLP) and a surtax on domiciles (TVLH). There is no activity for which proof of payment of these taxes is required, and consequently, no reason to expect any appreciable amount to be paid in anticipation, although one might expect to find such payments in rural areas by those intending to pay who find themselves at the site of the local treasury before bills have been received. The data of Table III-7 confirms these expectations. The proportion of payments in anticipation generally are low, but tend to be higher in rural areas.

These local taxes on residential and commercial premises are extremely modest in Burkina. Collections in 1982 and 1983 from the 1982 levy of all of these taxes came to 135 million CFAF. Collections from the 1983 tax are lower still; current year recoveries in 1983 fell to 35 million CFAF from

TABLE III-7
MEASURES OF TAX COMPLIANCE:
PROPERTY TAXES
(in percent)

Tax/Year	Annual Change		Paid in Anticipation ^b	Estimated Recovery Rates		
	Assessed (1)	Collected ^a (2)		Upper ^c (4)	Lower ^d (5)	Standard ^e (6)
M (Commune)						
1983	-21	-14	16	20	18	5
1982	47	6	15	36	28	9
1981	58	29	15	47	36	12
1980	-6	82	25	64	42	15
1979	10	-6	1	42	33	14
1978	—	—	0	41	34	22
Average 1978-1983	18	19	12	46	35	13
M (Department)						
1983	-68	-12	134	138	59	4
1982	-11	42	36	65	42	11
1981	-5	45	8	43	33	12
1980	9	49	1	51	36	9
1979	-9	-10	0	39	30	9
1978	—	—	0	35	29	13
Average 1978-1983	-17	23	31	46	34	10
M (Commune)						
1983	-43	-21	7	10	10	4
1982	18	-5	4	68	49	29
1981	94	113	9	63	46	28
1980	-10	-20	2	86	53	24
1979	7	-5	0	79	57	39
1978	—	—	4	72	53	35
Average 1978-1983	13	12	4	74	51	27

^aIncludes all recoveries in year, including those due from previous years.

^bPaid-in-anticipation as percent of assessed.

^cRecoveries in year in which due initially plus subsequent years (ER) divided by assessments (PCB) of initial year (i.e., ER/PCB).

^dRecoveries (ER) as in footnote c divided by assessments plus taxes paid in anticipation (PPA) (i.e., ER/(PCB + PPA)).

^eRecoveries in current year (R) minus taxes paid-in-anticipation divided by assessments (PCB) (i.e., (R - PPA)/PCB).

SOURCE: Tabulated from CENATRIN printouts.

125 the previous year. Generally, over 90 percent of these taxes are recovered in communes, particularly Ouagadougou and Bobo Dioulasso, where the bulk of the value of residential and corporate properties are located.

Growth rates of recoveries and assessments (emissions) of communal taxes on premises (CM), which average from 12 to 23 percent per year, do appear to reflect the growth in residential housing and commercial premises in the zoned areas of Ouagadougou and Bobo Dioulasso. The low amounts of per capita revenue recovered from these taxes is more an indication of low rates of tax, low recovery rates, and failure to identify potential taxpayers. While these conditions have not prevented considerable growth in revenues, extension of taxes on residential premises to the non-zoned areas of Ouagadougou and Bobo Dioulasso has great potential for increasing revenues. Recent measures taken by the CNR to provide comprehensive lists of residence and names of their occupants should serve as the basis for expanded coverage.

Our lower estimate of recovery rates for the domicile tax (CM) in both communes and departments average about 35 percent. The average upper estimate, a more relevant measure here where the percentage paid-in-anticipation is quite low, is 46 percent for both departments and communes. While these rates are below those of the business taxes, they are substantially above the "standard" measure which averages only 10 and 13 percent respectively for the departments and communes.

Recovery rates for the tax on corporate premises (MM) are, as expected, higher than for the domicile taxes. The average here includes only corporations in communes (there are virtually none in the rural

areas). The average for the upper estimate is 74 percent and for the lower estimate it is 54 percent. These figures again are far higher than the average standard recovery rate of 27 percent.

Traditional Taxes. Except for the communal IFR, traditional taxes, which include the standard tax in rural areas and its surtax, and the tax on firearms are assessed and collected by agents of territorial administration rather than agents of the tax service. The central IFR and the departmental surtax (ID) are assessed together. Their behavior as shown in Table III-8 should be quite similar. On the other hand, the communal IFR is assessed by agents of the tax service and payment is made directly to the local treasury office.

As expected, the proportion of payment in anticipation is greater in the rural areas. The factor determining this proportion is whether the tax bills had arrived at the time the canton secretary or other administrative agent collected the IFR, ID, and TBET from the villages and deposited it at the local treasury. If they had not, as frequently is the situation, the recovered taxes would be considered as paid in anticipation. In the communes, individual taxpayers must present themselves at the treasury to pay. Unless they have need for a tax certificate there is no reason to pay in anticipation and, indeed, to pay at all.

Assessments of traditional taxes in rural areas display an enormous year to year variation. The most likely explanation is that in some years an inordinately high proportion of the approved numerical tax rolls for villages either are not received or are more than a year late in reaching the appropriate territorial offices. When this occurs CENATRIN tabulations

TABLE III-8
MEASURES OF TAX COMPLIANCE:
TRADITIONAL TAXES
(in percent)

Tax/Year	Annual Change		Paid in Anticipation ^b	Estimated Recovery Rates		
	Assessed (1)	Collected ^a (2)		Upper ^c (4)	Lower ^d (5)	Standard ^e (6)
IFR (Central)						
1983	- 37	- 7	227	234	72	7
1982	- 39 ^f	23	152	160	63	7
1981	4957 ^f	-14	69	79	46	9
1980	- 98 ^f	-14	4043 ^f	g	98	19
1979	- 7	26	30	87	62	47
1978			18	69	53	40
Average 1978-1983	h	3	h	h	65	22
IFR (Commune)						
1983	- 15	-22	26	35	27	9
1982	7	- 3	32	60	41	13
1981	39	38	32	64	43	15
1980	- 3	- 8	36	80	47	11
1979	0	18	29	76	49	19
1978			21	70	49	25
Average 1978-1983	6	5	29	70	46	15
ID (Department)						
1983	- 34	- 5	173	180	68	8
1982	- 42	28	106	114	55	7
1981	11941 ^f	-20	42 ^f	52	36	9
1980	- 98 ^f	-13	6800 ^f	g	99	17
1979	- 11	-13	22	60	47	32
1978			18	69	54	40
Average 1978-1983	h	- 2	h	h	58	19
Armes (Department)						
1983	- 54	- 2	477	g	66	10
1982	- 34	-38	219	g	55	9
1981	643	52	230	g	36	7
1980	- 86	48	1130	g	99	17
1979	- 22	7	70	60	47	33
1978			51	69	54	23
Average 1978-1983	89	14	h	h	58	17
Armes (Commune)						
1983	- 50	0	12	20	18	8
1982	246	-67	8	28	25	16
1981	13	151	147	g	65	10
1980	- 43	57	41	84	51	18
1979	- 16	-19	8	49	35	9
1978			8	42	34	17
Average 1978-1983	30	24	37	h	42	13

TABLE III-8 (CONT.)

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- ^aIncludes all recoveries in year, including those due from previous years.
- ^bPaid-in-anticipation as percent of assessed.
- ^cRecoveries in year in which due initially plus subsequent years (ΣR) divided by assessments (PCB) of initial year (i.e., $\Sigma R/PCB$).
- ^dRecoveries (ΣR) as in footnote c divided by assessments plus taxes paid in anticipation (PPA) (i.e., $\Sigma R/(PCB + PPA)$).
- ^eRecoveries in current year (R) minus taxes paid-in-anticipation divided by assessments (CB) (i.e., $(R - PPA)/PCB$).
- ^fDistorted due to inordinately low assessments in 1980.
- ^gAssumptions underlying this measure make it not applicable to taxes collected almost exclusively in advance.
- ^hAverage not applicable due to distorted data or extreme variability.

SOURCE: Tabulated from CENATRIN printouts.

do not include these assessments. Consequently, the year in which the bills fail to arrive or are unduly late shows a high percentage decline in assessments and the following effect recoveries in the same way, since in the absence of the current roll the previous roll is used for collections, which are treated as payments in anticipation. Thus, the ratio of PPA to assessments also is highly variable for the rural traditional taxes.

Total recoveries do, however, exhibit considerable variation, probably due to local economic conditions which may make payment difficult in years of poor harvest and to variations in the recovery efforts of local territorial officials. The lower estimates of recovery rates, which average around 60 percent, also display considerable year to year variability. Again these rates are considerably higher than the standard measure which falls as low as 7 percent for years in which our lower estimate ranges from 55 to 72 percent. Here, especially, the generally available standard measure of recovery rates is highly misleading and indicates a problem of far greater severity than is actually prevalent.

The communal IFR operates entirely differently, being a nominative roll tax assessed by tax agents. Its assessments display more normal variations. Recoveries, however, behave similarly to those of the corresponding rural taxes. A relatively low proportion is paid in anticipation, and recovery rates are somewhat lower than for the counterpart rural taxes. This is not surprising considering that the communal IFR is collected at the local treasury from individual taxpayers while in rural areas territorial agents collect the taxes from entire villages during a single visit.

One final direct tax that is worth a few remarks is the tax on firearms. This tax is characterized by an unusual method of assessment and collection in that firearms must be registered with the local office of territorial administration. Thus, ownership of and tax liability for firearms is well known and taxpayers particularly in rural areas tend to pay in anticipation. Rural residents keep firearms to a far greater degree than those living in communes. The record of firearms assessments shows a degree of variation which is difficult to explain. Recoveries, too, are extremely variable. Also surprising is that a tax on firearms in rural areas generally raises about as much as is collected from the sum of the tax on the rental value of residential premises in both the communes and rural areas, and, in 1981 realized 41 million CFAF, half as much as was collected from the rural patente. Further investigations of the firearms tax is needed to account for these findings.

Central Domestic Indirect Tax Recoveries

As described above, the agents of the tax service have responsibility for the turnover tax (TCA) and for the beverage license tax among Burkina's indirect taxes. Customs agents deal not only with customs duties but also with the consumption taxes on imported beverages, cola nuts, and petroleum. Agents of the tax service also have no involvement with such other domestic indirect revenues as insurance and other registration fees, fiscal stamps, and charges for central services.

As an ad valorem tax on transactions it is reasonable to expect tax revenues for the TCA to move roughly in proportion to the general index of national expenditure on production. In fact, the annual percent growth in

collections from the TCA between 1977 and 1982 (17 percent) exceeded that of nominal GNP (14 percent), of production in the secondary and tertiary sectors, and of revenues from international trade (Table III-9). It should be noted, however, that the increase from 1982 to 1983 was only 1.8 percent. Revenues from beverage licenses rose in 1982 in response to the combining of the former local tax with the central tax and its assignment to the central government. Growth in central service charges are highly variable and the amount extremely modest.

Since the assessment and collection procedures for indirect taxes do not result in tax bills for individual taxpaying units, there can be no comparison of the relation between amounts owing and actual recoveries of these indirect taxes.

Local Indirect Tax Recoveries

Chapter II explained in great detail the lack of comprehensive data on indirect taxes, fees and charges of local authorities. The only systematic data on indirect revenues for local authorities has already been presented in Table II-3. It is derived by subtracting CENATRIN estimates of communal and departmental direct revenues from SERPOCO figures on their total revenues. The data are shown again here in Table III-10 where the high and irregular growth rates of departmental indirect revenues between 1977 and 1982 is contrasted with the low growth of communal indirect revenues.

Table II-13 and 14 presented figures for Ouagadougou and Bobo Dioulasso showing that their major indirect taxes have grown very slowly during the past decade. Only vehicle license fees have kept pace with even the lowest growth in measures of economic activity which surely understate the growth in these two leading communes.

Table III-9
 CENTRAL INDIRECT TAX RECOVERIES, 1977-1983
 (in millions of CFAF)^a

Tax	1977	1978	1979	1980	1981	1982	1983	Compounded Annual Percent Change 1977-1982
Domestic Activities								
Turnover Tax (TCA)	1,960	2,344 (20)	2,144 (- 9)	2,906 (36)	3,492 (20)	4,887 (40)	4,974 (2)	(16.8)
Property Registration and Capital Gains	578	717 (24)	764 (7)	720 (- 6)	1,076 (49)	1,190 (11)	960 (-19)	(8.8)
Local Beverages	397	520	575	787	815	782	890	
Service Charges	158	209 (32)	282 (35)	241 (-15)	394 (64)	553 (40)	474 (-14)	(20.1)
Beverage Licenses	10	18 (80)	7 (-61)	14 (100)	6 (-57)	33 (450)	32 (- 3)	(21.4)
International Trade								
Import	12,681	13,353 (5)	13,536 (1)	16,144 (19)	17,788 (10)	20,581 (16)	18,217 (-12)	(6.2)
Export	881	981 (3)	1,036 (-18)	1,213 (-16)	1,020 (17)	839 (6)	862 (11)	(-0.4)
Consumption Excises (mainly on imports)	2,888	3,423 (19)	3,884 (13)	3,134 (-19)	3,319 (6)	3,518 (6)	6,070 (73)	

^a Figures in parentheses are annual percent change.

SOURCE: Direction Generale du Budget, Ministère des Finances.

TABLE III-10
 INDIRECT REVENUES OF DEPARTMENTS AND COMMUNES, 1977-1983
 (in millions of CFAF)^a

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Compounded Annual Percent Change 1977-1982</u>
Departments	323	234 (-28)	370 (58)	261 (-29)	510 (95)	1,036 (103)	1,101 (6)	(22.7)
Communes	598	460 (-23)	518 (13)	561 (8)	698 (24)	731 (5)	742 (2)	(3.7)
Total	921	694 (-25)	888 (28)	822 (- 7)	1,208 (47)	1,767 (46)	1,843 (4)	(12.3)

^a Figures in parentheses are annual percent change.

SOURCE: Calculated from data from SERPOCO and CENATRIN printouts.

Lack of data for rural areas is a great obstacle to definitive statements about indirect tax recoveries. The difficult recent economic conditions in these areas no doubt have affected revenues from market fees and even vehicle registrations. Despite an average annual compound growth rate of 23 percent for departmental indirect revenues over the period from 1977 to 1983, the rudimentary collection system fails to collect a substantial portion of the revenue potential. For evidence supporting this conclusion, we must rely on the analysis of the Department of the East (Est) the commune of Fada N'Gourma and the sous-prefecture of Bogande presented in our previous rather than on comprehensive study of all rural areas (see Final Report, Phase I, pp. 183-194). Conclusions drawn from this analysis indicate that potential revenue from fees and charges at current rates were from 2 to 10 times actual recoveries from animal slaughter fees, vehicle licenses and market fees.

CHAPTER IV
EFFICIENCY AND EQUITY OF THE TAX SYSTEM AND
PROPOSED TAX REFORMS

Efficiency and Equity of Taxation

Chapter II describes sources and amounts of revenues and Chapter III explains aspects of revenue administration in Burkina. Both chapters emphasize local revenue. In this chapter these findings will be examined and reviewed and recommendations suggested for reforms of the revenue system and its administration. Before turning to reforms, however, several issues related to the evaluation of tax systems need to be discussed. It is conventional in studies of national tax systems to evaluate the system from the perspectives of equity and efficiency. These two considerations are components of a more comprehensive conception of the requirements of a good tax system which includes convenience for the taxpayer, responsiveness of revenue to economic growth and rising prices, and administrative feasibility. In fact, Chapter III has looked closely at the convenience, responsiveness, and administration of Burkina's domestic taxes. Their efficiency and equity, however, have not yet been examined.

The efficiency of a tax system is a concept grounded in the workings of decentralized markets. It is held that, under certain conditions, allowing individuals to make economic choices without interference leads to maximizing gains from trade and hence to maximizing the potential welfare of the society. An efficient tax, then, is one that does not distort the prices that decentralized markets would produce. Such a tax has no effects

on the economic choices of farmers, workers, business owners, investors, consumers and others who make up the economy. Taxes which do affect prices alter these choices and, consequently, reduce gains from trade. It is these reductions which economists call the inefficiency of taxation or its excess burden. It is impossible, in practice, to avoid some inefficiencies in taxation because there are few taxes which impose no excess burden, and those that are without excess burden, such as a head tax, are highly inequitable. A realistic objective, then, is to avoid undue excess burden, taking equity into account.

The conditions referred to above that have to be present for decentralized markets to be efficient often do not prevail in developing countries. Even when they do exist to the extent that market prices would tend toward maximization of gains from trade, actual estimation of the losses due to particular taxes requires considerable data regarding the response of economic factors to the changes in prices brought about by one or another tax. While there are some studies that attempt to quantify the excess burden of taxes in developing countries, generally a simpler approach is taken. The nature and provisions of the major taxes are examined. Those taxes or features of taxes observed to have a particularly strong effect in influencing prices or in other ways distorting private decisions are identified, and the distortions described and evaluated. Based on the distortions identified, analyses can be made to indicate the revenue obtained from the distorting provision of the tax, the effects of the distortion and its removal on income distribution, other objectives attained as a result of the distortion, or the distortions imposed by another equal yielding revenue source. While we would have liked to have

conducted such an analysis of the tax system in Burkina, limitations permitted only the identification of distortions as described in the next section.

The criterion of tax equity is far easier to describe, although extremely elusive to evaluate. Equity in taxation refers to the amount of tax paid by individuals, families or households in relation to their capacity to pay taxes. Capacity to pay is generally measured in terms of income. Equity, then, involves ensuring that those of equal capacity pay equal amounts of tax and determining the appropriate relative tax rates for those with differing abilities to pay.

Country tax studies sometimes examine the equity of the tax structure as it actually operates. To do this they must assign the actual recoveries from each tax to those in various income groups. However, because of the difficulties involved in allocating the ultimate burdens of taxes among those in various income groups it is more common to attempt the less demanding task of estimating the effects on income distribution only of proposed tax changes. Even this, however, requires many assumptions and also necessitates having a representative survey of the population which shows income by source and consumption patterns by income level in order to assign direct taxes on interest, dividends, profits, and property, and to assign all indirect taxes. No recent such survey data exist for Burkina.

Lack of data, then, prevents a thoroughgoing analysis of Burkina's tax system from the standpoint of efficiency and equity. What can be done, however, as regards efficiency is to review the major taxes to see if there are serious distortions created by their provisions. As for equity, it is possible to select a number of representative taxpayers and estimate their

direct tax burdens in relation to their incomes, assuming full compliance with tax provisions. This provides an indication of what could be called the "statutory" or "nominal" tax burdens implicit in the tax regulations rather than an estimate of actual burdens. While information about the latter would be valuable, the necessary data are not available. The statutory tax burdens are, however, particularly useful for studying tax reform since they reveal the burdens that would ensue from enforcement of the tax code. Consequently, they reveal a good deal about the equity of existing regulations and indicate the existence of inequities.

Analysis of Excess Burden

Although the focus of this study is on local revenues, it is important here to examine excess burdens of both central and local taxes. In many fiscal systems central grants constitute an important source of local revenue. Thus, it is logical along with proposals to increase rates of local taxes, fees and charges also to consider raising central taxes to finance such grants as a means of increasing local resources. Evaluation of these possibilities requires awareness of the potential excess burdens which would result from higher tax rates, and consideration of whether revisions of specific provisions of central or local taxes might reduce excess burdens and, thereby, make rate increases less onerous. Of course, in determining whether to propose particular changes it is also essential to examine the level of tax burden, and this is done in the next section on tax equity.

In the following discussion, for each tax there is a brief description of its distorting effects, the nature of its excess burden, and a few remarks about the possible seriousness of the burden in light of relevant

conditions in Burkina. The treatment of individual taxes is based on traditions of tax analysis which cannot be explained in this study.¹

There are a few key taxes and provisions of taxes in Burkina which particularly stand out as potential sources of excess burden. Both the apprenticeship tax (TPA) and the social security tax have the capacity to reduce the demand for labor in the modern sector, which would be highly undesirable in this country of such high unemployment. Tax regulations in fact state that these taxes are not to be borne by the worker, and clearly it is not possible to shift the tax to those paid the minimum wage. To the extent, then, that employers do bear these taxes, their labor cost is higher and they employ fewer workers.

Taxes on wage and salary income and those on interest, dividends and profits now rise to marginal rates of 30 and 45 percent respectively. These taxes are still levied on separate schedules. The higher the marginal rates the greater are the benefits of balancing total income among these sources. This provides an incentive for converting one source of income, say profits, into another source, say interest, even if there is a net reduction in the total. It is difficult to judge the importance of responses to these incentives. The effect of taxes on wages and salaries on entry into the wage employment sector and on hours worked, which is in any case ambiguous in its direction, is probably of little consequence in Burkina where there is an excess supply of workers at the legal minimum

¹For a discussion of the efficiency of taxation in developing countries see Steven R. Lewis, Jr., Taxation for Development (New York: Oxford University Press, 1984), pp. 76-87.

wage and where hours of work in the modern sector are subject to uniform regulation.

Indirect general sales taxes and excise taxes on selected items of consumption are bound to have excess burdens. The turnover tax (TCA) favors saving over consumption, but its exemptions of food and other necessities moderate this effect. Still, the high rate of 22 percent on the taxable base must create a substantial excess burden for goods with reasonably elastic demands. The effects of the selective consumption taxes differ depending on the item taxed. Taxes on petroleum, particularly those on gasoline and diesel fuel, can be thought of as benefit levies to cover the costs of streets and roads and, thus, considered to have no excess burden. Also, much gasoline is purchased by foreigners for their final consumption and impose no burden on Burkina citizens. At the same time, some of this tax is imposed on fuel used for home cooking and, here, the tax distorts consumption toward other fuels and toward nonfuel consumption. The nature of demand for fuel by commercial users is no doubt highly inelastic so that no substantial excess burden ensues. Household demand for fuel, particularly kerosene, is probably more elastic and the tax well may increase the demand for wood for fuel, thus worsening an already serious environmental problem.

Excises on alcoholic beverages and tobacco are sometimes justified as controlling potentially harmful consumption and, thus, considered to impose no excess burden from a social standpoint. More likely, the highly inelastic demand for these items results in little reduction in consumption and, therefore, only modest private excess burdens. The recent substantial increase in rates on domestic beverages, however, may significantly reduce

consumption and consequently increase excess burdens among those with modest incomes.

Among the remaining central taxes, the license fee for restaurants and establishments selling beverages tends to reduce their number. This, however, is probably not a serious source of excess burden. The tax on the face value of insurance policies may have some unexpectedly negative consequences. In a country where uncertainty is prevalent, a tax which increases the cost of insuring against risk will reduce willingness to bear risk and probably lead to lower levels of investment and other economic activity.

Now, finally, we turn to those taxes which have particular impact on communal and rural affairs. The standard tax (IFR) is a real world illustration of the kind of tax which has no excess burden. The imposition of this tax changes no price and no alteration in the taxpayer's behavior can alleviate liability for this tax. On the other hand, the patente contains elements of potential excess burden. One applies to the "droit fixe," the portion of the patente based on occupation. If the varying amounts charged for different occupations are not roughly proportionate to earnings, choice of less productive occupations might be made for tax advantage. In Burkina there seems to be little likelihood of any substantial such effects. The excess burden imposed by the second element of the patente, the "droit proportionnel," is potentially more serious. This part of the tax is assessed on the rental value of business premises. The sources of excess burden here are first, that this tax reduces returns from capital and, second, that it taxes land and buildings but not the equipment, including inventory, contained within. Thus, it provides

incentives for employing more equipment relative to land and buildings than would be economically efficient. The rate of the droit proportionnel ranges from 8 to 12 percent and is effectively raised even higher in communal areas by the tax on business premises (TVLP) and the surtax (CA) which applies to the patente. The effective rate is high enough to produce significant excess burdens.

Given the policy of rent control prevalent in Burkina, the taxes on residential housing (CM, TVLH) reduce returns to investment in housing and lower the amount of housing produced. The rate in urban areas of 3 percent of annual rental value is probably low enough not to have much effect on owner occupied housing. It surely has a far lesser effect on reducing investments in rental housing than the current system of rent controls.

Within communes, one final tax having important distorting effects is the registration tax on sales of property. The rate of 15 percent on land and buildings is quite high and is likely to inhibit transfers of property from less to more productive uses. Since it applies to property transfers regardless of whether the sale produces a capital gain, the tax cannot be defended as a means of capturing gains from urban land speculation.

Tax Equity

One important consideration remains before we can turn to a discussion of potential reform of the tax system in Burkina. Having examined the efficiency effects of the tax system it is now appropriate to look at tax equity. The question of equity concerns how "fair" is the distribution of the burden of taxation. The general view is that fairness is best thought of in terms of the fraction of income which is paid in taxes. It is not obvious what a fair such fraction is, but the conventional view is that

those with lower incomes should bear no more than an equal proportion of tax to income than those with higher incomes, and that the proportionate burden on the very poor should be lower than for those better off. Putting into practice the notion of comparing measures of tax burdens among different groups of taxpayers confronts many difficulties. Determination of the appropriate unit for analysis of comprehensive tax burdens is not obvious. For extended families it is difficult to determine the appropriate size or inclusiveness of the unit for which taxes and incomes are to be aggregated. Another serious problem is deciding who ultimately bears the burden of different types of taxes. Direct taxes generally are assumed to be borne by those upon whom they are levied, but there are arguments for attributing the final incidence of taxes on corporate profits and on business and residential property either to users or to owners. Imputation of the burden of indirect taxes is also somewhat ambiguous in that they may be borne by consumers or by factor suppliers, although the former are generally thought to bear most of the tax. However, to allocate indirect taxes among consumers one needs detailed data on the distribution of consumption of taxed items by income class--data not available for Burkina.

Thus, for tax equity as for tax efficiency, a comprehensive or even extensive analysis for Burkina would require collection of new data, a task beyond the scope of this study. However, as with the previous review of the efficiency of Burkina's tax system, a selective but revealing examination of statutory tax equity for direct taxes in Burkina can be developed. This takes the form of a careful estimation of the direct tax burdens imposed under the tax code for a selected set of taxpaying units, each assigned an assumed income level, occupation, and family composition.

The strategy of assigning statutory tax liabilities cannot be applied to indirect taxes, whose burden depends upon consumption and supply of factor services. Lacking data on the distribution of consumption of taxed items among households of different income levels, only the crudest allocation of these taxes could be made. For the present analysis we decided, therefore, not to attempt to do this.

A final reservation about this approach to the equity of tax burdens is that it ignores distribution of the government expenditures financed by the taxation. The progressivity of the entire fiscal system depends on the distribution of the benefits of public expenditure as well as on the distribution of tax burdens. To evaluate the equity of the overall net effects of the fiscal system requires relating the balance of taxes and of benefits received to different income groups. In practice, estimation of the value of benefits of public expenditures received by those in various income classes is a rather equivocal endeavor. These considerations, however, are of tangential importance for our analysis which concerns statutory rather than actual tax burdens.

Representative Direct Tax Burdens

The rationale behind this exercise is to determine whether direct tax rates and other provisions of direct taxes impose reasonable and equitable burdens on diverse taxpayers. Interest in this question arises partly because it is important to understand the fairness of the tax system in Burkina. At the same time, it is essential to know whether application of the tax regulations would lead to the imposition of unreasonably high or low rates on certain groups of taxpayers. Recommendations urging stricter enforcement of tax regulations can be supported far more enthusiastically

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if it can be shown that equitable results will ensue. On the other hand, indications of inequity, either in the form of inordinately high or low rates or unequal treatment of equals, call for reform of tax provisions along with administrative changes.

Analysis. The analysis of representative tax burdens is quite straightforward. A number of typical taxpaying units are distinguished. These include rural farmers and a rural small merchant, urban workers at the minimum wage (SMIG) and at 2.5 times the minimum wage, urban merchants of various sized establishments, and a high-level salaried person. There is no representation here for the large corporation whose tax liabilities are the result of application of complex regulations and might include substantial tax exoneration for investments.

Each taxpaying unit is assumed to have the same family composition--a husband, wife and two children under age 15. Clearly, this is unrealistic, but it permits comparison of tax burdens among homogeneous family groups. A more extensive study would have to make allowances for differences in family composition. Based on assumed income and urban or rural location, further assumptions are made about monthly rental values, ownership of vehicles, and other matters relevant to taxation. Here, we try to be realistic, basing assumptions on our knowledge of local conditions in Bobo Dioulasso and what are now the provinces of Hout and Kenedougou. Thus, where rates vary by commune, those for Bobo Dioulasso are used, and assumptions about urban rental values apply to this commune.

Finally, based on the assumed characteristics of the taxpaying unit, its tax liability is calculated according to the tax code. Efforts have been made to allow for deductions where appropriate, but no allowance is

made for exonerations regarding the business (BIC) and noncommercial (BNC) profits taxes. Tax liabilities have been calculated based on the tax regulations in force before 1985 and for the new regulations established in 1985. The voluntary contributions of salaries of civil servants in effect in 1985 have not been included as taxes imposed in that year.

Table IV-1 presents estimates of taxes owed by the various representative taxpayers. Taxpaying units are grouped into cases which include those in similar situations. Central and local taxes are shown separately and assumptions relevant to the determination of tax liabilities indicated in the body of the table or in footnotes.

Case I concerns rural farmers who until 1985 were liable for the standard tax (IFR) and its departmental surtax (ID) and little else. Under the old system our typical farm family in the second zone should have paid 1,120 CFAF which was 1.2 percent of their assumed annual income of 96,000 CFAF. The repeal of the sixth category of the IFR entirely removes their tax liability. A somewhat better-off farm family with an assumed income of 150,000 CFAF might pay, in addition to the IFR and ID, a livestock tax and a bicycle tax. Under these assumptions, their tax burden rises proportionately with income. Liability of the better-off farm family for the bicycle tax and the tax on firearms approximately doubles the share of direct taxes received by local budgets.

Whether or not these two illustrations accurately represent the majority of farm families, it seems clear that before the change in the IFR farmers were obligated to bear only a very slight burden from direct taxes. Their indirect taxes also were undoubtedly quite low since they purchase few taxable items, except possibly a few bottled beverages.

TABLE IV-1
 SELECTED TAXES OWED BY REPRESENTATIVE TAXPAYERS,
 1984 AND 1985
 (in CFAF)

ASSUMPTIONS: (1) All provisions of tax code applied.
 (2) All families consist of husband, wife, and two children under 15 years of age.

Case I - Rural Farmers

Annual Income I=96,000 CFAF; II=150,000 CFAF.

Taxes	I		II	
	1984	1985	1984	1985
Central				
IFR	700	0	700	0
TBET (2 cows)	--	-	200	200
Departmental				
ID (60% of IFR)	420	0	420	0
Bicycle (1)	--	-	350	350
CM ^b	--	-	--	--
Armes	--	-	600	600
Total Tax	1,120	0	2,270	1,150
Tax as Percent of Income	1.2%	0	1.5%	0.8%
Percent of Taxes to Local Budget	38%	-	60%	83%

^aSee Appendix Tables A-4 and 5 for explanation of taxes. A list of abbreviations of the names of taxes is provided in the material preceding the text.

^bAlthough village residents are not formally exonerated from payment of the contribution mobilière they are rarely assessed, unless the domicile is constructed of permanent materials. No such liability is included here.

Table IV-1 (cont.), page 2

Case II: Small Merchant and Salaries Employee in Rural Town

(e.g., owner of general store and employee of a province)

Annual Income = 480,000 CFAF (40,000 CFAF/month)

<u>Taxes</u>	<u>Merchant</u>		<u>Employee</u>	
	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>
Central				
IFR (4) ^a	3,800	3,500	--	--
BIC	47,000	71,000	--	--
IUTS	--	--	35,900	40,000
Departmental				
ID (60% of IFR)	2,280	2,100	--	--
Patente (5) ^b	13,440	13,440	--	--
CM ^c	810	0	810	810
Motor Vehicle (Moped)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total Tax	68,330	91,040	37,710	41,810
Tax as Percent of Income	14.2%	19.0%	7.9%	8.7%
Percent of Tax to Local Budget	26%	18%	5%	4%

^aRefers to category of IFR.^bPatente: Droit Fixe (fixed charge depending on category of occupation) plus Droit Proportionnel (variable amount based on annual rental value of premises). DF=9,600; DP = (48,000 x .08) = 3,840.^cContribution mobilière (domicile tax) based on annual rental value of premises (48,000 - 7,500) x .02 = 810.

Table IV-1 (cont.), page 3.

Case III: Small Merchant and Worker at Minimum Wage in Commune

(e.g., tailor and laborer)

Annual Income = 240,000 CFAF

Taxes	Merchant		Worker	
	1984	1985	1984	1985
Central				
IUTS	--	--	7,392	8,400
Communal				
Patente (7) ^a	3,200	3,200	--	--
IFR (5)	1,350	800	--	--
CA ^b	795	740	150	150
CM ^b	1,000	1,000	1,000	1,000
TVLH ^c	500	500	500	500
Voirie	125	125	125	125
Balayage	250	250	250	250
Bicycle	350	350	350	350
Total Tax	7,570	6,965	9,767	10,775
Tax as Percent of Income	3.2%	2.9%	4.1%	4.5%
Percent of Taxes to Local Budget	100%	100%	24%	22%

^aDF=3,200; DP None.^bCM=(60,000 - 10,000) x .2 = 1,000.^cTVLH=same base as CM; rate=.01.

Table IV-1 (cont.), page 4

Case IV: Middle Level Merchant and Salaried Worker in Commune

(e.g., tailor with premises and bookkeeper)

Annual Income = 600,000 CFAF (50,000 CFAF/month)

Taxes	Merchant				Salaried	
	1984		1985		1984	1985
	Private Premises	Market Stall	Private Premises	Market Stall		
Central						
IUTS	--		--		53,856	61,200
BIC	65,000		95,000		--	.
Communal						
Patente (5) ^a	42,800	15,200	42,800	15,200	--	-
IFR (4)	4,050		3,500		500	-
CM ^b	2,200		2,200		2,200	2,200
CA	4,900	2,145	4,850	2,090	270	27
TVLH	1,100		1,100		1,100	1,100
TVLP ^c	9,000	720	9,000	720	--	-
Voirie	125		125		125	12
Balayage	350		350		350	35
Motor Vehicle (Moped)	2,000		2,000		2,000	2,000
Total Tax	131,524	92,890	160,865	122,225	60,401	67,244
Tax as Percent of Income	21.9%	15.5%	26.8%	20.4%	10.1%	11.2%
Percent of Taxes to Communal Budget	50%	43%	41%	22%	11%	9%

^aPatente: (1) DF = 2,800; DP = 30,000; Total = 42,800. (2) DF = 12,800; DP = 2,400; Total = 15,200.

^bCM = (120,000 - 10,000) x .02 = 2,200.

^cTVLP: Tax on rental value of commercial premises. (1) 300,000 x .03 = 9,000; (2) 24,000 x .03 = 720.

Table IV-1 (cont.), p. 5

Case V: High Income Shop Owner and Salaried Employee

(e.g., hair dressing salon and senior civil servant)

Annual Income = 1,500,000 CFAF (125,000 CFAF/month)

<u>Taxes</u>	<u>Merchant</u>		<u>Salaried</u>	
	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>
Central				
IUTS	--	--	202,752	230,400
BIC	290,000	410,001	--	--
Communal				
Patente (2) ^a	108,000	108,000	--	--
IFR (1)	15,550	15,000	--	--
CM ^b	7,000	7,000	7,000	7,000
CA	13,055	13,000	700	700
TVLH	3,500	3,500	3,500	3,500
TVLP ^c	18,000	18,000	--	--
TV	125	125	125	125
TB	500	500	500	500
Motor Vehicle (Auto)	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Total Tax	467,730	587,675	226,577	254,255
Tax as Percent of Income	31.1%	39.2%	15.1%	16.9%
Percent of Tax to Communal Budget	38%	30%	11%	9%

^aPatente: DF = 48,000; DP = 600,000 x .10 = 60,000.^bCM (360,000 - 1,000) x .02 = 7,000.^cTVLP 600,000 x .03 = 18,000.

In Case II the taxable parties still reside in a rural area. One, a small merchant, perhaps a tailor, is assumed to net 480,000 CFAF per year in profits. The other is an employee, say of the province, who has a salary of the same amount. The figures show a doubled tax burden imposed by regulations on the merchant over the wage earner. This extra burden is a combination of taxes on the profits, the patente, and the IFR all imposed on merchants' net earnings. Altogether the merchant family's tax liability in 1984 was 14.2 percent of their income and rises to 19 percent in 1985. In contrast the wage earner pays only 7.9 percent in 1984 and 8.7 percent in 1985. Further, the merchant contributes 26 percent of taxes to the department in 1984, while the departmental share of the employee's taxes is less than 5 percent.

The overall tax rates do not appear to be inordinately high. After-tax income remains well above the net annual minimum wage of about 240,000 CFAF. Nevertheless, the question arises as to whether it is intended that the family of a small merchant should bear twice the burden of a worker's family of equal income, or that the merchant should bear so much greater a share of departmental expenses. Two arguments might be raised here in support of the disproportionate sharing of tax burdens. One is that the merchant imposes certain costs on the central and rural authorities for administrative and other services and consequently should pay more. Also, it might be contended that the merchant can pass the BIC and the patente on to consumers and, thus, transfer the burden to those who patronize the merchant. These arguments might better apply to communal merchants who may receive some modest public services. In rural areas it certainly is not the case at present that small businesses receive protection, garbage

collection, or street maintenance. Of course, it is also the case that frequently these taxes are not paid. If merchants paid their taxes according to regulations which assessed them more heavily to cover costs of local services, they would be entitled to expect to receive services in return.

The second justification for the high nominal tax rates on merchants stems directly from the fact that these taxes generally are not paid. Therefore, it is argued, rates must be high to recoup substantial revenue from those who do pay. This point of view may have some merit in light of the dire need for revenue, but undermines development of any spirit of tax compliance. Perhaps what is called for is gradual reduction in these rates as enforcement procedures are improved, although one might also consider a reduction in rates simultaneously with a "big push" effort at improved enforcement.

The analysis of direct tax burdens now shifts to residents of urban areas. Case III concerns two taxpaying units with income at the minimum annual wage. One is headed by a wage earner, the other by a small merchant with no fixed place of business, such as an itinerant tailor. Here, the results show the wage earner paying slightly more than the merchant, although both incur tax burdens of less than 5 percent. The merchant's burden is much lower in this situation than in Case II because in Case III it is assumed that the merchant falls into the seventh category of the patente where it is not customary to impose the "droit proportionnel" on the rental value of premises, since, in any case, there is no fixed place of business. This also excludes the merchant from liability for the BIC. Consequently, the wage and salary tax due on the earnings exceeds the sum of the patente and IFR for the merchant.

One of the striking features of Case III is the high proportion of tax liability accruing to the communal budget. For the wage earner it amounts to a quarter of the tax, but is 100 percent for the merchant, who is liable for no direct taxes that accrue to the national budget. This high communal share of statutory tax liabilities in urban areas extends to other business taxpayer units as is shown by Cases IV and V. This ensues because the patente, the tax on business premises (TVLP), the taxes on housing premises (CM, TVLH) and the communal surtax (CA) all are assigned to the commune, and these taxes, when applied according to regulations, are not trivial. For example, the overall statutory tax rate on business premises in Bobo Dioulasso is 14.4 percent of rental value and the rate on the rental value of housing premises is 3.3 percent. To this is added the fixed rate on the patente plus the 10 percent communal surtax.

If statutory direct communal taxes are such a high share of total direct taxes, as discussed in Chapter II, why are communal direct tax recoveries only 10 percent of central direct taxes? Part of the answer is that taxpayer identification is far more complete and recovery rates close to 100 percent for those subject to the withheld tax on wages and salaries whose proceeds go to the central government. Also, larger businesses pay the BIC whose proceeds also go to the central budget. At the same time, a far smaller proportion of those liable for the communal taxes are identified, and when they are it appears that tax liabilities for such taxes as the CM and the TVLP are substantially underestimated. Finally, recovery rates for local taxes hover around 25 percent.

Case IV begins to reach moderate income levels. The contrast here is between a salaried person earning about 2.5 times the annual minimum wage and a relatively large merchant, say a proprietor of a small jewelry and watch repair shop with profits equal to the assumed earnings. Here again the effect of the business profits tax plus the patente and the business premises tax (TVLP) combine to produce a more than double tax burden for the merchant.

For illustrative purposes Case IV also shows in parentheses the patente, TVLP, and the CM of a similar merchant who has a market stall instead of privately rented premises. Not only is such a person fortunate enough to pay lower rent, but his tax burden is appreciably reduced as well. Given their extremely low rental charges, obtaining a market stall confers considerable financial advantage. Consideration should be given to increasing charges to make them comparable to private rentals.

The total tax rate in relation to income for the worker earning 600,000 CFAF per year is 10 to 11 percent. This does not appear excessive. For the merchant, with the new tax schedule in effect, the rate exceeds 25 percent. At an income level still modest in absolute terms this is a substantial burden, although it is doubtful that marginal rates are high enough to dampen incentives.

Finally, in Case V high income urban taxpayers are examined. A high salaried government or private sector employee assumed to earn 1.5 million CFAF annually is compared with a successful merchant, say an owner of a hair dressing salon, with profits equivalent to the assumed salary. The tax burdens continue to be about double for the merchant, but now have risen to close to 40 percent. This rate begins to be quite burdensome.

Associated with the higher income is a greater rental value of housing and the significantly higher communal taxes that go with this and the possession of an automobile or truck. Still, although the absolute amount of communal taxes per taxpaying unit rises with the increase in income, the share declines. This is a reasonable result given that the progressivity of the BIC is greater than that of communal taxes, which at most are proportional. The results here, however, depend on our assumptions about rental values of residential and commercial premises at the different income levels.

Implications. The analysis of tax burdens is quite revealing. Application of statutory tax provisions indicates that tax burdens do not appear to be unduly high. Those with extremely low incomes are liable for less than 5 percent of their incomes for direct taxes. As incomes rise direct tax burdens increase, but even for wage and salary earners at the upper end of the distribution, direct tax rates do not exceed 16 percent. It is true that these high income taxpaying units do pay heavy indirect taxes on their consumption of imported goods and some domestic items. But the need to restrain imports and devote domestic production to meeting the most urgent needs dictates this policy. The major inequity in direct tax rates for the selected groups of taxpayers clearly is the higher burden placed upon merchants and those who earn their income through activities taxed by the BIC and patente. This systematic effect may be justified as recovering local service costs or as a revenue raising compensation necessitated by poor taxpayer identification, assessment, and recovery from many liable for these and other taxes.

Another revelation of this analysis is the higher legal liability for taxes on housing premises at all levels of income than are being assessed in major communes. Even the families of those earning at the minimum wage should be paying at least 1,500 CFAF per year for this tax in Bobo Dioulasso and Ouagadougou. This, along with the other communal direct taxes, constitutes a statutory basis for tax liabilities which, if recovered, would provide a good start toward meeting communal expenditure requirements.

The relevant conclusion here for questions of tax reform is that the provisions of the direct tax system contain no overwhelming inequities. Consideration, however, should be given to the inequities as well as the inefficiencies occasioned by the apparently higher statutory rates imposed on income from sources other than wages and salaries, particularly from business profits. Despite this matter, moves to improve tax administration or to increase tax efficiency can be put forward without undue concern that they are promoting the enforcement of a highly inequitable tax system.

Recommendations for Tax Reform

Tax reform encompasses several issues. Discussed first are questions of changes in the rates and other provisions of taxes. Then, available data and data management related to taxation are reviewed and proposals for needed improvements discussed. Finally, a set of recommendations is presented for dealing with problems of tax administration in Burkina.

Tax Provisions and Tax Rates. As discussed in Chapter II there has been a long-standing agenda regarding changes in rates and provisions of the tax system of Burkina. This has mostly concerned the "modern" taxes of the central government, primarily the BIC, TCA, import duties, and

consumption excise taxes. Here, attention is focused on reforms of those taxes that have a particular "local" character such as the patente, the IFR, the various property-related taxes of the communes and provinces, and the fees and charges of these local authorities.

M-Changes in Existing Taxes. The analysis of representative taxpayers showed that the statutory rates of local direct business taxes are substantial, especially if considered in combination with the recent increase in the central government's business profits tax (BIC). At the same time, these taxes are among those for which high rates have potential for substantial excess burden. Thus, there seems good reason to review the impact of the total package of business related taxes in Ouagadougou and Bobo Dioulasso with a thought to reducing statutory burdens on medium sized commercial establishments while improving enforcement at the same time. Exonerations for new establishments and for investment of profits by existing businesses may reduce these rates and, thereby avoid negative incentives for expansion and the inequities in comparison with taxation of wages and salaries. Still, this area seems worth investigation.

While direct taxes on businesses may be comparatively too high, it is clear that the rates of many local fees and charges are too low. In addition, central service charges may also need re-evaluation as has recently been done for overnight stays in hospitals and clinics. The analysis of revenues from local fees and charges shows that almost 90 percent of local fees and charges are derived from vehicle licenses, market fees, and fiscal stamps. Small additional amounts are obtained from services related to livestock.

Fees for motorized vehicles, especially those for automobiles and trucks, can be considered as charges related to the costs of maintaining streets, roads, and of other public services provided to motorists. Thought of this way, these rates should rise with inflation. Higher vehicle fees either will be passed through to consumers of transportation services and transported items or assumed by motorists who are likely to be in the higher income classes. Rates should continue to be higher in communes than in rural areas to reflect costs. Raising fees for mopeds and motorcycles in urban communes may be justified as covering some of the external costs imposed by the proliferation of these vehicles in the center of the communes and as a disincentive for their acquisition. A stronger case for such increases is possible now that public transportation is available in Ouagadougou and to some degree in Bobo Dioulasso.

The case for increasing registration fees for bicycles or for carts is less strong. First, bicycles and carts use available roads and do not contribute substantially to their deterioration. Second, in rural areas they are a vital means of transportation related to production and taxing them has the effect of discouraging the use of a capital input. In urban areas bicycles like mopeds are a means of getting to and from work and, in the absence of public transport, can be essential.

Arguments in favor of increasing charges for market stalls are less equivocal. There is no doubt that market fees for central markets in Ouagadougou and Bobo Dioulasso are far too low. The daily charges for selling in the marketplace range from 25 to 100 CFAF and market stalls rent from 1,000 to 4,000 CFAF per month. These charges are trivial and are probably substantially below the marginal costs of police and garbage

services related to their use. Further, for prime locations in the central area of the city, public markets should ration their scarce places in accordance with rates paid for private rentals in the same area to promote efficient use of scarce sites. This also would increase communal revenues which could be used to finance improved services for the markets. Sellers displaced by the higher rents might be accommodated in peripheral markets, whose expansion or construction should be based on an evaluation of costs and benefits.

Market rates in other communes and in rural areas also probably are too low. Here, both the monetary and opportunity costs of providing markets is considerably less than in the major communes, but the benefits of having a market stall surely outweigh the charges of from 5 to 50 CFAF per day. While there may be some excess burdens attached to raising market fees in these areas, the revenue gains to places with so few other sources of local revenue seems worthwhile.

At first glance, adjusting animal slaughter and inspection fees for inflation seems appropriate. Slaughter fees, which range from 25 to 175 CFAF appear to bear little relation to the value of the animal or to the cost of maintaining slaughter facilities or to the time spent by the veterinary nurse who performs the inspection. However, the inspector serves an important public health function and, clearly, fees should not be allowed to rise to the point where butchers prefer the risk of evasion to the payment of the fee. Fiscal stamps, too, are intended to reflect costs--in this case the administrative costs of official documents. Registration of such vital statistics as births, deaths, and marriages and official acts serve social as well as private purposes. These

considerations argue against a strict policy of increases in line with inflation here as with animal fees, but they should be increased from time to time to adjust for considerable increases in price levels.

--New Fees and Charges. One of the objectives of this study was to examine possibilities for the development of new local fees and charges. Most revenue sources employed in developing countries are utilized in Burkina to some degree. Water (O.N.E.) and electricity (SONABEL) service within local areas--so far only in communes--are administered by autonomous central public utilities and, charges are levied for both installation and consumption. This study has not examined details of financing and charging for these utilities since they operate under autonomous budgets. Urban public transportation has just started in Ouagadougou and Bobo Dioulasso under central supervision. Fare schedules are still in a trial period. Urban property registration and zoning is also a central government responsibility, conducted through the national Land Registration Service (Service des Domaines). The development of urban housing tracts and the provision of basic public infrastructure for residential housing are crucial aspects of urban land use policy. Complex arrangements for charging all or a substantial portion of the costs of these services to those who benefit from them have been advanced and applied in some countries to finance zoning, streets, sanitary systems and related infrastructure. The World Bank has provided support for such a project in Burkina. This is another important area where changes to beneficiaries can and should substitute for expenditure from general tax revenue. As zoning proceeds in communes, procedures should be followed which impose costs on the beneficiaries of these services rather than on taxpayers in general.

Two further areas of potential use of fees and charges are for primary and secondary education and outpatient health services. Some developing countries have established school fees for primary and secondary education. Burkina has not done so, but local communities and parents of school children do provide considerable resources for primary schools through local construction of school premises and purchases of school books and other supplies. Although it is not official policy, in the absence of central funds in many areas a modest fee of 1,000 to 1,500 CFAF is charged parents for purchase of basic supplies. Children whose parents do not pay are not provided with paper, pencils and other materials. The World Bank, in a recent report, concluded that an option for Burkina was a school "cess" levied locally for school maintenance and supplies,² managed by teachers and parents. They recommend this fund be based on families' ability to pay; unfortunately, ability to pay in rural areas is difficult to judge and determination of which families to include would be questionable. Pupils do pay for private secondary schools, some of which receive subsidies equal to half of tuition. Expansion of the private instead of the public sector here holds down government finance of secondary education and imposes a greater share of costs on users.

As regards hospitals and local health services provided through dispensaries, the present government advocates charges for inpatient overnight stays in hospitals and clinics, but no charges for outpatient visits. Patients already bear a substantial portion of the costs of

²Upper Volta, Upper Volta: Investment in Human Resources Country Economic Memorandum, September 5, 1983, p. 78.

treatment through purchase of medicines and as a result of travel costs by rural patients, and additional charges appear to be unwarranted. Also, if charges were required at dispensaries there would be serious problems of their transmittal to appropriate authorities, and assuring their use to provide medicine and other supplies to the dispensaries for which the charges were collected.

Based on these considerations, the present study concludes that there are no major untapped opportunities for the use of fees and charges. Rather, what is needed is judicious increases in certain already established local fees and charges and attention to opportunities for self-financing of urban housing infrastructure, education, and health services.

Finally, as mentioned above, there are some important reasons for reconsideration of the registration tax on the transfer of property. The use of land and buildings is already taxed, and there is no significant amount of unused privately owned land in urban areas. Consequently, the transfer tax is an additional burden when transfers occur rather than a compensation for an otherwise untaxed activity. Why such transfers should be taxed above an amount to cover the costs of reregistration is unclear. The high rate of 15 percent must discourage or delay some such transfers which would shift the use of the property from less to more productive uses. Such inhibition on efficient use of land and structures can retard urban development. It is recommended that consideration be given to reducing this tax, perhaps to no more than 10 percent.

Reorientation of Tax Sources. One often recommended method of increasing local revenues is the transfer of a particular tax or set of taxes from the central budget to local authorities. In some cases,

reorientation of the tax source involves the transfer of assessment and collection authority from agents of central administration to local employees. In other cases, assessment and collection continue to be administered by central services and only the receipts are returned to the locality from which they originated.

A review of the issue of transferring national taxes to the localities in Burkina presents no strong candidates for transfer other than the licence. Prior to 1981, there existed both a direct tax on the wholesale and retail of beverages and an indirect tax on the sale of beverages for immediate consumption. The direct tax (la contribution des licences) which benefitted local budgets was abolished in 1981, resulting in a major loss of revenue for communes and departments. Revenues from the indirect tax (licences de dbits de boissons consommé sur place) are sent to the Receiver of Indirect taxes and credited to the national budget.

There are several considerations that support the return of this revenue source to the localities. Operators of establishments--bars and restaurants--liable for this tax benefit from a variety of local services including security, sanitation, and street maintenance and repair. Their activities also occasion substantial costs to the localities for public hygiene, security and sanitation. Furthermore, the licence is a relatively inexpensive tax to administer, requiring little technical skill on the part of census agents, and it is easy to enforce since the location of establishments liable for the tax are known to treasury, security and tax agents. Transfer of the licence to the localities would also have the salutary effect of encouraging stricter control of clandestine bars (buvettes) operated out of courtyards and private domiciles which usually escape taxation under the present system.

At present, the licence is an indirect tax; that is, there is not a nominative tax roll from which tax bills are prepared and sent to taxpayers. Instead, tax payments are made by the taxpayer at the beginning of the year--quarterly installments are also allowed--and sent to the Receiver of Indirect Taxes in Ouagadougou or Koudougou. This being the case, it may prove difficult to identify the location of the taxpayer so as to allow for the reorientation of receipts to the locality of origin. If this tax is transferred to local budgets, it should be administered as a direct tax.

Data Collection and Management. The lack of accurate, comparable data is a most serious obstacle inhibiting clear identification and quantification of the nature and source of fiscal difficulties. On the other hand, data are useful only if there is a genuine willingness to change unsatisfactory elements of the system. As has been mentioned throughout Chapters II and III, there are no official figures on the detailed direct and indirect revenues of communes and rural authorities. Figures available on one or another component of these revenues from alternative sources frequently show substantial difficulties.

Other potentially useful data regarding tax assessment are simply not tabulated. For example, CENATRIN's tabulations of amounts paid in advance (PPA) and of assessed amounts not paid in advance (PCN) do not reveal the amount of tax liabilities which result from the assessment activities of tax agents, nor of the amount paid in advance by those not assessed by tax agents. Further, the local tax agency does not maintain data on the number of taxpayers assessed by type of tax or of the numbers of tax forms (FIM) filed with CENATRIN or prepared for those who pay in advance (FDC). These

data would indicate trends in the activities of specific tax offices and could be used in allocation of personnel.

As regards tax collection, similar absences of useful tabulations are observed. Although CENATRIN provides a summary role of those liable for the BIC and patente, the collector's office (perception) makes no-year-to-year comparison of these rolls nor does it keep track of whether or not tax bills have been delivered to taxpayers. Consequently, there is no information contrasting recovery rates for those who do and do not receive their tax bills. Such information has obvious value for establishing a strategy for improving tax recovery rates.

As with all recommendations, proposals for improvements in data related to revenue must not entail policies whose costs exceed their benefits. As regards tax data in Burkina this cautions against policies which advocate amassing information which will not be used or whose requirements exceed the present capacity of the system to so great an extent that they would be enormously costly. With this in mind, the area of first priority clearly is increasing the consistency of figures on local revenues by revenue source. The goal here should be an official set of figures published year by year for each local authority, whether province or commune, showing its revenues by detailed source. A great stimulus to improved data collection, reporting, and analysis would ensue from requiring SERPOCO to produce an annual report along these lines. In the report, previous figures would be revised as inconsistencies and errors were corrected and it would contain a discussion of problems and issues regarding fiscal data of the local authorities.

However, without immediate steps to improve the present system of collection and reporting of these data the widespread inconsistencies and errors would remain. These stem from several factors. Local collectors, particularly those in sub-regional treasury units (perceptions) need further training in proper accounting and recording of collections and closer supervision from the regional treasuries. A serious cause of confusion and inconsistency is that too much time passes before reports on annual local receipts are reviewed at SERPOCO and errors called to the attention of local officials. While SERPOCO should have responsibility for the official report on revenues of local authorities, the regional treasuries should be responsible for assuring consistency and comprehensiveness of the figures for those local authorities within their geographic regions. These treasury units are far closer to the scene than SERPOCO and should make use of communal and provincial officials in helping them monitor, review and summarize the fiscal data before they forward it to SERPOCO. SERPOCO should then promptly contact the regional treasuries regarding questions and problems.

The second priority is the tabulation into useful form of data already available. From the perspective of the Tax Service and its local fiscal divisions, tabulations can be made from forms submitted to CENATRIN that would show for each direct tax: (1) numbers of assessed taxpaying units; (2) total number of taxpaying units; (3) amounts of tax liability for assessed units; (4) amounts of taxes paid by units not assessed; (5) amounts of taxes recovered from assessed units; (6) total recoveries; (7) the frequency distribution of taxpaying units in relation to tax liability for individual taxes. These tabulations could be made for the entire nation for provinces and communes and for individual perceptions.

The absence of tabulations such as these, for which computerized data presently exists, is a serious handicap to the development of strategies for improved revenue administration. Accurate information on such matters as which taxes have large numbers of small taxpayers and which have strong or poor records of recovery after assessment, is essential to determining where to concentrate resources of the Tax Division. This same kind of information, but disaggregated to local areas, is vital to decisions on such spatial dimensions of tax administration as location of tax agents and allocation of material and supplies.

Another valuable use of detailed tabulations from CENATRIN data on numbers of taxpayers and assessments for individual fiscal divisions is that it would provide a quantitative basis for the year to year evaluation of taxation within the region. Substantial variations in numbers and assessments from one year to the next would inevitably come to the attention of those in charge and explanations sought. At present, neither CENATRIN nor the local fiscal division maintain data to permit this. Also, such data can be used to evaluate performance of tax agents and the effectiveness of innovations in tax procedures.

Direct Tax Administration: Identification and Assessment. As regards taxpayer identification and assessment, problems differ substantially between rural and urban areas. In the rural areas the major difficulty is the identification of the relatively few taxpayers liable for the patente and the domicile tax (contribution mobilière). Even if resources could be made available it is doubtful that tax censuses of these areas would be cost effective. A productive strategy here already partially in effect is for local units of the CDR to identify by name and

location taxpayers whose situation suggests that they might be subject to the patente or the domicile tax. Tax agents could check their records and arrange to visit those rural towns which appeared to hold the most potential for augmentation of the tax rolls. To do even this, however, would require allocation of additional resources to the local fiscal divisions.

In communal areas the problems of identification and assessment of those owing the patente does not appear serious. Rather, the major shortcoming is the failure to identify and, especially, adequately assess the domicile tax. The problem here appears to be twofold, although lack of data makes this somewhat unclear. There is no doubt that the amounts assessed on those identified as liable for the CM are almost invariably too low. This probably reflects the failure to increase the assessment (liquidation) as rents increased with inflation and higher demand for housing in the communal areas. In addition, it is clear that in unzoned areas of these communes virtually no CM is now being assessed.

A general problem, then, in identification of taxpayers in communal areas is the lack of a cadaster. Almost all communal taxes are related to location of residences and places of business. Without a full wrapping of communal territory it is impossible for tax agents' censuses to discover all taxpayers. The benefits of cadastral surveys of Ouagadougou and Bobo Dioulasso are well known, but so are the costs. Instead, the present government has opted for establishment of comprehensive lists of domiciles and other structures and of their occupants prepared with the aid of the CDRs. For tax purposes these lists serve some of the same purposes as a cadaster.

In the two major communes the domicile tax (CM) along with its surtax (TVLH) should produce tax liabilities equal to 3 percent of the rental value of housing (with a deduction of 10,000 CFAF per household). The potential usefulness of more complete identification and accurate assessment of urban taxpayers is revealed by data which shows that over the past few years assessments fall considerably below any reasonable estimates of this rental value. In fact, a reasonable tax base for an urban commune is provided by these domicile taxes, along with the various taxes levied on the rental value of business premises.

Here, recommendations are for including the entire communal area in the assessment of the domicile tax. Even those living in temporary housing outside the zoned area are legally liable for this tax. While it may appear unfair to tax poor urban residents, they do share in the benefits of communal services and should share some of the costs. This not only supports maintenance of minimal service levels but provides some disincentive for the unsupportable migration into urban areas. More important is to assess those in the zoned area at a rate based on a proper measure of the rental value of their dwellings.

The potential for revenues from four existing taxes related to residential property in Ouagadougou and Bobo Dioulasso greatly exceed present assessments. The average assessed tax liabilities for these taxes in 1982 and 1983 were 108 million CFAF in Ouagadougou and 33 million CFAF in Bobo Dioulasso. Conservative estimates suggest that potential tax liabilities for these taxes in Ouagadougou amount to close to 195 million CFAF and in Bobo Dioulasso to 100 million. Recoveries, in both communes, however, are extremely modest amounting to about 30 percent of assessed liabilities and 17 and 12 percent against the estimated liabilities.

These tabulations are evidence that the provisions of existing communal taxes on property establish a potential tax base which could provide a considerable increase in revenues for the two large communes. These residential based taxes along with the other communal direct taxes constitute, if not a fully adequate base, one which does not appear to require increased direct tax rates or additional direct taxes. Once better enforced and reassessed from time to time, these revenues will respond to inflation and economic growth because they are set as a percentage of a base which is responsive to these factors. One exception here is the communal public works tax (voirie) which probably should be at least doubled from its present rate of 125 CFAF per household. These conclusions about stable rates should not be taken to apply to communal fees and charges whose response to inflation is discussed above.

Direct Tax Recovery. The most serious difficulties for the Burkinabe tax system remain in the area of tax recovery. As has been said above, the collectors' offices in the regional and local treasury are simply places which record payment of taxes by those who pay in person. There is some effort to deliver tax bills, but no major concern if they remain undelivered. We were unable to reach a clear conclusion regarding the usefulness of an effort to improve the delivery of tax bills to taxpayers. In casual conversation, assessed taxpayers would say they had not paid their taxes because they had not received their tax bill and that they were not going to the tax collector's office to get it. However, unless one has need for a tax certificate, there is no incentive to pay even if a tax bill has been received. Thus, we are not prepared to advocate a special program requiring the use of scarce resources to deliver

the tax bills. However, there are some inexpensive measures which may be taken to improve the distribution of the bills. One is to have the CDRs act as a mechanism of distribution. Members of these locally based organizations are likely to know the location of taxpayers and could be entrusted to deliver bills. Another possibility would be for the tax agents to deliver the previous year's undelivered bills during the course of their annual census.

Of course, before the tax bills can be delivered, they must arrive at the local treasury from CENATRIN. Frequently, the bills come extremely late. This not only prevents timely distribution but adds to the work of the tax agents. If there is no bill on hand for a taxpayer who wishes to pay, a tax agent must reassess the taxes due and also compute the actual tax liability.

Our study did not permit us to analyze the effect of receipt of tax bills on payment. However, at present the most serious shortcoming of the system of raising direct revenue for local authorities clearly appears to be the lack of enforcement. The first and foremost requisite for improved enforcement is to change taxpayer attitudes about their obligation to pay taxes. This involves educating taxpayers about the purposes of taxation and the time schedule for payments. In addition, however, sanctions need to be imposed on those who do not pay, and as things now stand there is virtually no reason other than civic duty for anyone to pay the domicile taxes (CM, TVLH), local works tax (voirie) or the street cleaning tax (balayage). Failure to pay brings no sanction. It is here that the GOB must decide whether or not it is prepared to take the necessary steps that reinforce education in bringing about a spirit of tax compliance among its population.

Those who have studied this problem are unanimous in their agreement that to achieve reasonable levels of tax compliance the force of existing sanctions must be applied in a selective way across a representative group of taxpayers.³ This means that fines, closing of business premises, and confiscation of goods and equipment has to be applied in a conspicuous way to enough delinquent taxpayers to engender a sense that failure to pay taxes can lead to serious consequences. Whether a government has the will and confidence in its public support to undertake these measures is the crucial question.

Administration of Local Fees and Charges. In an earlier section of this chapter increases in market fees, some motor vehicle licenses and a few other fees and charges were recommended. Whether or not these rates are increased, the fact remains that current collections are far below reasonable estimates of amounts owed. This is a bit surprising because the local agents assigned to assess and collect these fees have the incentive of being paid a percent of their collections. One frequent explanation is that supervisors do not ensure that collectors' positions are staffed and that proper receipts and other forms are not available. Another possible cause is that potential payer and collector often reach an agreement in which less than the full charge is paid and the proceeds not turned in. While the payer does not receive a tax receipt enforcement is lax enough to warrant this behavior.

³See Alex Radian, Resource Mobilization in Poor Countries: Implementing Tax Policies (New Brunswick: Transaction Books, 1980).

Recommendations here are for increased attention to local supervision and administration of fees and charges. Reasonable quotas for collection should be set and revised in light of experience. Persistent failure to achieve quotas should be grounds for dismissal unless reasonable explanation is given.

CHAPTER V
CENTRAL AND LOCAL EXPENDITURE

Introduction

The public sector in Burkina is extremely important economically as a user of scarce resources, provider of essential services, and regulator of private and public enterprises. This study, concerned particularly with the provision of local public services, consequently, focuses on public expenditures for the operational expenses of government and agencies whose purpose is to provide services to local residents and for investment in related infrastructure. The services of interest here are those which affect the daily lives of citizens and whose benefits are limited to those who reside in reasonably close proximity to the locus of service provision. While benefit areas vary for different local services, their distinguishing characteristic is the limited area within which benefits from a given service providing unit are obtained. Examples of such services include primary and sometimes secondary education, health, local administration and security, local streets and roads, sanitation and water supply. Agricultural extension, credit, and cooperative organizations are also local services, but this study does not examine them in detail.

There are, of course, other vital functions served by government expenditure. Among these are defense, research, secondary and higher education, foreign affairs, and social security and other transfer payments. These expenditures, however, do not require local operating units. Since their benefits do not depend on the location of beneficiaries

they can be performed at one central location or at a few selected locations.

Throughout the world, local services are organized according to one of two basic alternative arrangements. One, generally termed decentralization, establishes local authorities which possess legal rights to raise revenue and incur expenditure to provide those kinds of services which require local delivery units. Under this arrangement local authorities use their taxing powers to acquire the revenues that allow them to develop the organization and administrative capacity for service delivery. That is, they finance construction of the necessary capital facilities and maintain them, employ and pay administrators and operational personnel, and purchase appropriate equipment and supplies. In such systems the center, because of its superior access to revenues, particularly those derived from national income and profits taxes and taxes on international trade, usually provides fiscal transfers to the local authorities based on grant formulas generally related to population size and other characteristics of the recipient authority.

The alternative arrangement, characteristic of most nations grounded in continental European administrative traditions, is centralization. Here, in theory, all aspects of service provision, organization and finance are determined directly by officials in central ministries. With expanded activity by the state, especially in geographically remote areas, it may become necessary to delegate authority to actors located outside the capital. This transfer of specific elements of central authority to regional offices is referred to as deconcentration and does not signify the devolution of central power to local authorities but merely the "shifting

out" of central authority to areas outside of the capital. Deconcentration need not weaken central control over administrative activities but rather it may permit the state to exert a more regular presence and supervision of state interests in areas distant from the capital city.

Public services such as primary education, health, public works, agricultural extension and animal health are generally administered through field offices. These field offices may have a greater or lesser degree of autonomy, but they invariably are subject to direction and supervision from the center (what the French call tutelle) and are staffed by central government employees.

Territorial administration may also be deconcentrated through the creation of regional and sub-regional jurisdictions. These administrative units are typically headed by an agent of the Ministry of Interior who acts as the direct representative of central executive authority. Deconcentrated administrative units may be vested with corporate personality and empowered with limited authority to collect and expend revenue, enter into contractual relations with public and private actors and even to contract debt. They usually have little or no inherent or delegated power to choose their sources of revenue or even to set rates, however, but rather receive the proceeds of modest revenue sources determined by the center. The local authority, subject to strict central supervision, makes expenditures primarily in support of its administrative duties.

In the prefectural system inspired by the French administrative model, deconcentrated public services are integrated under the authority of the regional administrative officer, the prefect, who is responsible for

coordination of service activities and supervision of service agents. The extent of deconcentration in a system of integrated field administration as found in Burkina depends on the degree to which the regional executive officer has control over the heads of the local field agencies and can act without close supervision from superiors in the Ministry of Interior. A role for popular participation in the elaboration of the budget and in other policy decisions may be provided, but this role is typically limited to consultation. Therefore, deconcentration must be recognized as a variant of centralization. It does not provide autonomy to establish local taxes and tax rates and the capacity for local service delivery characteristic of decentralized systems.

In practice, of course, no system is fully centralized or entirely decentralized. Some elements of decentralization inevitably enter into centralized systems. Capital facilities may be constructed with local resources, with responsibility for maintenance assigned to the locality while the appropriate central ministry administers the service and provides the necessary operational personnel and supplies. Local authorities may find it necessary to organize and administer a service for which there is no central field agency in the locality. Garbage collection, maintenance of local streets, and even some local police protection are examples of such services. When central services are inadequate, as they often are, local authorities may support the cost of personnel assigned to the local unit of the field agency. Still, particularly in rural areas of poor countries, only the central ministries through their field agencies have the administrative and technical capacity and the resources to provide even the most limited of local services.

These administrative considerations have crucial implications for a description and analysis of public spending for local services in Burkina. One implication is that to obtain an accurate portrait of local service provision it is necessary to examine both central and local expenditure. As regards central expenditures a necessary distinction needs to be made between outlays for broad national purposes where administration and operation is centralized, and those services operated locally by central field agencies. Expenditure in support of the latter constitutes outlays for provision of local services.

A comprehensive portrait of spending for local services in Burkina, then, starts with these national expenditures for local services plus spending by the local authorities of Burkina, the provinces and the communes. Other major elements, however, must be added for completeness. One is the expenditure of other governmental organizations which engage in local service provision. The most important of these are the Regional Development Organizations (ORD) which have served as the focus of rural development activity in Burkina. Although formally attached to the Ministry of Rural Development, they are granted considerable administrative and budgetary autonomy, and only central subventions to them are included in budgetary expenditure. Another important component is the very considerable amount of expenditure by foreign donors for projects involving investment in infrastructure and in operational activities of local services. Clearly, not all foreign aid supports what is here called local services. For example, foreign support for research, the construction of national highways, and food aid do not fall into the category of local services. Finally, some modest amount of expenditure from the central government's extra-budgetary Special Accounts is for local capital.

This chapter provides estimates of total expenditure for local services from all sources and a breakdown by specific services. It also presents some estimates of the regional distribution of these expenditures. In addition, special attention is paid to expenditure by communes and the former departments to reveal the relative magnitude of these outlays and to indicate the purposes for which local authorities have committed their extremely limited revenues.

An Overview of Public Spending

Public expenditure concerns spending controlled by public or governmental authorities. Under any form of government this is an ambiguous notion and, consequently, measurement of public expenditure a somewhat arbitrary endeavor. Exactly what activities fall under government control? Should public expenditure include public enterprises and public authorities, and if so should their total budgets be included or only the amount of subsidy from the central government? Should development expenditures be separate from regular budgetary outlays? How should direct foreign aid in the form of project or in-kind grants which does not pass through the national budget be treated? Should spending by local authorities be included? These and other problems of comprehensiveness must be resolved in any attempt to measure total public expenditure.

The resolution of these questions depends largely on the underlying objectives of the examination. Interest in fiscal policy and related macroeconomic concerns leads to emphasis on a measure of total government expenditure indicative of government's influence on aggregate spending and its demands for finance. Concern for public spending as an indication of current services provided or of the creation of infrastructure for

provision of future services suggests a more comprehensive focus, inclusive of expenditures of local authorities and foreign aid of all sorts. This concern also involves disaggregating expenditures, to separate them by type (e.g., personnel, equipment, capital formation) and by function (e.g., defense, education, health). Interest in service delivery to local populations also implies a concern for the spatial or geographic distribution of these services, for which, as with education or health, levels may vary substantially across regions or departments.

This report deals primarily with the provision of local public services. Thus, it emphasizes spending by both the government of Burkina and foreign donors on those activities which yield direct services to people where they live. At the same time, a comprehensive overview of public spending in Burkina provides a necessary background to the more selective and detailed examination of the finance and delivery of local services. The next section, therefore, presents a brief such overview, followed by functional and spatial analysis of spending for selected public programs.

Estimation of Public Spending

Data and Concepts. A comprehensive estimate of all public spending in Burkina would, at the least, include expenditure from (1) the national budget; (2) budgets of local authorities; (3) the GOB's Special Accounts at the Treasury; (4) foreign financial aid not included in the national budget. In addition, a still more global total might add unpaid current obligations of central and local governments, the arrears, and deficits of state enterprises and parastatal organizations, and the aid in kind provided by foreign donors. Obviously, to analyze the total according to

current and capital outlay or to obtain a distribution of spending by function requires compositional details.

The totals, themselves, are extremely difficult to estimate. Spending authorized within the national budget is regularly summarized by broad category by the Treasury. Their figures include only those foreign grants and loans made available to the GOB to be used for regular budgetary outlays. Most foreign aid, both multilateral and bilateral, is provided for specific projects or programs. These activities do not fall under the authority of the Treasury and, consequently, are not included in the national budget. The amounts of financial grants provided by bilateral and multilateral donors and by private voluntary organizations generally are available from the donors. However, donors usually do not know how much of their grants they spend each year. This information is needed to measure expenditure. Further, donors often do not categorize their grants by sector. It is, however, assumed that virtually all financial aid is for investment purposes.

Expenditure of local authorities are reported to the local accounts service of the Treasury (SERPOCO) and annual totals provided, but without details on purposes. Disbursements from the Special Accounts by broad purpose is contained in accounts at the Treasury. Unpaid current obligations of the central government can be estimated from Treasury records by those familiar with the Treasury accounting system. On the other hand, no central government budget document contains information regarding the deficits of public enterprises and parastatals and the annual changes in them which indicates government spending. Foreign provision of in-kind aid, usually foodstuffs, presents problems of valuation and is a questionable component of public spending.

Estimated Amounts. A broad overview of government spending in Burkina is presented in Table V-1 based on the approach and data assembled by the IMF. Budgetary spending of the central government, including Special Accounts, is combined with estimates of extra-budgetary investment outlays.¹ Also shown as an exhibit is the total expenditure of communes and departments as provided by the Treasury. Extra-budgetary spending represents capital outlays by foreign bilateral and multilateral donors. It is classified as central expenditure because the programs supported have to be approved by the central government and there is no involvement of local authorities although the benefits generally affect local populations.

Table V-1 reveals the growth in central budgets in the 1980s which, given the modest growth in central revenues, created the serious current budgetary problems. Budgetary expenditure grew at rates of 17, 20, and 11 percent respectively for 1981, 1982, and 1983. Total expenditures, which include extra-budgetary investment, rose at rates about half as much. The reduction in the budget estimate for 1984 reflects the effort of the GOB to reduce budgetary expenditures in response to the growing deficit. Data are not yet available to indicate whether this effort was successful.

The extremely small importance of expenditure of local authorities also emerges from Table V-1. Their outlays are less than 4 percent of central budgetary expenditure and less than 2 percent of total central expenditure. Annual rates of change for the period 1980-82 are roughly similar to those for the central budget, but in 1983 they were essentially constant while the central budget grew by 10 percent.

¹It should be noted that aid-in-kind and contributions of voluntary organizations are not included.

TABLE V-1
CENTRAL GOVERNMENT CONSOLIDATED EXPENDITURE
(in billions of CFAF)

	<u>1970</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Budgetary Expenditure	9.6	43.8	51.2	61.5	68.0	55.0
Current	(8.2)	(37.8)	(41.9)	(51.5)	(59.2)	(41.9)
Investment	(1.1)	(5.1)	(7.3)	(4.7)	(3.3)	(3.6)
Debt Repayment	(.3)	(.9)	(2.0)	(5.3)	(5.5)	(9.5)
Extrabudgetary Investment Expenditure	<u>NA</u>	<u>54.7</u>	<u>55.0</u>	<u>59.3</u>	<u>67.4</u>	<u>81.5</u>
Total	NA	98.5	106.2	120.5	135.4	136.5
		<u>Annual Percent Change</u>				
Budgetary Expenditure		--	16.9	20.1	10.6	-19.1
Current		--	10.8	22.9	15.0	-29.2
Investment		--	43.1	-35.6	-29.8	9.1
Debt Repayment		--	122.2	165.0	3.8	72.7
Extrabudgetary		<u>--</u>	<u>0.5</u>	<u>7.8</u>	<u>13.7</u>	<u>20.9</u>
Total		--	7.8	13.5	12.4	0.8
Exhibit						
Local Budgetary Expenditures	NA	1,839	2,036	2,678	2,694	
Annual Percent Change		6.7	10.7	31.5	0.6	

SOURCE: Steve Haggblade, A Macroeconomic Profile of Upper Volta,
December 12, 1984, p. 50.

Economic and Functional Distribution of Central Budgetary Expenditures

National budget expenditures are presented in GOB statistics in both economic and functional classifications. The economic classification divides the budget mainly into the objects purchased. This approach, presented in part of Table V-2, shows that personnel amounts to about 50 percent of the budget and materials and supplies only for 10 to 13 percent. Transfers, including both debt interest and principal repayments, plus other subsidies have been about 15 percent of the budget, but, as mentioned in Chapter I, debt repayments have risen alarmingly in the past two years as loans made to cover deficits have come due.

Education, health and social services, and economic services predominate in the distribution of expenditures by function. Information for the functional classification of expenditures is contained in the executed budget report of the Treasury. Unfortunately, the former budget nomenclature and procedures were unable to allocate from 15 to 30 percent of expenditure to specific functions. The newly adopted budget nomenclature should eliminate this problem in the future. For past years, the distribution of the allocated expenditures by function may not provide a fully accurate indication of central spending. Rates of change, however, will be accurate so long as the composition of the unallocated portion remains constant.

Local Services Provided by the Central Budget

The beginning of this chapter described the concept of local services and the importance of the central government in the provision of these services in a unitary centralized governmental system. To highlight this vital demension of central government spending in Burkina the central

TABLE V-2

ACTUAL EXPENDITURE BY ECONOMIC AND FUNCTIONAL CLASSIFICATIONS, 1980-1984
(in percent)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> (budget)
	<u>Annual Change in Percent</u>				
<u>Economic Classification</u>					
Recurrent expenditure	11.2	13.2	29.6	13.8	-20.5
Wages and salaries	(10.9)	(11.5)	(20.5)	(7.6)	(- 2.1)
Materials and supplies	(- 4.1)	(7.5)	(29.8)	(-21.4)	(- 1.0)
Interest on public debt	(180.6)	(28.7)	(84.8)	(18.4)	(136.8)
Subsidies and other transfers	(- 5.3)	(28.5)	(-10.0)	(23.0)	(- 1.9)
Investment	-20.7	42.3	-35.9	-31.0	11.7
<u>Functional Classification</u>					
General public services	19.2	12.8	- 2.4	5.6	-21.0
Defense	9.6	23.4	17.2	3.4	1.2
Education	3.1	15.4	24.1	7.9	3.7
Health and social affairs	47.3	6.8	11.9	8.6	1.4
Economic services	-21.7	33.7	-18.4	- 4.4	- 3.5
Of which: rural development	(16.0)	(8.7)	(24.5)	(6.0)	(- 6.7)
Unallocable and other purposes	-26.7	40.4	-33.7	-26.8	7.1
Of which: common expenditure	(-19.5)	(- 4.5)	(44.3)	(-21.1)	(17.5)
Special accounts expenditure	<u>135.7</u>	<u>-65.4</u>	<u>150.8</u>	<u>-63.8</u>	<u>--</u>
Total budgetary expenditure	5.4	16.1	19.4	13.5	-19.2
<u>As Percent of Total Expenditure</u>					
<u>Economic Classification</u>					
Recurrent expenditure	87.7	85.5	92.8	93.1	91.6
Wages and salaries	(50.5)	(48.5)	(48.9)	(46.4)	(56.2)
Materials and supplies	(13.4)	(12.4)	(13.4)	(9.3)	(11.4)
Interest on public debt	(2.0)	(2.2)	(3.4)	(3.5)	(10.3)
Subsidies and other transfers	(12.4)	(13.8)	(10.4)	(11.3)	(13.7)
Investment	11.7	14.8	7.7	4.7	6.5
<u>Functional Classification</u>					
General public services	14.8	14.4	11.8	11.0	10.7
Defense	16.9	18.0	17.6	16.1	20.1
Education	15.4	15.4	16.0	15.2	19.5
Health and social affairs	12.3	11.3	10.6	10.1	12.7
Economic services	19.4	22.4	15.3	12.9	15.4
Of which: rural development	(4.3)	(4.0)	(4.2)	(3.9)	(4.5)
Unallocable and other purposes	15.4	16.8	25.1	33.5	21.6
Of which: common expenditure	(9.2)	(7.5)	(9.1)	(6.4)	(9.2)
Special accounts expenditure	<u>5.8</u>	<u>1.7</u>	<u>3.6</u>	<u>1.2</u>	<u>--</u>
Total budgetary expenditure	100.0	100.0	100.0	100.0	100.0

SOURCE: IMF, "Upper Volta, Recent Economic Developments," August 15, 1984, p. 39.

budget was divided into expenditures for services provided through field agencies of central ministries and those which yield generalized benefits provided from central locations. The basic idea here is to identify expenditures which support those services that have relatively limited benefit areas and for which individual service delivery units are located where users reside.

In making this distinction, there is no intent to downplay the value of expenditures, such as higher education, research and national security, which do not require locally placed delivery units. Rather, the point is to emphasize that those services which require field operations are ones where local populations benefit directly, may have strong preferences for levels of service, may know a great deal about effective methods of provision, and may be willing to support such services through voluntary contributions, benefit taxation, or fees and charges.

Table V-3 contains a re-classification of the functional breakdown of information contained in the executed national budget. The classifications used are quite straightforward. Central activities considered as providing local services include internal security, primary and secondary education, health, public works, rural development, and social, women and youth affairs. Central (non-local) services include defense, foreign affairs, general administration, economic services, and transfer payments.

Data from 1977 to 1983 reveal a persistent equivalence of operational spending between local and non-local service provision. The amount of the national budget spent for the operation of such crucial social services as primary and secondary education, basic health, internal administration and security, public works, and rural development was approximately 2500 CFAF per person (US\$6) in 1982.

TABLE V-3

FUNCTIONAL DISTRIBUTION OF NATIONAL BUDGET EXPENDITURE
(in billions of CFAF)

Expenditure Category	1977	1978	1979	1980	1981	1982	1983
Operational Expenditure Not Related to Local Service Provision							
Defense	5.6	7.e	6.8	7.5	9.2	10.8	11.2
General Economic	1.4 ^{a,b}	1.2	1.7	2.3	3.0 ^a	3.0	4.0
General Administration	.8 ^a	1.3	1.8	2.3	1.5 ^a	1.5	1.7
Social Security Administration	<u>.2</u>	<u>.7</u>	<u>.9</u>	<u>1.0</u>	<u>1.2</u>	<u>1.0</u>	<u>1.6</u>
Total	8.0	10.5	11.2	13.1	14.9	16.3	18.5
Related to Local Service Provision							
Interior and Security	1.5 ^b	1.6	2.0	2.4	2.6	3.1	3.2
Education, Youth and Sports	2.9 ^b	3.5	4.5	4.6	5.3	6.3	7.0
Health, Social and Women's Affairs	1.4	1.7	2.3	2.9	3.2	3.8	3.6
Public Works	.5	.2	.2	.3	.3	.4	.4
Rural Development	<u>1.0</u>	<u>1.3</u>	<u>1.6</u>	<u>1.9</u>	<u>2.1</u>	<u>2.6</u>	<u>2.7</u>
Total	7.4	8.3	10.6	12.0	13.6	16.2	16.9
Joint Expenditures	2.5	2.8	5.3	4.2	4.0	6.0	4.7
Equipment and Investment (unallocated)	4.5	3.5	5.7	4.4	7.3	8.2	3.4
Total Expenditures on Goods and Services	22.4	25.2	32.8	33.7	39.8	46.5	43.5
Transfers and Subsidies	<u>4.5</u>	<u>5.9</u>	<u>8.3</u>	<u>8.0</u>	<u>9.1</u>	<u>10.2</u>	<u>11.3</u>
TOTAL EXPENDITURES	26.9	31.0	41.1	41.8	48.9	56.7	54.8

^aFor these years expenditures on information, post and telecommunications are not disaggregated and are placed in the "General Economic" category; in other years information expenditures are counted under "General Administration."

^bFor 1977 expenditures on higher education and scientific research are included under Education. In other years, they are included as "General Economic."

SOURCE: Tabulations by LRAP based on Situation d'Execution du Budget of Ministry of Finance.

Altogether, the operational expenditure allocated to local and non-local services comprises almost 60 percent of total budgetary outlay. The remaining 40 percent is equally divided between transfer payments and goods and services expenditures including capital outlay which the budget is unable to allocate by ministry.

Local Expenditures: Data Sources

The fiscal system of Burkina is such that expenditure of local authorities generally are limited to their revenue, since there is no system of intergovernmental grants from the center and local authorities do not borrow on a regular basis. Occasionally, however, the center will allow a local authority to borrow for an urgent capital project as was done in Ouagadougou in 1980 for road construction. Thus, local expenditures generally tend to follow local revenues, reported on in Chapter II. In fact, local budgetary procedures preclude authorization of expenditures which would exceed a local authority's receipts in the local treasury. In practice, however, expenditures to meet salaries for regular personnel may sometimes be approved without offsetting revenues available, and occasionally local authorities do not spend all the revenues they recover in a given year. Chapter VI discusses local budgeting including procedures for approval of expenditures.

The basic source of data on expenditures by local authorities is the same as that for local revenues, the local accounts unit (SERPOCO) of the general treasury. This unit provided figures on total expenditures for each department and commune from 1976 to 1983. One other source of local expenditure came to our attention. The Ministry of Health in 1983 conducted a study which presents health expenditures by departments and

communes as well as total expenditures for the period 1975-1981.²

A final data source on local authority expenditures is the national accounts. The accounts provide a single figure for each year representing total expenditures for goods and services by local authorities. Since these authorities make few transfer payments to persons or other public entities, this amount should represent a comprehensive measure of their expenditures.

Appendix Tables A-8 and 9 compare estimates of local expenditures from alternative sources. The figures tend to move in the same direction and are generally within 10 percent of each other. The lower communal totals of the Ministry of Health study are due, in part at least, to the incomplete coverage of communes in the study, and this carries over to the totals for all local authorities.

Local Expenditures: Totals

Detailed data from SERPOCO are used in the following analysis. Given the similarity to figures from the other sources, results are not significantly influenced by this choice. As mentioned earlier in this chapter, expenditure of the local authorities are extremely small. They amount to less than 4 percent of central budgetary expenditure and less than 1 percent of gross domestic product. Average per capita expenditure for the two year period of 1982 and 1983 was 236 CFAF (US\$.80) for departments and 1570 CFAF (US\$4.00) for communes.

²Minist

re de la Sant Publique, "Depenses de Sant en Haute-Volta Selon l'Origine du Financement: Evolution, Structure, Analyse," Avril 1983. The study gives no indication of the source of these data but their figures coincide almost exactly with those in the management accounts of departments. This is less true for their communal figures.

Table V-4 reviews the historical records of spending by departments and communes. It shows that for the period 1976-83 total expenditure increased by an average annual compound growth rate of 10 percent and that spending of departments and communes each rose at this rate. Increases in the price level, however, more than offset the growth in nominal spending so that real expenditure actually declined slightly during the period. Adjustments of spending for increases in population, particularly in the communes where there has been considerable population growth, shows real per capita local expenditures of both communes and departments to be lower in 1983 than in 1976. These results, not surprisingly, are essentially the same as those found for local revenues.

Local expenditure as a share of both GDP and national budgetary expenditures was lower in 1983 than in 1976. Data from 1979 to 1983 indicate that the low proportions represented by local expenditure had been reached by 1979 and that since then, local expenditures have simply maintained their very small relative position. However, to maintain this position in the face of the substantial rates of growth of central budgetary expenditure required significant rates of growth of spending by local authorities in 1979-82. A growth rate in total spending of almost 11 percent in 1981 was followed by an exceptional 32 percent rise in 1982, due to an extraordinary increase of over 50 percent in departmental expenditure. Apart from this instance, departmental and communal expenditure totals move together from year to year.

Departmental Expenditure. As with revenues, per capita spending among departments is rather uniform (Table V-5). The average per capita spending for the two years of 1982 and 1983 for all departments was

TABLE V-4
DEPARTMENTAL AND COMMUNAL EXPENDITURES, 1976-1983

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
(in millions of current CFAF)								
Departments	750	843	749	830	890	938	1,420	1,432
Communes	<u>634</u>	<u>858</u>	<u>763</u>	<u>893</u>	<u>949</u>	<u>1,098</u>	<u>1,258</u>	<u>1,262</u>
Total	1,384	1,701	1,512	1,723	1,839	2,036	2,678	2,694
(in millions of constant 1977 CFAF) ^a								
Departments	873	843	905	693	667	639	878	836
Communes	<u>738</u>	<u>858</u>	<u>921</u>	<u>745</u>	<u>711</u>	<u>748</u>	<u>778</u>	<u>737</u>
Total	1,611	1,701	1,827	1,438	1,379	1,387	1,655	1,574
<u>Annual Current Percent Change</u>								
								<u>Average Annual Current Percent Change, 1976-1983</u>
Departments	12.4	-11.2	10.8	7.2	5.4	51.4	0.8	9.7
Communes	<u>35.3</u>	<u>-11.1</u>	<u>17.0</u>	<u>6.3</u>	<u>15.7</u>	<u>14.6</u>	<u>0.3</u>	<u>10.3</u>
Average	22.9	-11.1	14.0	6.7	10.7	31.5	0.6	10.0
GDP (nominal)	19.9	19.7	18.6	9.2	14.6	10.5	4.4	
Central Budget	23.9	14.3	27.3	5.4	16.1	19.4	13.5	
<u>As Percent of GDP</u>								
Departments	0.50	0.46	0.34	0.32	0.31	0.29	0.39	0.38
Communes	<u>0.42</u>	<u>0.46</u>	<u>0.34</u>	<u>0.34</u>	<u>0.33</u>	<u>0.34</u>	<u>0.35</u>	<u>0.33</u>
Total	0.93	0.92	0.68	0.66	0.65	0.62	0.74	0.71
<u>As Percent of Central Budget Expenditure</u>								
Departments	NA	3.2	2.5	2.2	2.0	1.8	2.3	2.1
Communes	<u>NA</u>	<u>3.3</u>	<u>2.6</u>	<u>2.4</u>	<u>2.2</u>	<u>2.1</u>	<u>2.0</u>	<u>1.9</u>
Total	NA	6.6	5.1	4.6	4.2	4.0	4.4	4.0

^aPrice index 1976-1980 taken from index of Final Consumption of Public Sector, Table 2, p. 8 of Comptes Nationaux de la Haute-Volta 1980; index for 1983-1983 equal to implicit GDP deflator estimated by IMF.

SOURCE: SERPOCO.

TABLE V-5
 PER CAPITA DEPARTMENTAL EXPENDITURES
 (in CFAF)

<u>Department</u>	<u>Population</u> (in thousands)		<u>1976-1977</u>	<u>1982-1983</u>
	<u>1975</u>	<u>1983</u>		
Centre	859	870	158	271
Centre-Est	443	453	150	292
Centre-Nord	887	742	100	232
Centre-Ouest	681	887	163	175
Comoe	NA	186	--	333
Est	438	465	115	162
Hauts-Bassins	521	347	151	321
Nord	645	579	95	231
Sahel	402	409	134	259
Sud-Ouest	355	401	148	296
Volta Noire	<u>674</u>	<u>713</u>	<u>145</u>	<u>171</u>
Total/Average	5,905	6,052	135	236

SOURCE: Computed from data from SERPOCO.

236 CFAF (US\$.70). Haut-Bassins and Como spend about twice as much per capita as do the lowest spending departments of Est, Volta Noire, and Centre Ouest. Still, even in the highest spending departments per capita annual outlays are less than 350 CFAF (US\$1). Table V-5 further shows that the relative differences among departments in per capita spending increased over the period from 1976/77 to 1982/83.

Annual percent changes in spending were extremely variable both in the aggregate and for individual departments (Table V-6). This again mainly reflects variation in revenues. The average annual compound growth rate in total departmental expenditure over the period 1976-83 was 9.7, with the range varying from an increase of 104 percent in 1983 for Sud-Ouest to a decline of 35 percent for Volta Noire. Among the departments Como, Centre and Volta Noire had average annual increases during the 1976-83 period greater than the overall average, while Sahel had the lowest average increase of only 8 percent. The positive modest average annual increase over the full period for all departments was accompanied, however, by frequent reductions and some years when expenditures more than doubled. This irregular pattern is no doubt attributable to variation in revenues, but it poses significant problems for the stability of local service provision in the rural areas.

Communal Expenditures. Analysis of communal expenditures requires a somewhat different perspective than that employed for spending by rural local authorities. Unlike departments, where among the eleven departments the two highest account for only 27 percent of total departmental spending in 1983, the communes of Ouagadougou and Bobo Dioulasso dominate total communal spending, accounting for an average of 70 percent of the total in

TABLE V-6

DEPARTMENTAL EXPENDITURES, 1976-1983
(in millions of CFAF)

Department	Population (in thousands)		1976	1977	1978	1979	1980	1981	1982	1983	Annual Percent Change	Average Annual Current Percent Change, 1977-1983
	1975	1983										
Centre	859	870	121	150	134	145	145	153	266	206		
Centre-Est	443	453	76	57	48	58	59	59	138	127		
Centre-Nord	887	742	82	95	79	73	89	101	163	182		
Centre-Ouest	681	887	116	106	141	133	112	126	182	129		
Comoe	NA	186	--	--	--	--	36	44	61	63		
Est	438	465	52	49	34	48	46	48	81	70		
Hauts-Bassins	521	347	76	81	73	95	82	79	123	100		
Nord	645	579	61	62	58	41	72	120	105	162		
Sahel	402	409	53	55	52	53	54	61	75	137		
Sud-Ouest	355	401	43	62	48	71	88	59	78	159		
Volta Noire	674	713	70	126	82	113	107	88	148	96		
Total	5,905	6,052	750	843	749	830	890	938	1,420	1,431		
Centre				24	-11	8	0	6	74	-23		8
Centre-Est				-25	-16	21	2	0	134	-8		8
Centre-Nord				16	-17	-8	22	13	61	12		12
Centre-Ouest				-9	33	-6	-16	13	44	-20		2
Comoe				--	--	--	--	22	39	3		3
Est				-6	-31	41	-4	4	69	-14		4
Hauts-Bassins				7	-10	30	-14	-4	56	-19		4
Nord				2	-6	-29	76	67	-3	54		15
Sahel				4	-5	2	2	13	23	83		15
Sud-Ouest				80	-23	48	24	-33	32	104		21
Volta Noire				12	-35	38	-5	-18	68	-35		5
Total				12	-11	11	7	5	51	1		10

SOURCE: SERPOCO.

1982 and 1983. Nevertheless, as with revenues, these two major communes do not spend the largest amounts per capita (Table V-7). Both Banfora and Gaoua spend more per capita than do Ouagadougou and Bobo Dioulasso and several other communes spend essentially the same amount as the two major communes. Despite the similar or even larger amounts of per capita communal expenditures in communes other than Ouagadougou and Bobo Dioulasso, it would be a mistake to conclude that higher levels of local public services are available in these communes. First of all, the estimates of communal populations used here are undoubtedly subject to error. Although there is little doubt that the populations of the two major communes have grown since 1975 at more than the 7 percent rate usually applied to estimate their current population, our figures for them may be overstated. Second, the level of local services available in any locality depends crucially on the extent of the field services of central ministries provided in the area. Analysis described below shows that such services are far more prevalent in the two major communes than elsewhere, whether in other communes or in rural areas.

Per capita communal expenditures are extremely sensitive to estimates of communal population. The population figures used here were carefully chosen, but on the basis of informed judgment and discussions with local officials rather than from actual demographic studies. It probably would be better to use a range for populations rather than a single figure. This would lead to a range regarding per capita expenditure, and the amounts shown here might best be thought of as the lower limits of such a range.

TABLE V-7
PER CAPITA COMMUNAL EXPENDITURES
(in CFAF)

<u>Commune</u>	<u>Population (in thousands)</u>		<u>1976-1977</u>	<u>1982-1983</u>
	<u>1977</u>	<u>1983</u>		
Ouagadougou	173	350	2,225	1,573
Bobo Dioulasso	115	250	1,726	1,364
Koudougou	37	46	1,027	1,598
Ouahigouya	26	40	1,019	1,575
Kaya	19	22	1,289	1,386
Tenkodogo	18	38	639	316
Reo	14	22	714	341
Fada N'Gourma	13	24	923	917
Banfara	12	20	2,875	3,975
Gourcy	10	15	500	533
Kombissiri	--	12	--	458
Yako	--	17	--	235
Dori	6	19	--	474
Diebougou	--	11	--	182
Gaoua	7	7	--	1,714
Dedougou	8	17	--	941
Nouna	12	19	--	816
Tougan	9	23	--	413
<u>Total/Average</u>	<u>479</u>	<u>952</u>	<u>1,556</u>	<u>1,324</u>

SOURCE: SERPOCO.

The population figures used here for Ouagadougou and Bobo Dioulasso indicate a very considerable growth in their population from 1977 to 1983. This growth combined with the data on expenditures results in estimates of per capita expenditures for 1982/83 which are lower than those of 1976/77. Adjusting these reductions in current measures of expenditures for increases in the price level, which is estimated at least to have doubled since 1976/77, produces a drastic reduction in real spending per capita in the two major communes. While these results would be moderated somewhat by use of lower population figures, the general conclusion would not be altered.

Growth in communal expenditures is closely tied to revenues, although the occasional capital improvement loans and failure to spend all revenues collected results in some differences. Over the 1976-83 period total communal expenditures grew at an average annual compound rate of 10.4 percent. Comparison of growth rates among individual communes is potentially misleading because of the high rates which emerge for the new small communes whose high rates of growth stem from the very low initial base during their first few years of existence. Focusing on the major urban communes, Table V-8 shows that Banfora (15 percent) led all communes in average annual growth in per capita expenditures over the 1976-83 period, with Bobo Dioulasso, Koudougou, and Ouahigouya also experiencing greater average annual growth rates than Ouagadougou.

Year-to-year variability of expenditure is as characteristic of communes as it is of departments. Both Ouagadougou and Bobo Dioulasso experience periods of high rates of increase with periods of substantial decline. Other communes show similar erratic expenditure changes. In

TABLE V-8

COMMUNAL EXPENDITURES, 1976-1983
(in millions of CFAF)

<u>Commune</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Ouagadougou	290	480	312	341	413	498	581	520
Bobo Dioulasso	184	213	252	341	308	340	290	392
Koudougou	34	42	52	59	56	48	77	70
Ouahigouya	29	24	33	34	44	42	64	62
Kaya	26	23	22	21	22	30	32	29
Tenkodogo	12	11	12	18	15	17	14	10
Reo	9	11	7	7	4	10	8	7
Fada N'Gourma	16	8	12	13	12	16	29	15
Banfora	28	41	55	54	59	66	83	76
Gourcy	5	5	5	6	10	6	8	8
Kombissiri	--	--	--	--	--	2	5	6
Yako	--	--	--	--	--	--	2	6
Dori	--	--	--	--	--	--	11	7
Diebougou	--	--	--	--	--	--	--	2
Gaoua	--	--	--	--	1	3	11	13
Dedougou	--	--	--	--	--	8	15	17
Nouna	--	--	--	--	3	6	18	13
Tougan	--	--	--	--	3	5	10	9
Total	633	858	762	894	950	1,097	1,258	1,262

Annual Percent Change

								<u>Average Annual Current Percent Change, 1977-1983</u>
Ouagadougou	66	-35	9	21	21	17	-10	9
Bobo Dioulasso	16	18	35	-10	10	-15	35	11
Koudougou	24	24	13	-5	-14	60	-9	11
Ouahigouya	-17	38	3	29	-5	52	-3	11
Kaya	-12	-4	-5	5	36	7	-9	2
Tenkodogo	-8	9	50	-17	13	-18	-29	-3
Reo	22	-36	0	-43	150	-20	-13	-4
Fada N'Gourma	-50	50	8	-8	33	81	-48	-1
Banfora	46	34	-2	9	12	26	-8	15
Gourcy	0	0	20	67	-40	33	0	7
Kombissiri	--	--	--	--	--	150	20	--
Yako	--	--	--	--	--	--	200	--
Dori	--	--	--	--	--	--	-36	--
Dienbougou	--	--	--	--	--	--	--	--
Gaoua	--	--	--	--	200	267	18	--
Dedougou	--	--	--	--	--	88	13	--
Nouna	--	--	--	--	100	200	-28	--
Tougan	--	--	--	--	67	100	-10	--
Total	36	-11	17	6	15	15	0	10

SOURCE: SERPOCO.

urban areas, where communal expenditures are important sources of support for local services, such variations greatly impede efforts to provide urban services on the regular basis essential to stimulation of the potential for economic growth of effectively functioning urban centers.

Expenditures by Purpose

Local Authorities and Local Service Administration. In centralized systems, sub-national administrative units constitute spatial entities within which central ministerial functions are carried out. The authority of the central state is expressed in the local authority, generally headed by an administrative officer appointed by the center who is to assure the overall functioning and coordination of activities of the field officers. The local authority may also provide some institutionalized forum for the expression of local popular sentiment and the review of budgetary and policy decisions. Such forums, however, are generally of a consultative character and are devoid of decision-making authority. The local authority may be delegated responsibility for the provision or support of specific services and limited authority to collect revenues and make expenditures related to the accomplishment of its responsibilities.

In examining the purposes of expenditures of local authorities in Burkina it is crucial to recognize that these authorities possess little in the way of capacity to provide actual services. Rather, local authorities support and supplement the activities of field offices of central ministries. They can hire and pay for personnel and material used to collect vital statistics, provide official documents and perform the other essential tasks of territorial administration. Local authorities also supplement the resources of field agencies of such central ministries as

education, health, security, rural development and finance by providing transportation, fuel and limited supplies; by constructing and maintaining service facilities and housing for central government agents; and by hiring lower level technical and support personnel, especially midwives, typists, chauffeurs, craftsmen, watchmen and custodians who are then assigned to work at the various field offices and service sites in the area.

This depiction of the support function of local authorities is particularly appropriate for the departments (provinces). The situation in the communes is slightly different. The larger communes--Ouagadougou and Bobo Dioulasso in particular--have assumed primary responsibility for the organization, staffing, financing and operation of specific public services, including trash collection; construction, repair and cleaning of streets; sewerage and the maintenance of municipal infrastructure. The larger communes also employ small police forces to maintain order in public places and especially in communal marketplaces. And, although senior administrative positions and most importantly the post of mayor are filled by central government agents, most municipal administrative services are performed by communal employees.

Classification and Data Related to Expenditures of Rural and Communal Authorities

Systematic description of the purposes of rural and communal budget outlays can be presented in terms of economic or functional categories. The economic breakdown classifies expenditures by the broad purposes of personnel, material and investment. Ideally, functional classification ideally would separate outlays by type of service (e.g., general administration, health, education, etc.) and for each type distinguish

separate current from capital outlays. Available data permit economic classification of spending by both rural and urban local authorities but allow only a severely attenuated functional classification, particularly for rural authorities throughout the period and for communes since 1980.

Data sources for details of local expenditures are limited to management accounts (comptes de gestions) and preliminary budgets (budget primitif). The former, as discussed in Chapter II on local revenues, are available only for selected departments and communes. As regards details of expenditures, before 1980 the management accounts of departments and of communes provide information on personnel and material expenditures by service, but do not contain equivalent information on capital outlays. The preliminary budgets of departments and communes specify expenditures in great detail. The problem for analysis, however, is that they present proposed expenditures for the following year. Actual expenditures generally are shown only through the end of September of the current year. In addition, even current budgets are not easily acquired and those from previous years even more difficult to locate.

A final difficulty in obtaining communal expenditures by function is that the system of budget nomenclature instituted in 1980 does not classify expenditure by service. Consequently, to determine communal personnel expenditures, for example, for health or education or public works entails reviewing records of individual transactions which are not aggregated in the budget or the management account.

Local Expenditure Purposes: Results. The different responsibilities of rural and communal authorities are reflected in the broad economic classification of their expenditures. Personnel accounts

for 2/3 to 4/5 of rural authority spending with material and supplies accounting for nearly all of the remainder. Virtually nothing is spent out of local budgets for investment. Communes on the other hand devote a somewhat smaller share to personnel, engage in investment for which they sometimes borrow and consequently have to allocate expenditure to loan repayment. While broad expenditure purposes differ, there is a common trend over time toward reduction in investment. Apparently the rising salaries of personnel and costs of necessary materials unmatched by revenue increases has had to be absorbed by lower investment.

As mentioned above, lack of data availability coupled with the limited resources of this study, have not permitted a full elaboration of the functional distribution of local expenditure. Tables V-9 and 10 indicate what has been found. Departments allocate approximately half of their personnel expenditures to health personnel. Most of the remaining portion goes for general administration. In addition to providing personnel to central field offices, departments participate in provision of material to these offices to the extent of 6 to 7 percent of their budgets. Material for departmental activities, mainly local administration, amounts to a quarter to a third of their outlays. As mentioned above, administrative expenditures of departments provide support for the regional territorial base of central services. One area for which departmental administrative expenditures serve specific departmental ends concerns personnel and material for departmental tax collection.

Before 1980 functional classification was more easily accomplished for communal than for departmental expenditures. As would be expected, the purposes of communal budget outlays vary between the two large urban

TABLE V-9
 DEPARTMENTAL EXPENDITURE BY ECONOMIC AND
 FUNCTIONAL CLASSIFICATION, 1977-1981
 (in percent)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>Economic</u>					
Personnel	59	59	72	80	75
Of which: Health	(27)	(27)	(32)	(35)	(30)
Material and other ^a	33	37	25	18	NA
Investment	<u>8</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>NA</u>
Total	100	100	100	100	100
<u>Functional</u>					
Administrative and Other (Non-health) Personnel	32	34	41	43	
Health Personnel	27	27	32	37	
Administrative Material, Maintenance and Other	27	29	18	15	
Material Contributed to Central Services	6	7	6	3	
Of which: Health and Education	(4)	(6)	(5)	(2)	
Investment	<u>8</u>	<u>3</u>	<u>3</u>	<u>2</u>	
Total	100	100	100	100	

^aIncludes local public works and unallocated expenditures and expenditures incurred in previous years.

SOURCE: Tabulations based on selected Comptes de Gestion.

TABLE V-10

COMMUNAL EXPENDITURES BY ECONOMIC AND
FUNCTIONAL CLASSIFICATION, 1977-1980
(in percent)

Classification	1977			1978		
	Total	Ouagadougou and Bobo Dioulasso	Other ^a	Total	Ouagadougou and Bobo Dioulasso	Other ^a
Economic						
Personnel	64	65	56	50	50	50
Materials and other	16	14	26	19	17	23
Investment	16	16	17	21	23	15
Debt Repayment	4	5	1	10	10	12
Total	100	100	100	100	100	100
Functional						
Administration	21	19	39	30	32	26
Health	6	5	11	8	7	12
Roads	21	22	13	23	23	21
Education	3	3	2	3	4	2
Other	29	30	17	4	1	12
Investment	16	16	17	21	23	15
Debt Repayment	4	5	1	10	10	12
Total	100	100	100	100	100	100
Classification	1979			1980		
	Total	Ouagadougou and Bobo Dioulasso	Other ^a	Ouagadougou and Bobo Dioulasso		
Economic						
Personnel	64	66	59	80		
Materials and other	25	24	29	14		
Investment	7	5	10	0		
Debt Repayment	4	5	2	6		
Total	100	100	100	100		
Functional						
Administration	64	70	50	86		
Health	10	10	9	2		
Roads	3	2	6	2		
Education	6	7	1	0		
Other	6	1	22	4		
Investment	7	5	10	0		
Debt Repayment	4	5	2	6		
Total	100	100	100	100		

^aIncludes Ouahigouya, Tenkodogo, Koudougou, Kaya and Fada N'Gourma.

SOURCE: Tabulations based on selected Comptes de Gestion.

communes and the other smaller ones. Ouagadougou and Bobo Dioulasso spend over 20 percent of their budgets for maintenance, repair, and cleaning of streets and markets. Other current spending, which includes local police, amounts to 30 percent. Smaller communes, needing to spend less for these purposes, concentrate on health and general administration. While there are differences in the composition of functional spending between the largest and other communes, the share of budgets devoted to capital spending, including both investments and loan repayments, is approximately the same and displays a similar variability appearing to be the residual factor in response to personnel and material needs.

Variations among Departments. The overall patterns described in Table V-9 for departmental outlays are averages of some widespread variations among individual departments. Although comprehensive data is not available, Appendix Table A-10 shows that Hauts-Bassins and Centre have maintained fairly regular allocations to investment and consequently devote a smaller share of expenditures to personnel. Other departments have occasionally devoted some of their budgets to investment, but many of the departments where per capita production is particularly low have never been able to spend for investment and, in the face of rising personnel costs, have cut back their allocations for material both for administration and in support of central field services. During this period, as the share of personnel has increased the proportion assigned to health personnel has essentially remained the same.

Summary and Conclusions

As is characteristic of unitary centralized states, the central budget in Burkina is the major source of expenditure for local as well as national

services. Field agencies of central ministries operate and administer such services as education, health, and social affairs, and the current expenditures for personnel and material required for their operation are defrayed by the central budget. Major capital projects are supported by external donors. Autonomous central authorities provide electricity and water in some communal areas. Local authorities, then, have extremely limited responsibilities for service provision. This is reflected in their low expenditures, although they could profitably spend a good deal more if their revenues permitted.

The main function performed by the local authorities is territorial administration, and the preponderance of their spending is for maintenance of their administrative presence. For the rural authorities this, along with contributions of personnel and small amounts of material to the functioning central field offices, mainly in support of health dispensaries, exhausts their budgets, which in 1982-83 averaged less than 250 CFAF per person. Communes, especially Ouadadougou and Bobo Dioulasso, engage in a somewhat broader set of expenditures. In addition to administration, communes spend for local public works, particularly street maintenance and repair, sanitation, health, education, and occasionally they engage in investment in communal infrastructure. Average per capita communal spending for 1982 and 1983 in each of the larger communes was about 1,500 CFAF.

Even in the communes these amounts do not begin to meet present minimal needs, much less those required for the role assigned to local authorities in the plans of the government. Improved procedures for recovery of revenues offer possibilities of increased expenditures in the

larger communes, where needs for zoning, public works, street cleaning and sanitation, and public health constitute obvious areas for directing expenditures. In rural areas, there is less revenue potential from improved tax administration. Financing the local administrative costs of the increased number of units of territorial administration easily will exhaust the expenditure of those authorities. They will be fortunate to be able to maintain their present levels of very modest contribution to the functional services.

CHAPTER VI
LOCAL BUDGETING AND FISCAL PLANNING

Purposes of Budgeting

The major goals of public budgeting are usually described as: (1) setting priorities for government activities, (2) establishing a balance between government income and outlays, and (3) assuring that expenditures are made only for authorized purposes. As regards setting priorities, the budget preparation procedure determines whose preferences are incorporated in the budget's specifications of expenditures by functional area and by current and capital outlays. The relation between estimated revenues and proposed expenditures determines the anticipated budget balance which deliberately may be in surplus or deficit. Finally, by establishing legal and administrative procedures for authorizing, approving, and disbursing actual expenditures, the budget ensures correspondence between actual and approved expenditures.

In practice, these goals are achieved more or less imperfectly. Among the sources of imperfection are that: (1) budgets often are not comprehensive, (2) the formats of projected and executed budgets are not sufficiently similar to permit comparisons of outcomes with plans, (3) frequently the categories used to classify expenditures do not reveal spending devoted to specific programs or projects, (4) procedures often exclude reflections of preferences from important groups affected by budget outcomes, (5) anticipated revenues are grossly overestimated and not

adjusted on the basis of prior experiences, (6) projected expenditures are modified in an ad hoc way due to revenue shortfall or excess, and (7) approved expenditures are not authorized because of procedural delays.

To avoid these and other difficulties which beset budgeting requires a substantial amount of resources devoted to the formulation, recording, monitoring and analysis of budgets. Developing countries often cannot afford the necessary technical staff and related personnel to implement recommended budgetary practices. In addition, as regards setting central expenditure levels and priorities, international and bilateral donors may condition their willingness to provide assistance to the establishment of budget priorities which are grounded in their conceptions of the requisite policy for the country's economic situation.

As described in Chapters II and V, overall revenues and expenditure of the national budget amount to only about US\$20 per capita of which about half goes for "local" services. Local budgets add only another US\$4 per person. There is extremely limited potential for giving direction to national priorities through such modest outlays. Yet these budgetary appropriations are the major source of funding for the recurrent costs of the services so influential for the present and future quality of life in Burkina. This study does not examine the process by which the central government authorities decide how to embody national priorities in the budget. Rather, it takes these as given and examines the budget procedures which determine whether national and local budgets are operating so as to permit the very limited resources controlled by the budget to be utilized in conformance with these priorities. Thus, this chapter concentrates on the effectiveness of revenue projections, the adjustment of expenditures in

light of actual recoveries and the control of expenditures in relation to their authorized purposes.

Budget Nomenclature and Classification

As regards revenues, budget classification is quite straightforward. Detailed sources of revenue are specified and recorded, including direct and indirect taxes, fees and charges and other revenues. Variation in revenue classification between central, communal and rural authorities thus reflect the substantial differences in sources of revenue among these units, particularly between the central and the local authorities. Budget classification for expenditure is more complex. There are alternative ways to classify and combine expenditures depending on the use to which classifications are to be put. The most common classifications are by object, (e.g., personnel, material), ministry (e.g., Health, National Defense) and by function or program (e.g., rural development, nutrition). Here again there are reasons for budget classifications to vary by level of government depending on administrative organization and activities performed.

Budgets in Burkina: Central Level

The central budget is an important element in the provision of local services. As described in Chapter V, central budget expenditures support the major share of services provided to local residents. Preparation of the national budget in Burkina follows typical procedures for central government budgeting. Revenues are estimated by the Treasury and guidelines based on these estimations and other considerations are issued to individual ministries which prepare plans for the next year's spending. Some ministries prepare quite detailed plans which take the form of an

elaborated document (Avant Project du Budget). Other ministries develop simpler and less detailed statements of their proposed spending. The statements of proposed expenditures are reviewed by the Finance Ministry and used in discussions by the Council of Ministers which lead to the adoption of the National Budget (Budget d'Etat). This budget then constitutes authorization to spend, and the various administrative units are assigned credits against which they can draw. At the end of the budget period, statements are drawn up on both revenues and expenditures showing the actual amounts recovered and disbursed in relation to the amounts in the National Budget.

Our interest in the budget as a method for setting priorities and for planning leads to concern with the relation of projections and authorizations to actual recoveries and disbursements. On the revenue side this means comparison of projected revenues (prvisions) with actual recoveries (recouvrements), which is provided in the annual treasury report on receipts. For expenditures it involves comparisons among projections (avant project du budget), authorizations (dotations dfinitive), and disbursements (ordonnancements). These comparisons, however, present some difficulties. Annual treasury reports on the executed budget do show authorizations and disbursements for a broad set of expenditure categories; however, these categories include a significant amount of personnel expenditure unallocated among ministries. Furthermore, the reports do not distribute the majority of national expenditure by ministry, and do not allocate any of investment spending.

The new nomenclature (approved for the 1985 budget exercise) for the national budget will provide sufficient information for detailed analysis of authorizations and disbursements. To take advantage of this opportunity it will be necessary to establish expenditure classifications which are sufficiently detailed for effective planning and analysis of programs yet not so detailed as to be overwhelming. An important area for consideration in view of the government's interest in decentralization is establishing the capacity to analyze the regional distribution of government personnel, material and investment expenditures. Heretofore, the only systematic information available on regional distribution of central budget resources was from the preliminary budgets of some ministries.

Central Expenditure Authorizations and Disbursements. Authorized expenditures in the National Budget are compared with disbursements in Table VI-1 for broad categories of spending. Finer divisions are possible but are distorted by the large amounts of unallocated personnel and material expenditures. Data for the 1977-1983 period show that personnel expenditures and pensions to government employees are maintained in the face of revenue shortfalls, while debt repayment has borne the brunt when disbursements were reduced below authorized amounts.

Central Revenue Projections. Projections of central revenues appear to be based on realistic estimates of recoveries rather than on overly optimistic assumptions of recovery rates on assessments (emissions) or on estimates of potential tax liabilities. As shown in Table VI-2, comparisons of projected and realized revenues reveal a generally good performance of revenue projections except for persistent underestimation of revenues from the withheld tax on wages and salaries. This resulted in

TABLE VI-1

CENTRAL GOVERNMENT: ACTUAL EXPENDITURES AS PERCENT OF
AUTHORIZED EXPENDITURES

<u>Budget Classification</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983^a</u>
Public Obligations	72	69	87	72	108	85	65
Debt Repayment	40	34	55	27	100	80	51
Government Pensions	91	69	127	131	120	95	114
Current Services	105	102	99	101	102	110	97
Personnel	109	105	102	110	108	113	101
Material	91	90	91	78	85	98	82
Subsidies	89	93	81	82	93	96	91
Equipment and Investment	68	87	96	87	96	189	81
Total	93	99	95	95	101	110	91

^aInitial rather than final approval.

SOURCE: Situation d'Execution du Budget of Ministry of Finance.

TABLE VI-2

NATIONAL BUDGET: RATIOS OF TAX REVENUES TO
REVENUE PROJECTIONS, SELECTED TAXES,
1980-1983

<u>Tax</u>	<u>1980</u>		<u>1981</u>		<u>1982</u>		<u>1983</u>	
<u>Total Direct</u>	122	--	127	--	123	--	107	--
IFR	58	(98) ^a	84	(43)	128	(59)	85	(72)
BIC	133	(70)	123	(52)	102	(54)	99	(54)
BNC	66	(35)	30	(21)	92	(14)	30	(37)
IUTS	156		144		151		118	
TPA	140		116		106		99	
<u>Total Indirect</u>	89		91		100		90	
Import	86		94		102		81	
Consumption	85		82		79		114	
TCA	104		103		135		110	
Export	103		80		75		83	
Registration and Stamp	82		121		121		82	
Service Charges	50		89		103		49	
Recoveries due from from Previous Years	64	(14)	421	(37)	44	(11)	107	(17)

^aFigures in parentheses refer to revenues in relation to assessed tax liabilities (emissions).

SOURCE: Situation Detailée des Recettes, Budget de L'Etat, Direction Generale Du Budget.

underestimates of total direct taxes from 1980 to 1982, but there was a substantial reduction in the discrepancy in 1983. Indirect tax receipts have tended to be slightly overestimated, with the overestimate of revenue from taxes on foreign trade offsetting general underestimation of proceeds from the turnover tax (TCA). Projections of receipts from previous year's unpaid taxes (restes recouverts des exercices anterieurs) are least accurately anticipated with recoveries ranging from more than four times to less than one half of the projected amounts.

For national budget revenues the range of sources and the reasonably accurate forecasting of such major components as taxes on foreign trade result in revenue forecasts which are close enough to recoveries to constrain expenditures to realistic levels. Of course, unanticipated changes in general economic conditions will upset the most sophisticated revenue projections. The point here is that the historical record shows that the existing system does not incorporate systematic, avoidable errors.

Budgets in Burkina: Local Level

Rural and communal authorities in Burkina prepare preliminary budgets (budget primitif) in which revenues and expenditures are projected in detail and must balance. The fiscal officer (ordonnateur)¹ of the local authority has the responsibility of preparing the budget and submitting it for approval to the local governing body, if one is in operation. The budget is then forwarded to a joint committee of the Ministries of Interior

¹Local fiscal authority is held by the territorial administrator of the jurisdiction within which the commune is located. In Ouagadougou and Bobo Dioulasso the High Commissioner of the province performs this function. In other communes it is the responsibility of the prefect (formerly the sub-prefect).

and Security and of Finance for review. Changes, if any, tend to be made in expenditures rather than in revenue estimates. The amounts approved by the "tutelle" then become the approved budget of the locality and are shown in its management account.

This budget process has the potential to be a useful aid for planning, but as it operates in practice it is more a response to a formal requirement than a tool for setting local priorities and ensuring effective use of scarce local resources. Revenue projections tend to be quite inaccurate, generally overestimating revenues. Further, detailed items of expenditure are not combined in the budget in ways that reveal the functional areas or programs of proposed spending but rather indicate the objects of spending such as personnel, material, equipment, and investment. Finally, the overestimates of revenue combined with the principle of budget balance lead to excessive levels of planned expenditures and the need for subsequent rescinding of support to local service providers.

Revenue Projections. Information obtained on local budgets, particularly from the two regions where this project has operated, suggests that projections of local revenues substantially overestimate recoveries and are not corrected over time for these inaccuracies. It is often the case that planned expenditures for investment and for materials and supplies are foregone in response to revenue shortfalls. This is not surprising since the official regulations on local budgets distinguish between obligatory and discretionary areas of spending and require that discretionary spending be reduced first if revenues are inadequate. Personnel and materials are considered obligatory while investment is discretionary.

Our limited sample indicates that local budgets consistently overestimate anticipated revenues. Even when past experience clearly demonstrates that anticipated revenues fall far short of actual recoveries, projections are more likely to be increased rather than reduced. Part of the explanation for this perverse behavior lies with the requirement that tax liabilities not recovered in one year are to be treated as anticipated revenue in future budgets. Projected budgets are prepared in the fall. Outstanding tax liabilities of the current year and of the three previous years are included as anticipated revenues for the following year. This procedure tends to produce substantial overestimates of revenues since the actual recovery rate for these past uncollected taxes amounts to less than 10 percent.

A sample of communal and departmental preliminary budgets indicates that projected revenues from direct and indirect taxes are generally overestimated although by a considerably lower proportion than outstanding liabilities from previous years. Occasionally there is some adjustment of projected revenues from these sources in response to actual recoveries, but not enough to indicate that serious efforts are being made to estimate revenues accurately.

Evidence on the relation of departmental projections to actual recoveries can be found in the management accounts. Unfortunately, this is no longer true for communes, since their management accounts no longer include recoveries. Here, one must compare management accounts or preliminary budgets with revenue recovery data provided by the regional treasury. Relevant data for the two areas in which the study concentrated were collected, along with a few additional places, including Ougadougou.

Table VI-3 and 4 show the results of some sample tabulations. The two departments examined display a pattern of poor revenue forecasting, particularly for revenues from previous years, and little tendency for projections to be adjusted in light of demonstrated errors from previous experience. The data from the Department of the East is probably more reliable and reveals virtually no evidence that overestimates of revenue in one year led to substantial reduction of projections in the following year.

The commune of Fada N'Gourma shows a pattern similar to that of the Department within which it is located. Forecasts overestimate revenues in all broad categories of revenue. Bobo Dioulasso and Ouagadougou, however, show rather different behavior. In Bobo Dioulasso revenues, except in 1984, were reasonably forecast and recoveries from previous years exceeded projections in several years. Data for Ouagadougou in this area is extremely puzzling. In both 1981 and 1982 the amounts of taxes projected from previous years' receipts in the management accounts were in excess of 1.4 billion CFAF. On the other hand, actual revenues for Ouagadougou provided by the municipal treasury show no recoveries from unpaid taxes for any years from 1981 through 1983.

Expenditure Projections. The balanced budget requirement for local budgets inevitably produces overestimates of expenditures which parallel those of revenues. The inaccuracy of the revenue projections then require cutting back planned expenditures. This, in turn, undermines efforts to establish local priorities. Personnel and, to a lesser extent, material expenditures are generally maintained at projected levels in the face of revenue shortfalls. They are the obligatory categories of spending. Investments and participation in the financing of central field services as discretionary items are cut back (Table VI-5).

TABLE VI-3

DEPARTMENTAL REVENUES: REALIZED REVENUES AS PERCENT OF PROJECTIONS
AND ANNUAL PERCENT CHANGE OF PROJECTION

<u>Department/Year</u>	<u>Total</u>		<u>Direct</u>		<u>Indirect</u>		<u>Previous Year</u>	
	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>
Est								
1975	72	---	68	---	70	---	83	---
1976	89	-11.6	91	-17.1	71	-30.0	90	11.1
1977	70	24.6	84	29.4	42	71.4	55	0
1978	41	35.5	53	11.4	31	8.3	29	105.0
1979	41	-3.4	73	-38.3	19	100.0	33	4.9
1980	45	-16.2	52	53.3	50	-61.5	30	-37.2
1981	59	2.4	98	-10.9	54	30.0	10	14.8
Average		3.5		0.0		4.5		9.5
Hauts-Bassins								
1979	154	---	187	---	121	---	75	---
1980	47	34.6	66	-12.8	52	10.5	26	258.3
1981	66	4.8	81	4.9	71	95.2	35	-30.5
1982	86	1.8	80	7.0	133	2.4	13	-7.7
1983	36	12.5	49	6.5	39	14.3	7	16.7
Average		12.7		1.0		26.7		23.5

SOURCE: Comptes de Gestion.

TABLE VI-4

COMMUNAL REVENUES: REALIZED REVENUE AS PERCENT OF PROJECTIONS
AND ANNUAL PERCENT CHANGE OF PROJECTIONS

<u>Commune/Year</u>	<u>Total</u>		<u>Direct</u>		<u>Indirect</u>		<u>Previous Year</u>	
	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>	<u>Realized/ Projected</u>	<u>Change</u>
Fada								
1975	22	--	33	--	17	--	17	--
1976	67	0	71	16.7	125	-33.3	29	16.7
1977	45	11.1	71	0	43	75.0	17	-14.3
1978	52	15.0	45	57.1	100	-28.6	29	16.7
1979	42	34.8	45	0	63	60.0	25	71.4
1980	46	-15.1	40	-9.1	67	25.0	40	-16.7
Average		7.6		10.8		0		10.8
Bobo Dioulasso								
1979	81	--	75	--	87	--	78	--
1980	85	-3.6	73	2.9	92	1.6	100	-44.4
1981	101	6.3	90	14.8	103	3.2	168	-12.0
1982	71	23.9	46	-3.1	103	22.0	28	240.9
1983	79	2.4	35	7.0	92	7.3	115	6.7
1984	50	17.8	22	-2.7	64	9.6	50	44.8
Average		9.0		0.7		8.5		26.4
Ouagadougou								
1981	36	--	161	--	147	--	0	--
1982	37	2.4	134	8.2	152	22.7	0	-1.5
1983	124	75.3	139	-41.2	126	-1.6	0	-99.4
Average		-49.7		-20.2		9.9		-76.5

SOURCE: Comptes de Gestion.

TABLE VI-5

LOCAL BUDGETS: ACTUAL EXPENDITURES AS PERCENT OF PROJECTIONS BY CATEGORY

<u>Department/Year</u>	<u>Total</u>	<u>Personnel</u>	<u>Material</u>	<u>General Administration</u>	<u>Participation</u>	<u>Capital</u>
<u>Hauts-Bassins</u>						
1980	67	96	98	36	55	31
1981	75	85	72	62	41	79
1982	83	86	90	83	74	80
1983	63	90	88	64	50	12
<u>Centre</u>						
1980	48	80	37	30	38	11
<u>Commune/Year</u>						
<u>Bobo Dioulasso</u>						
1980	83	98	77	58	--	60
1981	91	92	86	75	--	80
1982	64	94	67	55	--	15
1983	94	99	98	100	--	72
<u>Ouagadougou</u>						
1980	71	88	83	--	80	1
(Actual loan repayments were only 27 percent of budgeted amount)						

SOURCE: Comptes de Gestion.

Given the low levels of local expenditures, the effects of being unable to carry out planned investments and acquisition of equipment and of not providing planned levels of support for schools, dispensaries, and other socio-economic services may not be grave. At the same time, local budget contributions can provide critical support to underfinanced services which are counting on receiving support specified in the local budget. For example, a teacher may be assigned to a new school but is unable to begin classes due to the failure of the department to provide desks as planned in the budget. A similar situation may arise with local voluntary activities where actions are taken in anticipation of an essential component being provided through the local budget, such as cement to be used along with bricks produced by local voluntary effort. In these situations, failure of anticipated local budget support to materialize leads to inefficient use of available resources. A specific case may be cited. Residents of the village of Bilanga, Province of Gnagna, prepared over 7,000 bricks for the construction of an administrative center in 1960. Materials and a skilled mason to be provided out of departmental resources never arrived, and the 7,000 bricks now form a small mound at what was to be the site of the administrative center.

Budget Objectives and Procedures. What accounts for the persistence of the discrepancy between actual and projected local budgets? The problem here arises because the apparent objective of revenue projection in local budgets is to establish what might be called revenue potential rather than to forecast actual revenue. Despite the availability of information on the previous year's tax receipts as recorded by the regional treasury, the basis for the revenue projections in the local

budgets is an estimate of potential tax liability. Methods used to determine these projected revenues vary among departments and communes. Since the local fiscal division does not tabulate data on numbers of taxpayers and their tax liabilities, there is not a great deal of relevant information available. Data on which to base projections of potential indirect revenues are also extremely scarce. Still, the important point here remains that the intent is not to develop an accurate forecast of next year's actual receipts but rather to specify some estimate of potential revenues.

This objective explains why overestimates of revenues do not lead to adjustments in future revenue projections of local budgets. At the same time, revenue projections are also influenced by the way in which the expenditure side of local budgets are determined. Requests for expenditures by the prefectures and socio-economic services exceed realistic expectations of revenues. Yet, those in charge of local budgets are reluctant to veto requests for budgetary support even though there is little hope that financing will be available. By approaching revenue projections in terms of potential rather than actual revenues they are able to approve a somewhat more expansive initial set of expenditure requests.

No doubt most parties to these budget exercises are aware of their fictitious elements. Nevertheless, they do have the effect of greatly diminishing the potential usefulness of budgeting as a means of planning. Budgeted expenditures should be carried out so as to permit an orderly flow of government services which users can count on. Priorities for capital investments and improvements need to be set on the basis of realistic estimates of available funds, especially for the scheduling of projects which may take several years to complete.

Control of Expenditures. The budget document sets forth a detailed description of anticipated revenues and expenditures. As mentioned above, the classification of expenditures in local budgets in Burkina differs for rural and communal authorities according to national regulations.

In all systems of budgeting methods and procedures are needed to ensure that authorized expenditures are consistent with what was approved in the budget and with other rules and regulations concerning government expenditures. In addition, expenditures must be monitored to assure conformity to regulations, that items are acquired at reasonable prices and are suitable for the purposes designated, and that the items ultimately delivered are in fact the items ordered. Further, the system of expenditure control should not prevent the timely acquisition of necessary stocks of materials and supplies.

The complex procedures governing authorization and monitoring of purchases in Burkina have a long history and were developed with the primary objective of preventing abuses rather than of facilitating purchases. A brief review of these procedures will serve to indicate why their reform appears essential if local authorities are to assume increased responsibility for public services. Approval of expenditures for personnel is rather straightforward. A list of those authorized to be paid from the provincial or communal budget is prepared and approved by the appropriate authorities. Payment is then made monthly, funds permitting. The process leading ultimately to disbursement of public funds commences with an official request to utilize some of the budget allocated for a particular category of expenditure. This request is received by the accounting office of the province or commune (usually a single individual) who then obtains

an invoice (facture pro forma) for the material from a merchant. In rural areas there may be only one local supplier of the item or all suppliers may charge the same price; in communes, bids from several suppliers may be solicited; occasionally for a large purchase competitive bids are sought.

Once obtained, the invoice, specifying quantity, price, and other relevant features of the material ordered, is submitted to the fiscal head (ordonnateur) of the province or commune. If he approves the invoice it is forwarded to the financial controller and an extended process of approval begins, which consists of two circuits, one involving approval of the purchase and formal placing of the order, the other with approval of payment once the item is delivered. Thus, the chief executive of the province or commune, as its chief fiscal officer, twice reviews the purchase, once to approve the order and later to approve payment. The office of financial control (contrôle financier) also examines the transaction twice, first to check the invoice for conformance of the items purchased to expenditure authorized in the budget and for meeting government price and quality standards, and second to record that payment was approved. The office of financial control also is charged with inspecting material upon delivery to certify its conformance to the specifications on the invoice. The local accounting office, too, is involved at two stages, at the outset receiving the invoice and later passing the approved invoice back to the merchant as a purchase order. In addition, the local treasury must authorize the expenditure and record the payment before paying the supplier in cash or by check.

This procedure has many shortcomings. Perhaps the most serious is that, with the absence of any actor in the circuit, approval comes to a halt until his return. In a system where there usually is only one person in each official capacity and where action can be taken only by the designated official, absences can cause inordinate delays in ordering materials. As for the chief executive, not only does his absence block all movement, but he is burdened with routine expenditure details, no matter how small. On the payment side, merchants become so disaffected by long waits for payment that they demand cash at time of delivery. The creation of 30 provinces has exacerbated these problems because many provinces lack the full staff needed for the circuit of expenditure approval.

In principle the treasury must have sufficient funds on hand to cover the amount of expenditure requested at the time the request is approved. While the vast majority of revenues are recovered early in the year, the lack of availability of funds in the treasury to effectuate payments can be a difficulty for large requests. The financial control office, before approving a large expenditure, is likely to check with the treasury to determine whether sufficient funds are available. If not, the order will probably be held up. In the meantime smaller requests may be approved, depleting funds, so that further delays ensue. If the purchase needs to be timely, as is the case for building materials due to the importance of weather conditions, delays can prevent accomplishment of the project. Once authorized, it is important that purchases be put to their intended use. The financial control office is often unable to assure delivery and proper utilization of material. Since the controller usually has no transport or funds for gasoline it is difficult to perform this function. There is also

evidence that the staff of the financial control is not always well enough trained to determine whether specific purchase requests (factures) conform to the regulations.

Conclusion

Current practices and procedures of communal and provincial budgeting and expenditure control are incapable of supporting their newly assigned responsibilities for the provision of local services. Indeed, these procedures were inadequate for even their lesser roles under the former system. To fulfill its objectives, under which the provincial High Commissioner coordinates and directs programs of economic and social development within the region, the new arrangements will be required to provide additional resources at the local level. For these to be used effectively there need to be arrangements to plan and execute budgets, to measure accurately budgetary revenues and expenditures and, finally, to evaluate budget outcomes.

The present system has weaknesses in each of these areas. Preparation of the preliminary budget, which should essentially be a planning exercise, does not serve this function because revenues usually are substantially overestimated and, consequently, expenditures are not planned on the basis of reasonable expectations of being implemented. Procedures for budget execution involve a cumbersome two circuit route for approval and disbursement in which the absence of any single participant breaks the circuit and can cause substantial delays. Also, required approval of small and routine expenditures by the fiscal authority, who is the chief territorial administrator, takes valuable time, for which there are far better uses. Reliable detailed figures on the revenues and expenditures in

projected, approved, and executed local budgets do not exist. Figures in the management accounts often do not coincide with those of the regional treasuries. The present management form for the communes does not even include figures for revenues actually recovered. Finally, there is no regular evaluation of local budgets which compares projections with realized outcomes as regards revenues, expenditures and investment projects.

Recommendations

To remedy this situation will take considerable effort and experimentation with revised procedures. There are, however, some rather basic recommendations which emerge out of examination of the present situation. These can be grouped under three headings:

Personnel Accounting

- Accurate information requires well trained accounts at the regional treasury and at the provincial and communal level who are supervised and who have incentives to do their work properly.
- The larger (urban) communes should have their own accountants trained in the distinctive accounts of these local authorities.

Accounting and Documentation

- Information on tax collections from the perception should be reviewed by the regional treasury before being forwarded to SERPOCO.
- Verification and evaluation of local accounts must be completed by SERPOCO without delay and errors communicated to the regional treasuries and from these to the local perception for correction.
- The procedures recommended above should produce data of greater reliability and accuracy. This in turn will be of benefit in the preparation of annual management accounts and provisional budgets.

Budgeting Procedures

- Where the local fiscal authority is not a trained manager, he should have an assistant competent in management.
- Projections in the preliminary budget should be based on realistic estimates and assistance in such projections should be provided by local representatives of both the tax service and the treasury tax collector's office (perception).

- A less rigid chain of expenditure approval and payment is needed. There should be a second official who can give approval in the event of the absence of the primary designated official. The fiscal authority should review only relatively large expenditure requests.
- It would be useful to hold a seminar to which officials responsible for aspects of local budgets could respond to proposals for reforms, describe problems, and make suggestions.

CHAPTER VII

THE PROVISION OF PUBLIC SERVICES IN BURKINA FASO

The provision of public services is both the object and the outcome of the complex activities described in the preceding sections on revenue and expenditure administration. Some public services, such as defense, foreign affairs, economic and social planning and publicly funded scientific and technological research have an indirect, roundabout effect on the lives of people and on their communities. Other services, such as health care, primary education, the drilling of wells and provision of potable water, electrification, and construction and maintenance of city streets and farm-to-market roads directly affect the quality of life in a city or village and in the countryside. These services address the basic human and economic needs of rural and urban residents and need to be provided in or close to the communities they serve. It is these social, economic, administrative and financial services, organized through service delivery points dispersed throughout the country that are referred to when we speak of local public services.

The sections that follow provide a general overview of the structure, operation and evolution of public services in Burkina Faso. This background supports a more detailed discussion of the organization, operation, utilization and finance of local public services. The important distinctions between rural and urban services--as well as their commonalities--will be addressed throughout the analysis.

A prime objective of this aspect of the study is to identify the major obstacles to service provision in the localities. Extensive field research was conducted in two regions of the country--the East and the West (the former departments of the East and Hauts Bassins)--and in the major urban center of Bobo Dioulasso. Service sites were visited, operations observed, and interviews conducted with service users, service agents and their superiors, and with central ministry personnel. The results of this investigation will provide the basis of an evaluation of the key factors affecting service provision.

The critical dimension of popular attitudes, actions and experiences with local services was examined in a series of interviews involving residents of three villages in the former Department of the East, two villages in the Hauts Bassins and the city of Bobo Dioulasso. These studies yielded valuable information on service utilization patterns, the costs borne by users and their families of participating in local public services, popular priorities and the attitudes of rural and urban people toward a variety of issues from local administration to taxation. Findings from these studies inform the discussion of popular practices, preferences and priorities in service delivery found below.

The present administration has taken a number of measures which critically affect the context and the content of local public services. The final section of this chapter will outline and attempt to anticipate their consequences for local services. The recentness of these decisions combined with a certain ambiguity in their practical aspects and limitations (due, in part, to the absence of texts) restrict the scope of

the analysis. It serves, however, as a useful foundation and point of entry to a discussion of suggestions and recommendations.

Structure and Staffing of Public Services

The basic structure of public services has remained largely the same during the past two and one-half decades. This structure is quite simple: Public services operate out of national ministries, through central divisions which have regional field offices. These field offices generally oversee the operation of a number of actual service delivery points, i.e., the physical site of service provision to the consumer of the service.¹ Thus there are generally three levels of the system: the technical division of the central ministry, the field office and the service delivery point (Figure VII-1). It should be emphasized that this is the basic service model and that, with the evolution and increasing complexity and comprehensiveness of public services, it has undergone some alterations.

Figure VII-1 presents the basic model (center) with two illustrations of the corresponding offices drawn from primary education (left) and public health (right). At the central level, the division is headed by a Director-General who assumes responsibility for policy and the operational aspects of the service. He is supported by a staff of technicians and clerical personnel and can communicate directly with the minister when necessary. Service activities outside of the central ministry are organized in regional field offices, headed by a service chief. The title of this position is generally Departmental (Provincial) Director or

¹This is characteristic of such services as primary education and health dispensaries but not of such other services as construction and maintenance of rural roads and wells.

TABLE VII -1

HEALTH FACILITIES BY TYPE, 1976-1982

<u>Facility</u>	<u>1976^a</u>	<u>1982^b</u>
National Hospital	2	2
Department Hospital	3	7*
Medical Center	11	57
Clinic with Maternity	196	257
Clinic without maternity	129	98
Maternity Only	<u>32</u>	<u>23</u>
Total	373	444

*Includes medical centers with surgery unit.

^aMin. de la Santé Publique, "Document de Programmation Sanitaire Nationale (1930-1990)," Mars-Avril 1978, p. 12.

^bMin. de la Santé Publique, "Projet de Développement des Services de Santé," Octobre 1983, p. 22.

FIGURE VII-1

ORGANIZATION OF PUBLIC SERVICES

<u>LEVEL</u>			
CENTRAL (National)	<u>Education</u>	<u>MINISTRY</u>	<u>Public Health</u>
	<u>Division of Primary Instruction</u>	<u>DIVISIONS</u>	<u>Division of Public Health</u>
REGIONAL (Department, Provinces)	<u>Inspectorate of Primary Education</u>	<u>FIELD OFFICES</u>	<u>Provincial Division of Public Health</u>
LOCAL (Departments, Villages)	<u>Primary Schools</u>	<u>SERVICE DELIVERY POINTS</u>	<u>Clinics Maternities</u>

Inspector as in the case of primary education. The service chief is typically a senior civil servant with extensive experience in the field. This pattern has been changing in some technical services, however, with the appointment of relatively young technicians with recent diplomas from European, Soviet and North American universities to positions of service chief. Thus, the individuals in the region responsible for administering services, supervising personnel, planning and approving expenditures and preparing budget documents tend, increasingly, to be technical specialists with little or no administrative training or practical field experience. The staff of most regional field offices tends to be quite modest, often limited to a typist and perhaps an office worker or bookkeeper, thereby obliging the service chief to dedicate much of his time to routine administrative matters rather than to important technical tasks in service delivery and the supervision, training and skill upgrading of service agents.

The field office provides the critical link between central officials and local service agents in a country with a rudimentary communication and transport infrastructure. It is the field office that receives, interprets, transmits and assures the execution of central directives by local service agents. The regional service chief supervises the personnel in his jurisdiction, resolves disputes, authorizes leaves of absence and travel requests and, in principle, assures the overall functioning of service delivery units. He is also the local ministerial representative to the territorial administration and meets with representatives of donor agencies interested in the development of public service infrastructure and

operations. The nature of services and methods of provision are generally prescribed in detail in ministerial regulations. Neither the service chief nor the service agents have discretion in these matters.

The most local level of public services is the service delivery point. In the illustrations presented in Figure VII-1, this corresponds to the public elementary school and the health clinic. Examples from other service sectors include: the animal health post, the local treasury unit administrative center (sub-prefecture), city hall (mairie), and the local treasury unit (perception). It is at this level where services are provided and received that the most direct contact between the population and the centrally organized public service delivery system takes place. The service agents are mid to low level (categories B, C and D) civil servants and include teachers, nurses, midwives, paramedical personnel, veterinary nurses, clerks and office workers. Their responsibilities are strictly limited to the execution of prescribed service tasks. They have no formal role in the financial aspects of the services they provide and they are prohibited, except in rare cases, from collecting fees or charges for their services.

Public services in Burkina, in keeping with their French antecedents, are highly centralized, with virtually all decision-making authority held by central ministry officials. With few exceptions, service agents and support staff are all central government employees, subject to assignment and reassignment by ministry superiors, and dependent on the evaluation of central officials in matters of promotion.² Central government employees

²The issue of personnel review and evaluation is discussed in greater detail in a later section.

are found at all levels and positions, from the Director-General of a central ministry division in Ouagadougou to the Prefect's cook and housekeeper in a rural administrative center. Government employees are subject to frequent transfers, often with little forewarning. The normal period of service in a particular area for younger employees is two years; the period may be longer in certain services, such as health and education. Regional service chiefs are rarely consulted and sometimes not even informed of the decision to transfer a service agent in their jurisdiction. Since promotions depend largely on central ministry officials (and on personal contacts), civil servants prefer to remain in the capital city where their skills and attributes are more likely to be recognized and rewarded.

Regional service chiefs are allowed little formal or even discretionary authority over the key issues of service organization and finance. Organizational and procedural aspects of service delivery are determined at the top and thus a service chief's primary responsibility is to supervise the activities of his subordinates and to execute central decisions, policies and programs. Initiative, if not formally prohibited, is rarely encouraged or rewarded, and therefore innovation is suppressed. Regional service chiefs and service agents alike are hesitant to undertake new initiatives--or even to advocate such ideas--if they are unsure of the receptivity of hierarchical superiors. The present government has recognized bureaucratic rigidity as a problem and a welcome change in the situation is promised by the current slogan extolling the "liberation of the creative genius" of the people.

In most cases, regional service chiefs are required to prepare budget requests for their jurisdictions. These requests are aggregated at the central level, revised and used in the preparation of the provisional budget for the ministry (the Avant Projet de Budget). Upon approval of the national budget and the beginning of the next fiscal period, regional offices are accorded quarterly credit allocations for operational expenditures. These credits are communicated to the regional treasury, and a service chief may make expenditures against these credits with the authorization of the responsible treasury official. No money changes hands. Nor may a regional service attempt to generate its own revenue through changes in the rates of, or creation of, user fees and charges, or by undertaking income generating projects without formal approval from central officials.

Territorial Administration and Service Delivery

Regional public service agencies and their staff are formally subject to the authority of the executive officer of the unit of territorial administration in which they are located. Prior to the territorial reorganization of 1983, authority was held by the prefects of the eleven departments and by their subordinates, the sub-prefects and arrondissement chiefs. With the creation of 25 and later of a total of 30 provinces to replace the departments, regional executive authority is held by the provincial high commissioner and, in the localities, by the prefects. Communes are managed by a secretary-general paid by the communal budget while executive authority is held by the local sub-prefect or prefect.

Departments. Official correspondence from the regional field offices to the central divisions of their respective ministries and from the divisions to their field offices is to pass through the office of the local administrative officer. The regional service chiefs are to keep the High Commissioner apprised of all matters currently affecting their services. All absences and travel outside of an agent's normal service area, whether for personal or official purposes, must be authorized by the relevant official of local administration. Finally, the regional service chiefs serve as a consultative body for regional policy and budgetary matters in their capacity as members of a "special delegation" headed by the High Commissioner or Prefect. It is through this institution that a very modest amount of planning and coordination of service activities is attempted.

The subordination of field services of central ministries to the local executive officer is an enduring problem of this administrative model, in Burkina as well as in other countries where it has been adopted. It was only in the very early independence period when transportation and communication infrastructure linking the capital with outlying areas was weak and service infrastructure limited to a few major urban centers, that territorial administrators--the "commandants de cercle"--held clear authority in their jurisdictions. With the Administrative Reform of 1974 and the replacement of circles, divisions and subdivisions with departments, sub-prefectures and arrondissements, there has been an ever present struggle for authority between agents of territorial administration and public service representatives.

In part, this tension can be attributed to jurisdictional problems. The lack of uniformity in the spatial configuration of jurisdictions has been particularly evident in the fiscal services and in the Ministry of Public Works. Until recently, these services existed in only a few major centers and consequently each regional unit had responsibility for an area which included parts of or the entirety of a number of territorial units. The Ministry of Public Works, for example, divided the national territory into four regions while the Ministry of Rural Development's Regional Development Organizations (ORDs) established a system of regions, sectors and subsectors that were largely independent of the territorial boundaries as established by the Ministry of Interior and Security. The 1,088 public primary schools in Burkina as of 1983³ were organized into 28 school inspectorates or districts. These school districts generally respected former departmental boundaries but did not recognize sub-departmental boundaries (sub-prefectures, arrondissements).

In general, though, there has been pressure to harmonize territorial and service jurisdictions. The spirit of deconcentration as manifested in the actions of the past few governments has favored the creation of a complete set of regional field offices for each department. Thus, by 1983 all 11 departments were equipped with departmental divisions of public health, taxation, social affairs and livestock health, among others. Rural development, public works and primary education retained their own jurisdictions. The present government has called for the reorganization of public services to conform to the organization of the 30 recently created

³Direction de la Planification de l'Education Nationale--Statistiques Scolaires de 1974 1983.

provinces. The implications of this decision will be discussed in a subsequent section.

An even greater contribution (than the area-wide incompatibility of their jurisdictions) to the tension between public service representatives and the local executive officers comes from the growing complexity of technical services. With the expansion of service delivery systems, growing numbers of service units and service personnel and increasing sophistication of service technologies, territorial administrators are faced with ever more complex problems of coordination and oversight. The traditional training of a territorial administrator, however, emphasizes the "command" aspect of administration and places great importance on matters of hierarchy, adherence to procedure and the execution of central policy. "Control" outweighs "coordination" as an operative concept and planning, inasmuch as it can be said to exist at all, is limited to the preparation of an annual budget document which by law has to be balanced between receipts and expenditures, and which, except for personnel cost, generally bears little relation to outcomes.

Finally, the key factor that has prevented or at least obstructed the ascendance of prefectural power over the deconcentrated public services is the simple matter of money. To be specific, the prefecture has little or no surplus to use for the operation or expansion of public services. As was mentioned in the section on departmental revenue, departmental revenues amount to less than 5 percent of total central revenues, and is perhaps 10 percent of central resources available at the local level. Major budgetary support for the provision of public services comes from the central

government, and service agents are dependent upon central officials in matters of job assignments, promotions and pay increases. Local budgetary resources are consumed almost entirely by general administration, the costs attendant to the organization of national examinations for primary school students and the personnel costs of such low-skilled employees as birth attendants, night watchmen and custodians hired to supplement centrally-provided services. Little remains to be distributed among the social and economic services. Indeed, it has been observed that the prefectures, subprefectures and municipal administration offices are among the poorest of the public services in terms of material, equipment and transportation. In fact, it was common in the past to find territorial administrators forced to "borrow" fuel and office supplies from better endowed services against weak promises to replace the goods at a later date. This relative material poverty did little to bolster the authority of the administrative officer.

Communes. The sole exceptions to this pattern of extreme centralization in the provision of public services are to be found in the communes. More precisely, only in the major communes such as Ouagadougou and Bobo Dioulasso some service agencies exist that are relatively independent of central ministerial control and that are organized, staffed and equipped largely from local resources. Even here, it is only those services of a peculiarly communal character, such as sanitation, street repair, maintenance of public facilities and municipal administration that are allowed to operate with some degree of local autonomy. These services correspond to the "voirie" and the "mairie" and are staffed by municipal

employees. The post of Mayor is an exception in that it is an appointive position to be held by the Prefect of the territorial unit in which the commune is located. Thus, the Prefect/Mayor of the commune of Fada N'Gourma was the sous-prefect of the subprefecture of Fada N'Gourma. By placing a senior civil servant at the head of the communal administration, the State retains control while allowing for a substantial degree of local responsibility for service provision. The person in charge of the daily functioning of the commune, the Secretary-General, is, however, a municipal employee.

Other public services that operate within the boundaries of the commune may receive some funding from communal revenues and have communal employees--generally watchmen, custodians, groundskeepers and craftsmen--assigned to them, but the bulk of service finance, especially salaries, is provided by the central budget and personnel are hierarchically linked to the central ministry's chain of command.⁴

Although the communes have greater financial responsibility for the provision of services they, like the departments, have virtually no financial autonomy. That is, the communes are required to accept important--and growing--financial responsibilities but are not empowered to make decisions regarding resource mobilization, revenue administration and taxation. As examined in detail in Chapter III, specific revenue sources have been allocated to the secondary collectivities with only limited authority to vary rates within established limits. This lack of fiscal autonomy effectively limits the capacity of local authorities to assume

⁴ The nature of communal participation in service provision is dealt with in greater detail for the commune of Bobo Dioulasso in a following section.

organizational and financial responsibility for the provision of public services.

In summary, the system of integrated field administration in which public service agencies are placed under the authority of the local administrative officer reinforces central control over field agencies. The deconcentration of public service functions has not resulted in an enhanced ability to coordinate local resources nor has deconcentration led to the elaboration of regional development plans. The experience in Burkina Faso tends to confirm the verdict offered by Bonnaud-Delamare: "Deconcentration is a method for the central government to increase its power by more effectively curbing liberties."⁵

Expansion of Public Services in the Post-Independence Period

Burkina's consistently low rating on a host of commonly accepted indicators of social and economic development confirm the reality of its relative poverty, of its rudimentary physical infrastructure and limited growth capacity. Yet these sometimes startling values--GNP per capita of US\$210, life expectancy at birth of 44 years, a crude death rate of 21 per 1000, an infant mortality rate of 157 per 1000, a population to physician ratio of 48,510 to 1⁶ and primary school enrollment rate of 20 percent--obscure the important and often substantial accomplishments realized since independence.

⁵Cited in Philip Mawhood, ed., Local Government in the Third World, New York: John Wiley & Sons, 1983, p. 3.

⁶Drawn from the World Development Report 1984 (Oxford University Press, 1984).

When the territory was reconstituted as Upper Volta in 1947 and Ouagadougou named as its capital, there was not one cement building in the town. Ouagadougou was little more than a large village surrounded by forest with no paved streets, running water, electricity, sewerage or public buildings other than the palace of the emperor of the Mossi. By 1960, the population had risen to around 60,000 inhabitants, a rudimentary street system was in place, and the town offered two hotels for visitors.⁷ By 1969 there were over 2,000 private subscribers to the municipal water system and over 3,000 subscribers to the electric grid. Nationally in 1969-70, the number of subscriptions to public water and electricity amounted to 2,355 and 5,752, respectively. By 1982, Ouagadougou, with a population approaching 300,000 inhabitants, alone accounted for over 128,000 subscriptions for water and 14,322 for electricity. National totals for 1982 come to 220,613 and 26,845 for water and electricity respectively.⁸

At the time of national independence, only 5.3 percent of school-age children were enrolled in primary school. By 1983 this figure had risen to 16.5 percent. In the decade from 1974-1983, the number of primary school students almost doubled, going from 118,569 to 229,361 students. Enrollment in private elementary schools increased threefold, going from 6,081 students in 1974 to 20,876 in 1983.⁹ Secondary school enrollment in public schools grew from 6,872 to 13,065 students while private secondary

⁷"West Africa," __, __ (July 29, 1961), p. 819.

⁸Annuaire Statistique du Burkina Faso, pp. 117-124.

⁹Ministre de l'Education Nationale, Statistiques Scolaires de 1974 1983, p. 50, and Annuaire Statistique du Burkina Faso, 1984, pp. 65-66.

schools increased their enrollment from 5,081 to 14,553 students during this same period. According to data provided in the Fourth National Development Plan 1983-1987, it would be necessary to add 3,300 new instructors to the 3,787 instructors teaching in 1983 to raise the primary school enrollment rate to 25 percent with an average classroom size of 60 students.

Health indicators also show improvement over the last two decades. Average life expectancy has increased, infant mortality, especially in urban areas, has declined and morbidity rates of major endemic diseases have shown some responsiveness to vaccination and other public health interventions. Health services have improved, both in number and quality. Table VII-1 shows the evolution in health facilities from 1976 to 1983.

2. Although the growth in numbers alone appears to be rather modest (from 373 facilities in 1976 to 444 in 1982 for a population of 6.5 million inhabitants), it is important to note that increases have concentrated on facilities readily accessible to people and which provide a wide range of medical services. Medical centers are generally located in moderate size towns and administrative centers while clinics with dispensaries are the primary health care unit for rural people. Improvements in the numbers of health workers of all categories have been realized. As seen in Table VII-2 increases have been particularly strong for certified nurses (infirmiers d'état) and practical nurses (infirmiers brevets).

The post-independence period, though hardly an era of rapid growth and progress, should not be viewed as an era of stagnation. Some modest improvements were realized and a significant part of the population now has

TABLE VII -2
 MEDICAL PERSONNEL BY CATEGORY, 1975-1982

<u>Category</u>	<u>1975^a</u>	<u>1982^b</u>
Physicians and Dentists	45	117
Pharmacists	6	28
Certified Nurses and Medical Assistants	217	637
Midwives	50	174
Practical Nurses	438	1,100

^aMin. de la Santé Publique, Statistique Sanitaire de 1975, in Annuaire Statistique du Burkina Faso, 1984, p. 59.

^b_____, Projet de Developpement des Services de Santé, Octobre 1983, p. 170. 1982 figures are from 1983 proposal minus personnel expected to arrive in 1983.

access to basic social and economic services. At the present time, national resources are consumed almost entirely by the struggle to maintain the existing service infrastructure, particularly staffing. Expenditures for equipment and materials used in service provision have tended to decline relative to total expenditure during the past few years. It has become necessary to look to external sources for the bulk of investment financing. Local communities and service users, too, have been required to shoulder heavier responsibilities as financial burdens have shifted from central to local budgets and to private individuals.

Many of the gains realized since independence have accrued to the two major urban centers, Bobo Dioulasso and Ouagadougou, and to a lesser extent to secondary cities such as Ouahigouya, Koudougou and Banfora. The information presented in Table VII-3 underscores the importance of location in determining access to public services and to the benefits flowing from public expenditures. Given the improbability of any major improvement in resource availability from the central government, it is clear that if the majority of the population is to benefit from basic social and economic services, provinces, communes and local communities will be required to take a much more active role in service organization and finance.

The Operation of Local Public Services

The preceding sections presented an overview of public service organization at the national level. In this section the perspective shifts from the global to the local. Attention focuses on the major elements that make up the environment of local service provision: the physical presence of services, resource availability, administrative practices and

TABLE VII -3
STANDARD OF LIVING INDICATORS BY LOCATION (1982)

	<u>Large Cities</u>	<u>Secondary Cities</u>	<u>Rural Areas</u>
1) Population (percent of total)	6%	4%	90%
2) Electricity (1981 percent of low voltage consumption)	92%	8%	--
3) Water Consumption (liters/person/day)	70*	35*	5
4) Education			
4.1 Enrollment rate (percent)	67.1%	45.5%	11.3%
4.2 Number of classrooms	806	600	2,561
5) Health			
5.1 High level health workers (percent)	50%	22%	28%
5.2 Nurses (percent)		45%	55%
5.3 Deliveries in Maternities (percent)	80%		20%

*Consumption of users of public water system.

SOURCE: Min. du Plan, IVeme Plan de Developpement Economique-Social et Culturel, 1983-1987, June 1983, p. 496.

capabilities, and the attitudes and concerns of service providers and users.

Presence. The geographic expansion of public service infrastructure has been quite uneven with the density of public service units being greatest in the major cities and the more populous and economically active rural areas. Public services tend to be least developed in the north (Provinces of Soum, Oudalan and Seno) and the east (Provinces of Gourma, Gnagna and Tapoa).

Table VII-4 presents a list of services most generally found in major administrative centers such as the prefectural seats of the former departments. The list is intended to be illustrative rather than comprehensive or definitive. Some services that could have been mentioned were not, generally because they are found in only a few cities. Examples include the Agricultural Price Stabilization Fund, Employment Bureau and Fire Protection Service (Sapeurs Pompiers). Classification by magnitude of payroll was based on salary and personnel data from central and local sources for the various services present in Bobo Dioulasso and the former Department of Hauts-Bassins in 1984. A "High (I)" designation for the five functional groupings signifies that payrolls for that grouping represented over 20 percent of total payroll recorded. "Medium (II)" represents 10 to 20 percent of total payroll and "Low (III)" refers to groupings whose combined payroll amounted to less than 10 percent of the total (also see Table VII-5). Within functional groupings the roman numerals to the left of the service name indicate the rough magnitude of a specific service's payroll, again relative to total recorded payroll for all services for

TABLE VII -4

SERVICES LOCATED IN MAJOR ADMINISTRATIVE CENTERS,
BY FUNCTION AND RELATIVE MAGNITUDE OF PAYROLL
SERVICES SUPPORTED BY COMMUNAL (C) AND
PROVINCIAL (P) BUDGETS, BY
LEVEL OF SUPPORT

Socio-Cultural (I)

I	Education	C I, P I
II	Health	C I, P I
III	Social Affairs	C III, P III
III	Youth and Sport	C III, P III

Agriculture (I)

I	Regional Development Organization (ORD)	
I	Rural Water (HER)	
II	Farmer Training (FJA)	P III
III	Livestock	P III
III	National Cereals Office (OFNACER)	
III	Forestry	P III

Economic (II)

II	Public Works (TP)	
*	Local Public Works (Voirie)	C I, P II
III	Post and Telecommunications (OPT)	
**	Social Security (CNSS)	
**	Water (O.N.E.)	
**	Electricity (SONABEL)	

Administration (II)

III	High Commission Office (Haut commissariat)	P I
III	Prefecture	P I
II	City Hall (Mairie)	C I
II	Police	C III, P III
***	Gendarmerie	

Finance (III)

III	Tax Service	C III, P III
III	Treasury	C II, P III
III	Financial Control	
III	Land Registration	
***	Customs	

-
- I = High
 - II = Medium
 - III = Low
 - * = Provincial/Communal Service
 - ** = Organizations with budgetary autonomy
 - *** = Personnel and payroll data not released

TABLE VII -5

PAYROLL AND PERSONNEL LEVELS OF PUBLIC SERVICES ACTIVE IN
THE PROVINCE OF HOUEI AND COMMUNE OF BOBO DIOLASSO,
1984

	Payroll (in thousands of CFAF)	Personnel by Category						
		A	B	C	D	Temp	Other	Total
Territorial Administration	232,724	4	6	20	49	384	61	524
--Prefectures (7+HC) ^a *	70,841	4	5	14	16	41	61	141
--Commune	161,883	--	1	6	33	343	--	383
Interior and Security	53,015	5	8	18	18	44	--	93
--Police	53,015	5	8	18	18	44	--	93
--Gendarmerie ^b	--	--	--	--	--	--	--	*
Finance	113,396	8	17	40	16	122	24	227
--Financial Control	9,844	--	2	6	1	8	--	17
--Tax Service*	54,511	2	2	12	4	95	4	119
--Brigade of Pursuit*	7,904	2	3	2	--	--	4	11
--Treasury*	21,218	1	5	11	9	12	16	54
--Land Registration	19,919	3	5	9	12	7	--	26
--Customs	--	--	--	--	--	--	--	*
Health ^c	191,698	16	57	93	11	41	100	318
--Commune	126,581	8	43	53	2	16	73	195
--Rural Areas	65,117	0	14	40	9	25	27	123
Primary Education	523,685	10	326	254	6	28	--	624
--Commune*	263,957	6	174	99	6	19	--	304
--Rural Areas*	259,728	4	152	155	--	9	--	320
Social Affairs*	35,841	6	22	15	--	8	--	51
Youth and Sport*	29,906	6	25	1	--	5	--	37
Public Works	171,249	3	7	25	12	338	386	

Table VII -5 (cont.)

	Payroll (in thousands of CFAF)	Personnel by Category						
		A	B	C	D	Temp	Other	Total
Rural Development ^d	476,691	21	56	44	9	315	353	798
--ORD ^e	263,000	12	30	15	—	41	268	366
--Livestock	27,591	3	2	17	2	4	—	28
--FJA ^f	19,755	—	5	6	3	3	3	20
--HER	107,227	3	13	—	3	244	—	263
--Diverse Agricultural*	59,118	3	6	6	1	23	82	121
--Unallocated ^e	—	—	—	—	—	—	249	—
Forestry	<u>34,690</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>17</u>	<u>8</u>	<u>—</u>	<u>54</u>
TOTAL PERSONNEL		89	534	519	127	967	876	3,112

^aIncludes the 7 departments of the Province of Houet and the High Commission. Province of Kenedougou and its 4 departments excluded.

^bPersonnel data not available.

^cDoes not include the Hospital of Bobo Dioulasso, one of two national hospitals. MH estimates salary expenditure for the hospital amounted to 264,000,000 CFAF for 1983.

^dData for Rural Development sector are incomplete. However, the most important elements, in terms of personnel, are included here.

^eIt is important to note that a large number of employees are paid out of international project funds rather than by national or local budgets. This is particularly true for Rural Water (HER) and ORD personnel. Salaries for the ORD paid by the national budget probably do not exceed 75,000,000 CFAF out of the total 263,000,000 CFAF. Remaining personnel are paid from bi- and multi-lateral project funds.

^fIncludes only regional office personnel.

^gUnallocated personnel of various organizations active in rural development sector. Payroll and grade data not available.

*Estimations based on official pay scales effective January 1, 1982, and valid for the period under study.

SOURCE: Ministère des finances, Sous-commission 3, Bobo Dioulasso, Province du Houet, Avril 1984. Administrative and Financial Affairs Division of various ministries.

which data were available. The intent here is to provide a basis for comparison of the various services. The symbols to the right of the service name indicate whether, and to what degree, the service tends to receive budgetary support from communes and provinces. These indicators are necessarily impressionistic given the substantial degree of annual and inter-jurisdictional variation in service support.

The table reveals several important points. First, socio-cultural services, particularly education and health, represent clear priorities in funding from central and from local sources. The Regional Development Organization (ORD) and the Rural Water Service (HER) also have very substantial payrolls but little or no support from local budgets. It is also worth noting that a substantial part of the payroll of the ORD and HER is provided by projects sponsored by international donor agencies. In areas where project finance is not available or where these services have reached the end of a particular project and must rely on domestic budget resources, their part in total service payroll is quite low.

A second key point that emerges from this table is that public services do have a significant presence throughout most of the country. Many agencies are represented in rural areas and secondary cities and towns. The services are "out there", though service infrastructure-- facilities, personnel, equipment--is often rudimentary and coverage of the population is sometimes far from the desired level. Most of these services benefit both rural and urban populations and the jurisdiction of the regional field office includes both the province and the commune. Only a few services are delivered exclusively in communal areas and even then this

is usually due to reasons of population density rather than jurisdiction. Such is the case for water and electricity. Other services, such as those related to agriculture, operate primarily in rural areas.

The sole service for which communes have primary responsibility is local public works (voirie), which encompasses maintaining communal facilities, sanitation, street repairs, and similar tasks. In the larger cities, the proportion of communal expenditures allocated to local public works is quite substantial, amounting in some years to over 20 percent (see Table V-10). Smaller communes, with smaller budgets and little communal infrastructure to maintain, spend relatively little on public works and concentrate instead on supporting the operation of communal administrative services.

Service facilities are, in general, poorly maintained and underequipped. Regional field services receive small quarterly allocations for operational expenses (discussed below) but, except in rare cases, nothing for the routine maintenance of facilities. Many services, especially in rural areas, operate out of decaying colonial structures without electricity or plumbing. Although service facilities are generally kept clean, the absence of funds for paint, repair of windows, doors and office furniture, and necessary structural renovation creates a situation which is discouraging to service users and agents alike and assures the rapid deterioration of facilities.

Lodging has historically been provided for service agents in rural areas. The quality of lodging, too, shows the effects of inattention by state and local authorities and service agents alike. The increase in

numbers of service facilities and personnel has outstripped the increase in the supply of public lodging. Although this is not necessarily a problem in urban areas with a private housing market, it poses a grave problem for service agents in small towns and villages. Given the usually short period of service in rural areas and the possibility of reassignment at short notice, few service agents are willing to invest in housing--even if they have the means to do so. Housing for teachers and health personnel is often considered to be the responsibility of local residents. In principle, primary school teachers will not be assigned to a school unless adequate lodging is provided. The definition of what constitutes adequate lodging varies from one region to another but generally implies a cement structure with a tin roof rather than the more common and less costly sun-dried mud brick houses in which most people live.

The current government has responded to the issue of public lodging for service agents by sharply restricting the number of agents for whom free housing is provided by the state. Henceforth, service agents will be allowed to rent public lodgings if they are available but neither the government nor the local population is responsible for supplying housing. Instead, an important program of public residential instruction (Cits du 4 Aout) was given top priority by the CNR. The residents of each province were to construct at least 25 houses of pressed bricks made of a combination of earth and cement. Building materials were supplied by the government while local population furnished labor and local materials for the fabrication of the bricks. Receipts from the rental of these residences will accrue to the provincial budget. Although the "City of

August 4" (named for the date of the revolution which brought the CNR to power) is considered a "popular" project and residences may in principle be rented by any citizen, it is quite unlikely that anyone other than civil servants will occupy the houses. Long term residents of small towns generally prefer to establish their own courtyards. Also, the layout of the City usually differs substantially from the spatial arrangement of compounds in traditional neighborhoods and the City itself is frequently physically removed from other residential neighborhoods. Although the motivating sentiments of the "City of August 4" program may be different, the conception appears similar to that of the "quartiers des fonctionnaires" established in numerous countries. By providing affordable housing for civil servants in the provinces, a partial solution to the lodging crisis has been found which has low cost to the State due to voluntary contribution of labor for construction, the reduction or elimination of most housing allowances and the end of free public housing for service agents.

Resources. The performance of public services is closely linked to the resources, both human and material, made available. In Chapter V data was presented which indicated a tendency toward the reduction of material expenditures relative to personnel costs. The effects of inflation on prices of material and equipment further exacerbate an alarming situation. It is safe to say that only services receiving substantial external financing are able to perform at or near capacity. Those services which depend primarily on central and local budgetary support operate well below their potential in the sense that personnel are unable to perform up to

their capacity, due to shortages of equipment and material. The situation is particularly serious in rural areas but even regional field offices are handicapped by the lack of basic material and the absence or disrepair of essential equipment.

It now appears to be the norm in dispensaries for the monthly allocation of medicines to be depleted within two weeks. Patients receive prescriptions for basic supplies, including alcohol, cotton and aspirin. One doctor reported that he was often forced to require patients to supply their own compresses prior to surgery. Primary schools receive little in the way of educational equipment and materials. Textbooks are frequently insufficient even for instructors, and chalk is becoming a scarce item. Few services have ample office supplies, and in some services office workers are allocated one ball point pen per quarter.

The gravity of the situation confronting service agents is vividly exposed in the reports service chiefs prepare annually for the central divisions of their respective ministries. The excerpts presented below were drawn from annual reports for 1979, 1980 and 1981 prepared by the inspectors of the two primary education districts in the former Department of the East.

An old administrative building houses the offices of the Inspection. A serious restoration is necessary, without which it will be impossible to remain here through the rainy season....

The Inspector is living in the building which previously served as an office. This is a temporary solution. Furthermore, the Inspector's house does not contain any furnishings....

The same rather alarming insufficiency of desks and chairs in the majority of schools is more and more painfully noticeable each year. In the lower grades one often finds four, five, six or even seven students sitting at a desk normally reserved for three students. In some of the formerly private Catholic schools, desks are rare and one may find in their place rough-hewn boards resting on [stumps] and in other schools stacks of cement blocks or mudbricks serve as desks....

Textbooks are also non-existent, especially in the formerly private schools. Many times only the instructors (and a few students of well-to-do parents) have manuals and all lessons, even reading assignments, are written on the blackboard. In the past few years it has been found that supplies of educational texts remain grossly inadequate in the face of growing enrollments....

The lack of materials, even those of primary necessity, is increasingly felt and worrisome. The few supplies that are distributed at the beginning of the school year barely cover the first quarter: one must turn to the students' parents who are making enormous sacrifices while participating in the operation of the school lunch program and in the maintenance of the [instructors'] banco houses.

Excerpted from Rapport de Rentre, Circonscription d'Enseignement Primaire No 1 et No 2 de Fada N'Gourma, 1979, 1980, 1981.
[Translated by R.E.H.]

What resources are available for local public services? The determination of total resources from all sources encounters a number of serious obstacles. Public services receive assistance in the form of personnel from both central and local budgets. Foreign aid also finances a substantial number of service agents in key sectors such as rural development, education, and health. Private voluntary agencies and religious organizations are active in various sectors, from rural development to primary health care. Information on the regional distribution, or even on global numbers, of expatriate and foreign-financed service agents is not available.

Official sources are unable to provide accurate and consistent data on government employees by ministry and no reliable data exist on the numbers of central government employees by region. At the level of the regional field office we found that it is not unusual for service chiefs to be uncertain of the number of agents assigned to their service at any given point in time. No data on expenditure for local service personnel paid from the national budget by department or province is available.

For the purposes of this study, the research team collected information on personnel by service from a variety of sources (see Table VII-5 for the region of Bobo Dioulasso). To the extent possible, the grade of public service employees was determined and used to calculate an estimated annual payroll. In some cases, actual payroll figures for 1984 were available due to measures taken by the government to identify errors in the system of payment (operation billette). Only the major services were covered, and even here available information was incomplete or contradictory. These services are all based in Bobo Dioulasso. Most of them are regional services and cover the area of the former Department of Hauts-Bassins (presently the Provinces of Kndougou and Hout) and in some cases the former Departments of Como and South West. Notable exceptions to this area found in the category of territorial administration, where the data for the prefectures is limited to the seven departments and the High Commission Office of the Province of Hout. The commune referred to under this category and under primary education and health is, of course, Bobo Dioulasso.

The data presented in Table VII-5 provide a rough indication of the relative importance of personnel in numbers and payroll for key public services. Of particular interest is the distribution of personnel by category. A is the highest grade in the civil service and is held primarily by employees with a Master's level education or the equivalent. Service chiefs and central ministry officials are usually of this category. Civil servants at B-level hold high school diplomas and have completed specialized training in fields such as nursing, education, and accounting. Completion of the first form of secondary school (BEPC) is required for the C-level, and agents at this level fill a variety of positions from office workers to nurse practitioners. A grade school diploma is the primary requirement for D level employees. Temporary agents enjoy a special status in the civil service and, despite the title, are fulltime employees. Most employees of local authorities fall into this category.

Despite the economic and political importance of the region only 89 A-level cadres are assigned to the services for which we have information. This represents less than 3 percent of the national total for this category.¹⁰ The situation of the commune of Bobo Dioulasso is particularly startling. The second largest city in the country, with a population of close to 250,000 inhabitants, and the acknowledged economic capital of Burkina, Bobo Dioulasso does not have one A-level employee and shows but one B-level agent, according to our data. This is not to suggest that existing personnel are not performing satisfactorily. Indeed, Bobo Dioulasso is a vibrant and seemingly well run city, with well maintained

¹⁰ Annuaire Statistique de Burkina Faso, 1984, p. 51.

public areas and communal facilities. Rather, the intention is to underscore the absence of technical personnel and the burden this must place on those responsible for the day-to-day operation of the city. The lack of top level civil servants also suggests that municipal authorities have little capacity or responsibility for the development of short and long range development plans, the evaluation of policy proposals or the analysis of basic data relating to municipal finance. Technical competence in the areas of financial management, personnel, and municipal administration is essential if communes are to assume increased responsibilities for the organization and finance of public services.

The lack of high level personnel at the Treasury is also noteworthy. The regional treasury in Bobo Dioulasso is responsible for operations not only in the Provinces of Hout and Kndougou, but oversees the provincial treasuries at Banfora and Gaoua, as well as the numerous perceptions in the region. The treasurer is also the head of the municipal treasury of the commune of Bobo Dioulasso. These rather overwhelming responsibilities prevent the treasurer from providing the degree of technical supervision and control necessary for the effective operation of this service and reduces the contribution of the treasury in financial planning.

CHAPTER VIII

SUMMARY AND RECOMMENDATIONS

Overview

Local authorities in Burkina Faso historically have played a limited role in the provision of public services, concentrating almost exclusively on territorial administration. Under centralized administration, social and economic services are organized and financed by central authorities through field agencies. At present in Burkina the central budget, always strained, is under particularly severe pressure due to increased debt repayments and is scarcely capable of supporting the current expenditure required to maintain present levels of local services--estimated to be less than 4,000 CFAF (US\$10) per capita per year. Local communal and provincial budgets now contribute an additional 10 percent. One approach expoused by the GOB to relieve the fiscal pressure at the center and improve local services is decentralization leading to an increase in the financial responsibility of local authorities in service provision and development of local infrastructure.

This report, which is the culmination of two separate phases of in-country study and subsequent analysis, focuses on local resource mobilization and its potential for financing the recurrent costs of such local services as education and health, and of possibly providing support for investment in local infrastructure.

While local resource mobilization is emphasized here, the range of concerns has to be considerably broadened to take account of the provision of local services by central field agencies financed by the central budget and the crucial roles of the central tax service and the local and regional offices of the treasury in assessing and collecting both central and local revenues. Also, decentralization inevitably brings with it greater emphasis on local participation in budget preparation, execution, and evaluation, as well as modification of aspects of the organization of service delivery.

Central and Local Revenues

The starting point for this study was a review of the characteristics of the public revenue system. Burkina's per capita GDP of US\$200-250 sets rather stringent limits on public revenues. Central revenues which have averaged about 14 percent of GDP over the past decade are roughly in line with the revenue effort of other sub-Saharan African countries. Given the low income level, this effort, however, translates into only about 8,000 CFAF (US\$20) of annual per capita central revenue. Local revenues amount to far less; they are under 1 percent of GDP and on a per capita basis come to only 435 CFAF (US\$1) per year.

Central revenues are dominated by taxes on imported goods. Among domestic revenues, recoveries from direct taxes on wages and salaries and on profits slightly exceed those from the indirect turnover tax. The major source of revenue for rural authorities is a modified head tax, although taxes on domiciles and businesses also are imposed. Communal revenues come largely from the patente, a combined occupational license fee and tax on rental value of premises, and from a domicile tax also related to rental values. Communes also continue to receive the proceeds from a head tax.

Per capita central revenues have kept pace with nominal growth in GDP as have rural per capita revenues. Because of the influx of population into the communes of Ouagadougou and Bobo Dioulasso, which account for over 80 percent of communal revenues and expenditures, per capita communal revenue has lagged considerably behind inflation. Real per capita revenues in 1983 were only about one-third of their levels in 1977.

Per capita revenues vary considerably among individual departments and communes. Variations among departments are not clearly related to the few available measures of differences in their economic circumstances. Communal per capita revenues do vary with population size and other indicators of economic activity; nevertheless, there also is an enormous year-to-year volatility in reported local revenues. Part of this results from inconsistencies in the amounts of revenues reported from various agencies, i.e., local treasures, the national computing service (CENATRIN), and the local accounts department of the general treasury (SERPOCO). Other factors are that reports from a given source do not always cover the same period of time and that revenues collected after the close of an accounting period may show up as part of the following year's receipts. However, the most important factors in the year-to-year variability of local revenues are variations in the assessment of tax liabilities by tax agents, in the timing of the receipt of the tax bills prepared by the central computer service by local collection offices, and in the proportions of those assessed and non-assessed who actually pay their tax liabilities. Without improvements in these areas the instability of revenues will frustrate efforts at increased participation in service delivery by local authorities.

Tax Reform

Examination of local revenues finds them low and variable at a time when the strategy of the GOB is to assign additional tasks to local authorities. If increased financial responsibilities are to be accorded to provinces and communes, it will be necessary to devolve greater fiscal authority as well. Most taxes and fees over which the locality has some influence are already at the maximum level allowed in the tax code. Although we do not recommend substantial across the board increases in tax rates, it is important that local residents be allowed to alter tax levels in accordance with local needs and economic conditions. Concern for local resource mobilization led this study to investigate possibilities of (1) raising rates or changing provisions of taxes whose proceeds accrue to local authorities; (2) imposing new local taxes or assigning proceeds of central taxes to localities; and (3) improving the administration of all taxes, particularly those whose revenues accrue to communes and provinces. We did not consider as feasible institution of a system of intergovernmental transfers from the center to localities.

Despite the low incomes of rural populations, rates of taxes in rural areas were found not to be unduly burdensome. In fact, there is some question of the appropriateness of the recent revocation of the lowest category of the head tax. The surtax (ID) associated with the IFR was also effectively eliminated since virtually all rural inhabitants are grouped into the sixth category. The combined rate of these two taxes, which ranged between 480-510 CFAF, rarely created a severe hardship for taxpayers. Indeed, the annual liability of this tax for each eligible adult amounted to less than the average price of a chicken or the cost of

four bottles of beer. Yet proceeds from the surtax alone accounted for more than half of the revenues of most local authorities while the IFR provided virtually the entire investment budget for the departments. Rural taxpayers now may pay considerably more than they did for the IFR in the form of voluntary contributions (cotisations) for centrally initiated "popular development projects." Although these projects will quite likely prove to be of benefit to rural residents, voluntary contributions have the disadvantage of being largely unanticipated by the contributor, who may find it difficult to produce the required amount on short notice. Reliance on voluntary contributions also provides the conditions for what is called the "free rider problem" that occurs when benefits may be enjoyed by those who did not pay for a given service as well as those who did. This, in turn, can discourage voluntary behavior.

Provincial budgets, already weakened by the elimination of one of their major sources of revenues, will be further depleted by the consequences of the decision to transform all provincial seats into communes. Since communes have separate budgetary authority, revenues from sources such as the patente, bicycle and motorized vehicle registration, and the contribution mobilière, all of which are assessed principally in urban and semi-urban areas, will be withdrawn from provincial use and credited to the budget of the communes in which they are collected. Provincial resources, particularly in the less economically developed regions, will be drawn primarily from taxes on bicycles and guns, rural market fees, and patente payments from small merchants in the villages. Expenditures for health personnel in rural clinics, maintenance of roads, public buildings and markets, and material for the operation of local

schools, clinics, and administrative centers will necessarily decline with the reduction in provincial revenues.

In communal areas, enforcement of statutory rates of direct taxation, particularly on business incomes, would impose significant burdens, which in some cases would exceed 30 percent of household income. These burdens, however, well might be compensated for by valued communal services. Nevertheless, there seems good reason to recommend the review of the impact of the total package of business related taxes in urban areas with a thought to reducing statutory burdens on medium sized commercial establishments while improving enforcement at the same time. In practice, deficiencies in assessment and enforcement too often result in those liable either not paying at all or paying only a fraction of their true liabilities.

We do not recommend increasing rates of local direct taxes, except for reconsideration of the elimination of the lowest category of the head tax, raising the communal public works tax (voirie) from its low rate of 125 CFAF per household and increasing the street cleaning tax (balayage). Increases in the latter two communal taxes are needed to finance services related to streets and sanitation whose benefits would accrue directly to those paying these taxes. Fees and charges account for about half of local revenues. Those related to service provision, such as market fees and vehicle registration, should be increased to reflect inflation. Adjustments in slaughter fees and fiscal stamps should be made with consideration for the important social purposes they serve.

As regards imposition of new local taxes, we do not see opportunities for productive changes. The potential tax base in rural areas is extremely limited. Given rural land tenure arrangements which rule out taxation of agricultural land, the existing tax system does not overlook any significant revenue sources. Extension of fees and charges to primary education or health seems inappropriate at this time since users already are paying expenses incurred in connection with using these services. In communes statutory direct tax rates, if applied to existing tax bases, would raise substantial amounts. Some fees and charges should be raised, especially those related to markets, but generally communes have adequate revenue capacity if existing potential is realized.

There is only one central tax which should be considered for allocation to local budgets. The beverage license tax (licence) should be returned to the locality in which it is assessed.

Tax Administration

The main strategy proposed here for increasing local revenues is improved tax administration. Extensive examination of this area revealed that Burkina suffers from the problems afflicting tax administration in most developing countries: (1) inadequate resources, including training, for the field activities of the tax service; (2) lack of data for evaluation and identification of specific difficulties; (3) delays in delivery of tax bills to collectors; (4) virtually no active efforts to collect taxes; (5) scarcely any cooperation or even contact between those responsible locally for assessment and for collection of taxes; (6) absence of incentives to respond to needs of local authorities by local agents of the tax service of treasury whose allegiance is to their ministerial

superiors. The consequences of these problems are failure to identify potential taxpayers, underassessment of those identified, and low recovery rates.

Improved data management is crucial to better tax administration. To increase the consistency of figures on local revenues by revenue source for the provinces and communes, we recommend that (1) further training in accounting and information management be provided to local collectors (percepteurs) and other treasury employees; (2) the supervisory function of regional treasuries be strengthened with review of the accounts of local collectors prior to their submission to SERPOCO; and (3) assignment to SERPOCO of responsibility for the preparation of a detailed annual report of provincial and communal revenues by revenue source. Local territorial authorities should also be involved in monitoring the accuracy of local treasury (perception) accounts since they have a direct stake in the outcomes. Better use should be made of existing information through a more productive utilization of CENATRIN data.

Major improvements in taxpayer identification and assessment will require strengthening the capabilities of the Tax Service. Our recommendations emphasize enhanced mobility and increased numbers of personnel, especially A-level cadres, and materials allocated to existing Fiscal Divisions, rather than the creation of a large number of provincial divisions which in many cases would not be cost-effective.

Existing structures, especially territorial administration, security and popular organizations such as the CDRs (Committees for the Defense of the Revolution) should be used to improve identification of the relatively few taxpayers liable for the patente and domicile tax in rural areas. In

communal areas, serious efforts must be taken to identify and adequately assess those liable for the domicile tax. We recommend that the entire communal area be included in the assessment of this tax and, most important, that all domiciles be assessed at a rate based on an accurate and updated measure of their rental value.

Improvements in tax recovery will result from increased voluntary compliance and more effective enforcement. To accomplish this, we recommend that emphasis be given to educating citizens about their tax paying obligations and the uses made of tax revenues. Local groups such as the CDRs may be used to distribute tax bills in the communes and to provide information regarding methods of payment and dates by which payment must be made. Taxpayers must also be convinced that tax laws will be enforced and that noncompliance will result in substantial penalties. This can only be accomplished through the systematic application of sanctions against delinquent taxpayers.

To improve collections from local fees and charges we recommend that increased attention be given to the supervision of personnel and to administration. Illness of the collector of market fees should not result in the loss of substantial revenues, nor should the lack of receipts or license forms be permitted to obstruct the collection of bicycle or motor vehicle registration fees. Reasonable quotas for collection should be set and revised in light of experience. Persistent failure to achieve quotas should be grounds for dismissal of fee collectors unless reasonable explanation is given.

Expenditures and Budgeting

As a result of borrowing and foreign aid public spending in Burkina is approximately double budgetary revenues. Most foreign aid is for

infrastructure and other investment projects, including training. Budgetary revenue, on the other hand, is used almost exclusively for debt repayment and for personnel and material necessary to operate government agencies. Calculations have shown that about half of these operational expenditures are made to provide for what are termed local services, that is, services whose provision requires a locally based operational unit, such as dispensaries, primary education, rural development, and local security. The other half of central budgetary outlays goes for services which do not require field units, such as higher education, research, and national security. Maintenance of these local services requires national budget revenues to cover their recurrent costs since donors are generally unwilling to give aid for these purposes.

Rural local authorities make extremely modest contributions to these recurrent costs. Departments, whose average per capita spending in 1982-83 was 236 CFAF (US\$.55), devote about one-half of their personnel expenditure to supporting the dispensaries of the central Ministry of Health. In addition, about 6 to 7 percent of their spending is used to provide material to the various central services operating within the region. These expenditures, while extremely small, are counted on by the service chiefs of the central services.

Communal spending, particularly in Ouagadougou and Bobo Dioulasso, reflects urban needs and priorities. Per capita expenditures in the communes, which averaged 1,324 CFAF in 1982-83, are allocated to public works, e.g., street repair and maintenance, and street and market cleaning, as well as to security, education, and health. Unlike rural areas, in which service provision is performed only by central field units, communes

maintain and operate their own sanitation, police and street maintenance operations. Both rural and communal authorities devote substantial shares of their spending to activities related to territorial administration.

The modest budgets of rural authorities and communes are, then, important in their own right and provide key resource support to central services. Whether for large or small amounts, control over public expenditure requires budgeting. At the central level, Burkina follows budget procedures common to unitary states. Preliminary budgets are prepared by individual ministries and revenue projections made by the treasury. These materials are reviewed by a council and a budget is approved and credits allocated. As regards the central budget procedure in Burkina, there have been concerns regarding classifications which did not permit assignment of all expenditures to ministries or by purpose and, therefore, inhibited analysis of the executed budget. The institution of a new budgetary nomenclature is expected to resolve these problems.

Local budgeting is far behind the status of central budgeting. In principle, local budget procedures include preparation of preliminary budgets, their review and approval, and even the comparison of executed and approved budgets in the official management accounts of the two local authorities. In practice, the most serious problem is that revenues that constitute the basis for expenditure planning are substantially overestimated. This results in the need to cancel anticipated spending for discretionary purposes--usually support for central field services and local investments or major repairs--as revenues fall short. Considerable improvement in these budgetary practices is required if the anticipated greater participation of local authorities in the finance and planning of local service delivery and investments comes to pass.

We recommend the organization of regional seminars on budget preparation and financial management to be attended by local territorial administrators (for example, the Secretary-General of the High Commissioner's Office), provincial and communal accountants, and representatives of the regional treasury, along with local treasury agents (percepteurs).

Representatives from both the treasury and the tax service should take an active part in the preparation of local budgets. Projections in the preliminary budget should provide realistic estimates of revenue collection, based on past experiences, and not inflated estimates of potential liability. This will result in more accurate estimates of expenditures and produce a document which has greater utility for planning.

At the same time, arrangements for actual engagement of approved non-personnel expenditures, whether out of local or central budgets, is cumbersome and subject to undue delay. The complex system for approval of a purchase, acknowledgement of its receipt, and authorization and execution of payment for the purchase is such that the absence of one of a set of officials can hold up a transaction indefinitely. Also, the chief executive of the local authority must review routine aspects of this process when his participation should be limited only to those situations where genuine decisions are required. Reform is needed here to make the system more flexible.

We suggest that authority over expenditures of less than a certain amount, say 100,000 CFAF, be vested in either the Secretary-General or the provincial or communal accountant. Expenditures in excess of this amount would continue to be authorized by the High Commissioner or the Mayor.

Close supervision and monitoring of expenditures would, of course, be necessary.

APPENDIX
EXHIBITS AND TABLES

TABLE A-1

BASIC ECONOMIC INDICATORS FOR BURKINA FASO
AND COMPARISON COUNTRIES

Indicator, Year or Period	Burkina Faso	Other Low Income Countries ^a	Lower Middle Income Countries ^b
GNP/Capita, 1982	\$210	\$250 ^w	\$840 ^w
Average Annual Growth Rate in GNP/Capita, 1960-1982	1.1%	1.1% ^w	3.2% ^w
Average Annual Growth Rate in GDP, 1970-1982	3.4%	3.4% ^w	5.3% ^w
Average Annual Rate of Inflation, 1960-1982	9.7%	1.7% ^m	11.7% ^m
Life Expectancy at Birth, 1982	44	51 ^w	56 ^w
Growth Rates of Production, 1970-1982			
GDP	3.4%	3.4%	5.3%
Agriculture	1.4%	2.3%	3.1%
Industry	2.9%	4.0%	5.8%
Manufacturing	3.4%	3.2%	5.5%
Services	5.4%	4.5%	5.4%
Structure of Production			
Agriculture	41%	44% ^w	23% ^w
Industry	16%	16% ^w	35% ^w
Manufacturing	(12%)	(9%) ^w	(17%) ^w
Services	43%	40% ^w	42% ^w
Use of Production (Average Annual Growth Rate, 1970-1982)			
Public Consumption	8.7%	4.2% ^m	6.4% ^m
Private Consumption	2.8%	3.3% ^m	4.8% ^m
Gross Domestic Investment	3.2%	3.2% ^m	6.6% ^m
Structure of Demand, 1982			
Public Consumption	20%	11%	13%
Private Consumption	89%	86%	70%
Gross Domestic Investment	15%	13%	23%
Gross Domestic Saving	-9%	5%	17%
Exports of Goods and Services	14%	11%	20%
Resource Balance	-24%	-8%	-6%
Agriculture and Food			
Fertilizer Consumption (per hectare of arable land)	19	187 ^w	375 ^w
Average Index of Food Production/Capita (1969-1971 = 100)	95	97 ^w	108 ^w

Table A-1 (cont.)

Indicator, Year or Period	Burkina Faso	Other Low Income Countries ^a	Lower Middle Income Countries ^b
Energy			
Consumption (Average Annual Growth, 1974-1981)	13.1	3.7 ^w	5.5 ^w
Energy Consumption/Capita, 1981	22	80 ^w	362 ^w
Energy Imports as Percent of Exports	71%	42% ^w	27% ^w
Merchandise Trade (Average Annual Growth Rate, 1970-1982)			
Exports	9.1	0.2 ^m	1.6 ^m
Imports	6.7	0.7 ^m	3.3 ^m
Terms of Trade			
1979	113	108 ^m	98 ^m
1982	97	87 ^m	89 ^m
Balance of Payments			
Months of Import Coverage of Gross International Reserves	2.3	3.0 ^w	3.9 ^w
External Debt and Debt Service			
External Debt as Percent of GNP	29.3%	28.7%	27.2%
Debt Service as Percent of GNP	1.7%	1.6%	3.7%

^aThe World Bank defines low income as equal to or below \$410 per capita in 1982.

^bLower middle income is defined as between \$410 and \$1610 in 1982.

^wis weighted mean.

^mis median.

SOURCE: World Development Report, 1984.

TABLE A-2
 BASIC DEMOGRAPHIC INDICATORS FOR BURKINA FASO
 AND COMPARISON COUNTRIES

Indicator, Year or Period	Burkina Faso	Other Low Income Countries ^a	Lower Middle Income Countries ^b
Population, Average Annual Growth			
1960-1970	2.0	2.5	2.5
1970-1982	2.0	2.6	2.5
1980-2000 (projected)	2.4	2.9	2.4
Labor Force			
Percent of 15-64 Age Working, 1982	52%	53%	55%
Percent of Labor Force, 1980			
Agriculture	82%	73%	56%
Industry	13%	11%	16%
Services	5%	16%	28%
Average Annual Growth, 1970-1982	1.6%	2.3%	2.4%
Urbanization			
Percent Urban Population			
1960	5%	12%	24%
1982	11%	20%	34%
Average Annual Growth, 1970-1982	6.0%	5.2%	4.4%
Health			
Population Per Physician, 1980	48,510	15,931	7,765
Population Per Nursing Person, 1980	4,950	9,716	2,462
Daily Calorie Supply as Percent of Requirement, 1981	95%	91%	107%
Education			
Primary Enrollment Ratio (1981)			
Male	26	84	106
Female	15	58	91
Total	20	72	101
Secondary Enrollment Ratio (1981)	3	19	34
Higher Education Enrollment Ratio (1981)	>.5	2	9

w is weighted mean

m is median

^aThe World Bank defines low income as equal to or below \$410 per capita in 1982.

^bLower middle income is defined as between \$410 and \$1610 in 1982.

SOURCE: World Development Report, 1984.

TABLE A-3
COMMUNES BY DEPARTMENT AND PROVINCE

Department ^a	Commune ^b	Province ^c
Centre	Ouagadougou	Kadiogo
	Kombissiri	Bazega
Centre-Est	Tenkodogo	Boulgou
Centre-Nord	Kaya	Sanmatenga
Centre-Ouest	Koudougou	Boulkiemde
	Reo	Sanguie
	Yako	Passoré
	Fada N'Gourma	Gourma
Est	Bobo Dioulasso	Houet
Hauts-Bassins	Ouahigouya	Yatenga
Nord	Gourcy	
	Dori	Seno
Sahel	Gaoua	Poni
	Diebougou	Rougouriba
Sud-Ouest	Dedougou	Mouhoun
	Nouna	Kossi
Volta-Noire	Tougan	Sourou
	Banfora	Comoé
Comoé	Kongoussi	Bam
	Zorgho	Ganzourgou
	Bogandé	Gnagna
	Orodara	Kenedougou
	Koupéla	Kouritenga
	Pô	Nahouri
	Boulsa	Namentenga
	Ziniaré	Oubritenga
	Gorom-Gorom	Oudalan
	Leo	Sissili
	Djibo	Soum
	Diapaga	Tapoa
	Manga	Zoundweogo

^aTen departments created in 1974. Comoé created in 1979.

^bEighteen communes operating in 1983.

^cProvinces established in 1984. All provincial seats declared communes.

TABLE A-4

CENTRAL GOVERNMENT TAXES

Type and Name of Taxes	Basic Provisions	Notes
A. Taxes on Income and Profits		
1. Taxes on Individuals		
a. Stair-step Tax on Income - Impôt forfaitaire sur le revenu (IFR)	Payable by non-salaried residents between the ages of 18 and 60. Must pay minimum amount but tax liability is gauged across six classifications of economic activity corresponding to presumptive income levels.	Only collections in areas outside communes accrue to central government and are returned to rural localities as investment grants. Sixth category created as of 1985, which virtually eliminates revenues from this tax.
b. Noncommercial Profits Tax - Impôt sur les bénéfices des professionnels non commerciaux (BIC)	Annual levy on net profits derived from "liberal" professions, profits of a noncommercial nature and all other occupations and gainful activities (essentially self-employment in the urban modern sector) which are not subject to other income or profits taxes.	As of 1985, rates same as BIC.
c. Progressive Income Tax - Impôt progressif sur le revenu (IFR)	Since 1970 levied only on the income of French technical assistance experts. A surtax on income subject to the IFR above CFAF 200,000.	
d. Single Progressive Tax on Wages and Salaries - Impôt unique sur les traitements et salaires (IUS)	Levied on the net amount of public and private wages, salaries or on cash benefits received by persons domiciled in Burkina Faso. Allowance for family status and number of dependents revised as of 1985. Living allowances, pensions and selected other payments are exempted. The tax is withheld at the source.	Rates 2-30 percent.
e. Tax on Rental Income - Impôt sur les revenus immobiliers (IRI)	Tax on gross rental income from improved or unimproved real estate. As of 1985 the previous exemption of the first 120,000 CFAF and exclusion of income from the first seven years of rental of new property are revoked.	Collected almost exclusively in communal areas. As of 1985, rates same as BIC.
f. Tax on Real Estate Capital Gains - Taxe sur les plus-values immobilières	Tax on capital gain resulting from the voluntary or involuntary sale of real estate.	
2. Taxes on Corporations		
a. Industrial, Commercial and Agricultural Profits Tax - Impôt proportionnel sur les bénéfices industriels, commerciaux et agricoles (BIC)	Levied on the actual profits of all permanent establishments in Burkina Faso after deduction of reasonable business expenses and income from financial assets.	Rate: 0 to 250,000 CFAF 10 percent 251,000 to 500,000 CFAF 20 percent 501,000 to 2,500,000 CFAF 35 percent above 2,500,000 CFAF 45 percent

Table A-4, Page 2.

Type and Name of Taxes	Basic Provisions	Notes
<p>b. Flat Rate Minimum Tax on Corporations - Impôt minimum forfaitaire sur les professions intellectuelles et commerciales (IIFPIC)</p>	<p>Individuals and businesses subject to the RIC but whose turnover does not exceed CFAF 15 million where the principal activity is retailing and CFAF 5 million otherwise may choose to be taxed on a presumptive assessment of profits.</p>	
<p>3. Other Unallocable Taxes on Income</p>		
<p>a. Tax on Income from Securities (i.e., financial assets) - Impôt sur le revenu des valeurs mobilières (IRVM)</p>	<p>A tax withheld at the source on dividends, interest and other income from securities received by individuals or companies regardless of their nationality. Rates vary from 16 to 27 percent depending on type of security.</p>	
<p>B. Social Security Contributions - Cotisations de sécurité sociale</p>	<p>For family allowances, workers' compensation and retirement. Employers' share is 18.5 percent of wages and salaries; 8.5 percent is deducted from employee's pay.</p>	
<p>C. Payroll and Apprenticeship Tax - Taxe patronale et d'apprentissage (TPA)</p>	<p>A tax on the total amount of wages, benefits and travel expenses paid by any individual or legal entity. Employers who provide professional training may be exempted from the tax. Rates are 4.7 percent for domestic and 8 percent for foreign employers.</p>	
<p>D. Taxes on Property</p>		
<p>1. Registration Tax - Droits d'enregistrement</p>	<p>A tax on the value of newly issued corporate securities, and for real property transfers and leases. Rates depend on nature of transaction.</p>	
<p>2. Land Registration Tax - Droits d'immatriculation et d'inscription foncière</p>	<p>A tax paid to register legal title of land.</p>	
<p>3. Tax on Televisions - Taxe sur les Téléviseurs (Tele)</p>	<p>A tax of CFAF 5,000 paid by those in areas where TV signals are available whose electricity consumption exceeds a stipulated minimum.</p>	
<p>4. Livestock Tax - Taxe sur le bétail (TRET)</p>	<p>A flat rate tax on cattle (150-200 CFAF), hogs (750 CFAF), ducks (50 CFAF), goats and pigs (100-150 CFAF).</p>	<p>Only collections in areas outside communes accrue to central government.</p>
<p>E. Domestic Taxes on Goods and Services</p>		
<p>1. Turnover Tax - Taxe sur le chiffre d'affaires (TCA)</p>	<p>A tax on the turnover (total receipts plus amounts due under contracts and invoices) from the supply of food and lodging, sale of goods covered on premises, construction, manufacturing, and provision of services including self provision. Insurance companies, newspapers, exports and any goods for domestic consumption are exempt as are sales or transfers by administrative bodies.</p>	<p>The rate is 21.95 percent on the base. Firms with sales of less than 15 million CFAF may pay on a presumptive base if accounting records are not kept.</p>

Table A-4, page 3.

Type and Name of Taxes	Basic Provisions	Notes
2. Excises - Taxes de consommation	Per unit taxes are levied on the following products:	
a. Locally Manufactured Beverages - Taxes sur les boissons de	Collected from two major local producers at rate per bottle of 60-80 CFAF for non-alcoholic beverages and 160 CFAF for beer.	
b. Petroleum Products - Taxes sur les produits pétroliers	Imposed by customs agents at time of entry into country; 59 percent netwaxed for Road Fund.	
c. Cartridges - Taxes sur les cartouches	Produced by state monopoly.	
d. Imported Beverages - Taxes sur les boissons importées	Collected by customs at rates per bottle from 1000 to 5000 CFAF on alcoholic beverages and 500 CFAF for non-alcoholic.	Rates raised to three levels in 1985.
3. Profits of the Tobacco Monopoly - Produits de monopole des Tabacs	The Tobacco Monopoly controls all aspects of the tobacco products industry and trade within Burkina Faso. The per-unit profit accruing to the State equals the difference between the fixed price at which licensed retailers are allowed to sell tobacco products and the sum of the cost of those products plus the commission granted to authorized wholesalers.	
4. Other Taxes on Goods and Services		
a. Tax on Insurance Policies - Taxes sur les contrats d'assurance	Annual tax on insurance premium paid by insurer. Policies taken out by non-residents or covering risks situated outside of Burkina Faso are exempt. [Exempt from turnover tax.]	
b. Beverage Sales Licenses - Licences - vente à la consommation	A tax on all establishments selling beverages for consumption on the premises. Rates vary by locality, beverages sold and establishment.	
F. Taxes on International Trade and Imports		
1. Customs Duties - Droits de douane	Ad valorem duties on the landed cost or printed value of imports originating outside of the CEAO. A minimum tariff of 5 percent applies to imports from countries providing most-favored nation status. The general tariff is triple this rate. The purpose of these duties is primarily protectionist.	
2. Fiscal Duties - Droits fiscaux à l'importation	A revenue-oriented tax which generally does not discriminate among countries of origin but does exempt imports from CEAO countries, as well as pharmaceuticals, sports equipment, agricultural liquids and acid-flavored liquids. The rate of the tax varies by product.	

Table A-4, page 4.

Type and Name of Taxes	Basic Provisions	Notes
3. Regional Cooperation Tax - Taxe de coopération régionale	Applied to certain agreed industrial products only in the CEMU in lieu of all other duties and tariffs applied to such products imported from other countries.	
4. Import Surtax - Surtaux à l'importation	Similar to fiscal duties with a rate of 6 percent.	
5. Statistical Tax - Taxe de statistique	A 3 percent tax on all imports.	
G. Taxes on Exports		
1. Export Duties - Droits de sortie	Applied to all products exported outside of the CEMU; rates vary by product.	
2. Statistical Tax - Taxe de statistique	A 3 percent tax on all exports.	
3. Research and Conditioning Tax - Taxe de recherche et conditionnement	A tax which varies between .5 and 1.5 percent on selected products.	
II. Other Taxes on International Trade		
1. Customs Seal - Droits de marquage, plombage et emballage		
2. Livestock Pasture Tax - Taxe de passage sur le bétail	A tax on all cattle, sheep and goats (150 CFAF) entering Burkina Faso in transit to a foreign country.	
3. Customs Stamp Duties - Timbre douanier	A tax of 6 percent of the landed cost of all imports or the invoice value of all exports.	
4. Bill Tax - Taxe de passage	A tax on selected imports and exports whose revenues are earmarked for the Chamber of Commerce.	
5. CEMUC Tax - TAXE CEMUC	A .5 percent tax on all imports and exports whose revenues are earmarked for the Upper Volta Shippers' Council.	

TABLE A-5

DEPARTMENTAL AND OPTIONAL DIRECT TAXES, FEES, AND CHARGES

Type and Name of Tax	Basic Provisions	Budget Credited
Direct Taxes		
Standard Income Tax (IFR)	See Table A-4	C,N ^a
Standard Tax on Migratory Population - Impôt flottant (FLOT)	Flat rate on adults who cannot prove payment of IFR or IUTS (2,000 CFAF)	C,D
Livestock Tax (TBET)	See Table A-4	C,N ^a
Departmental Tax - Impôt Départemental or Impôt de la Collectivité (ICT)	60 percent surcharge on the amount of IFR collected within a department	D
Occupation Tax - Patente	Two part tax on those engaged in occupations other than traditional agriculture: (1) payment fixed according to classification of occupation (droit fixe); (2) payment of percent of rental value of business premises (droit proportionnel)	C,D
License - Licence	Payment for right to sell beverages	Since 1981 revenue to National Budget
Domicile Tax - Contribution mobilière (CM)	Two percent of the rental value of land and structures used for housing	C,D
Transfer Tax - Taxe sur les biens de succession	Levied on rental value of land and buildings of enterprises owed and by shareholders. Rate is 2.5 or 10 percent depending on construction. Deduction of 40-50 percent of rental value allowed in lieu of depreciation.	
Property Taxes - Taxe sur la valeur locative des locaux d'habitation (TVLH); Taxe sur la valeur locative des locaux à usage professionnel (TVLP)	Supplement to Domicile Tax and Droit Proportionnel of Patente (optional levy at maximum of 1 and 3 percent respectively)	C
General Surtax - Centimes Additionnels	Surtax on patente, IFR and CM. Varies by commune to to maximum of 15 percent.	C
Road Tax - Taxe de Voirie	Fixed amount per household (125 CFAF).	C

Table A-5, page 2.

Type and Name of Tax	Basic Provisions	Budget Credited
Street Cleaning Tax - Taxe de Balayage et d'Enlèvement des ordures ménagères (TB)	Charge based on location of buildings and street frontage. Levied only in those areas which perform street cleaning. 100 CFAF/square meter.	C
Dog Tax - Taxe sur les chiens	50 CFAF/dog.	C
Firearm Tax - Taxe sur les armes	600-5000 CFAF, depending on type of firearm.	C,D
<u>Fees and Charges</u>		
<u>Related to Vehicles</u>		
Motorized Vehicles - Taxe sur les véhicules à moteur	Includes license and motorized system. Rate varies from 5,000 to 25,000 depending on horsepower and weight.	D,C
Bicycle Tax - Taxe sur les vélocipèdes	350 CFAF per year	D,C
Parking Tax - Taxe de stationnement véhicules	Collected for each night a vehicle is parked on public streets.	D,C
Cart Tax - Taxe de charrettes	Animal-drawn cart fee of 750 CFAF	C
<u>Related to Livestock</u>		
Animal Export Inspection Fee - Taxe de visite sanitaire	Fee framed and received by Service d'Elevage. Required for payment of animal export fee.	N
Animal Export Fee - Taxe sur l'exportation de bétail	Paid at City Hall. Required for export certificate.	C: cattle, 100 CFAF; sheep and goats, 50 CFAF
Fiscal Stamp - Etat civil	Attached to export certificate. Required for various official documents.	N; 100 CFAF
Domestic Sale of Livestock Fee - Taxe sur le bétail sur pied	Paid to agent of commerce at market	C: cattle, 100 CFAF; sheep, goats and other, 50 CFAF
Hot Inspection Fee - Taxe d'abatage	To obtain inspection certificate for slaughtering animals. Fee varies from 25-150 CFAF depending on kind and size of animal.	C,D
Stray Animal Fee - Droit de fourrière	Impounding and maintaining stray animals and compensation for damages. 280 600 CFAF per day depending on kind of animal.	C,D

Table A-5, page 3.

<u>Type and Name of Tax</u>	<u>Basic Provisions</u>	<u>Budget Credited</u>
<u>Related to Property Transfers and Official Documents</u>		
Land Transfer Fee - Droit de mutation	20 CFAF per square meter of land transferred.	C
Notary and Notary Fee - Taxe d'etat civil	Stamp required to process documents on official requests or to obtain documents.	C,D,N depending on to whom addressed
<u>Related to Markets</u>		
Market Fee - Droit de marche	Dewit for working in marketplace. 10-50 CFAF per day depending on product sold and economic importance of commercial activity.	C,D

TABLE A-6
ESTIMATES OF REVENUES OF OUAGADOUGU AND BOBO DIOULASSO
FROM ALTERNATIVE SOURCES
(in millions of CFAF)

Revenues	Ouagadougou				Bobo Dioulasso				
	1980	1981	1982	1983	1977	1980	1981	1982	1983
Total									
World Bank ^a									
SERPOCO (National Treasury) ^b	375	NA	505	520	185	--	--	309	283
Regional Treasury	513	676	721	592	194	285	388	333	376
	--	676	721	592	--	299	380	359	372
Direct									
World Bank ^a									
CENATRIN (current) ^a	201	NA	250	256	58	--	--	70	55
CENATRIN (total) ^b	159	250	281	136	44	54	120	64	45
Regional Treasury (current) ^a	265	334	329	273	68	92	187	111	125
Regional Treasury (total) ^b	--	370	335	278	--	102	146	73	55
	--	--	--	--	--	127	183	94	147

^aExcludes revenues from previous years.

^bIncludes revenues from previous years.

SOURCE: SERPOCO, Regional Treasuries at Ouagadougou and Bobo Dioulasso, and B. Tagournet and G. Palacio, "Finances Municipales: Ouagadougou et Bobo Dioulasso," Banque Mondiale, Projet de Developpement Urbain, June 1984.

TABLE A-7
DEPARTMENT TOTAL REVENUES AND PERCENT DIRECT REVENUES
ACCORDING TO DIFFERENT SOURCES

Department/Year	Percent Direct from		Total Revenues from (in millions of CFAF)	
	Management Accounts	CENATRIN/ SERPOCO	Management Accounts	CENATRIN/ SERPOCO
Hauts-Bassins				
1980	76	52	49	61
1981	60	38	73	73
1982	42	27	76	125
1983	54	32	74	107
Centre				
1978	61	56	145	140
1980	44	48	109	136
1981	57	46	188	167
Sud-Ouest				
1979	74	81	58	52
1980	70	55	54	67
1981	69	63	64	64
1982	71	43	55	88
1983	71	29	52	123
Centre-Ouest				
1980	75	79	99	91
1981	76	29	109	136
1982	67	39	115	198
Centre-Nord				
1978	68	61	69	64
1979	69	56	129	66
Est				
1978	88	68	42	44
1979	90	58	58	45
1980	85	82	40	38
Sahel				
1981	70	66	46	47
1982	--	--	--	--
1983	--	--	--	--
Volta-Noire				
1978	72	59	99	93
1979	68	60	96	109
1980	71	79	83	80
1983	--	--	--	--

SOURCE: Comptes de Gestion, 1973-1983; CENATRIN and SERPOCO data.

FICHE DE RECENSEMENT — TAXES ET CONTRIBUTIONS DIVERSES

ANNEE de l'imposition	NUMERO de la F.I.M.	I. F. R.		P A T E N T E				TAXE SUR LE DÉTAIL Nombre et Nature	TAXE SUR LES ARMES	
		nombre d'imposables	CATÉGORIE	PROFESSION ET ÉLÉMENTS D'IMPOSITION	TABL.	CLAS.	VALEUR LOCATIVE annuelle		NUMÉRO F.I.M.	NOMBRE ET NATURE
19										
19										
19										
19										
		LICENCE VENTE A EMPORTER		MOBILIERE VALEUR LOCATIVE ANNUELLE	T A X E S				MAINMORTE VALEUR IMPOSABLE	RENSEIGNEMENTS DIVERS
		NATURE	CLASSE		CHIENS	VOIRIE ou Impôt départ.	BALAYAGE	TÉLÉVIS.		
19										
19										
19										
19										

TAX CENSUS FORM

EXHIBIT A-1

DIPLOME GENErale DES IMPOTS
DIVISION FISCALE DE

FICHE DE RECENSEMENT — IMPOTS SUR LE REVENU — TAXES ET DROITS INDIRECTS

Commune ou localité

Quartier

Lot : Parcelle :

Si non lot préciser le nom du chef de quartier

Nom de l'occupant :

Prénoms

N° matricule

Profession principale

Autres revenus ou activités

Chef de famille

Epouses :

Enfants à charges :

Occupant - Locataire	Occupant - Propriétaire
Nom du propriétaire :	N° du Titre foncier
Adresse	Nature et description
Loyés payés :	
19	
19	
19	
19	
Enregistré	Date achèvement :
Renseignements transmis	
à le	Date demande exemption
à le	
à le	
à le	Date début imposition :
à le	

ANNEE	N° FIM IMPOSITION	B.I.C. ou B.A.	B.N.C.	I.R.I.	I.U.T.S.	T.P.A.	T.C.A.	LICENCE A CONS. S/PLACE	AUTRES
19	F.I.M. ELEMENTS Imposition								
		BASE retenue							
19	F.I.M. ELEMENTS Imposition								
		BASE retenue							
19	F.I.M. ELEMENTS Imposition								
		BASE retenue							
19	F.I.M. ELEMENTS Imposition								
		BASE retenue							
RENSEIGNEMENTS DIVERS (Communication, recouplement, transmission, etc.)									

TABLE A-8

ALTERNATIVE MEASURES OF EXPENDITURES OF LOCAL AUTHORITIES, 1975-1982
(in millions of CFAF)

Local Authority	1975	1976	1977	1978	1979	1980	1981	1982
Communes								
Treasury (SERPOCO) ^a	--	634	873	763	878	949	--	1,255
of which: Ouagadougou and Bobo Dioulasso	--	(474)	(693)	(564)	(682)	(720)	(838)	(871)
Ministry of Health ^b	447	495	802	711	693	956	1,051	--
of which: Ouagadougou and Bobo Dioulasso	(374)	(409)	(711)	(597)	(582)	(838)	(928)	--
Departments								
Treasury (SERPOCO)	--	714	847	749	823	884	938	1,421
Ministry of Health	713	805	800	800	741	843	887	1,057
Percent Personnel	46%	58%	59%	72%	79%	75%	74%	--
All Local Authorities								
Treasury (SERPOCO)	--	1,348	1,720	1,512	1,701	1,833	2,036	2,676
Ministry of Health	--	1,300	1,602	1,511	1,434	1,799	1,938	NA
National Accounts	--	1,281	1,634	1,431	1,621	1,606	--	--
Percent Personnel	--	84%	84%	84%	79%	--	--	--

^a1976-1979 includes Ouagadougou, Bobo Dioulasso, Koudougou, Ouahigouya, Kaya, Banfora, Fada N'Gourma, Reo and Tenkodogo; in 1980 Gaoua, Nouna and Tougan were added.

^b1975-1981 includes Ouagadougou, Bobo Dioulasso, Koudougou, Ouahigouya, Kaya, and Gourcy.

SOURCE: SERPOCO; Ministry of Health, "Dépenses de Santé en Haute-Volta selon l'Origine du Financement: Evolution, Structure, Analyse," Avril 1983; Comptes Nationaux et Indicateurs Economiques de la Haute-Volta de 1980 a 1979, p. 18; Comptes Nationaux de la Haute-Volta 1980, p. 24.

TABLE A-9
 COMPARATIVE ESTIMATES OF COMMUNAL EXPENDITURES, 1975-1983
 (in millions of CFAF)

<u>Commune/Year</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Ouagadougou									
SERPOCO	--	290	480	312	341	413	498	581	520
Management Accounts	172	260	462	253	268	291	--	--	--
Ministry of Health	201	210	500	296	285	538	628	--	--
World Bank	153	268	320	294	--	--	--	--	--
Bobo Dioulasso									
SERPOCO	--	194	213	252	341	308	340	290	392
Management Accounts	--	192	210	--	--	293	329	298	455
Ministry of Health	173	199	210	300	296	300	300	--	--
World Bank	--	--	210	--	--	--	--	300	450
Koudougou									
SERPOCO	--	34	42	52	59	56	48	77	70
Management Accounts	--	--	--	51	90	--	--	--	--
Ministry of Health	35	37	45	58	52	59	60	--	--
Ouahigouya									
SERPOCO	--	29	24	33	34	44	42	64	62
Management Accounts	--	--	21	26	--	--	--	--	--
Ministry of Health	--	23	32	26	34	30	30	30	--
Kaya									
SERPOCO	--	26	23	22	21	22	30	32	29
Management Accounts	--	--	27	18	--	--	--	--	--
Ministry of Health	10	12	15	18	20	22	25	--	--
Gourcy									
SERPOCO	--	5	5	5	6	10	6	8	8
Management Accounts	6	5	5	5	9	7	8	--	--
Ministry of Health	--	--	--	--	--	--	--	--	--

SOURCE: SERPOCO; Various Comptes de Gestion; Ministère de la Santé Publique, "Dépenses de Santé en Haute-Volta selon l'Origine du Financement: Evolution, Structure, Analyse," Avril 1983; B. Tagournet and G. Palacio, "Finances Municipales: Ouagadougou et Bobo Dioulasso," Banque Mondiale, Projet de Développement Urbain, Juin 1984.

TABLE A-10
 PERCENT DISTRIBUTION OF EXPENDITURES BY CATEGORY
 FOR SELECTED DEPARTMENTS OVER TIME, 1975-1982

<u>Department/Year</u>	<u>Administrative Personnel (except Health)</u>	<u>Health Personnel</u>	<u>Administrative Material and Other</u>	<u>Material Provided to Central Services</u>	<u>Investment</u>
Centre					
1977	31	27	20	7	16
1978	29	26	28	8	10
1979	34	31	22	6	6
1980	29	39	19	7	6
1981	32	29	NA	NA	NA
Centre-Nord					
1977	38	23	30	3	6
1978	43	26	28	2	0
1979	53	33	13	2	0
1980	52	32	14	1	0
1981	54	33	NA	NA	NA
Centre-Ouest					
1977	30	24	25	10	11
1978	30	24	39	6	0
1979	44	36	17	4	0
1980	49	39	10	2	0
1981	48	38	NA	NA	NA
Est					
1977	35	26	36	2	0
1978	32	40	36	2	0
1979	29	34	60	5	0
1980	46	37	48	4	0
1981	42	33	NA	NA	NA
Hauts-Bassins					
1975	33	20	24	10	14
1976	35	20	28	4	13
1977	38	26	20	7	9
1979	30	28	26	4	12
1980	19	36	29	6	10
1981	18	30	24	4	24
1982	21	27	24	8	20
Sahel					
1977	32	16	48	4	0
1978	45	23	28	4	0
1979	51	26	20	2	2
1980	60	31	9	1	0
1981	57	29	NA	NA	NA

Table A-10 (cont.)

<u>Department/Year</u>	<u>Administrative Personnel (except Health)</u>	<u>Health Personnel</u>	<u>Administrative Material and Other</u>	<u>Material Provided to Central Services</u>	<u>Investment</u>
Sud-Ouest					
1975	23	25	30	7	16
1976	28	33	14	3	22
1977	31	33	18	5	13
1978	24	26	NA	NA	NA
1979	30	33	NA	NA	NA
1980	30	33	NA	NA	NA
1981	30	33	NA	NA	NA
Volta-Noire					
1977	37	32	27	3	1
1978	35	30	27	6	2
1979	45	39	13	2	1
1980	47	41	9	3	0
1981	46	41	11	3	0
TOTALS					
1975	30	21	28	9	13
1976	35	24	22	5	14
1977	32	27	28	6	8
1978	34	27	30	6	3
1979	40	33	20	4	4
1980	43	37	15	3	2
1981	33	36	17	3	11
1982	21	27	24	8	20

SOURCE: Selected Comptes de Gestion.

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