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Local Revenue and Service Provision in Upper Volta

Phase I

Final Report

Local Revenue Administration Project
Metropolitan Studies Program
The Maxwell School of Citizenship and Public Affairs
Syracuse University
Syracuse, New York 13210

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FOREWORD

This Report on the fiscal structure of Upper Volta provides one of the few systematic examinations of local revenue and expenditure in a developing country characterized by a highly centralized system of government. In such a system, the administration and operation of revenue collection and the delivery of public services to local residents differs greatly from the performance of these functions in nations with decentralized arrangements. Consequently, the specific potentialities for increasing local revenues and for enhanced local participation in service delivery as well as the dynamics of implementation of reforms will vary depending on the nature of governmental structure.

The present study enhances our understanding of the workings of one highly centralized fiscal system in a country of extremely limited economic resources. Pressures on public revenues to meet the operational costs of such normal government services as education, health, and road maintenance are augmented by the recurrent costs of multi-lateral and bilateral capital development project grants. Since there is only modest prospect for increase in central government taxes in Upper Volta, local sources of revenue constitute one way to meet the revenue shortfall. The feasibility of such an approach and the potential for specific policies hinge on many factors which can be discerned only by close, on-site investigation. This has been undertaken in the present study in one area of Upper Volta and will be further pursued in another region in Phase II of the Project, which is anticipated to commence in November 1983.

This Report is based on the work of the entire Upper Volta Project Team. The names of the team members and their responsibilities are presented in the Preface of the Report. The Report itself was written by Prof. Jerry Miner, Upper Volta Project Director, and Mr. Robert Hall, In-Country Team Leader.

Roy Bahl
Director, LRAP

PREFACE

This project in Upper Volta is one of a number of country studies conducted by the Local Revenue Administration Project of Syracuse University. LRAP operates under a cooperative agreement between the University and the Bureau for Science and Technology, Office of Multi-Sectoral Development (S&T/MD) of the U.S. Agency for International Development. The specific program of work in Upper Volta, which concerns local resource mobilization and the administration and management of local services, was developed jointly by LRAP, S&T/MD and the USAID Mission in Ouagadougou.

Detailed examination of local resource mobilization and service provision was conducted in the Department of the East, where previous USAID projects had accumulated considerable relevant data. Team members spent almost a year in residence there gathering further information. A second phase of this project is planned for an in-depth analysis of another region, the Department of Hauts-Bassins, which contains Bobo-Dioulasso, a city of close to 100,000 inhabitants.

The work reported on here was performed by the Syracuse University team with the cooperation and assistance of the National School of Administration of Upper Volta. The Syracuse team consisted of Prof. Jerry Miner (Economist), Upper Volta Project Director; Robert Hall (Rural Sociologist), In-Country Team Leader; Nilgun Gokgur (Fiscal Analyst); and David Spetka (Public Administration Analyst). Prof. Miner provided overall guidance and technical advice on government finances; Mr. Hall and Mr. Spetka conducted the field work in the Department of

the East; Ms. Gokgur was responsible for the analysis of public finance and fiscal administration from the central government perspective. Prof. Marshall Segall (Social Psychologist) provided assistance on several aspects of the field work. James Wozny, graduate assistant in economics at Syracuse University, prepared the statistical tables in the Report with great care.

The National School of Administration assigned, as a counterpart Research Associate to the project, Mr. Celestine Dabire, whose participation was invaluable. Mr. Dabire wrote three background papers from which much information was incorporated into this report, his knowledge of the workings of Upper Volta's fiscal system was of great help to the work of the Syracuse team, and his participation in interviews and meetings provided us with an insider's insights and interpretations. Further, the School provided offices for project staff, typing assistance, and documentation services. In addition the Director of the School assisted in arranging interviews and meetings with government officials.

Officials of central government ministries were generous in providing information. The field work would not have been possible without the cooperation and assistance of officials of the Department of the East and the Commune of Fada N'Gourma, and the chiefs of Piela, Bogande, and Bilanga.

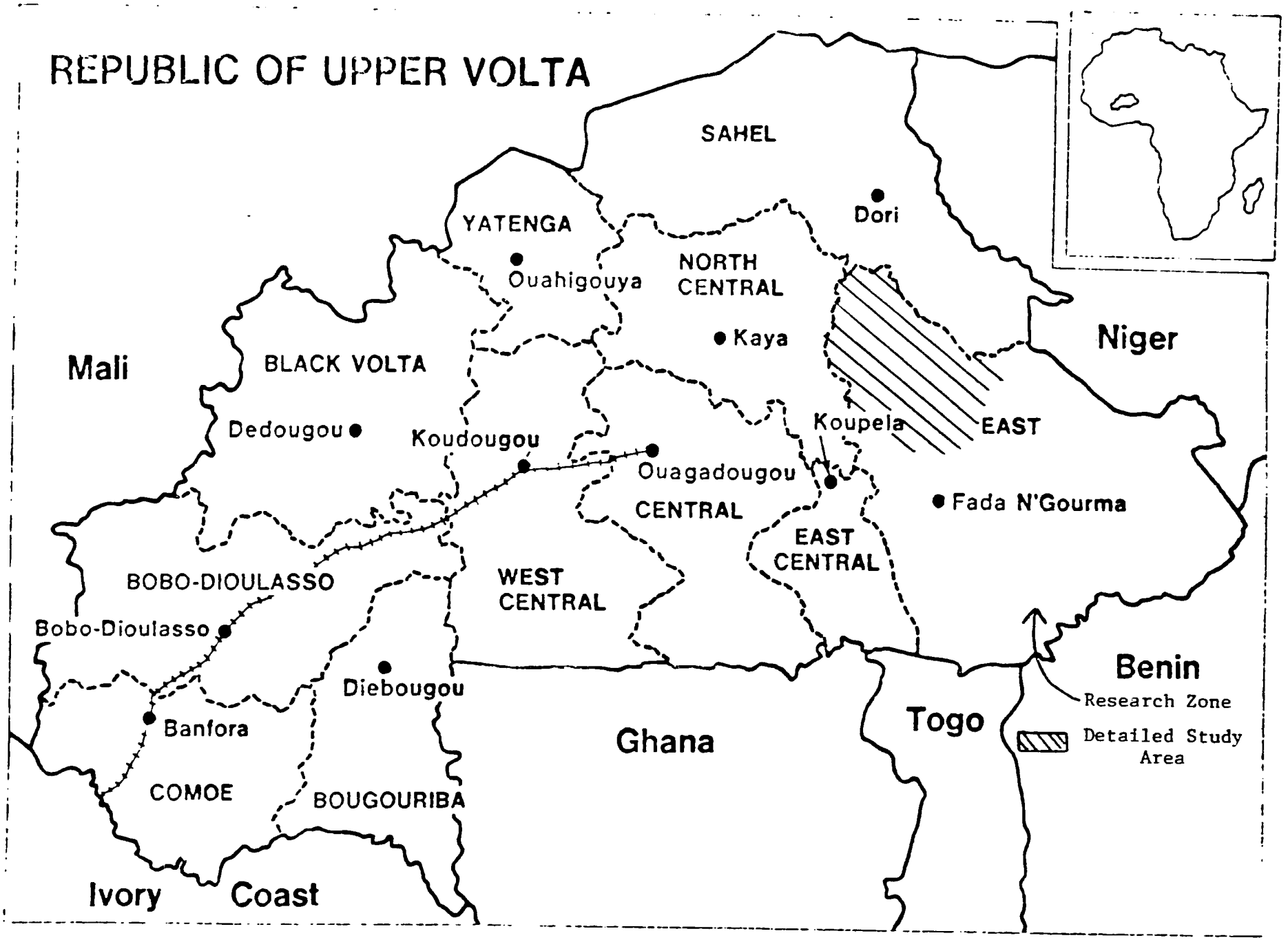
The Ouagadougou USAID mission provided the support so essential for this undertaking. The general support services of the mission kept the team functioning throughout its period in Upper Volta. Dr. James T. Smith, Jr., mission economist and project liaison, was involved in the

project from its initial conception. Without his advice and counsel on substance and procedures the project would not have succeeded.

The essence of a cooperative agreement between a university and a government agency is cooperation. The continuing and effective assistance of Dr. Robert Firestine, Project Monitor of S&T/MD during the major portion of the Upper Volta project, made an enormous contribution to facilitating the difficult task of reconciling the different operating styles of government and university.

Finally, we wish to thank Mr. William Saulters, USAID Upper Volta desk officer whose knowledge of how to get things done resolved many critical procedural matters.

Jerry Miner
Project Director


REPUBLIC OF UPPER VOLTA
SAHEL
Dori
YATENGA
Ouahigouya
NORTH CENTRAL
Kaya
Niger
Mali
BLACK VOLTA
Dedougou
Koudougou
Koupela
EAST
Ouagadougou
CENTRAL
Fada N'Gourma
EAST CENTRAL
BOBO-DIOULASSO
WEST CENTRAL
Bobo-Dioulasso
Diebougou
Benin
Research Zone
Detailed Study Area
Banfora
Togo
Ghana
COMOE
BOUGOURIBA
Ivory Coast

UPPER VOLTA
ECONOMIC AND SOCIAL INDICATORS

Population (mid-1980): 6.1 million

Population Density: 22 inhabs/sq km

Area: 274,000 sq km

Per Capita GNP (1980): $210

Average Annual Growth Rate of GNP (1960-1980): .1%

Average Annual Rate of Inflation (1970-1980): 10.1%

Average Index of Food Production (1969-71=100) (1978-80): 95

Sectoral Shares of GDP	1960	1980
Agriculture	62	40
Industry	14	18
Services	24	42

Sectoral Shares of the Labor Force	1960	1980
Agriculture	92	82
Industry	5	13
Services	3	5

Life Expectancy (years)	1960	1980
	36	39

Infant Mortality Rate (deaths per thousand)	1960	1980
	252	211

Percent of Population with Access to Safe Water (1975): 25

Per Capita Calorie Supply as a Percent of Requirement (1977): 93

Population per Physician (1977): 50,000

Adult Literacy Rate (1977): 5 percent

National Budget (CFAF billions)	1976	1981
Revenues	22.1	48.8
Expenditures	21.0	46.4

Foreign Aid (1980) (actual disbursements): CFAF 35-40 billi (estimated)

Merchandise Trade (1980): Exports $45 million
Imports $330 million

Major Exports (1978): Cattle, Groundnuts, Oilseeds

Major Imports (1978): Textiles, Foodstuffs

Terms of Trade (1975=100)	1960	1980
	88	89

Current Account Balance of Trade ($ millions)	1970	1979
	9	-68

External Public Debt as a % of GNP	1970	1980
	6.3	24.4

Exchange Rate (CFAF per $ US)	
1977	245.7
1978	225.6
1979	212.7
1980	211.3
1981	271.7

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SUMMARY OF FINDINGS
THE LOCAL REVENUE ADMINISTRATION PROJECT IN UPPER VOLTA

The Project

1. The government of Upper Volta is experiencing increasing difficulty in meeting the recurrent costs of providing local public services. Personnel costs are demanding a growing share of total operational expenditures to the detriment of material expenditures, which in turn threatens service quality.

Central budgetary allocations are not keeping pace with rising recurrent costs nor is there adequate consideration of the consequences for recurrent cost financing of planned capital investment and service expansion.

2. Syracuse University, with support from S&T/MD and USAID/Ouagadougou, undertook a research program with the central objective of examining the potential for increased local revenue mobilization and local participation in the management and financing of local public services. The National Administration School of Ouagadougou served as the counterpart agency in Upper Volta. Valuable technical assistance was provided by the research associate appointed to the research team by the National Administration School.

Findings

Revenue

3. Central government revenue per capita has averaged about CFAF 3000 ($25-30) for the past few years. This amounts to 14 percent of GDP, a proportion which compares favorably with that of other African nations, based on a comparison of national potential for raising public revenue.

4. Import taxes comprise the major share of tax revenue (42 percent), export taxes constitute only a minor share (4 percent) and direct taxes on profits and incomes (excluding social security contributions) account for less than 20 percent of current tax revenues (1980).

5. Foreign donors annually provide a flow of grants and loans roughly equal to central government tax receipts. Since these funds are earmarked for investment projects, they increase the need for domestic spending to meet the recurrent costs required for benefits to flow from these projects.

6. Departmental and communal revenues amount to less than 5 percent of central revenues. They are derived from personal taxes on subsistence agriculture and fees and charges. Despite inflation and the growth of revenues at the central level, departmental and communal revenues have scarcely increased over the past five years. There is little variation in per capita revenues among departments, but vary greatly across communes, where revenue per capita of wealthier communes is ten or more times that of the poorest.

Expenditures

7. National budget expenditures more than doubled from 1976 to 1981. In 1981 they were CFAF 15,000 per capita ($56). Annual expenditures from foreign loans and grants for extra-budgetary projects have been roughly equal to the national budget.

8. Seventy percent of the national budget supports personnel for current operations. Investment almost exclusively originates from externally financed projects. About half of the expenditures from national and foreign sources are for services, such as schools, health, rural development, and local administration and security, which directly benefit local populations.

9. Expenditures of departments and communes equal only 5 percent of the national budget. Communes spend about CFAF 2,000 per capita, while departmental spending amounts to only some CFAF 150 per capita. Most spending is for departmental and communal administration, with a significant share provided to supplement personnel of the field operations of central ministries.

10. The elaboration of a comprehensive picture of local service financing required the disaggregation of expenditure data according to the type of expenditure, function and region. This task involved unique challenges due to the centralized character of the fiscal system.

11. Results show a pattern of national budget expenditures very closely related to regional economic activity. Operating expenditures, mainly personnel, favor areas of greater economic diversity. Investment spending is more variable.

12. Average per capita foreign aid spending for local infrastructure in 1980 was almost double the average per capita spending for local operational expenses in the national budget. This underscores the problem of the disjuncture between the creation of new capital and the financing of recurrent costs necessary to derive benefits from its use.

13. Of the CFAF 6,291 ($30) per capita spent for local services in 1980 from all sources, over 60 percent was for investment and equipment, leaving only CFAF 2,475 ($12) per capita for operating or recurrent costs.

14. The regional distribution of expenditures for total local services conforms to regional economic circumstances with higher operational expenditures in the more economically active regions.

Local Revenue Administration

15. These factors encourage the exploration of local budgets as potential sources of the needed revenues. However, in keeping with the centralized character of the administrative system, relatively little functional responsibility or revenue authority has been delegated to local administrations.

16. The major obstacles to revenue administration at the local level include: poor transportation and communication systems, insufficient personnel, inadequate financing, the lack of adequate incentives and a failure to integrate popular initiatives, interests and participation in the revenue effort.

17. The dependence of the local tax system on the actions of individuals only marginally under the supervision of public authorities provides abundant opportunities for abuse while allowing for greater flexibility and responsiveness to local factors affecting an individual's or a community's ability to pay taxes.

18. Local leaders such as canton and village chiefs will continue to play a key role in the mobilization of local resources. They command considerable authority, serve as a force for community solidarity and act as intermediaries between state agents and the local population. Their support is crucial to the successful organization of popular participation in service finance and management.

19. The major problems facing the departmental Tax Service include: the inadequacy of reliable information upon which to base assessments, the inadequacy of material and manpower resources, and the dependence of agents on central ministry superiors for advancement and promotion rather than on departmental authorities. This latter factor prevents the development of a symmetry of interests in revenue generation, collection and expenditure at the local level.

20. Fees and charges constitute an important component of total communal and departmental revenues. However, the present system of fee administration is inefficient and the potential for revenue generation from more extended use of fees is unrecognized by public authorities. Major improvements may be obtained in collection of receipts from the market fee, slaughter fee and bicycle and motor vehicle registration fees. Fee rates may be increased in some cases (such as the market and slaughter fees, among others) while in all cases improvements may best be made by encouraging popular compliance through the demonstration of a linkage between benefits received for the payment of fees.

Enhancing the Revenue Effort

21. The difficult recurrent cost situation in the country is due primarily to the low level and slow growth rate of economic activity. Virtually all potential sources of revenue are tapped. Improvements may be made, however, in tax policy and administration.

22. At the central level, the most obvious opportunities for increasing tax revenues include (a) adjustment of indirect taxes, including import duties, so that tax bases rise with price increases, (b) examination of tax concessions to reduce or eliminate those whose revenue loss exceeds benefits and (c) raising the rate of the tax on wages and salaries, as long as this would not lead to increased wage demands.

23. Revenue administration at the local level may be substantially improved by (a) reforming tax policy, (b) improving the performance of agents responsible for assessment and collection, and (c) incorporating popular participation in the revenue mobilization effort.

24. Most taxpayers interviewed in the Department of the East reported that they were able to pay their taxes with little or no difficulty. This was particularly the case for young men and women who had yet to assume major social, economic and familial responsibilities. However, almost 39 percent of respondents asserted that it was "very difficult" to pay taxes. Women in general (54 percent) and especially older women (77 percent) found taxation to be particularly onerous. Thirty-eight percent of compound heads and 33 percent of carre (semi-autonomous unit within a compound) heads stated that tax payment was not at all difficult while 36 percent and 33 percent respectively claimed that it was very difficult.

25. A major obstacle to improving revenue mobilization appears to be the absence of linkage between taxes paid and services provided, as perceived by taxpayers. This calls for (a) a serious attempt to inform taxpayers of the objectives of taxation, (b) greater resolve by government to assist local communities in the provision of basic services and (c) the creative use of earmarking fee and tax revenues to finance specific services.

26. The extension of user fees and charges is recommended to cover the marginal costs of activities which yield private benefits to users of services. User fees should only be implemented if the cost of fee collection is low relative to receipts, if fee receipts can be carefully monitored and if the additional revenue will be used for the maintenance and improvement of the service.

Future Research and Analysis

27. A planned second phase of the Local Revenue Administration Project will take place, given the concurrence of the Government of Upper Volta, in the Department of Hauts-Bassins. In addition to the replication of research conducted in Phase I which will allow for a valuable comparative analysis of data from two regions with distinct socio-economic characteristics, the second phase will include a detailed analysis of revenue capacity, local revenue administration and service provision in the commune of Bobo Dioulasso, the second largest urban center in Upper Volta. A series of workshops, prepared in conjunction with the National Administration School, will be organized around the themes of fiscal and administrative decentralization and popular participation in resource mobilization and service provision.

EXECUTIVE SUMMARY

Introduction

Upper Volta faces many challenges in the drive for social and economic progress. The recurring problems of drought and the relative inaccessibility of mineral resources combined with scarce capital infrastructure and a limited supply of trained manpower constrain the pace of improvement in per capita production and income.

Given that over 90 percent of the population lives in rural areas, the social and economic well-being of the vast majority of the six million inhabitants depends upon increased production of food grains and other agricultural products including livestock and on the provision of public services such as health care, education, water, roads and agricultural extension.

Social and agricultural services are an essential component of economic development, but to provide these services the government of Upper Volta must find the means of overcoming the obstacle of recurrent cost financing which plagues governments throughout the region. The recurrent costs of public services are increasing at a rate faster than the increase in government revenues. Personnel costs in particular are consuming an increasingly important part of central and local budgets.

Multilateral and bilateral donors have increased the level of grants and loans for capital projects to Upper Volta and other Sahelian countries in response to losses suffered from the series of droughts in the late 1960s and 1970s. Donors have not been willing, however, to finance the recurrent costs which were created as a direct consequence

of international capital investment and which must be met to obtain the benefits from the capital equipment and facilities which their aid produced. This policy is predicated on the view that support for recurrent expenditures for government programs in developing countries would discourage these governments from taking the politically difficult but essential steps required for long-term stability in public service financing. The lack of attention given to recurrent cost planning prior to committing resources for capital projects has resulted in the compounding of an already serious problem.

Financing the operating costs of local services is a problem in all low-income nations. It takes a particular form, however, in countries which have a unitary government and a highly centralized administrative system. In these countries, neither functional responsibility nor revenue authority is delegated to local administrative authorities. Public services are financed, operated and administered by central government ministries through their field agencies.

Yet, if national revenues are constrained by low economic growth and donors are unwilling to provide support for recurrent costs, local sources of revenue constitute, perhaps, the only alternative means for financing the services essential for the growth of agriculture and livestock and the provision of the minimum of social amenities so important to the standard of life of the vast bulk of the population. This study then, examines the situation and prospects for increased local revenue mobilization and involvement of local populations in service provision in Upper Volta.

Organization of the Project

The central objective of the Local Revenue Administration Project was to respond to the recurrent cost crisis facing the government of Upper Volta by examining the potential for increased local resource mobilization and local participation in the management and financing of local public services. In order to accomplish this general objective the project undertook four distinct tasks: (1) the examination of revenue and expenditure patterns in the departments and communes of Upper Volta, (2) the detailed analysis of the various domestic taxes, fees and charges with particular attention given to those which currently provide or could potentially provide resources to local administrative units, (3) the analysis of the performance and financing of selected public services at the local level and (4) the assessment of local attitudes toward and capacity for enhanced participation in service provision and financing.

To accomplish these tasks, Syracuse University created a team consisting of a public finance economist as Project Director, a rural sociologist as Team Leader, a public administration specialist, and an expert in government finance. In June 1981, this team, with the exception of the Project Director, commenced work in Upper Volta which continued until August 1982. The Syracuse team was supported by the National Administration School of Ouagadougou which provided office facilities, technical assistance and a counterpart research associate. During this period the Project Director and other professional staff from Syracuse spent time in Upper Volta consulting with the resident

team, and provided general direction and technical support to the activities in the field.

The work was conducted in Ouagadougou and in the Department of the East. A detailed study of service operation, revenue administration and popular attitudes was conducted in the communities of Piela, Bilanga, and Diabatou in the northwest of the department.

Findings and Recommendations

Revenues

Domestic tax and non-tax revenues of the central government in Upper Volta averaged around CFAF 3000 per capita ($25-30) for the past few years. They amount to approximately 13 to 14 percent of GDP and have grown at about the same rate as GDP. In studies of comparative tax effort, Upper Volta compares favorably with other African nations in terms of its ratio of actual to potential tax revenues.

As with most non-oil-producing African countries, the major tax source in Upper Volta is import duties which comprised 42 percent of current tax revenues in 1980. Export taxes, on the other hand, constitute only 4 percent of the country's tax revenues. Direct taxes on profits and income (excluding social security contributions) account for less than 20 percent of current tax revenues. The low yield from direct taxes, which, including social security contributions, amounted to only CFAF 1300 ($6) per capita in 1980, is largely a consequence of the small size of the commercial and business sectors, extensive tax incentives for private investments and the low proportion of the population employed in the modern sector, rather than specific

exclusions of potential tax sources. There appears to be no significant source of income which escapes liability under the direct tax umbrella.

These domestic revenues of the central government provide the basic sources of funding for governmental services. The national budget is financed by these revenues plus some foreign loans and grants provided for general budgetary purposes. Until recently national budget expenditures were kept within domestic revenue levels. However, pressures on expenditures resulted in their rapid increase in 1979 and again in 1981, necessitating sharp increases in foreign budgetary assistance. In light of limited prospects for increased central tax revenues and for the continuation of external budgetary assistance, these pressures along with potential central government obligations for expenses of parastatal enterprises, impose the need for strict control over national budget expenditure.

Foreign donors annually provide a flow of grants and loans roughly equal to central government tax receipts. These funds, however, are earmarked for special projects, whose capital provision only increases the need for domestic spending to meet the recurrent costs necessary for benefits to flow from the foreign investments.

Given the limitations on central revenues, it is logical to look at local budgets as potential sources of the needed revenues. Yet, between 1976 and 1980, aggregate departmental and communal revenues have ranged between only CFAF 1.5 to 1.8 billion, which is less than 5 percent of central revenues. Revenues for these local budgets are mainly derived from a combination of taxes on subsistence agriculture and related activities, and from fees and charges. Communes tend to make greater

relative use of the latter and departments of the former. Despite inflation and the growth of nominal revenues at the central level, departmental and communal revenues have scarcely increased over time. This is due to the lack of responsiveness of their sources of revenue, which are based on fixed per unit taxes or charges whose rates have not increased with inflation. Revenues per capita show relatively little variation among departments, but vary greatly across communes, where revenues per capita of the wealthier communes are ten or more times as much as those of the poorest.

Expenditures

National budget expenditures grew from CFAF 21.0 to 46.4 billion between 1976 and 1981. During this period, there was an approximately equivalent amount of annual spending for extra-budgetary projects, financed from foreign sources. In 1981, altogether these expenditures amounted to about CFAF 15,000 per capita ($56).

Within the national budget, about 70 percent of spending is for current operations, and of this, 80 percent is for personnel. Our calculations indicate that about one-third of the national budget is allocated to local services such as education, health, and rural development. As for foreign aid, about two-thirds is devoted to projects whose operation would yield services which directly benefit local population.

Consistent with their low revenues, expenditures of departments in 1980 were extremely low, averaging only CFAF 150 per capita. In the same year communes spent on average CFAF 2000 per capita, reflecting the higher revenues obtained in these more economically active

administrative units. On average, communes spend 64 percent of their budgets on general administration while departments devote 59 percent of their expenditures to this function. These expenditures are predominantly for personnel. The next largest expenditure category for departments is health services (35 percent) while for communes it is public works (16 percent). These expenditures are almost wholly used to supplement staffing of the central ministries' field operations.

Our concern for the geographic distribution of services and for the potential for decentralization of service provision led us to attempt to disaggregate non-private expenditures including foreign aid by type (personnel, material, capital formation), by function (e.g., health, education, rural development), and by region. To accomplish this required information not usually collected and tabulated in centrally administrated nations, such as Upper Volta. The methods used in this analysis are described in detail in the body of the report. Thus, a major contribution of this study is the development of the first comprehensive portrait of expenditures for public services by geographic region in Upper Volta. The data may be of considerable utility to Voltaic policy-makers, service planners, and public finance analysts concerned with issues of regional balance in government expenditures, service organization and expansion and recurrent cost financing.

Expenditures of departments, communes, and Regional Development Organizations (ORDs) were combined with our estimates of departmental allocations of local service expenditures from the national budget and foreign aid to get comprehensive spending figures by department. Overall, CFAF 6291 ($30) per capita was spent in 1980 for local services

in Upper Volta. Of this, over 60 percent was for investment and equipment, leaving only CFAF 2,475 per capita ($12) for operating or recurrent costs. The figures for investment are probably somewhat over-estimated because of some double counting of foreign aid and over-statement of ORD investment.

The regional allocation of foreign aid is based on descriptions of projects and interviews with donors. All project aid is considered to be investment and no attempt is made to distinguish aid for operational from investment purposes. Average foreign aid spending per capita for local infrastructure in 1980 amounted to CFAF 3281 or about $15. This is almost double the average per capita spending for local operational expenses in the national budget (CFAF 1871 from Table E-10), and is some 13 times the corresponding level of investment spending from the national budget. These relationships clearly reflect the problem of the disjuncture between the creation of new capital and the financing of the recurrent costs necessary to derive the benefits from its use. Variation in foreign aid among departments is substantial. As usual, the southwest region is most favored as is the Department of the Centre while the northwest is least favored.

Foreign aid is virtually the sole source of local investment. The recurrent costs of practically all local services for those residing outside of communes are financed out of the national budget. The ORD operational activities and departmental budgets together average only CFAF 486 ($2) per capita. Some communes, however, spend five to ten times this amount per capita on local services for their residents.

The regional distribution of total expenditures for local services conforms to regional economic circumstances. Operational expenditures are higher in the southwest and in the Department of the Centre; they are lower in the north region and in the Department of the Centre-West. Capital expenditures are more variable among departments than is operational spending. Much the same pattern emerges for capital expenditures, however, with the southwest region and the Department of Centre favored while less is spent in the northern region.

Finally, an examination of the functional breakdown of operating and investment spending shows that over 90 percent of investment spending is devoted to rural development and public works. Operational spending on public works, however, is only 3 percent of the total, with education, rural development, local administration and health receiving roughly equal support.

Tax Administration and Tax Policy

Central government taxation encompasses virtually all potential sources of revenue. The inadequacy of domestic revenues to meet recurrent service costs is primarily due to the low level and slow growth rate of economic activity in the country. There are, however, a few clear-cut opportunities for increased tax revenues.

Two reforms of the tax system generally are recommended. One involves upward adjustment of indirect tax rates on commodities. In Upper Volta, neither import duties nor excise taxes on consumption are responsive to price increases. The former because of the use of outdated posted prices (valeurs mercuriales) for imports and the latter

because of per unit rather than ad valorem tax rates. Correction of these deficiencies does not require any basic change in the tax system although it does involve more complexity in the determination of tax liability, which might overburden the limited number of trained tax officials.

The second reform frequently suggested concerns reduction in the extensive network of tax concessions provided to those who invest in physical capital in Upper Volta. Although no estimate of revenue loss is available, most observers contend that this tax relief seriously reduces revenues from taxation of commercial activity. Mention of reducing these concessions, however, immediately brings forth objections by many of those who benefit from the present policy.

Prospects for increased direct tax revenues present rather different issues. This report presents figures which indicate that the effective rate of the tax on wages and salaries (IUTS) is quite low. It would appear that revenues could be increased in an equitable way, without undue effects on incentives, by increasing the rate of the IUTS or reducing allowable deductions. This strategy, however, is less promising than it appears because the incomes taxed under the IUTS are primarily determined by government salary levels, and an increase in taxes on wages and salaries would probably lead to demands for increases in wages and salaries to offset the tax increase. Thus, government salaries would be under pressure as would the government mandated minimum wage (SMIG) for private sector employees.

Local Revenue Administration

Revenue administration in Upper Volta is characterized by comprehensive and pervasive central government involvement. Virtually all potential sources of revenue are tapped to some extent. Methods of assessment and collection have been carefully elaborated for businesses and for the large rural population engaged in agricultural pursuits to conform to the particular conditions found in rural and urban areas. Apart from taxes withheld at the source three systems of revenue collection may be identified. Village taxes, notably the standard tax on income (IFR), the departmental tax (ICT) and the livestock tax (TBET) TBET are administered by agents of the Ministry of Interior in cooperation with local leaders (chiefs and canton secretaries), while taxes on commercial activity such as the patente, licence, the tax on business income (BIC) and the turnover tax (TCA) are the responsibility of agents of the Tax Service. The third group of revenue sources includes fees and charges which are collected by a diverse array of actors who, in many cases, are only marginally tied to the formal revenue apparatus of the state.

Considerable attention is given in the report to the procedural dimensions of tax assessment and collection. The revenue administration system is a composite of heterogeneous elements, actors, practices and regulations. This bears witness to the historical character of the system while reflecting the complexities of the Voltaic economy and society. Not surprisingly, the of such a system involves substantial inefficiencies and makes excessive demands on its field staff.

The following examples illustrate the range of technical sophistication of tax administration in Upper Volta. Most taxpayers in rural areas continue to be grouped by village and by extended family and registered on numerical rolls which include such information as the number of cattle, donkeys, horses and pigs owned by the extended family. Yet these lists, established and maintained with considerable effort by agents of territorial administration with the assistance of village chiefs and canton secretaries, provide the raw data which are transformed by the national information-processing center (CENATRIN) into computerized print-outs of tax liability for each village in a local administrtive jurisdiction. Similarly, tax agents are required to make rather sophisticated calculations of gross sales, profit, and rental values of property for commercial enterprises generally without the benefit of detailed financial records since these are not maintained by the vast majority of merchants.

The major obstacles to the effective functioning of the revenue administration system at the local level include the weak transportation and communication infrastructures, insufficient and inadequately trained personnel, inadequate financing for material and transportation and the lack of adequate incentives for agents, local leaders and the taxpaying public. These impediments result in a level of performance below that which is desirable in terms of the identification of the tax base, updating of tax rolls, revenue collection and enforcement.

Village Taxes. The assessment and collection of the village taxes, that is the IFR, the ICT, and the TBET, depends upon the collaboration of three sets of actors: the agents of territorial administration, the local authorities (canton and village chiefs), and the taxpaying population. The inability or unwillingness to cooperate on the part of any one of these three groups can have serious consequences for the operation of the revenue system.

Power in rural areas requires presence. With a weak, that is to say understaffed or distant administration, the performance of canton and village chiefs and canton secretaries becomes especially critical. They are responsible for maintaining the tax rolls, informing taxpayers of the time of payment and amount for which each is responsible, for tax collection and enforcement.

The dependence of the tax system on the actions of individuals only marginally under the supervision of public authorities presents some rather obvious dangers as well as some less obvious benefits. The personalization of the tax collection process provides abundant opportunity for abuse by chiefs and canton secretaries. At the same time, the central role of these local leaders allows for a greater flexibility and responsiveness to factors affecting an individual's ability to gain access to sufficient cash to pay his taxes as well as to adverse conditions (e.g., drought, epidemics, bad harvests) affecting larger populations. This element of flexibility is of particular importance in areas like the Department of the East which have a brief

history of involvement with state institutions and which suffer from great unpredictability in rainfall with the attendant threat of poor harvests and famine.

Given the weakness of territorial administration in the Department of the East, both in terms of manpower and the material means at their disposal, there is little practical alternative to the present system of tax collection. Furthermore, it is quite likely that any attempt by tax agents to circumvent local authorities would result in a dramatic decline in collection levels. Village and canton chiefs retain much of the legitimacy historically accorded to their position in spite of the presence of colonial and state forms of authority. As one Sous-Prefet acknowledged, it is almost impossible for the state administration to work in unorganized or leaderless villages.

Taxes on Commercial Activity. Tax Service agents confront various problems in the course of performing their functions. The rudimentary road system in the Department of the East renders travel to the major towns both difficult and time consuming. Mobility is especially important in that agents must assess businesses located in remote regions of the department. The two largest markets, for example, are located in Diembende which lies in the extreme southwest and in Namonou which is located in the far southeastern part of the Department.

Three general problems may be cited. First, the inadequacy or non-existence of reliable information upon which to base assessments places a heavy burden on agents whose training and skill levels are not always of a high level of sophistication. The Tax Service is

responsible not only for verifying financial records but in most cases for determining the tax relevant rental values of buildings and net assets, sales and profit levels of businesses in the department. Information short-falls increase the range of decision of the individual tax agents and may result in significant variability in assessment practices and hence in the equity of assessment. The personalization of the assessment process tends to encourage a system of "taxation through negotiation" whereby tax liability is determined according to information (e.g., asset, sales and profit figures) of a consensual rather than empirical nature.

The second major factor influencing the assessment process relates to the insufficiency of material and manpower resources. Until 1980, there were only two full-time agents and the departmental director assigned to the Fada N'Gourma division of the Tax Service. As of June 1982, only seven of the 259 agents assigned to the National Tax Service (Direction Generale des Impots) were located in the Department of the East despite the fact that the region's area of 48,000 km^2 makes it the largest administrative department in the country (18 percent of total land area).

Finally, the local revenue administration effort may be hindered by the character of the relationship between the Tax Service and departmental authorities. The director of the departmental Tax Service, like directors of the departmental branches of the other technical ministries, is formally under the authority of the Prefect. Nevertheless, tax agents depend for career advancement and for material resources on national Tax Service authorities rather than on

departmental authorities. If the revenue interests of the department are to be given greater emphasis it would be necessary to consider a deconcentration of tax authority whereby collection responsibility and expenditure authority would be located at the same level of the administrative structure. This would allow for a symmetry of interests in revenue generation, collection and expenditure.

Fees and Charges. Local and central budgets benefit from an array of fees and charges ranging from an animal export fee to a fee for motor vehicle registration. There are also land transfer fees, market fees and charges for administrative services. These fees and charges are, in the main, indirect forms of taxation of wealth (bicycle and motor vehicle registration fees, cart fee) and of income-generating activities (market, slaughter, animal export, livestock marketing and land transfer fees).

Fees and charges constitute an important component of total communal and departmental revenues. For the commune of Fada N'Gourma, receipts from fees averaged over 26 percent of total communal revenue over the past six years. This is despite a dramatic decline in receipts in 1980 and 1981. Fees comprised an average of 11 percent of total departmental receipts over the past seven years.

There is ample evidence, however, that the present system of fee administration is inefficient and the potential for revenue generation from more extended uses of fees unrecognized. Receipt levels fluctuate dramatically from one year to the next and in some cases, such as the market fee, fall grossly below even conservative estimates of their

potential contribution. In part, this is due to the poor performance of agents charged with the task of collection. A factor of even greater importance, however, appears to be a serious underestimation by state authorities of the role that fees can play in contributing to total government revenue and to the financing of local public services.

Undercollection is a problem especially in the rural areas of the department where administrative officers are few. Reliance on fee collectors only marginally linked to the formal revenue system requires regular supervision which places an additional strain on the department's weak administrative infrastructure. Without supervision, some fee collectors may be tempted to supplement their legitimate commission by contriving to underreport the amount of receipts actually collected.

In some cases, the fee itself may be unnecessarily low. Administrative charges for the preparation of official documents should be standardized and perhaps increased. The market fee levels of CFAF 10, 15, 25 and 50 established in the early 1970s may no longer reflect an accurate valuation of the demand for market space by merchants, nor the return which they derive from commercial activities. Slaughter fees also appear to be low in comparison to the value of livestock and the costs incurred for inspecting the meat and for the use of slaughter facilities.

By using data provided by various sources including the Michigan State University project, the Urban Functions in Rural Development project and the Livestock Service, it was possible to estimate the potential revenue yields at existing fee levels for a select set of

fees. Rather startling differences between actual receipts and the estimated potential yield from vehicle registration, slaughter and market fees were revealed by our analysis of data from the Department of the East.

The potential yield from registration fees for mobylettes and motorcycles alone was estimated to be CFAF 2,127,600. This figure is 22 percent greater than actual receipts in 1980 for combined bicycle, mobylette and motorcycle registrations. Using a conservative estimate of the number of bicycles in the region and assuming that all fees are paid, the estimated potential yield from combined bicycle, mobylette and motorcycle registrations would exceed actual receipts for 1980 by approximately 80 percent. Data from the same source indicate a potential two-fold increase in receipts from motor vehicle registration fees.

A similar study of the potential yield from the slaughter fee suggests that receipts could be increased by a factor of two or three at current fee rates. Additional revenue could be generated by increasing the fee so as more accurately to reflect the cost of the service and the personal and social benefits provided by the routine inspection of meat prior to consumption.

Estimates based on a market survey conducted in 1981 indicate that actual receipts from the market fee in the sous-prefecture of Bogande are but one-twelth to one-fifteenth of their potential yield. According to these figures, the total annual market fee receipts for the

Sous-Prefecture of Bogande in 1981 could have been recovered in only eight market days and from but six of the eleven major markets. Departmental receipts from the market fee could be increased by a factor of 32 to 38 according to the data collected in the market survey and assuming 100 percent collection. According to these estimates, total departmental receipts from the market fee in 1981 amounted to only three market days worth of potential receipts.

Enhancing the Revenue Effort

Revenue administration at the local level may be substantially improved, resulting in more revenue, greater comprehensiveness and equity in assessment and collection, and the capability of expanding expenditures for local public services. This may be accomplished by (1) reforming tax policy, (2) improving the performance of agents responsible for assessment and collection, and (3) incorporating popular participation in the revenue mobilization effort. A combination of changes in all three areas would produce the largest effect.

Tax policy reforms may involve issues of rate changes, redefinition of the tax base, consolidation of taxes which affect the same base, redirection of tax revenues to other budgets and linking specific revenues to services (earmarking). Any alteration of present policy involves important economic, social and political considerations. No specific reforms are recommended here although a number of suggestions for improving local revenue administration are advanced. Rather, information pertaining to specific taxes and aspects of tax policy is

presented so as to illustrate the types of considerations that the government of Upper Volta would confront in any contemplated policy reform.

The minimum tax payment for which all rural taxpayers in the Department of the East are liable is CFAF 480, of which the IFR constitutes CFAF 300 and the ICT the remaining CFAF 180. Residents of communes pay a slightly greater amount. The minimum amount, which is paid by almost all rural taxpayers, was less than the average sale price of a chicken or guinea fowl in 1981-1982 in rural areas of the Department of the East.

Most taxpayers indicate that they are able to pay their taxes with little or no difficulty, although older people and those responsible for paying the taxes of a number of adult dependents may encounter some difficulty in amassing the necessary amount of cash at the required time. To the question, "Is it very difficult, a little difficult, or not at all difficult for you to pay your taxes?", 43 percent of the 200 respondents from three villages acknowledged that it was "not at all" difficult to pay. An additional 20 percent stated that it was only "a little" difficult to meet their tax liability.

Local opposition to the present tax system and to the possibility of increasing tax rates may be a reflection of the lack of information regarding the nature of the system, its underlying logic and the objectives of taxation. When asked "Why do people pay taxes?", 47 percent of respondents answered "To be free", which after interrogation

proved to mean freedom from harassment by village and extra-village authorities. Fifteen percent of respondents paid because "it has always been this way". Almost one-third of respondents acknowledged that they did not know what was done with tax revenue once it was collected.

Some taxes, such as the livestock tax, prove to be difficult to assess and generate little revenue due to low collection rates. Herders and livestock owners in Upper Volta, as in other Sahelian countries, are generally opposed to this tax. Because of these problems, it is often suggested that the livestock tax be abolished.

A more interesting alternative to abolition would be to enhance the palatability of the tax by re-directing its receipts from the central budget to local budgets. (Those receipts collected in the commune already constitute an element of the communal budget.) Local administrators would find it to their obvious advantage to encourage more accurate assessment of livestock and to place more emphasis on tax recovery. Livestock owners, too, might find it more reasonable to pay a tax the receipts from which remain in the community to be used for public services which might include wells and other watering points for livestock. If assessment and collection of this tax could be made more efficient, it would constitute a very important source of revenue for local budgets in areas such as the Department of the East which contain large livestock herds.

Another means of enhancing the local revenue effort is the overt linking of tax revenue with specific services or service components. Examples of this practice, referred to as the earmarking of revenue,

exist in the form of special arrangements such as that between taxes on motor fuels and the establishment of a road fund (fond routier) for the construction and maintenance of the national road system. A similar linkage may be envisioned for taxes which correspond to specific service needs such as the livestock tax mentioned above. A fixed percentage of receipts or a flat sum could be placed in a special account to benefit livestock production. Funds could be spent on such services as watering points, the creation of revolving funds for medicine purchases by herder associations, and the construction of marketing facilities. Similarly, receipts from the market fee could be linked to the financing of market improvements such as stall construction or trash removal.

Another key area in which improvements may be made is the performance of tax agents. This would entail the provision of adequate numbers of trained personnel, increased funding for operational costs especially those related to mobility, and the development of stronger incentives for tax agents. At present, the Tax Service in the Department of the East has virtually no enforcement capability and agents are therefore unable to pursue cases in a manner which would dissuade non-payment.

Finally, the most important gains in local revenue administration may be achieved by actively incorporating local participation in the mobilization of revenue. If the revenue effort in rural areas is to be improved, local people must have a clear understanding of the objectives of taxation and of user fees and charges. There must be a realistic

belief in the convertibility of improved tax collection performance into objectives and goods valued by the local population and local leaders. This in turn requires that resources be made available for investments in social infrastructure and for the financing of recurrent costs required for the maintenance and improvement of existing services.

At the present time, local administrations lack the fiscal authority and functional responsibility which are required for effective decentralization. Local budgets have remained relatively static over time and local administrators have virtually no control over their sources of revenue. The key elements of service organization and finance are resolved at the central level with little influence exerted by local actors. In short, decentralization in Upper Volta will require significant improvements in administrative and technical capacity to provide services at the local level as well as increases in the fiscal resources available to local administrators.

The government must demonstrate a clear resolve to link taxes with services, especially in areas which are currently without even the most basic health, education and agricultural extension services. Local people <u>are</u> willing to help, by supplying needed labor and materials as is presently done, and by creating new revenues for local needs. When asked if they would be willing to pay a local tax the receipts from which would remain in the local administrative unit to be used for financing projects which benefitted the community, 93 percent of respondents said they would be willing to pay such a tax and an additional 5 percent said that their willingness was contingent only upon the amount of the tax.

The application of fees as a means of cost recovery for services provided to the public, however, remains rather limited. Since their institution during the colonial period, basic services such as health and education have been considered a state responsibility to be discharged free-of-charge to the population. There remains a strong sentiment against the creation of user fees and charges for these basic services among certain elements of the population and within the administration. The potential for revenue generation through their more widespread application, as well as the serious administrative problems and negative equity consequences of their use must be weighed by policy makers.

The extension of user fees and charges is recommended to cover the marginal costs of activities which yield private benefits to users of services. However, such a system should only be implemented if it can be demonstrated that the cost of the collection system is low in relation to fees collected, that fee receipts will be carefully controlled, that the additional revenue will be used for the maintenance and improvement of the service and if the administrative and technical capacity to provide such services exists and is effectively utilized.

Summary and Agenda

The first phase of the Local Revenue Administration Project in Upper Volta set out to examine the current state of revenue administration and service provision in the departments and communes of the country. The central theme of the study was the exploration of alternative means of resolving the recurrent cost crisis facing the

government in the realization of its plans for social and economic development.

This report provides a detailed description of revenues and expenditures in Upper Volta. The disaggregation of expenditure data by type, function and region provides a major contribution to the existing understanding of local service finance in a centralized administrative system. The review of tax policy and tax administration suggests various means of improving the effectiveness of the system and of increasing revenue for both central and local budgets. Similarly, the detailed analysis of local revenue administration and local attitudes in the Department of the East provides a useful account of the problems and potential for enhanced revenue mobilization and local participation in service delivery.

The perspective and the implications drawn from the research were undoubtedly influenced by the particular characteristics of the research area. The Department of the East is considered to be one of the poorest regions not because of the absence of natural resources, for it is known to have relatively rich soils (in the southern part) and a low level of population density, but due to the weakness of administrative services and socio-economic infrastructure.

A second phase of this project has been proposed. Research will be conducted in the Department of Hauts-Bassins and in the commune of Bobo-Dioulasso. The basic structure of the research program from Phase I will be replicated in this region which has significantly different social, economic and administrative characteristics. Phase II will also undertake a detailed analysis of the alternative revenue sources

available for financing public services in the commune of Bobo-Dioulasso. A series of workshops will be presented in conjunction with the National Administration School of Ouagadougou to central and local level public officials on issues of fiscal and administrative decentralization and local participation. Finally, technical assistance on recurrent cost financing will be provided upon request to projects operating in that region.

CENTRAL AND LOCAL REVENUE IN UPPER VOLTA

Introduction

By virtually any economic criterion, Upper Volta is among the poorest nations in the world. Whether one considers such measures as income (less than $200 per capita GNP), adult literacy (5 percent), life expectancy (43 years), natural resource endowments, or climate Upper Volta reflects and confronts conditions of poverty.

Given that over 90 percent of the population lives in rural areas, the quality of life of the vast majority of the over six million Voltaics depends upon the production of food grains and other agricultural products including livestock. Improvement in their standard of living hinges, then, on increasing agricultural production. Whatever the rural development strategy, increased production will require improved local transport, greater availability of water, more veterinary services, and improved agricultural practices. In addition, health services and schooling are needed complements to these sources of increased productivity and yield benefits in their own right as well.

The activities or services mentioned above are extremely limited today in Upper Volta. These activities, generally provided by governments out of public revenues, are rudimentary in Upper Volta mainly because of the low per capita revenues available despite only slightly below average tax rates levied in relation to GDP and above average effort in relation to estimated tax capacity. The limited services which are provided and directed to rural areas serve mainly to support and maintain the network of central government territorial

administration essential to the maintenance of a minimum of national integrity along with rural development, education, and health. This study estimates that, including foreign loans and grants, about CFAF 6500 or $30 per capita per year is allocated for the activities and services mentioned above, essential for rural development and growth in agricultural production.

This study examines the fiscal system of Upper Volta with particular concern for the distribution and delivery of services provided in local areas, the revenues actually or potentially available to support them, and the political and administrative structures and personnel available for their operation and management.

An Overview of African Tax Systems

As regards government organization, Upper Volta is a centralized unitary state. Consequently, all official governmental authority inheres in a central government which delegates some limited administrative functions to deconcentrated territorial government authorities. These local authorities have no independent taxing or expenditure powers and their activities are subject to the strict supervision and control by central government officials called tutelege or "tutelle" in French. Revenues from most taxes accrue to the central government. Proceeds of a few taxes are assigned to the budgets of the local authorities within whose boundaries they are collected. However, the provisions of these taxes are determined by the central government as are their rates, except for a small degree of local option. Since Upper Volta's Parliament has been suspended, tax provisions and the

destination of tax proceeds are subject to change by decree of the ruling authorities.

African countries which experienced colonial rule had systems of taxation of native populations imposed upon them. These systems made use of traditional authorities to collect taxes based on capitation or possessions. With independence, which for Upper Volta occured in 1960, and the appearance of an indigeneous modern sector these "traditional" or "village" taxes were supplemented by "modern" taxes on individual and business incomes, and on domestic sales, property, and exports and imports. Variations in present day African tax systems depend on their colonial past and their present situations and ideologies. Two salient factors account for their dominant features. One is whether the nation was a colony of a continental European nation or of Great Britain at the time of its independence. The other is whether the land tenure system of the country is communal or individual.

African nations such as Upper Volta, which were administered in the European continental tradition, have adopted in their modern taxes many of the features of early 20th century taxation as practiced in those European centralized countries of which France was the archetype. In taxing income they employ a series of separate schedules each with its specific tax base and, generally, without integration of all sources of income into a global income tax for an individual or family. While this is no longer the practice in France, and while many African nations have undertaken reforms toward a global income tax, most West African countries, including Upper Volta resist such changes, partly due to the difficulty of delimiting the taxpaying unit in societies where there is

a strong tradition of the extended family. The presence, then, of separate schedular income taxes on salaries, interest, rents, business profits, and capital gains continues to characterize African taxation of the modern sector.

The structure of land tenure is crucial in determining the character of traditional or village taxes, and consequently, vital for the prospects of providing local authorities with sources of taxation. Where title to agricultural land is legally held by an individual or other legal entity, taxation of land and crops is feasible and generally undertaken in the form of property taxes on agricultural land, crops, and buildings. African land tenure, however, is primarily customary and in Upper Volta, as in most African countries, agricultural land is under the control of local traditional authorities who determine its allocation among family groups. Some alterations in such allocation occur each growing season. Further, the group of individuals who work a particular field varies over the growing season and the claims of individuals to the harvest is complex. Under these circumstances, it is an extremely difficult, if not impossible, administrative task to levy a property tax on agricultural land or crops.

Instead, in countries where land tenure precludes property taxes on the traditional agricultural sector, direct taxation of the subsistence sector largely takes the form of personal taxation. Here, taxes are set at a basic flat rate per person for those engaged soley in subsistance agriculture and at higher levels for those engaged in commercial agriculture or in various rural occupations such as wood hauling or producing native beer. It should be noted, however, that traditional

agriculture also is taxed when countries establish marketing boards which buy food grains at prices below the world price or below the price paid in neighboring countries.

Revenues of the Central Government

Central government revenue includes taxes, non-tax domestic revenues, and unencumbered foreign loans and grants to support the national budget The revenues discussed here include only those available to finance the national budget and the Social Security Fund. Therefore, foreign assistance in the form of project aid which does not pass through the national budget is excluded from this discussion of central revenues, but is included in the portion of the report which concerns government expenditures. Table R-1 shows the evolution of these components over the recent past. Total taxes should include social security contributions, which are not included in the usual statement of receipts prepared by the Budget Division (Direction General de Budget) of the Treasury, and taxes collected due from previous years, which is included, but as non-tax revenues rather than as taxes. For 1980, our measure shows taxes of CFAF 38.6 billion. Non-tax revenues for 1980 were not available, but have been about CFAF 2.0 billion for the past few years. In 1980, there was no special grant from the French government for general budgetary purposes nor any major foreign loan, but in 1981 the government borrowed CFAF 2.5 billion and was granted emergency aid of CFAF 1.8 billion. Taxes, exclusive of those owed from previous years and social security contributions, rose from CFAF 28.6

TABLE R-1

TOTAL CENTRAL GOVERNMENT REVENUES
(CFAF billions)

Revenue Source	1973	1976	1977	1978	1979	1980	1981	1982[1]
Taxes								
National Budget	10.9	19.2	24.4	27.2	28.6	33.2	36.3	40.3
Previous Years	.3[1]	.5	1.1	1.0	.8	1.0	2.8	1.9
Total Tax Revenues	11.2	19.7	25.5	28.2	29.4	34.2	39.1	42.2
Non-Tax Revenues	.8[1]	1.3	1.1	1.5	2.0	3.5[1]	5.4[1]	N.A.
Foreign Aid	.8	1.1	1.2	.5	6.2	0	4.3	N.A.
Total Revenue	12.8	22.1	27.8	30.2	37.6	37.7	48.8	47.8[2]
Exhibit: Social Security Contributions	---	---	1.8	2.6	2.9	4.2[1]	4.6[1]	N.A.
Taxes as a Percent of GDP	11.0	12.5	14.5	13.6	12.8	14.4	13.7	
Taxes Per Capita[3]								
In Current CFAF	1,867	3,283	4,550	5,133	5,383	6,400	7,283	
In Constant CFAF[4]	1,867	2,253	2,842	2,993	2,824	3,052[6]	3,158[6]	
In Current Dollars[5]	8.4	13.7	18.5	22.8	25.3	30.3	26.8	
In Constant Dollars	8.4	9.4	11.6	13.3	13.3	14.4	11.6	

[1] Projected by Upper Volta Ministry of Finance

[2] Exclusive of foreign aid.

[3] Population estimated to be 6 million.

[4] Deflated by price index of government consumption.

[5] At annual official exchange rate.

[6] Annual inflation rate estimated at 10 percent.

SOURCES: IMF, Government Finance Statistics Yearbook and Upper Volta Ministry of Finance reports on national government receipts.

billion in 1979 to 36.3 billion in 1981 and were projected at CFAF 40.3 billion for 1982.

Taxes of the central government have increased at about the same rate as growth in nominal GDP. The ratio of taxes to GDP of around 14 to 15 percent reached in 1977 has, therefore, remained constant, except for 1979 when tax collections lagged behind the growth of nominal GDP. The overall responsiveness of taxation to GDP, then has varied around 1.0.

Estimation of changes in per capita taxation requires assumptions about the short-run rate of population growth. To avoid the difficulties of the lack of knowledge of such growth rates, population is assumed constant at 6.0 million in the calculation presented in Table R-1. On this basis, per capita taxes were CFAF 6400 in 1980 or approximately $30. In comparison with 1973, when they were CFAF 1867, per capita taxes increased by a factor of 3.4 times; however, the increase falls to 1.7 times when adjusted for price changes.

In terms of tax effort and responsiveness of taxes to growth in GDP Upper Volta has done relatively well in comparison with other African countries. Table R-2 provides some comparative data. Although its ratio of tax to GDP was below the average for six comparable low income semi-arid countries (17.8), its ratio of actual to potential tax revenues was above all but one of these countries and was ranked 9th out of 34 African countries studied.[1] As regards responsiveness to changes

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[1]See Vito Tanzi, Taxation in Sub-Saharan Africa--Statistical Analysis, Fiscal Affairs Department, IMF, Washington, D.C., March 13, 1981. Additional tabulations made from data in Accelerated Development in Sub-Saharan Africa, an Agenda for Action (Washington, D.C.: World Bank, 1981).

TABLE R-2

COMPARATIVE TAX EFFORTS AMONG SELECTED AFRICAN STATES

Country/Year[1]			Measures of Tax Effort and Responsiveness			Percent Distribution of Tax Revenues by Type of Tax			
			Taxes as Percent of GDP	Index of Tax Capacity	Tax Buoyancy (1978-81)	Profits and Income	Excise Sales and Turnover	Imports	Exports
Upper Volta	(1981)	(1980)	11.2[2]	1.11	.89	20.1	20.6	48.0	3.7
Other Low-Income Semi-Arid									
Chad	(1977)	(1976)	8.1	.61	.34[a]	21.8	15.5	51.8	10.0
Somalia	(1977)	(1977)	23.9	1.35	1.34[b]	9.1	27.8	50.9	1.9
Mali	(1981)	(1981)	10.7	.86	.97	16.5	13.3	45.9	2.4
Gambia	(1977)	(1978)	20.7	.89	1.97[c]	17.9	3.8	66.7	10.2
Niger	(1981)	(1981)	11.0		1.10	24.1	26.4	38.9	6.1
Mauritania	(1980)	(1980)	15.0	1.00	1.00	31.9	10.9	45.5	.7
Other Low-Income									
Ethiopia	(1977)	(1977)	12.8	.95	2.45[b]	21.8	20.8	28.3	26.1
Sudan	(1977)	(1978)	14.0	1.04	.85[b]	14.4	31.9	45.5	4.0
Middle Income Oil Importers									
Kenya	(1978)	(1977)	19.4	.89	1.26[c]	40.6	38.3	20.0	2.1[d]
Senegal	(1981)	(1979)	19.8	1.10	1.15	19.3	28.5	45.2	1.9
Ivory Coast	(1981)	(1981)	22.8	1.00	1.06	14.1	25.5	35.9	10.2
Middle Income Oil Exporter									
Nigeria	(1977)	(1977)	22.2	.98	1.57[b]	79.8	2.9	17.1	.1

[1] First year refers to taxes as percent of GDP; second year refers to percent distribution of tax revenues.

[2] Differs from the figure in Table R-1 because Social Security contributions and arrears collected for previous years are not included.

[a] 1972-1975 [b] 1972-1976 [c] 1972-1977 [d] 1978

SOURCE: IMF, Government Finance Statistics Yearbook.

in GDP, evidence for the recent period does show only a proportionate response. A comparative African analysis starting in 1972/73 and ending in 1977/78 indicates that Upper Volta's tax revenues were more responsive than those of all but six of the 33 countries studied.

Indirect Taxes: Import, Turnover and Excise Taxes

As with most non-oil producing African countries, the major tax source in Upper Volta is import duties. See Tables R-3 and R-4 for details of revenue sources during the last decade. As shown by Table R-4 import duties in 1980 were 42 percent of current tax revenues. According to a comparative IMF study for the period 1970-1977,[1] Upper Volta at 49 percent was one of fifteen countries in Sub-Saharan Africa in which import duties accounted for more than 40 percent of tax revenue; in another nine countries, the duties amounted to between 30 and 40 percent. The importance of import taxes in the African governmental revenue systems is attributable largely to the relative ease of collection of these taxes, their potential for raising revenues from those with ability to pay, and the desire to provide protection for import substituting local economic activities.

Sales or excise taxation is an often recommended alternative to import taxation as a source of equitable revenue. Such taxes, however, are more difficult to assess and collect than import taxes in countries where accurate records of transactions are kept only by a small proportion of sellers. Consequently, as Table R-5 reveals,, only about

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[1] Ibid.

TABLE R-3

SOURCES OF CENTRAL GOVERNMENT REVENUES
(CFAF billions)

	1973	1976	1977	1978	1979	1980	1981	Elasticity 1976-81
Direct Taxes:								
Modern	1.4	2.7	5.3	6.8	7.6	10.9	11.8	
Income and Profits Taxes on Individuals[1]	1.0	1.7	2.1	2.7	3.0	4.4	4.8	1.79
Income and Profits on Enterprises	.4	.7	1.1	1.1	1.2	1.7	1.8	1.54
Social Security Contributions	---	---	1.8	2.6	2.9	4.2[4]	4.6[4]	
Apprenticeship	.1	.3	.3	.4	.5	.6	.6	.98
Traditional	.7	.7	.7	.6	.7	.6	.5	-.28
IFR	.7	.7	.6	.5	.7	.6	.5	-.28
Livestock	---	.1	.1	---	---	.1	---	-.14
Indirect Taxes:								
Turnover	.8	1.3	2.0	2.3	2.1	2.9	3.5	1.66
Excises[2]	1.4	2.8	3.1	3.9	4.3	3.8	4.2	.49
Trade	6.3	11.2	14.7	15.7	16.2	18.5	20.1	.78
Other								
Registration and Stamp	.3	.4	.4	.6	.6	.6	.8	1.02
Previous Years	.3[4]	.5	1.1	1.0	.8	1.0	2.8	5.00
Total Tax Revenues (including previous years and Social Security)	11.2	19.7	27.3	31.8	32.3	38.4	43.7	1.19
Non-Fiscal Revenues[3]	.8[4]	1.3	1.1	1.5	2.0	3.5[4]		2.87[5]
Taxes as Percent of GDP (market prices)	11.0	12.5	14.5	14.1	12.8	14.4	13.7	

[1]Includes IRVM; [2]Excises, Tobacco monopoly, licenses; [3]IMF section V minus previous years taxes; [4]Estimated; [5]1976-79.

SOURCES: Same as Table R-1.

TABLE R-4

PERCENT DISTRIBUTION OF CENTRAL GOVERNMENT TAX REVENUES
(percentage shares)[1]

	1973	1977	1980	1981
Indirect Taxes				
Trade	56	54	48	46
Imports	53	48	42	41
Exports and Other	3	6	6	5
Excises	13	11	10	10
Tobacco	7	6	3	3
Petroleum	4	2	3	3
Beverages	1	1	2	2
Cola Nuts	---	2	1	1
Other	---	---	---	---
Turnover	7	7	8	8
TOTAL INDIRECT	76	72	66	64
Direct Taxes				
Wages and Salaries	7	7	10	9
Other Taxes on Income				
Traditional	7	3	2	1
Industrial/Commercial	3	4	4	4
Income from Securities	1	1	2	2
Social Security	---	7	11	11
Apprenticeship	1	1	2	1
Other Taxes				
Registration and Stamp	3	1	2	2
Previous Years	3	4	3	6
TOTAL DIRECT	25	28	36	36
TOTAL	100	100	100	100

SOURCES: Table R-3 and Upper Volta reports on government receipts.

TABLE R-5

PERCENT DISTRIBUTION OF INDIRECT TAXES

	1973		1977		1980		1981		
	CFAF millions	Percent	CFAF millions	Percent	CFAF millions	Percent	CFAF millions	Percent	Elasticity 1973-81
Trade	6.3	74	14.7	74	18.5	73	20.1	72	1.03
Imports	5.9	69	13.0	66	16.2	64	18.0	65	.96
Exports	.3	5	.9	5	1.2	5	2.1	8	2.82
Excises	1.4	16	3.1	16	3.8	15	4.2	15	.94
Tobacco	.8	9	1.7	9	1.3	5	1.3	5	.29
Petroleum	.4	5	.5	3	1.2	5	1.4	5	1.17
Beverages	.1	1	.4	2	.8	3	.8	3	3.29
Cola Nuts	---		.5	3	.5	2	.6	2	13.24
Other	.1	1	.1	1	.1	---	.1	---	0
Turnover	.8	9	2.0	10	2.9	11	3.5	13	1.58
TOTAL	8.5	100%	19.8	100%	25.3	100%	27.8	100%	1.07

Exhibit: Direct Tax Elasticities, 1973-81

Wages and Salaries	1.88
Industrial/Commercial	1.64

SOURCES: Same as Table R-4.

27 percent of all revenue from indirect taxes in Upper Volta derive from the turnover tax and selective excise taxes as compared to 65 percent from import taxation. Further, over 80 percent of revenues from excise taxes are obtained from imported goods, where the tax is essentially a tax on imports and is collected at the port of entry or from the importing company. Thus, only the turnover tax among indirect taxes requires the monitoring of small enterprises by tax agents.

Many students of African taxation advocate substitution of increased sales and excise taxes for the part of import taxation intended to raise revenues and to promote an equitable distribution of tax burdens.[1] They argue that high rates on imports levied with the intention of taxing luxury goods often have a counter-productive effect in promoting inefficient local production of these items through use of lower taxed imported intermediate goods combined with very few indigenous inputs. It is argued that taxation of luxuries and other commodities marketed in the modern sector should be achieved by means of high rate excise taxes levied regardless of whether goods are produced locally or imported. Import duties, on the other hand, should have the purpose of protecting economic activities which have genuine potential for comparative advantage as import substitutes. While these strategies have substantial merit they have proven difficult to implement in regions, such as Upper Volta, where sales records are incomplete and monitoring of tax compliance difficult.

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[1] For example, see C.A. Aguirre, P.S. Griffith, and M.Z. Yucelik, Tax Policy and Administration in Sub-Saharan Africa, International Monetary Fund (Washington, D.C.: Fiscal Affairs Division, March 13, 1981).

Upper Volta, like other Francophone West African countries levies a turnover tax (TCA) on sales of domestic or imported goods and services. The value of intermediate goods embodied in the product and which cannot be resold, are deductible from the tax base. In addition, specific excise taxes are assessed on sales of petroleum products, bottled or canned beverages, tobacco, and cola nuts. The turnover tax, however, exempts many specific items. Items exempted include all exports, virtually all capital goods, many foodstuffs and other consumer goods, pharmaceuticals and medical items, and the items on which excise taxes are levied. No distinction is made, however, between domestically produced and imported goods. It is not surprising, then, that despite a rate of 22 percent on the pre-tax value of sales (18 percent on the value including tax) the proceeds of the turnover tax tend to be about three quarters of the revenues collected from the selective excise taxes. In per capita terms, the yield of the turnover tax in 1979 was about CFAF 2.1 billion rising in 1980 to 2.9 billion, while the sum of the selective excise taxes including tobacco in 1979 and 1980 was CFAF 4.3 and 3.8 billion respectively.

Taken together, then, turnover and excise taxes account for about 20 percent of total tax receipts, and amount to approximately 3.5 percent of Voltaic GDP. In per capita terms they equal CFAF 1,125 or about $5.50.

The turnover tax is levied at ad valorem rates. Consequently its receipts should rise over time in proportion to the total value of transactions subject to the tax. Data do show an irregular but definite pattern of growth in revenues over time from the turnover tax. While we

do not have information on the total tax base for the turnover tax, it is reasonable to assume that the ratio of the turnover tax base to GDP remains constant over a relatively short period of time. If this is true, receipts from the turnover tax should grow at approximately the same rate as nominal GDP. During the period from 1970 to 1979 this general relation held as turnover tax receipts increased by a factor of 2.2 while nominal GDP grew by 2.6. On a year by year basis, however, despite unchanged provisions of the tax its relation to GDP is quite irregular with turnover tax receipts in some years showing reductions in the face of increased nominal GDP.

Selective excise taxes in Upper Volta all are per unit taxes. For such taxes, as prices of the taxed items rise, revenues increase less than proportionately to sales unless the rates themselves are increased. For beverages and tobacco tax rates have remained unchanged during the past decade. Tax revenues have increased, however, as the volume of sales of thus items has risen. On the other hand, excise tax rates were increased sharply on cola nuts (in 1976) from CFAF 5 to 60 per kilogram and on gasoline (in 1975) by about 80 percent so receipts from these sources have grown in response to both increased sales and higher rates.

However, since 1975, despite the dramatic increase in the price of petroleum, the per unit tax has remained constant. The result is that the effective tax rate on petroleum products has decreased by about half. In connection with the petroleum tax, it should be noted that 59 percent of the proceeds of this tax are earmarked for the road fund (Fond Routierre). There is substantial doubt, however, that the full share is so distributed.

The low responsiveness of excise taxes to increases in GDP (elasticity of .55) is parallelled by a similar lack of responsiveness of revenues from taxes on international trade, mainly of import duties. The elasticity shown in Table R-3 of .97 is misleading. The increased ratio of imports to GDP should provide an elasticity much higher than one. The main reason for the failure of import duties to rise proportionately to the growth in imports is that duties on major imports are determined on the basis of posted prices (valeurs mercuriales) for imports rather than market prices. A schedule of posted prices per unit for imports is established so that customs officials can readily determine the taxable value of shipments. These values, however, are rarely altered despite changes in market prices. Thus, while customs duties are nominally ad valorem taxes, in effect, they are assessed on a per unit basis and do not yield higher revenues when prices rise.

Indirect Taxes: Export Taxes

Export taxes constitute only 4 percent of total tax revenues for Upper Volta. Unlike the Ivory Coast and a few other African countries which export primary products, only livestock and fibers constitute a significant source of export tax revenues for Upper Volta. The exit duty at ad valorem rates which vary depending on commodity, applies to all exports. In addition, there is a supplementary "statistical" tax of 3 percent of the export price and a "research" tax of from .5 to 1.5 percent of the export price.

Direct Taxation

As Tables R-3 and R-4 show, direct taxes on profits and income excluding social security in Upper Volta comprise less than 20 percent

of total central government tax revenues and amount to only slightly more than two percent of GDP. Table R-2 indicates that this degree of utilization of direct taxes is about average for Francophone West Africa countries. However, most other African countries make considerably greater use of direct taxation, including such low-income East and Central African nations as Tanzania and Sudan as well as exporting nations such as Congo, Zaire, and Nigeria.

The low yield from direct taxes including social security contributions, amounting to only about CFAF 1000 per capita in 1978 and 1979 and CFAF 1300 in 1980 ($6), is largely a consequence of the small size of the commercial and business sectors, extensive tax incentives for private investments and the low proportion of the population employed in the modern sector, rather than specific exclusions of potential tax sources. Taxes are levied in Upper Volta on all sources of income. Direct taxes on wages and salaries are withheld by employers. Profits of business enterprises and from self-employment are taxed. Taxes also are levied on rental income, income from financial securities, and capital gains. In addition, property used for urban housing and for business purposes is taxed, although these revenues accrue to budgets of departments and communes and not to the national budget. There also are registration fees and stamp duties levied on legal instruments related to transfer of property ownership. There appears to be no reasonable source of income which escapes liability under the direct tax umbrella.

Further, direct taxes are assessed on those whose sole economic activity takes place in traditional pursuits. Those who work the land

pay a minimum standard tax and a tax on livestock. Those who practice traditional occupations such as production of native beer and hauling and selling wood pay a higher standard tax and in addition an occupation tax (patente). Only a small part of the revenues from these taxes accrues to the central government, however. Later sections describe the allocation of revenues from traditional taxes and recent changes in their distribution.

Provisions of Specific Direct Taxes

Table R-6 lists central government taxes by name in French and English and gives standard abbreviations which are used here. Table R-7 shows the share of total direct taxes of each specific direct tax from 1976 to 1981. Among the direct taxes, over three-quarters of revenues are derived from the taxes on wages and salaries (50-56 percent for the period 1978-80) and on corporate business profits (25 percent).

Nominal tax rates on the taxes on wages and salaries (IUTS) and on profits from business and "professional" self-employment (BIC, BNC) are progressive and reach marginal rates of 30 and 35 percent respectively. The tax on wages and salaries allows deductions of costs of employment and contributions to pension funds. In addition a percentage reduction in tax liability is provided which varies with the number of dependents. The average tax rate on the state established minimum monthly wage in Upper Volta of CFAF 20,000 ($100) for a full-time employee with two dependents comes to about 3 percent. A middle level civil servant or experienced primary school teacher earns approximately CFAF 60,000 per month ($300) and with two dependents would pay an average rate of about 10 percent.

TABLE R-6

THE TAX SYSTEM OF UPPER VOLTA

Central Government Taxes

Type and Name of Tax	Basic Provisions
A. Taxes on Income and Profits	
1. Taxes on Individuals	
a. Standard Tax on Income Impot forfaitaire sur le revenu (IFR)	Payable by non-salaried residents between the ages of 18 and 60. Most pay minimum amount but tax liability is graduated across six classifications of economic activity corresponding to presumptive income levels.
b. Noncommercial Profits Tax - Impot sur les benefices des professions non commerciales (BNC)	Annual levy on net profits derived from "liberal" professions, posts of a non-commercial nature and all other occupations and gainful activities (essentially self-employment in the modern sector) which are not subject to other income or profits taxes.
c. Progressive Income Tax Impot progressif sur le revenu (IPR)	Since 1970 levied only on the income of French technical assistance experts. A surtax on income subject to the IUTS above CFAF 200,000.
d. Single Progressive Tax on Wages and Salaries Impot unique sur les traitements et salaires (IUTS)	Levied on the net amount of public and private wages, salaries or cash benefits received by persons domiciled in Upper Volta. Allowance is made for family status and number of dependents. Living allowances, pensions and selected other payments are exempted. The tax is withheld at the source.
e. Tax on Rental Income Impot sur les revenues immobiliere (IRI)	Tax on gross rental income from improved or unimproved real estate above CFAF 120,000 per year. First five years rental income is exempt.
f. Tax on Real Estate Capital Gains - Taxes sur les plus-values immobilieres	Tax on capital gains resulting from the involuntary sale of real estate.

TABLE R-6 (CONT.)

Central Government Taxes (cont.)

Type and Name of Tax	Basic Provisions
A. Taxes on Income and Profits (cont.)	
2. Taxes on Corporations	
a. Industrial, Commercial and Agricultural Profits Tax - Impot proportionnel sur les benefices industriels, commerciaux et agricoles (BIC)	Levied on the actual profits of all permanent establishments in Upper Volta after deductions of reasonable business expenses and income from financial assets.
b. Flat Rate Minimum Tax on Corporations - Impot minimum forfaitaire sur les professions industrielles et commerciales (IMFPIC)	Individuals and businesses subject to the BIC but whose turnover does not exceed CFA 15 million where the principal activity is retailing (and CFAF 5 million otherwise) are taxed on a presumptive assessment of profits. This tax is deductible from the BIC.
3. Other Unallocable Taxes on Income	
a. Tax on Income from Securities (i.e., financial assets) - Impot sur le revenu des valeurs mobilieres (IRVM)	A tax withheld at the source on dividends, interest and other income from securities received by individuals or companies regardless of their nationality.
B. Social Security Contributions - Cotisations de de securite sociale	Employers' share is 18.5 percent of wages and salaries; 4.5 percent is deducted from employees' pay.
C. Payroll and Apprenticeship Tax - Taxe patronale et d'apprentissage (TPA)	A tax on the total amount of wages, emoluments and travel expenses paid by any individual or legal entity. Employers who provide professional training may be exempted from the tax.

TABLE R-6 (CONT.)

Central Government Taxes (cont.)

Type and Name of Tax	Basic Provisions
D. Taxes on Property	
1. Registration Tax - Droits d'enregistrement	A tax on the value of newly issued corporate securities as well as on rental and property-transfer contracts.
2. Land Registration Tax Droits d'immatriculation et d'inscription fonciere	A tax paid to register ownership of land.
3. Tax on Televisions - Taxe sur les Televiseurs (Tele)	A tax of CFAF 5,000 paid by all owners of televisions
4. Livestock Tax - Taxe sur le betail (TBET)	A flat rate tax on cattle, horses, donkeys, camels and pigs.
E. Domestic Taxes on Goods and Services	
1. Turnover Tax - Taxe sur le chiffre d'affaires (TCA)	A tax on the turnover (total receipts plus amounts due under contracts and invoices) achieved by persons engaged in the following activities: the supply of board and lodging, the sale of goods consumed on the premises, construction, provision of services, manufacturing, and self-provision. Insurance companies, newspapers, exports and many goods for domestic consumption are exempt as are sales or transfers by administrative bodies.
2. Excises - Taxes de consommation	Per unit taxes on the following products (These taxes are collected on imports by the Customs Service.)
a. Locally Manufactured Beverages - Taxe sur les boissons de fabrication locale	
b. Petroleum Products - Taxe sur les produits petroliers	

TABLE R-6 (CONT.)

Central Government Taxes (cont.)

Type and Name of Tax	Basic Provisions
E. Domestic Taxes on Goods and Services (cont.)	
2. Excises (cont.)	
c. Cartridges - Taxe sur les cartouches	
d. Imported Beverages Taxe sur les boissons importees	
e. Cola Nuts - Taxe sur les colas	
f. Tobacco, Cigars, and Cigarettes - Taxe sur les Tabacs, cigares et cigarettes	
3. Profits of the Tobacco Monopoly - Produits du monopole des Tabacs	The Tobacco Monopoly controls all aspects of the tobacco products industry and trade within Upper Volta. 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 these products plus the commission granted to authorized wholesalers.
4. Other Taxes on Goods and Services	
a. Tax on Insurance Policies - Taxe sur les contrats d'assurance	Annual tax on insurance premiums. Policies taken out by non-residents or covering risks situated outside of Upper Volta are exempt.
b. Beverage Sales Licenses Licences - vente a la consommation	A tax on all establishments selling beverages for consumption on the premises. Rates vary by locality and type of beverage.

TABLE R-6 (CONT.)

Central Government Taxes (cont.)

Type and Name of Tax	Basic Provisions
F. Taxes on International Trade Taxes on Imports	
1. Customs Duties - Droits de douane	Ad valorem duties on the landed cost or posted values of imports originating outside of the CEAO. A minimum tariff of 5 percent applies to imports from countries possessing most-favored-nation status. The general tariff is triple this rate. The purpose of these duties is primarily protectionist.
2. Fiscal Duties - Droits fiscaux a 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 inputs and aid-financed inputs. The rate of the tax varies by product.
3. Regional Cooperation Tax - Taxe de cooperation regionale	Applied to certain agreed industrial products made in the CEAO in lieu of all other duties and tariffs applied to such products imported from other countries.
4. Import Surtax Surtaxe a 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 CEAO; 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.

TABLE R-6 (CONT.)

Central Government Taxes (cont.)

Type and Name of Tax	Basic Provisions
H. Other Taxes on International Trade	
1. Customs Seal - Droits de magasinage, plombage et remboursement d'imprimes	
2. Livestock Transit Tax Taxe de transit sur le betail	A tax on all cattle, sheep and goats entering Upper Volta 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 charge of all exports.
4. Toll Tax - Taxe de peage	A tax on selected imports and exports whose revenues are earmarked for the Chamber of Commerce
5. COVOC Tax - Taxe COVOC	A .5 percent tax on all imports and exports whose revenues are earmarked for the Upper Volta Shippers' Council.

TABLE R-7

PERCENT DISTRIBUTION OF DIRECT TAXES[1]

	1976	1979	1980	1981	Percentage Change in Revenues 1976-81
Standard Tax on Income (IFR)	20	12	8	8	-26
Livestock Tax (TBET)	2	1	1	1	-13
Industrial, Commercial and Agricultural Profits Tax (BIC)	19	22	23	23	174
Noncommercial Profits Tax (BNC)	*	*	*	*	4
Tax on Income From Securities (IRVM)	7	8	8	10	206
Progressive Income Tax (IPR)	1	*	*	*	*
Single Progressive Tax on Wages and Salaries (IUTS)	42	47	51	51	173
Tax on Rental Income (IRI)	*	*	1	1	5,000
Payroll and Apprenticeship Tax (TPA)	9	9	9	8	100
Tax on Televisions (TELE)	*	*	*	*	100
Total	100	100	100	100	
Total (CFAF millions)	3,431	5,372	7,388	7,744	126

[1]Excluding Social Security contributions.

*Less than 1 percent.

SOURCE: Same as Table R-4.

Tax rates on profits vary depending on whether the enterprise is owned by an individual or a corporation. In all cases, taxable income (profit) is measured as revenue minus allowable deductions. One unusual feature, here, is that income from financial investments are deducted because such income is taxed separately (IRVM). Thus, a schedule of tax rates varying from 10 to 27 percent applies to income from financial investments, regardless of whether it accrues to an individual or a business enterprises. The tax rate on corporate profits is a flat 40 percent. For individually owned enterprises there is a progressive rate which reaches 35 percent for profits above $10,000 and which allows for deductions from tax liability for dependents.

Taxpayers liable for business taxes but whose turnover is below a certain minimum are assessed a presumptive or "forfeit" tax based on their turnover. This is to ensure minimum tax collection if the establishment fails to provide adequate information to the tax collector for estimation of its tax liability. The presumptive assessment is credited to the tax liability determined from the enterprises' taxable profits. If, however, the tax liability under the profits tax turns out to be less than the presumptive assessment, refunds are not made.

While these direct taxes on businesses are comprehensive and progressive, general tax incentives are provided to all enterprises and special treatment given to "priority enterprises". Arrangements for tax reductions are complex. Essentially they provide negotiated exemptions from import duties, profit taxes, and turnover taxes for new investments and exemption of profits or capital gains earned in Upper Volta from

taxation if reinvested. Where ememptions are granted, however, a stipulated contribution to a development aid fund is required.

The standard tax on income (IFR) is paid by adults who receive no wage or salary on which tax is withheld. It, along with the livestock tax (TBET) yielded less than 15 percent of central government direct taxes in 1978 and 1979 and fell to 8 percent in 1980. As discussed below central government revenues from the IFR consist of collections of this tax from areas outside communes. Receipts from the IFR raised within communes are assigned to communal budgets. As from 1981, departments qualify for central government grants of the full amount of the IFR collected within their boundaries; however, the IFR will still appear as a revenue in the national budget.

Two further taxes complete the itemization of central government taxes. One, the social security contribution, is paid for all employees, at a rate of 23 percent. Employers pay 18.5 percent and employees contribute 4.5 percent. Currently annual social security taxes in Upper Volta exceed benefits. The surplus is used for loans to the private sector and is not available to finance other expenditures of the central government. In 1979 these contributions amounted to almost CFAF 3 billion, and in 1980 to almost 4 billion, roughly one tenth of total central government taxes in each year and equal to revenues from the tax on wages and salaries (IUTS). The other tax is an apprenticeship tax (TPA) levied on the payrolls of those employers who are required to pay either the commercial profits tax (BIC) or the non-commercial profits tax (BNC). The tax rate is 4 percent on payrolls of Voltaic nationals and 8 percent on wages or salaries of foreigners.

Agricultural enterprises and railroads are exempt and credit is given for expenditures for training made by an organization subject to the apprenticeship tax. The proceeds of the tax are nominally earmarked for training. About CFAF 450 million was raised by this tax in 1978 and 1979; in 1980 collections rose to CFAF 642 million, and the 1982 projections put them at CFAF 750 billion.

Summary

Upper Volta's central government per capita revenue from domestic sources in 1981 (assuming a population of six million) of about CFAF 7400 ($35) results from a somewhat below average share of taxes to GDP for Sub-Saharan African countries. However, revenues are above the amount predicted for Upper Volta by a statistical analysis of expected tax revenue based on measures of countries'tax capacity.

For the past several years tax revenues have grown steadily in proportion to GDP, but somewhat irregularly from year to year. The relative importance of direct and indirect taxation has remained rather constant, although the share of direct taxes has increased somewhat, rising to almost 10 percent in 1980.

The most significant recent development as regards revenues is the reliance on foreign aid and loans to balance the national budget in 1981 and the possible need for such aid to bring the 1982 national budget into balance. This situation is mainly the result of higher expenditures, but also is partly due to the failure of revenues to expand in 1981 and 1982 at the rate they increased from 1979 to 1980. Foreign project aid continues to be a major source of resources for

public investment in Upper Volta. This section, however, has focused on revenues for the national budget. The magnitude and purposes of foreign project aid are, therefore, treated in the part of the report which deals with public expenditure.

Proposals to improve tax collections have been suggested. They include more frequent up-dating of posted prices of imports subject to customs duties, reduction of tax concessions for new investment or reinvestment of profits, and increased personnel and material resources for tax collection. Another frequently mentioned suggestion is the adoption of user charges, at least to cover the marginal costs of services which yield direct personal benefits to recipients. Still, most examinations of national revenues in Upper Volta conclude that the only hope for significantly larger domestic revenues lies in increased economic activity and its effect on raising the tax base.

Revenues of Local Authorities

In unitary states local authorities generally have few inherent powers, but depend instead on those delegated to them by the central government. Some unitary systems, Great Britain for example, assign considerable powers to their local authorities, including the right to levy taxes and make expenditures. Others, following the highly centralized French model, establish and maintain local authorities primarily as instruments of territorial administration operated by central government agencies and their agents. This arrangement characterizes Upper Volta's system of local authorities.

Under such a system the preponderance of governmental regulation and service provision throughout the national territory is conducted by field officers of central government ministries. These activities are regulated and supervised by officials in the directorate of the appropriate ministry and financed by appropriations from central government revenues. Even under so centralized a system of administration, allowance is required for activities based on particular local conditions or needs. Consequently, some relatively insignificant sources of revenue are delegated to local authorities and arrangements made for an orderly determination of budget priorities and actual expenditures.

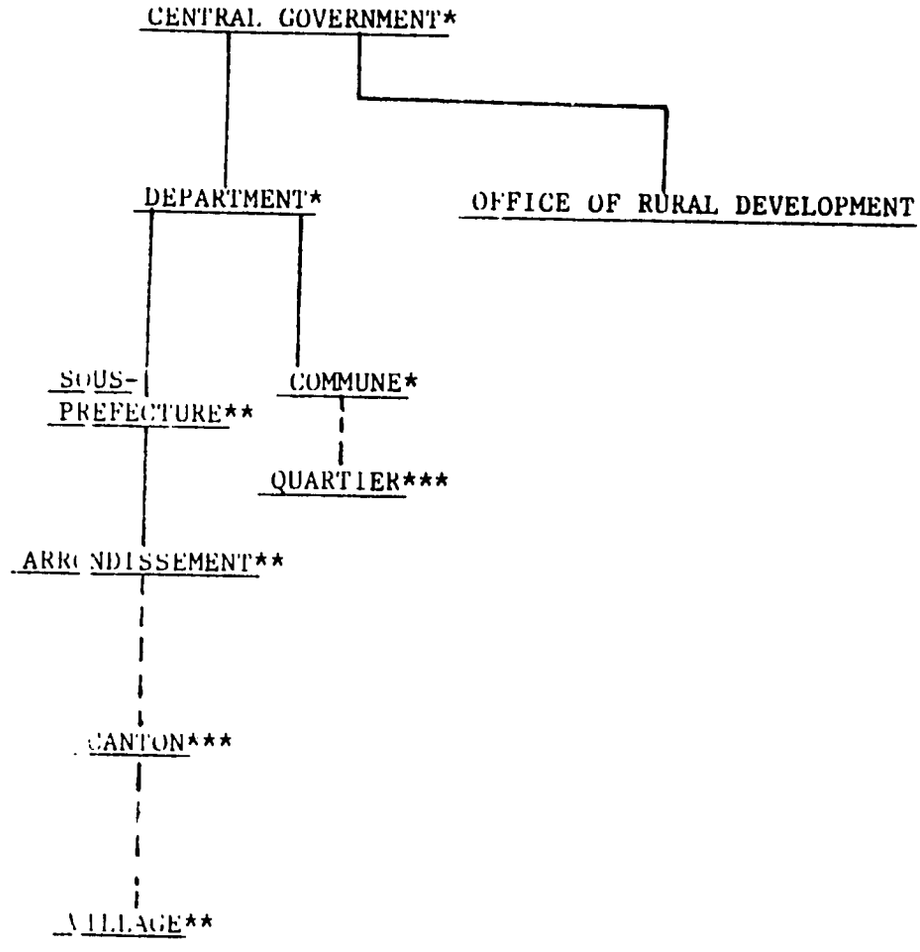
Organization of Territorial Administration

To explain local revenues in Upper Volta some description of government organization and territorial administration is essential. Charts 1 and 2 summarize relevant information on this matter for Upper Volta. A basic distinction in government organization in Francophone systems is between an administrative division (conconscription administrative) and a decentralized public collectivity (collectivite publique). The latter has a corporate status and financial authority. The former is simply a unit of territorial administration with no independent status.

The largest and most important administrative divisions are the 11 departments, which also are public collectivities, having financial autonomy. The present departmental structure was established in 1974 by consolidation of the over 40 "circles" which had been created by the French as convenient territorial regions based largely on

CHART 1

GOVERNMENT ADMINISTRATIVE DIVISIONS
IN UPPER VOLTA



* Both administrative unit and public authority; (has budget).

** Solely administrative unit; (has no budget).

*** Traditional unit, has no official standing

CHART 2

DESCRIPTION OF UNITS OF GOVERNMENT ADMINISTRATION IN UPPER VOLTA

Unit/Status	Number	Executive	Administrative or Governing Body
Central Government Admin. Div./Public Collectivity	1	Prime Minister/President	Le Conseil de salut du peuple (C.S.P.)
Department (Departement) Admin. Div./Pub. Coll.	11	Prefect (Appointed by Prime Minister; Official of MIS)	Departmental Delegation: Prefect and departmental directors of central ministry field officials
Commune Admin. Div/Pub. Collect (Dept.of the East.....	17 (12 operative) 1, Fada N' Gourma)	Sous-Prefect (Official of MIS; subordinate of Prefect Ouaga and Bobo have special status.	Communal Delegation: Sous-Prefect and field officials of central agencies active in communes. Special council
Sous-Prefecture Admin. Div. (Dept. of the East.....	92 7)	Sous-Prefect (same as above)	Consultative Council
Arrondissement Admin. Div. (Dept. of the East.....	124 4)	Arrondissement Chief (Official of MIS; Subordinate of Sous-Prefect)	Arrondissement Council
Canton (Not an official Admin. Div) (Dept. of the East.....	N.A. 22)	Canton Chief (Traditional leader) Canton Secretary (Official of MIS Subordinate of Arrondissement Chief or Sous-Prefect)	No formal body
Village Admin. Div. (Dept. of the East.....	7,229 638)	Village Chief (Elected by village residents)	No formal body: Traditional relations

ethno-linguistic groupings. The executive of a department, the prefect, is appointed by the head of state and is an official of the central Ministry of Interior and Security (MIS). Departments are allocated proceeds of selected taxes collected within their boundaries, and, subject to approval by a joint committee of the Ministry of Finance and the MIS, establish budgets and authorize expenditures. A departmental delegation made up of field directors of central government agencies in the department and headed by the prefect acts as a governing body whose duties include preparation of the departmental budget.

The entire area within a department is divided into "sous-prefectures", which are purely administrative units having no fiscal authority. Departments also may contain communes which are characterized by higher population density than the surrounding area and the presence of some non-agricultural economic activities. There are nominally 17 communes in Upper Volta, although at present only 12 are functional. Like departments, communes are both administrative divisions and public collectivities. Consequently communes have budgets and retain the proceeds of specified taxes collected within their borders. The boundaries of communes do not always coincide with those of a sous-prefecture, so that there exist sous-prefectures whose territory is partly composed of a commune and partly of territory outside the commune.

The executive of the commune at present is the sous-prefect of the sous-prefecture within which the commune is located. He is a subordinate of the prefect of the department. In administration of the commune the sous-prefect is assisted by the Secretary General, an

employee of the commune, paid from the communal budget. A communal delegation, composed of the service chiefs of the central government agencies operating in the commune (e.g., primary school inspector, head of hospital) serves as the governing body of the commune in budgetary and other matters. Arrangements for the administration of the communes of Ouagadougou and Bobo-Dioulasso differ somewhat to take account of their larger size and special circumstances.

Apart from the communes, the remainder of Voltaic territory is entirely rural. To enhance territorial administration, areas within sous-prefectures are sub-divided into arrondissements which are administrative divisions without fiscal authority. In time, the government hopes to have all territory encompassed by arrondissements. At present, however, the 124 arrondissments cover less than half of the territory of the nation. The administrative officer of an arrondissement is the chef d'arrondissement.

Both the sous-prefect and the chef d'arrondissement, appointed by the MIS, are under the supervision of the departmental prefect. They prepare budgets which are used in establishing the departmental budget. However, they can authorize expenditures only with the approval of the prefect.

There are, however, other legally constituted local authorities. One, essentially parallel in territorial coverage to the departments, is the Regional Development Organization (ORD). These organizations are quasi-governmental legal entities which are governed by an appointee of the central government's Ministry of Rural Development and supported partly by field staff from that Ministry and subventions from the

national budget. Yet, each ORD has its own budget and the legal power to enter into agreements with foreign countries, private voluntary organizations, and international agencies which provide real or monetary resources to the ORD in the form of grants and loans. In addition the ORD has the right to purchase and market crops and to retain profits from such activity and to borrow from the central bank of Upper Volta (BCEAO).

Another crucial local administrative division is the village. Villages are governed by traditional authorities. The village chief is elected by village residents and his authority is confirmed by an order of the MIS. Consequently, the authority of the village chief is accepted by the field officials of the central government ministries. Village chiefs are expected to perform certain services for the government, particularly as regards both assessment and collection of taxes and resolution of disputes, in return for compensation. Villages are administrative divisions lacking fiscal authority. There is no official governing body for villages analogous to the communal delegation.

Villages are grouped into cantons by traditional associations. A canton chief or secretary acts as an intermediary between the villages and the most local field officials of the central government, either the chef d'arrondissement or the sous-prefet. Here, as with the village chief, a major role for the canton chief or secretary concerns receipt of tax collections from village chiefs and their transmission to the treasury of the sous-prefecture. The canton, however, has no official standing in the administrative hierarchy.

Departmental and Communal Taxation

An Overview. All revenues from "modern" taxes, i.e. taxes on individuals' wages and salaries and on business income and trade, accrue to the cental government. Departments and communes are left with "traditional" taxes which yield only the most modest revenues. Table R-8 shows that the total of departmental and communal revenues amounted to about CFAF 1.8 billion in 1980. This is some 5 percent of central government revenues and approximately CFAF 300 or $1.50 per capita.

The overall total of departmental revenues has essentially remained constant from 1976 to 1980, but there have been some changes within departments as shown in Table R-8. Revenues in the departments of Hauts-Bassins and South-West increased substantially over the period, while those in the East declined. The data also reveal a pattern of substantial year-to-year variation in departmental revenues for some departments, particularly Hauts-Bassins, Volta Noire, and the Center West. On a per capita basis, Volta Noire has the highest revenues (CFAF 226) and the East and Center-East the lowest (CFAF 60 and 70 respectively).

Communal revenues increased by CFAF 285 million from 1976 to 1980 an increase of almost 40 percent. Although four new communes became functionally operational in 1980, virtually all of the increase over 1976 was the result of additional revenues of the four largest communes, Ouagadougu, Bobo-Dioulasso, Banfora and Koudougou. Fada N'Gourma was the only commune whose revenues were lower in 1980 than in 1976. Banfora leads all communes in revenues per capita (CFAF 5,083), with Bobo-Dioulasso and Ouagadougou next at about CFAF 2500 and 3000 per

TABLE R-8

DEPARTMENTAL AND COMMUNAL REVENUES
(CFAF millions)

Departments	Population (000)[1]	1976	1977	1978	1979	1980	Percent Change 1976-80	CFA Per Capita 1980
Centre	859	138	143	140	121	136	*	158
Centre-Est	443	52	59	49	54	55	*	124
Centre-Nord	681	90	76	64	66	79	-12	116
Centre-Ouest	887	88	116	127	120	91	1	103
Est	438	63	51	44	45	38	-40	86
Hauts-Bassins	521	75	78	55	144	98	31	188
Nord	645	59	69	41	55	60	*	93
Sahel	402	50	68	49	45	46	*	114
Sud-Ouest	355	48	61	61	52	67	40	188
Volta Noire	674	85	120	93	109	80	*	119
TOTAL	5,905	748	841	723	811	750	*	119
Communes[2]								
Banfora	12	29	43	49	50	61	110	5,083
Bobo	115	220	194	285	314	285	30	2,478
Fada	13	14	9	11	13	12	-14	923
Gourcy	10	5	6	5	6	5	*	500
Kaya	19	27	24	22	20	22	-20	1,158
Koudougou	37	39	50	44	58	54	38	1,459
Ouagadougou	173	360	511	371	374	513	43	2,965
Ouahigouya	26	27	26	32	36	36	33	1,385
Reo	14	9	7	8	8	4	-55	286
Tenkodogo	18	11	11	11	18	15	36	833
Gaoua	7	---	---	---	---	4	---	571
Tougan		---	---	---	---	5	---	
Nouna	31	---	---	---	---	7	---	
Dedougou		---	---	---	---	1	---	
TOTAL	475	741	880	838	897	1,026	39	2,160

[1] 1980 rural population for departments; communal population figures are from 1975.

[2] For the location of communes by department, see Table R-11.

SOURCE: Revenues from Balance du Tresor, Treasury, Ministry of Finance. Rural population from Etude sur la Situation Financiere des Organismes Regionaux de Developpement, Vol. II (Study of the Financial Situation of the ORDs), Ministry of Rural Development.

capita respectively. Gourcy at CFAF 500 and Reo at CFAF 286 have the lowest per capita communal revenues of those where reasonably reliable population figures are available.

Differences in revenues per capita among departments and within departments over time depend partly on the level of economic activity within the department and partly on the effectiveness of local revenue collection. Some understanding of these elements can be obtained from examination of revenue sources. Similar considerations explain variations in communal revenues, although the population size of communes is a rather straightforward indication of economic activity and hence, potential for communal revenue.

Departmental and Communal Revenue Sources. Table R-9 lists departmental and communal taxes and describes them briefly. Fees and charges of departments and communes are described in detail in a subsequent section and are listed in Table F.1. For some revenue sources the distinction between a tax and a charge or a fee is not obvious. Here, we treat all departmental and communal revenues which are assessed by roll as taxes and those for which there is no tax roll as fees and charges. This is consistent with the classification of revenues in the departmental and communal financial accounts.

Sources of departmental and communal revenues for the most recent year for which data was available are shown in Tables R-10. In the aggregate, departments raise 65 percent of their revenues from direct taxes, mainly the departmental tax surcharge (ICT) on the standard tax (IFR) levied in the department for the benefit of the national budgets. As mentioned above, from 1981 the IFR revenues collected within the

TABLE R-9

DEPARTMENTAL AND COMMUNAL TAXES
(collected by roll)

Name	Basic Provisions	Budget Credited
Standard Income Tax (IFR)	See Table R-6	C,N*
Standard Tax on Migratory Population (Impot flottant) (IFLOT)	Flat rate on adults who cannot prove payment of IFR or IUTS	C,D
Livestock Tax (TBET)	See Table R-6	C,N*
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 8.12 percent of rental value of fixed assets (droit proportionnel)	C,D
Departmental Tax (Impot Departmental or Impot de la Collectivite) (ICT)	60 percent surcharge on the amount of IFR collected with a department for the national budget	D
License (Licence)	Payment for right to sell beverages	Since 1981 reven to National Budg
Domicile Tax (Contribution mobiliere) (CM)	2 percent of the rental value of property used for housing	C,D
Firearms Tax (Taxe sur les armes)	Levied for varying amounts (CFAF 600-5,000) depending on type of firearm	C,D
Transfer Tax (Taxe sur les biens de mainmorte)	Levied on rental value of land and buildings of enterprises owed 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.	C,D

TABLE R-9 (CONT.)

Name	Basic Provisions	Budget Credited
Property Taxes (Taxe sur la valeur locative des locaux d'habitation)(TVLH); Taxe sur la valeur locative des locaux a usage professionnel (TVLP).	Supplement to Domicile Tax and Droit Proportionnel of Patente (optional levy at maximum of 1 percent and 3 percent respectively)	C
General Surcharge (Centimes Additionnels)	Surcharge on Patente, IFR and CM varies by commune to maximum of 15 percent	C
Road Tax (Taxe de Voirie)	Fixed amount per adult	C
Street Cleaning Tax (Taxe de Balayage et d'Enlevement des ordures menagere) (TB)	Charge based on location of building and street frontage levied only in those communes which perform street cleaning	C
Dog Tax (Taxe sur les chiens)		C

department were to be returned to them for investment purposes. This amount for 1980 was CFAF 569 million, which exceeded departmental revenues from direct taxation and was equal to about 80 percent of total departmental revenues. Thus, if this policy is carried out, it will almost double resources available to departmental authorities.

Vehicle registrations provide another 17 percent of departmental revenues and service fees and charges a further 13 percent. The remaining 5 percent is made up of other revenues including loans.

In contrast, communes raised over half of their revenues from fees, charges and vehicle registrations. Another 35 percent comes from taxes on occupations and property, with the remaining 5 percent raised from the standard tax (IFR) and livestock tax (TBET).

Table R-10 also shows the extent of variation in sources of revenue among departments and communes. As anticipated, there is considerable such variation related to conditions within the areas. For example, the Department of the Centre obtains a greater than average share of its revenues from vehicle registration and fees and charges, and the less economically active communes of Koudougou and Kaya receive a larger than average share of their revenues from the IFR and TBET.

Provisions of Specific Taxes Providing Dept. and Communal Revenues. The standard income tax (IFR) is a revenue source for the budgets of both departments and communes. As mentioned above it applies with some exceptions to persons from age 18 to 60 whose economic activity is in the subsistance sector; i.e. no wages or salary income. Communes retain all the proceeds from the IFR collected within their boundaries and they can levy a supplemental tax ("centimes additionels") up to a maximum 15

TABLE R-10

PERCENT DISTRIBUTION OF DEPARTMENTAL AND COMMUNAL REVENUE SOURCES

Departments		Direct Taxes	Vehicle Registration	Service Fees and Charges	Other
Centre	(1980)	40	28	23	9
Centre-Nord	(1980)	60	22	15	3
Centre-Ouest	(1980)	73	13	12	2
Est	(1980)	84	6	9	*
Hauts-Bassins	(1977)	69	14	9	8
Nord	(1977)	73	20	5	2
Sahel	(1980)	64	11	19	6
Sud-Ouest	(1977)	75	12	8	6
Volta Noire	(1980)	69	15	12	4
Aggregate		65	17	13	5

Communes[1]		Standard and Livestock Taxes	Other Direct Taxes and Fines	Fees, Charges and Registrations
Ouagadougou	(1980)	4	41	56
Bobo-Dioulasso	(1977)	3	35	63
Koudougou	(1980)	21	63	17
Courcy	(1980)	25	25	50
Tenkodogo	(1979)	7	21	71
Kaya	(1979	30	39	30
Ouahigouya	(1978)	7	18	75
Aggregate		5	40	55

*Less than 1 percent.

[1]For the location of communes by department, see Table R-11.

SOURCE: Management accounts of individual departments and communes.

percent, on the IFR tax liability. This supplementary rate, which only communes can levy, also applies to the occupation tax (patente) and the tax on rental value of housing (contribution mobiliere) which are discussed below. The actual supplementary rates which vary from 3 to 10 percent, are selected by the commune within limits set by the central government. Another source of communal revenue based on the standard income tax is the road tax (taxe de voirie). This tax is set at a fixed amount per person liable for the standard income tax. In the commune of Fada N'Gourma it is CFAF 250 per year.

The occupation tax (patente) also provides revenues for both departmental and communal budgets. This tax is levied in addition to the standard income tax or the IUTS on all those who engage in commerce, industry, or a trade in Upper Volta. Government employees, subsistence farmers, and specified other types of workers are exempted, but all others pay. The tax consists of two components--a fixed and a proportional duty. The fixed duty (droit fixe) is an occupation or economic activity tax and varies by class of activity or occupation and by geographic location. The tax code classifies all occupations and trades into classes and sets rates ranging from CFAF 96,000 for the top class in Ouagadougou and Bobo-Dioulasso to CFAF 1200 for the lowest class outside these cities. Some professions and activities are classified by number of employees and the employer is assessed a tax for each worker at specified rates depending on the nature and size of the enterprise.

The rental value of property used for business or commercial purposes is subject to the proportional duty (droit proportionnel) of

the patente at rates of 12 percent in Ouagadougou, 10 percent in Bobo-Dioulasso and 8 percent elsewhere. Corporate enterprises which pay the business profits tax (BIC) and those who pay the non-commercial profits tax (BNC) are exempt from this levy since the BIC and the BNC impute rental income from business property and tax it.

Up to 1981, the standard tax (IFR) collected within departments outside of communes went to the central government budgets. Departments levy a supplementary tax of 60 percent of the minimum IFR for their budgets. Since 1981, however, the IFR collected within a department is to be returned provided the department submits an acceptable plan for using these revenues to construct or repair such public infrastructure facilities as dispensaries, schools, wells and dams. The 60 percent departmental supplement remains in effect.

The magnitude of the IFR appears extremely modest. In all communes and most other areas the minimum rate is CFAF 550 per taxpayer. A lower rate of CFAF 300 applies in a few particularly poor areas including the Department of the East. While the rate is considerably higher for those possessing livestock or having an occupation, reaching CFAF 15,000 for those in the highest category ($60), the low rate of about $2 per taxpayer applies to the vast majority. The departmental supplement adds another 60 percent to the IFR. Thus, a typical farmer would pay from CFAF 480 to 880 ($2 to $3.50) depending on the department. Per capita income in Upper Volta is about $200. While subsistence farmers earn no more than a quarter to a half of this average, not all persons pay the

IFR, because it applies only to those over 18 and under 60. If only half the population in the subsistence sector were liable for the IFR the difference in per capita income would be offset by the fewer people liable for the tax. On these assumptions, the rate of the minimum IFR would be only 1 or 2 percent of income of those in the subsistence sector.

An alternative calculation for the Department of the East can be made from data collected by the Michigan State University project on animal traction. Based on farm household income surveys, the average net household income per adult worker in the Eastern ORD was 21,095 CFAF (for households in the typical agricultural zone).[1] The standard IFR in this area, including the departmental supplement is CFAF 480. Thus, the tax rate of the IFR is 2.2 percent. On a household basis, data from the same source gives CFAF 83,537[2] as the average household income and 3.45[3] adults per household. The IFR tax liability, then, of an average household is about CFAF 1660, which amounts to 2.0 percent of estimated average household income.

In addition to the standard tax liability which itself is higher if a taxpayer possess more than 26 taxable animals there is a separate livestock tax (TBET). The livestock tax collected within a commune reverts to the communal budget; that collected outside communal budgets

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[1] Gregory C. Lassiter, The Impact of Animal Traction on Farming Systems in Eastern Upper Volta, unpublished Thesis, Cornell University, May 1982, p. 110.

[2] Ibid.

[3] Ibid., p. 48.

accrues not to the department but to the budget of the central government. Rates vary by region, but are the same for all communes where they are CFAF 50 for donkeys, 150 for pigs, 200 for cattle, and 300 for horses.

The classification of occupations and trades used for the patente also serves to classify taxpayers for the IFR. The nine classifications of the patente are truncated into five categories for the IFR and a sixth is added for the farmers exempt from the patente. All salaried employees are exempt from the IFR because they pay the tax on wages and salaries (IUTS), but they do pay the patente. Other exemptions from the IFR include those under 18 or over 60, women with four or more children under 18, members of the armed forces, their wives and children, and indigent persons.

Upon payment of the IFR, the taxpayer is provided with a certificate. Failure to present this certificate when requested by a legally designated agent results in the assessment of a tax of CFAF 2000, called the impot flottant. This tax is largely a penalty designed to encourage payment of taxes by populations frequently away from their permanent abode, such as Fulani herders. Presentation of the certificate of payment of the IFR also is required at official check points along main roads. Thus, to travel, villagers must have paid their taxes.

The taxes described above are the main revenue sources for local budgets. There are, however, a number of additional taxes, fees, and charges whose proceeds accrue to departmental or communal budgets. One

such source for both departments and communes is a domicile tax paid by both owners and renters on the rental value of housing, after a minimum allowable deduction (Contribution mobiliere). The rate is two percent. Another revenue source accruing to both levels of local government is that from registration fees on vehicles including bicycles and mopeds. Communes also tax ownership of dogs and firearms, performances for which admission is charged and street frontage for a street cleaning tax. As mentioned above, they also impose the supplementary tax (centimes additionnels) at rates up to 15 percent on the patente and the domicle tax as well as on the standard tax.

There are other revenue sources of local budgets which probably are better thought of as user charges than as taxes. These include fees for market, animal inspection and slaughtering, parking, land transfers, rental charges for government vehicles, and license fees for carts. Subsequent sections of the report describe assessment and collection procedures for these fees and charges.

Regional Differences and Local Revenues. Given the sources of revenues, the magnitude of departmental and communal revenue collections depend on the economic situations within their jurisdictions and the effectiveness of tax collection. Economic circumstances in Upper Volta vary broadly by region, according to factors such as population, density, terrain, soil quality, rainfall, and access to water. To what extent do local revenues vary in Upper Volta with these economic conditions? To answer this question we divided the country into five

regions as suggested by Ginette Pallier in Geographie Generale de la Haute-Volta.[1]

Table R-11 presents the regions and assigns the appropriate departments to them. The regions are based on geographic, economic, and demographic considerations. The North consists of the arid, Sahelian portion of the country where soils are poor. Raising livestock is the main economic activity with foodgrain production providing low yield. Efforts to expand agriculture during periods of relatively good rainfall leads to subsequent desertification. There are mineral deposits in this region, but lack of transportation has, thusfar, precluded their exploitation. The Central Eastern region is composed entirely of the Department of the East. This vast department with its sparse population receives somewhat more rainfall than the North and so, despite poor soils, can produce food grains. Livestock is also important. Phosphate deposits have been found in this region, but they too have yet to be exploited.

The remaining three regions are less characterized by the sparcity of rainfall and poor soil so dominant in the North and East. Still, the Central region's climate and soils are rather similar to the center-East region. The major differences are the higher population density in the Center, the presence of Ouagadougou, the capital city, and the city of Koudougou and the potential of migration to the Ivory Coast. There is considerable agriculture including some cash crops but productivity is

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[1]Ginette Pallier, Geographie Generale de la Haute-Volta, University of Limoges (France), April 1978, pp. 194-201.

low. Projects to increase productivity are underway here, so far without major success. Industrial and commercial activity is at its highest level in this region.

The Center-West region contains only the Department of Volta Noire. It is here that cotton is grown and the presence of a major cash crop and the industrial activity related to it is changing the character of the region. Finally, the South-West region with ample water and good soil, leads the country in production of agricultural products including sugar and cotton for domestic consumption and export. Livestock also is well-developed here. There are mineral deposits and two cities, where industrial and commercial activities take place.

Five measures related to potential or actual economic activity are shown in Table R-11 to indicate regional variations. These measures can be compared with the per capita local revenues also included in the table. For departmental revenues, the factor most clearly associated with variation is relative agricultural production. Per capita departmental revenues are highest in those regions where the per capita value of agricultural production is above CFAF 11,000. The relation, however, does not apply at lower levels of agricultural production, low producing departments such as the North, Sahel, and Center-West raise more departmental revenues per capita than the average producing departments of the Center-East and the East.

As would be expected, communal per capita revenues are closely related to the level of industrial activity in the commune. However, since trade and commerce also enhance communal revenues some communes lacking any industry, such as Kaya, have higher per capita revenues than

TABLE R-11

PER CAPITA DEPARTMENTAL AND COMMUNAL REVENUES IN RELATION TO ECONOMIC AND DEMOGRAPHIC STATUS OF REGIONS

Region/ Department	Rural Population ('000)	Communal Population ('000)	Population Density (inhab/km^2)	Rainfall (mm)	Value of Agricultural Production Per Capita (CFAF)	Cattle Per Capita	Value of Industrial Production Per Capita[1] (CFAF)	Per Capita Department and Communal Revenues		
								Total	Department	Communes[1]
Nord										
Nord	645	36	52	530	[illegible]	.4	---	160	148	500[2]
Sahel	402	---	11	390	4,716	1.6	---	129	129	
Centre-Nord	681	19	32	570	10,996	.5	---	159	124	1,158[3]
Centre-Est										
Est	438	13	9	710	10,737	.7	---	79	60	923[4]
Centre										
Centre	859	173	39	730	10,841	.3	3,831	687	144	2,965[5]
Centre-Ouest	887	63	34	720	7,872	.2	2,714	256	156	921[6]
Centre-Est	443	18	39	750	10,843	.3	---	89	70	833[7]
Centre-Ouest										
Volta Noire	674	31	20	770	16,380	.5	---	263	226	419[8]
Sud-Ouest										
Hauts-Bassins	321	115	13	910	28,206	.6	9,698	838	185	2,478[9]
Comoe	200	12	11	1080		.5	4,510			5,083[10]
Sud-Ouest	355	7	20	990	12,754	.4	---	174	165	571[11]
Average	537	44	22	740	11,165	.4	3,9[illegible]1			

[1]Per capita based on communal population; [2]Gourcy, Ouahigouya; [3]Kaya; [4]Fada N'Gourma; [5]Ouagadougou; [6]Koudougou; Reo; [7]Tenkodogo; [8]Nouna; Tougan; Dedougou; [9]Bobo-Dioulasso; [10]Banfora; [11]Gaoua

SOURCES: Rural population, population density, and rainfall data: Etude sur la Situation Financiere des Organismes Regionaux de Developpement, Vol. II, Ministry of Rural Development. Communal population: Ministry of Health, "Profil du Pays," 1976. Value of agricultural production and cattle per capita: World Bank, Agricultural Sector Study of Upper Volta, 1980. Value of industrial production: Ministry of Planning and Cooperation, Situation Economique et Financiere de la Haute-Volta, 1979. Departmental and Communal revenues: Balance du Tresor, Treasury, Ministry of Finance.

Koudougou and Reo which do contain some industry. A major concern for future examination is the response of communal revenues to expansion in economic activity.

A final point worth noting is that there is no relation between communal and departmental revenues. That is, in those departments where there is a major commune with relatively large communal revenues per capita, departmental revenues are not higher than would be expected. For example, per capita departmental revenues in the Centre are only CFAF 144 despite the presence of Ouagadougou where per capita communal revenues are almost CFAF 3000. Revenues in the Departments of North, Volta Noire and South-West are larger than those in the Centre despite low communal spending in these areas where communes are smaller and less economically developed.

PUBLIC EXPENDITURES, PUBLIC SERVICES AND SERVICE ADMINISTRATION IN UPPER VOLTA

Introduction

Public expenditure concerns spending controlled by public or governmental authorities. Under any form of government this is an ambigious 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 on a net or gross basis? 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? What about spending by local authorities? These and other problems of comprehensiveness must be resolved in any attempt to measure public or non-private expenditure.

The resolution of these questions depends largely on the underlying objectives of the examination. Interest in fiscal policy and related macroeconomic concerns implies focus on a narrow aggregate concept of expenditures, pertinent to 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 foreign aid of all sorts and expenditures of local authorities. This objective also implies examining expenditures, to the extent possible, in a disaggregated way separating expenditures by type

(e.g. personnel, equipment, capital formation) and by function (e.g. defense, education, health). Interest in delivery of services 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 among regions or departments.

This report deals primarily with the provision of public services to rural populations. Thus, it emphasizes spending by both the government of Upper Volta and foreign donors on those activities which yield direct services to rural populations. At the same time, a comprehensive overview of non-private spending in Upper Volta serves as a necessary background to a more selective and detailed examination of the finance and delivery of local services. Therefore, the next section presents such an overview, followed by functional and spatial analysis of spending for selected public programs.

An Overview of Public Spending

The starting point for an examination of government spending in a country is the national budget. In Upper Volta the National Budget (Budget d'Etat) contains the final approved national budget appropriations broken-down ministry by ministry. This document reflects the results of a budgetary process which starts with requests from governmental agencies and departments and is then adjusted on the basis of national priorities and projected revenues.

In Upper Volta the approved budget contains four titles: Debt, Operations (divided into personnel and material), Subventions, and Equipment and Investment. Title II, Operational Expenditures, is

further subdivided by ministry, thereby providing a functional distribution of budgeted operating outlays for personal and material. The Treasury, a unit of the Finance Ministry, must approve all actual outlays and keeps records of the actual amounts charged during the year under each of the titles and sub-headings. At the end of the year the Treasury provides an ex post or executed statement of expenditures comparing the authorized budget with actual realized expenditures.

The ex post or executed budgetary expenditures and their distribution may differ considerably from the amounts specified in the National Budget as a result of supplementary appropriations, reductions of initially approved credits, failure of some agencies to spend their full credits or overspending of credits by other agencies.

Estimates of Aggregate Non-Private Spending

It is particularly difficult to derive comprehensive estimates of non-private spending in developing countries. In Upper Volta, public spending authorized within the National Budget requires approval by the Treasury, so Treasury data on such spending is available. These magnitudes, however, do not provide a full accounting of spending. Foreign grants and loans included as regular budgetary revenues and made available through budget allocations are allocated to ministerial budgets and monitored and approved by the Treasury. Hence, this portion of foreign aid is included in the National Budget and in Treasury estimates of government expenditures. Up to 1979 this component of aid was limited to contributions from the government of France which ranged from CFAF .5 to 1 billion. In recent years, aid from multinational

sources also has been provided to meet deficits in the National Budget. Extra-budgetary foreign aid, both multilateral and bilateral, is provided for specific projects or programs. Expenditures for these activities do not fall under the authority of the Treasury since they are not included in the National Budget. In principle, all such foreign aid should be transmitted by donors through the Ministry of Economy and Plan or other designated agency. If this were done, the ministry would have records indicating the grants of aid received each year. Such records, however, would still not indicate annual rates of disbursements, which would have to be obtained from donors' accounts.

In fact, only a portion of actual foreign aid provided to Upper Volta is transmitted through the Ministry of Economy and Plan. For the portion so transmitted, the Ministry has estimated actual expenditures, year by year, for 1977 to 1979. One area where foreign aid often is not transmitted through the Ministry of Plan is that provided to the Regional Development Organizations (ORD). These quasi-public authorities have their own budgets, and, moreover sometimes have direct dealings with donors. These arrangements often lead to expenditures not reflected in the estimates of aid by the Ministry of Economy and Plan. Another source of foreign aid which tends not be recorded in regular public expenditure is aid-in-kind, usually foodstuffs. The activities of private voluntary organizations also tend not to be included in official figures on foreign aid.

Comprehensive Data on Non-Private Spending

Table E-1 constitutes an effort to provide comprehensive data on non-private spending by year in Upper Volta. Four categories of

TABLE E-1

SELECTED MEASURES OF PUBLIC EXPENDITURE IN UPPER VOLTA
(CFAF billions)

	1970	1976	1977	1978	1979	1980	1981	1982
I. Budgeted Expenditures								
National Budget	10.2	21.0	25.8	29.6	39.3	39.7	46.4	47.8
Social Security Fund			1.1	1.4	1.9	1.7	N.A.	N.A.
Local Budgets	N.A.	1.3	1.7	1.5	1.7	1.8		
Departments		(.7)	(.8)	(.7)	(.8)	(.8)		
Communes		(.6)	(.9)	(.8)	(.9)	(.9)		
ORD						4.1		
TOTAL			28.6	32.5	42.9	43.2		
II. Government Goods and Services Expenditure								
A. From National Economic Accounts								
Public Consumption								
General Budget	7.9	19.0	22.8	27.2	33.0			
Other Central Government	---	.6	2.0	.5	.3			
Social Security Fund	.1	.2	.2	.7	.6			
Local Authorities	.8	1.3	1.6	1.4	1.6			
TOTAL	8.8	21.1	26.6	30.8	35.5			
B. From IMF Government Finance Statistics								
Central Government Goods and Services Expenditures								
Current Expenditure on Goods and Services		14.8	17.9	21.7	27.2			
Public Capital Formation		4.6	3.5	3.5	5.7			
TOTAL		19.4	21.4	25.2	32.9			

TABLE E-1 (CONT.)

	1970	1976	1977	1978	1979	1980	1981	1982
III. Transfer Payments and Subsidies								
Total Transfers and Subsidies		4.4	5.7	8.4				
Interest and Principal on Public Debt	.9	.2	.2	.7	.5	2.4		
Subventions to Organizations		1.4	1.9	3.4	3.0	2.2		
Industrial and Commercial Banks		.1	.3	.9	.7	.2		
Other Voltaic Public Agencies		.8	.9	1.8	1.2	.5		
(of which ORD)					(.3)	(.2)	(.2)	
International Organizations		.5	.7	.7	.8	1.3		
Pensions and Allowances		1.6	1.6	2.3				
Government Employees		.8	.9	1.3	1.6	1.9		
Social Security		.8	.7	1.0	N.A.	N.A.		
Subventions to Students		1.2	2.0	2.0	2.2	2.6		
IV. Estimated Extra-Budgetary Expenditures From Foreign Aid (Loans and Grants)								
Credits	12.1	30.9	37.8	35.5	43.3	55.6		
Disbursements								
National Institute			22.4	26.3	28.3			
World Bank[1]			25.7	29.5	39.4	34.7		
IMF[1]					32.3	40.8	37.9	39.0[2]

TABLE E-1 (CONT.)

[1]Figures from discussions with Agency staff.

[2]Estimated

SOURCES: Budgeted Expenditures: Institut National de la Statistique et de la Demographie, Comptes Nationaux et Indicateurs Economiques de la Haute-Volta de 1970 a 1979, and Ministry of Finance, Treasury reports on actual expenditures of the national budget. Central Government Goods and Services Expenditure: Comptes Nationaux, and IMF, Government Finance Statistics Yearbook. Estimated Transfers and Subsidies: Ministry of Finance, Treasury reports on actual expenditures of the national budget. Foreign Aid figures: Comptes Nationaux, and figures from discussions with Agency staff.

spending are distinguished. One concerns spending contained in governmental or quasi-governmental budgets. The second involves government consumption and hence excludes transfer payments and capital formation. The third contains foreign aid and loans not included in public budgets. The fourth is a breakdown of subsidies and transfers from government budgets.

Looking first at the budgeted expenditures, the national budget dominates the minute budgets of the Social Security Fund and those of the departments and communes. ORD budgets have proven difficult to assemble; one estimate for 1980-81 of CFAF 4.1 billion is derived from the summation of budgets of individual ORD's provided to us. An alternative estimate of CFAF 2.1 billion was derived in a study of ORD's by the Ministry of Rural Development.

The National Budget has grown during the period from 1970 to 1982. Data (not shown in Table E-1) indicate that the budget grew modestly from 1970-74 at annual rates of about 10 percent. From 1974 onward, growth accelerated reaching an annual rate of 34 percent from 1978-79. After a year of restraint in 1980 expenditures again grew substantially in 1981. These growth rates of the national budget exceeded both growth in nominal GDP and in price levels of government consumption. Consequently, the national budget's share of GDP rose from 10.3 percent in 1970 to 13.2 in 1976 and 14.5 in 1981. Real per capita expenditures increased from CFAF 1855 in 1970 to CFAF 3059 in 1981 or by about one and a half times (assuming population of 5.5 million in 1970 and 6 million in 1981).

Communal and departmental expenditure, however, show no such evolution. They remain essentially unchanged from 1977 to 1980, and in current prices have only doubled since 1970 while national budget expenditures increased by four times during the period.

The Social Security Fund (Caisse Nationale de Securite Sociale) is totally outside the regular budgetary process and not supervised by the Treasury. Spending by the Caisse is for transfer payments (family allowances and pensions) and for operational expenditures. The Caisse also makes loans out of the excess of contributions over disbursements. Total expenditures of the Caisse varied from CFAF 1.1 to 1.9 billion during the period from 1977 to 1980. Data on public consumption also contained in Table E-1 indicate that since 1977 the direct operating costs of the social security agency varied from CFAF 200 to 700 million. These operating costs include the costs of administering both the transfer program and the loans made by the Caisse out of its surplus balances.

The inclusion of the ORDs in the section of Table E-1 on budgeted expenditures reflects the nature of the ORD as a quasi-public organization with its own budget. As is well known the ORDs expenditures are not subject to review by the Treasury. Their budgets are more statements of flows and aspirations than ex post accounts of actual disbursements. Still, it is useful to compare the magnitude of their proposed expenditures with the actual budgets of other government units. As mentioned above, two estimates of total ORD budgets are given in Table E-1. Both estimates exceed the reported expenditures of the departments and communes combined. Thus, however one measures ORD

expenditures, they are a large element in non-central public finance and expenditure in Upper Volta.

It should be noted that the ORD budgets include foreign aid. Thus, the estimates of extra-budgetary foreign aid presented elsewhere in Table E-1 and discussed below, do not fully represent a net addition to the expenditures reported under the budgeted expenditure section of the Table. Our best estimate is that of the CFAF 4.1 billion total of ORD budgets in 1980/81, 2.0 billion is financed from foreign aid. (See Table E-13 below).

Public Consumption

The second set of expenditure data shown in Table E-1 contains estimates of public consumption taken from Voltaic national accounts. Public consumption is divided into that of the general budget of the central government, of public agencies, corporations and authorities (where consumption is shown net of revenues for sales), of the social security agency, and of local government authorities. The essential difference between public consumption and budgeted expenditures is that the former excludes tranfer payments and public capital formation.

Another measure of public current expenditures for goods and services is contained in the IMF statistics for Upper Volta and is also shown in this section of Table E-1.

Foreign Aid

Extra-budgetary foreign aid has been an important source of revenue and a component of expenditure in Upper Volta as for many developing countries. As mentioned above, it is difficult to obtain accurate data on annual expenditure financed out of foreign loans and grants since the

vast majority of such aid is not incorporated in official Voltaic budgets. The National Institute of Statistics and Demography does provide figures on the amount of grants and loans received from 1970 to 1979 (See Table E-1). As early as 1972 the amount of such aid received exceeded the national budget, and these credits have grown roughly in parallel with the national budget. The National Institute data also contains estimates of annual extra-budgetary expenditures from foreign aid for the period 1977-79. These estimates, derived from donor records, however, are not comprehensive. Table E-1 contains two alternative estimates of annual foreign aid expenditures determined by aggregate analyses of Voltaic investment and balance of payments data rather than from donor records. While the periods do not fully overlap, the estimates tend to be 10 to 20 percent higher than those from the national economic accounts.

Subsidies and Transfers

The final section of Table E-1 contains an itemization of subsidies, transfer payments, and subventions made from the national budget and from the Social Security Fund. Transfers increased substantially from 1977 to 1980 due to regular increases in subventions to international organizations, to students, and for pensions and allowances to government employees. Also in 1980 there was a dramatic increase in debt repayment which reached CFAF 2.0 billion.

Parastatal Organizations

There has been concern with the extent of public budget support for operating deficits of parastatal enterprises in developing countries. Upper Volta has its share of the enterprises; one estimate mentions 120

such entities about equally divided between public institutions and societies and corporations with mixed public-private ownership. Subsidies from the national budget to these parastatals, exclusive of the ORDs, remained at about CFAF .6 billion from 1970 to 1976. Since 1977 they have increased steadily and have exceeded CFAF 1 billion in every year since 1979. Still, these subsidies from the national budget appear to grossly understate the magnitude of the expenditure requirements of the parastatal organizations. There are large debts of these organizations which the government has guaranteed and mismanagement and failure to provide proper maintenance threatens the future earnings of some establishments. There is the potential here for a serious drain on future government revenues.

Summary

The sharp increases in national budget expenditures in 1979 and 1981 created serious budgetary problems for Upper Volta. The foreign aid provided for budgetary relief in these two years cannot be expected to continue. The need to establish better control over the national budget is well recognized by government officials. They face extreme difficulties, however, in finding a viable solution. Not only are there requirements for personnel and, particularly, material to meet the recurrent costs of badly needed local services, but the operating deficits and outstanding debt repayment obligations of the parastatal organizations pose the potential of a major additional demand for public funds.

The Composition of Public Spending

National Budget

The totals reported in Table E-1 and discussed above provide an indication of overall non-private spending in Upper Volta. A generous estimate for 1980 would put this amount at less than $50 per capita. What can we say about the composition of this total? There are two particularly revealing ways of decomposing the total. One is by a broad classification into operational expenditures and public investment. The other looks at functional areas of government activity such as defense, education and health.

The former approach is embodied in Voltaic budgetary reporting. A recent study of the evolution of national budgetary spending by the Treasury[1] uses this classification. The standard decomposition of spending in the National Budget includes four broad categories: public debt repayment, operation of services, subventions and grants, and equipment and investment. Each of these in turn is further broken down into relevant sub-categories as shown in Table E-2. It is important to keep in mind that the analysis here is only of expenditures made through the national budget. The total nominal magnitude of these outlays virtually doubled between 1976 and 1981. This increase was relatively evenly distributed over the broad components. Personnel continued to be the major outlay, comprising approximately 55 percent of

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[1]"Analyse Portant sur les Conditions Generale d'Evolution des Depenses Publiques Executees dans le Cadre Budgetaire, Annees 1970 a 1979." ("Analysis of the Evolution of Budgeted Actual Public Expenditures, 1970-79.") Ministry of Finance, Republic of Upper Volta, undated.

TABLE E-2

PERCENT DISTRIBUTION OF ECONOMIC CLASSIFICATIONS OF NATIONAL BUDGET EXPENDITURE

Item	1976	1977	1978	1979	1980	1981	1982[1]	1983[1]
Public Debt	1	1	1	2	1	2	9	11
Operating Expenditures	71	69	71	67	72	67	71	67
Personnel	(57)	(56)	(57)	(51)	(56)	(54)	(54)	(55)
Materials	(14)	(13)	(13)	(16)	(16)	(14)	(17)	(12)
Subsidies and Other Transfers	12	13	15	15	15	14	16	14
Total Current Expenditure	83	82	87	83	87	84	95	92
Equipment and Investment	17	18	13	17	13	16	5	7
Total	100	100	100	100	100	100	100	100
Total Expenditures (CFAF billions)	21.0	25.9	29.6	39.3	40.6	46.4	47.8	57.9

[1] Authorized Expenditures.

SOURCE: Ministry of Finance, Bordereau Sommaire, relevant years and Budget d'Etat, 1982. Authorized figures are revised budgets.

the total with materials and equipment amounting to an additional 30 percent. Subsidies and other transfers remained at about 10-15 percent and debt repayment and pensions of central government employees was only one percent.

This overall perspective, however, fails to reveal one important development. The share of defense in personnel expenditures rose from a fifth in 1970 to a third in 1979.

Another perspective on public expenditures is provided by an examination of the sectors or functions for which expenditures are made. Here, it is desirable to include all expenditures, inclusive of foreign aid and other outlays such as social security excluded from the national budget. Also, it is useful to distinguish spending for goods and services from transfer payments.

Tables E-3 and E-4 provide a historial portrait of expenditures by function. The categorization of sectors used in this breakdown differs somewhat from that contained in the official IMF statistics for Upper Volta, or in the economic accounts of the National Institute of Statistics and Demography. We have attempted to classify expenditures in the national budget according to whether they provide general services to the nation as a whole, such as defense and foreign affairs, or services that are provided by field operations which impinge directly on citizens in their daily activities. Quantitatively, the distinction is achieved by assigning the operating expenditures of selected ministries to the category of "local service provision." These include the Ministries of Interior and Security, Education (excluding higher

TABLE E-3

FUNCTIONAL DISTRIBUTION OF NATIONAL BUDGET EXPENDITURE
(CFAF billions)

Expenditure Category	1977	1978	1979	1980	1981
A. Operational Expenditure					
1. Not Related to Local Service Provision					
Defense	5.6	7.3	6.8	7.5	9.2
General Economic	1.4[1,2]	1.2	1.7	2.3	3.0[1]
General Administration	.8[1]	1.3	1.8	2.3	1.5[1]
Social Security Administration	.2	.7	.6	.7	.7[3]
Total	8.0	10.5	10.9	12.8	13.4
2. Related to Local Service Provision					
Interior and Security	1.5	1.6	2.0	2.4	2.6
Education, Youth and Sports	2.9[2]	3.5	4.5	4.6	5.3
Health, Social and Women's Affairs	1.4	1.7	2.3	2.9	3.2
Public Works	.5	.2	.2	.3	.3
Rural Development	1.0	1.3	1.6	1.9	2.1
Total	7.4	8.3	10.6	12.0	13.6
3. Joint Expenditures	2.5	2.8	5.3	4.2	4.0
B. Equipment and Investment (unallocated)	4.5	3.5	5.7	4.4	7.1
Total Expenditures on Goods and Services	22.4	25.2	32.5	33.4	38.1[3]
C. Transfers and Subsidies	4.5	5.9	8.3	8.0	
Total Expenditures	26.9	31.0	40.8	41.5	

[1] For 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."

[2] For 1977 expenditures on higher education and scientific research are included under Education. In other years, they are included as "General Economic."

[3] Estimated.

SOURCE: Tabulations based on Upper Volta Ministry of Finance reports on actual expenditures of national budget.

TABLE E-4

PERCENT DISTRIBUTION OF FUNCTIONAL EXPENDITURES[1]

Goods and Services	1977	1978	1979	1980
Not Related to Local Service Provision				
Defense	21	24	17	18
General Economic	5	4	4	6
General Administration	4	4	5	6
Social Security Administration	1	2	1	2
Total	30	34	27	31
Related to Local Service Provision				
Interior and Security	5	5	5	6
Education, Youth and Sports	11	11	11	11
Health, Social and Women's Affairs	5	6	6	7
Public Works	2	1	1	1
Rural Development	4	4	4	5
Total	27	27	26	29
Unallocable Expenditures				
Current	9	9	13	10
Equipment and Investment	17	11	14	11
Total Expenditures on Goods and Services	83	81	80	81
Transfers and Subsidies				
to Students	5	7	5	5
to International Organizations	2	2	2	2
Pensions	3	3	3	4
Public Debt	1	1	2	1
Social Security Benefits	3	2	2	2
to Public Agencies	3	3	5	3
to Industrial and Commercial Banks	1	1	2	2
Total Transfers and Subsidies	17	19	20	19
Total Expenditures	100	100	100	100

[1]See footnotes to Table E-3.

SOURCE: Same as Table E-3.

education), Youth, Sports, Health, Social Affairs, Public Works and Rural Development.

Unfortunately, the problem of budget classification or nomenclature in the national budget, which has been under study for several years, creates a significant difficulty here. Approximately a quarter of all budgetary expenditures for goods and services fall into either the category of unallocable operational expenditure or that of equipment and investment, which is not allocated by function. These items are shown separately in Table E-3 and E-4.

The distribution of the national budget by broad function shows little change during the past five years. Current expenditures allocated to specific ministries for "national" purposes and for local services have remained at about 60 percent of the total, with unallocated expenditures and transfers and subsidies making up the remaining 40 percent. Defense took a somewhat smaller share in 1980 and in 1977. Among local-service providing functions, health has increased and public works decreased relatively. Expenditures for investment and equipment also have declined relatively while transfers are a slightly higher proportion of total expenditures in 1980 then in 1977.

Composition of Departmental and Communal Budgets

Estimates of total departmental and communal expenditures from the Treasury are presented in Table E-1. Table E-5 recapitulates these estimates and supplements them with alternative estimates from a study by the Ministry of Health. This study contains data for total departmental and communal budgeted expenditures of each department and the six largest communes, and shows expenditures from these budgets for

TABLE E-5

ALTERNATIVE MEASURES OF EXPENDITURES OF LOCAL AUTHORITIES
(CFAF millions)

	1975	1976	1977	1978	1979	1980	1981	1982
Communes								
Treasury[1]		634	873	763	878	949		
(of which Ouaga and Bobo)		(579)	(705)	(656)	(688)	(798)		
Ministry of Health[2]	447	495	802	711	693	956	1051	
(of which Ouaga and Bobo)	(374)	(408)	(711)	(597)	(582)	(838)	(928)	
Departments								
Treasury		714	847	749	823	884		
Ministry of Health	724	805	800	800	741	843	887	1057
Percent Personnel	46	58	59	59	72	79		
All Local Authorities								
Treasury		1348	1720	1512	1701	1833		
Ministry of Health		1300	1602	1511	1434	1799	1938	
National Accounts		1281	1634	1431	1621	n.a.	n.a.	
CFAF Per Capita (current)[3]		225	287	252	284	306		
CFAF Per Capita (constant, 1976 CFAF)		225	267	219	222	217		

[1] 1976-79 includes Ouaga, Bobo, Koudougou, Ouahigouya, Kaya, Gourcy, Banfora, Fada, Reo and Tenkodogo; Gaoua, Nouna and Tougan were added in 1980.

[2] 1975-81 includes Ouaga, Bobo, Koudougou, Ouahigouya, Kaya, and Gourcy.

[3] Treasury figures; population estimate of 6 million.

SOURCES: "Balance du Tresor", Treasury, Ministry of Finance. Ministry of Health, "Depenses de Sante en Haute-Volta selon l'Origine du Financement. Evolution, Structure, Analyse," April 1983.

health personnel and material. The overall totals from the various sources are reasonably similar. They confirm the impression of no significant increase from 1976 to 1980, although it does appear that expenditures have risen somewhat after 1980.

Data on the purposes or character of expenditures from communal and departmental budgets can be obtained from the budget exercises prepared by these units, or from the management accounts (Comptes de Gestion; CG) which these administrations submit annually to the Treasury. The budget exercises do not always show actual expenditures of the previous year and are not readily obtainable for all administrative units; so the CGs are a better source. The Treasury data which is based on their records of actual disbursements do not generally agree with the CGs and, even when reconciliations are achieved, the CGs prepared by the local budget officer (ordonnateur) are not revised. Thus, while the CG provides an indication of the functional distribution of departmental and communal expenditures its figures are not consistent with Treasury aggregates.

Consequently, there are several sources of data on expenditures from the budgets of individual departments and communes. Table E-6 is based on data from the Treasury. It shows the evolution of spending by individual departments and communes and, for 1980, per capita spending. The results show that the Departments of Centre, Hauts-Bassins Center-West, and Volta Noire had the largest absolute expenditures. However, on a per capita basis Volta Noire spends most, and the Departments of Center-East and the East spend less than half as much per capita than the next lowest department.

TABLE E-6

DEPARTMENT AND COMMUNAL EXPENDITURES
(CFAF millions)

Departments	Population[1] ('000)	1976	1977	1978	1979	1980	Percent Change 1976-80	CFAF Per Capita 1980
Centre	859	121	150	134	145	141	17	164
Centre-Est	443	76	57	48	58	59	-22	133
Centre-Nord	681	82	95	79	73	89	9	131
Centre-Ouest	887	116	106	141	133	112	- 3	126
Est	438	52	49	34	48	46	-12	105
Hauts-Bassins	521	76	81	73	95	119	57	109
Nord	645	61	62	58	41	72	18	112
Sahel	402	53	55	52	53	54	2	134
Sud-Ouest	355	43	62	48	71	88	105	248
Volta Noire	674	70	126	82	113	107	53	159
TOTAL	5905	750	843	749	830	884	18	150
Communes[2]								
Banfora	12	28	41	55	54	59	111	4917
Bobo-Dioulasso	115	184	213	252	341	308	67	2678
Fada N'Gourma	13	16	8	12	13	12	-25	923
Gourcy	10	5	5	5	6	10	100	1000
Kaya	19	26	23	22	21	22	15	1158
Koudougou	37	34	42	52	59	56	65	1514
Ouagadougou	173	290	480	312	341	413	42	2387
Ouahigouya	26	29	4	33	34	44	52	1692
Reo	14	9	11	7	7	4	-56	286
Tenkodogo	18	12	11	12	18	15	25	833
Gaoua	7	---	---	---	---	1	---	143
Tougan		---	---	---	---	3	---	
Nouna	31	---	---	---	---	3	---	
Dedougou		---	---	---	---	---	---	
TOTAL	475	634	858	763	893	949		1998

[1] 1980 rural population for departments; communal population figures are from 1975.

[2] For the location of communes by department, see Table R-11.

SOURCES: Expenditures from "Balance du Tresor", Treasury, Ministry of Finance. Rural Population from Etude sur la Situation Financiere des Organismes Regionaux de Developpement, Vol. II (Study of the Financial Situation of the ORDs), Ministry of Rural Development.

As expected, the distribution of spending out of communal budgets is extremely unequal. Only Ouagadougou and Bobo-Dioulasso had budgets which exceeded CFAF 60 million (less than $300,000) in 1980. Some of the newly formed communes are not yet organized to make expenditures. Banfora leads in per capita expenditures with almost CFAF 5,000 ($25) with Ouagadougou and Bobo-Dioulasso following at about half as much.

The results here for variations among departmental and communal expenditures are quite similar to those found for variations in revenues. According to the principle of "unite de Budget" departmental and communal budgets have to be in balance annually so that recorded expenditures and revenues are closely linked. The pattern of per capita expenditure displays the similar higher magnitudes in the more economically active regions of the country particularly the southwest, as revealed in Table R-11 for departmental and communal revenues.

This pattern of differences in total and per capita spending by departments and communes persists throughout the period from 1976 to 1980. Expenditures of all communes except Fada N'Gourma and Reo have increased during the period, with the greatest relative increase in Banfora. Among departments, expenditures have grown significantly only in the South-West, Volta Noire and Hauts-Bassins.

As regards the functional distribution of departmental and communal budgetary expenditure, the CGs do provide some information. However, departmental budget exercises and CGs include all departmental personnel engaged in operational activities under the single classification of general administrative personnel regardless of service area. Consequently, amounts shown in the CG for expenditures for health or

other functions refer only to material expenditures. Personnel expenditures all are classified under general administration. Communal budget classification is different, however, and functional outlays include personnel as well as material.

Fortunately, the study of health service financing by the Health Ministry specifies health personnel expenditures of departments. At the same time, examination of budget exercises for a few departments where administrative personnel were distributed by function indicates that, apart from health, the remainder of personnel in departmental budgets engage in few activities other than general administration. We have used these two pieces of information along with other data on departmental expenditure to derive an estimate of departmental expenditure by function. This is accompanied by an analysis of communal expenditures by function from the communal CGs also supplemented by data from the Ministry of Health's study. These results are shown in Table E-7 separately for departments and communes.

Our estimate of the functional distribution of departmental and communal budgeted outlays indicates that administrative operations is the major activity of these authorities. In administrative operations, the predominant input is personnel, and so this item constitutes the main expenditure from these budgets. The Health Ministry study estimates that departmental personnel expenditures have exceeded 70 percent of the total since 1979 when their share increased from a prior level of less than 60 percent. It is more difficult to separate communal expenditures into personnel and material, and we have not attempted to do so.

TABLE E-7

PERCENT DISTRIBUTION OF FUNCTIONAL EXPENDITURES OF DEPARTMENTS AND COMMUNES

Function	Departments	Communes
General Administration	59	64
Rural Development	*	*
Health	35	5
Education	1	2
Public Works	*	16
Equipment and Investment	3	4
Other	1	9

*Less than 1 percent.

SOURCE: Based on data from selected Comptes de Gestion, 1977-80.

For departments, total administrative expenditures including both personnel and material, exceed 50 percent in virtually all instances. This is not so for communes where the pattern of functional spending is highly variable both among communes and across time. Apart from general administration, departments devote a sizeable share of their spending only to health, which amounts to over 30 percent in some cases. Rural development, education, and other including investment receive negligible proportions, seldom exceeding 2 or 3 percent. Occasionally, however, a department will incur a large expenditure for an investment.

Communes devote a greater portion of their spending to purposes other than general administration than do departments. While there is not the concentration on health found in departments, the combination of health, education and other expenditures frequently accounts for 20 to 30 percent of communal spending. Public works and/or investment occasionally account for a large share, no doubt reflecting the presence of a major project which may be new capital construction or repair and renovation of an existing facility. Also, the other category includes loan repayments, again usually occasioned by prior capital construction or major maintenance expenditures.

Functional Distribution of National Budget Outlays in Regions

Overview. The functional distribution of expenditures of departments and communes gives only a very partial view of services and activities provided to residents. The major source of services comes from the operations of central government agencies in the various geographic regions. As is seen in Table E-1, spending for local services out of the national budget in 1981 was almost ten times that of

combined departmental and communal budgets. Traditionally, countries with highly centralized administrative structures do not examine the regional distribution of their central services. Whether for reasons of ideology, or simply because data reporting arrangments do not record information in a manner which permits such analysis, official statistics give no breakdowns of central service levels, whether measured as expenditures or as such service outputs as school enrollments or dispensary visits. As part of this study's concern for local services and their finance and administration we have attempted for one year, 1980, to apportion by department both national budget expenditures and extra-budgetary foreign aid for those activities which we classify as "local service related," i.e., local administration and security; rural development; health; primary and secondary education; youth and sports; social affairs; and public works.

As mentioned above, information is not generally organized in centralized countries to permit such classification. Consequently, many approximations and assumptions had to be used, and the results are presented as indicative rather than definitive. Nevertheless, combined with data from departmental and communal budgets and with estimates of ORD spending and foreign aid for local projects they do yield the first comprehensive portrait of local service provision by geographic region in Upper Volta.

Table E-8 contains a reconciliation of allocations of expenditures from the national budget to individual departments following the method used in our analysis. The top part of the table explains the distribution of national budget expenditures for personnel, material,

TABLE E-8

NATIONAL BUDGET ALLOCATIONS TO LOCAL SERVICES
(CFAF billions)
1980

	Total	Personnel	Material	Total Operating	Investment	Subsidies
National Budget						
Central Services	12.0	10.4	1.6	12.0	0	0
Local Services[1]	12.0	11.0	1.0	12.0	0	0
Unallocated	15.9	.9	3.3	4.2	4.4	7.3
Total	39.9	22.3	5.9	28.2	4.4	7.3
S.U. Estimate of Local Service Expenditures	13.7	10.9	1.0	11.8	1.5	.3
S.U. Estimate By Ministry						
Rural Development	2.4	1.8	.1	1.9	.2	.3
Health	2.5	2.2	.3	2.5	*	
Social Affairs	.4	.3	.1	.4	*	
Education	4.6	4.2	.1	4.3	.3	
Interior and Security	2.5	2.2	.2	2.4	.1	
Public Works	1.2	.2	.1	.3	.9	
	13.7	10.9	1.0	11.8	1.5	.3

[1] Consists of the Ministries detailed below.

SOURCES: Syracuse University estimate based on information from the National Budget, the Avant Projet du Budget d'Etat, detailed accounts of authorized spending by the Treasury, and discussions with government officials.

investment and subsidies among those ministries which we classified as providing either central or local services.

The bottom part of the table shows the results of our efforts to allocate by department expenditures in the national budget for those ministries classified as providing local services. To do this required allocating by function those expenditure categories, such as investment and subsidies, which are not so allocated in the national budget. Thus, we had to determine the portion of investment and equipment expenditure which were used to provide local services and do the same for subsidies. Table F-8 indicates that we determined that CFAF 1.5 billion of the total of CFAF 4.4 billion spent for investment and equipment was used for what we call local services. Finally, the table shows our allocation of local service spending by ministry and by the nature of the expenditure.

Methods for Departmental Distribution. Table E-8 summarizes the results of a complex set of procedures by which expenditures classified as providing local services were allocated to individual departments. The basic approach to allocating national budget expenditures for the selected local functions to departments can best be understood in light of the organization of the national budget document. Most personnel and material expenditure are shown in the National Budget by ministry but, of course, not allocated to departments. Investment spending in the national budget is unallocated by ministry. Further, individual ministries do not maintain executed budgets for their activities. However, considerably greater detail on the nature of expenditures, such as by school inspectorate areas or hospital regions in which the

budgeted activity is to take place, is provided in the projected budget (Avant Projet du Budget). Still, the figures in the projected budget often are changed substantially in the final authorized budget.

The procedures used here to distribute national budget expenditures for local services by ministry and by department rely heavily on the arrangements by which the Treasury disburses budgeted funds, the details presented in the projected budget, and information provided by ministerial officials.

Material and investment expenditures of the relevant ministries were mainly allocated from computer records of credits allocated by the Treasury to its regional management units. The Treasury records the credits allocated to these units by a management code (Code Gestionnaire) against which the units charge disbursements. There are separate management codes for materials and for investments for specific ministeries in specified geographic areas of Upper Volta. Consequently, it is possible to estimate disbursements by purpose (materials or investments), by ministry, and by department through an examination of the debits made against these codes. Such a procedure is the basis for the distribution of most of the material and investment expenditures shown in Table E-9. However, not all material and investment budget allocations in the relevant ministries are assigned to regional management units. Some are assigned to the central management unit of the ministry either for use there or for regional distribution through internal ministerial allocation. Distribution among departments of these expenditures was based on information from the projected budget or from informed ministerial officials. The remainder, whether unallocable

TABLE E-9

ALLOCATION TO DEPARTMENTS OF NATIONAL BUDGET OUTLAYS FOR LOCAL SERVICES, 1980
(CFAF billions)

In National Budget	Total	Personnel	Material	Investment and Equipment	Subsidies
Allocated to Central Functions	12.0	10.4	1.6	0	0
Allocated to Local Services	12.0	11.0	1.0	0	0
Unallocated	15.9	.9	3.3	4.4	7.3
Total	39.9	22.3	5.9	4.4	7.3
Syracuse University Estimate of Local Services Expenditures					
Assigned to Departments from Information from CENATRIN, Avants Projets and Other Sources	9.3	8.2	.4	.4	.3
Administrative Expenses of Relevant Ministries Assigned in Proportion to Other Expenditures	4.4	2.7	.6	1.1	0
Not Allocated to Local Services in Syracuse Study	26.2	11.4	4.9	2.9	7.0
Total	39.9	22.3	5.9	4.4	7.3

SOURCES: Sources cited in Table E-8 plus Ministry of Finance reports on actual expenditures of the national budget.

to departments because assigned to general administration of the ministry or because it was not assigned a regional management code, was distributed among departments in proportion to the material and investment expenditures which could be allocated.

Personnel expenditures of the selected ministries could have been distributed among departments in a similar way, using treasury records of payments of salaries of government personnel. Such a procedure, however, would introduce considerable distortions because national government employees frequently have their salaries paid through the management unit in the area which they consider to be their permanent residence or in Ouagadougou, even though they are employed in a different place. To avoid this source of error, personnel expenditures for health and education were distributed on the basis of information from the projected budget where relevant data were available. The distribution of personnel for territorial administration and security was estimated by determining the standard numbers and grades of personnel per regional operating unit of the MIS (i.e., per Prefecture, Sous-Prefecture, Arrondissement) and applying an estimate of personnel expenditure per unit to the number of such units in the different departments. The distribution of personnel for other ministries was determined by a combination of methods. As with the treatment of materials and supplies, personnel employed for general ministerial administration or unallocatable among departments for other reasons is distributed in proportion to those expenditures which are allocable among departments.

Table E-9 summarizes the procedure by showing the portions of expenditures distributed among departments based on detailed information

regarding where funds were used and the share for general administration and other unallocable which was distributed among departments in proportion to the allocable expenditures.

The results of these complex procedures are shown in Table E-10. Here we see the local service expenditures of the national budget, distributed by department. These expenditures are shown separately for operating and investment and in absolute and per capita terms. The results show a pattern of national budget expenditures for local services very closely related to regional economic activity. Operating expenditures, mainly for personnel, favor areas of greater diversity and market production, with the northwest region receiving well below the mean. The distribution of investment spending is somewhat less systematically related to regional characteristics and has greater variability. The high production area of the Southwest receives by far the largest investment spending, but the Departments of Est and Nord also receive above average national budget investments. These findings for the allocation of investments should, however, be treated very cautiously since information to allocate investment for local services to departments was available for only 25 percent of local service investments.

Distribution of Foreign Aid for Local Services

As discussed above, foreign aid in the form of project grants and loans, including technical assistance personnel, is not included in the national budget. Such aid when provided to ORDs should appear in their budgets, and indeed as the next section shows, we find from CFAF 1 to 2 billion of foreign aid recorded in ORD accounts. This, however, is only

TABLE E-10

LOCAL SERVICE EXPENDITURES FROM NATIONAL BUDGET BY DEPARTMENT, 1980

	CFAF Millions			Per Capita Expenditures (CFAF)		
	Operational	Investment	Total	Operational	Investment	Total
Nord						
Centre-Nord	680	48	728	971	69	1040
Nord	801	213	1014	1176	313	1489
Sahel	458	41	499	1139	16	1155
Centre-Est						
Est	631	177	808	1399	392	1792
Centre						
Centre	3457	356	3813	3350	345	3695
Centre-Est	622	31	653	1349	67	1416
Centre-Ouest	1114	80	1194	1173	84	1257
Centre-Ouest						
Volta Noire	921	182	1063	1448	286	1734
Sud-Ouest						
Comoe	591			2788		
Hauts-Bassins	1799	442	2832	4126	682	4370
Sud-Ouest	756	16	772	2088	44	2133
TOTAL	11,830	1546	13,376	1871	244	2115

SOURCES: Same as for Table E-8.

a small fraction of total extra-budgetary foreign aid. Alternative estimates of total annual disbursements of such aid for recent years presented in Table E-11 ranged from CFAF 28 to 39 billion.

To achieve the objectives of this analysis of local service provision it was necessary first to distribute total foreign project aid by whether or not it was for local services and then by department and finally, to the extent possible, by function. This required information about aid purposes and the geographic location of projects. Our pursuit of information here identified CFAF 30 billion of foreign aid in 1980 whose broad purposes could be distinguished well enough to allow us to classify it as either local or central service provision. Table E-11 indicates that approximately two-thirds of the CFAF 30 billion was used for activities related to local services whose function was also identified. Of the CFAF 20.8 billion assigned as local services, descriptions of the projects and interviews with donors allowed us to allocate CFAF 18.4 billion to individual departments. The remaining CFAF 2.4 billion of aid, which we could not allocate to departments was allocated among departments in proportion to the allocable aid.

Table E-12 shows foreign aid for local services distributed by department. All foreign project aid is considered here to be investment and so no attempt is made to distinguish aid for operational from investment purposes.

Average per capita foreign aid spending for local infrastructure in 1980 amounted to CFAF 3281 or about $15. This is almost double the average per capita spending for local operational expenses in the national budget (CFAF 1871 from Table E-10), and is some 13 times the

TABLE E-11

ALLOCATION OF FOREIGN AID TO LOCAL SERVICES, 1980
(CFAF millions)

	Allocable By Region	Unallocable By Region	Total
Local Services[1]			
Rural Development	6,928	1,138	8,066
Health	118	296	414
Women's Affairs	74	.3	74
Education	329	375	704
Public Works	10,992	593	11,585
Sub-total	18,441	2,402	20,843
Non-Local Services			
Industry	1,201	72	1,273
Technical Assistance[2]	6,351	1,808	8,159
Sub-total	7,552	1,880	9,432
TOTAL AID	25,993	4,282	30,275

[1] May include some technical assistance where an integral component of project.

[2] Specifically identified by donors as payments for technical assistance.

SOURCES: Documents provided by major donors and discussions with officials.

TABLE E-12

LOCAL SERVICES EXPENDITURE FROM FOREIGN AID
BY DEPARTMENT, 1980

Region/Department	CFAF Millions	CFAF Per Capita
North		
Centre-Nord	1252	1789
Nord	1213	1781
Sahel	527	1311
Centre-Est		
Est	1177	2610
Centre		
Centre	5339	5173
Centre-Est	1145	2484
Centre-Ouest	2252	2371
Centre-Ouest		
Volta Noire	2415	3797
Sud-Ouest		
Comoe	998	4708
Hauts-Bassins	2782	6381
Sud-Ouest	1648	4553
Total	20,748	3281

SOURCES: Same as for Table E-11.

corresponding investment spending from the national budget. These relationships clearly reflect the problem of the disjuncture between the creation of new capital and the financing of the recurrent costs necessary to derive the benefits from its use.

Variation in foreign aid among departments is substantial. As usual, the South-West region is most favored as is the Department of the Centre while the North-West, is least favored.

Distribution of ORD Expenditure

To complete the portrayal of local service expenditure by department and function requires incorporation of the spending of the Regional Development Organizations (ORD). Functionally, all ORD expenditures are classified here as rural development. The difficulty is that data on actual expenditure by the ORDs are quite unreliable. ORD budgets, as discussed above, are essentially planning documents and there is no *ex post*, executed formal review of ORD budgets.

Despite this accounting shortcoming, some evidence on ORDs expenditures from their budgets (contained in Table E-13) provides a rough idea of the important and extensive activities engaged in by these agencies. The ORD budgets for 1980-81 collected in this study show total expenditures of the 10 ORDs of CFAF 3.7 billion. Operating expenses in these budgets (personnel and material) amount to CFAF 2.0 billion, which essentially is equivalent to an estimate of ORD operating expenses for 1981-82 from a study of ORDs by the Ministry of Rural

TABLE E-13

SOURCES OF REVENUE AND TYPE OF EXPENDITURE OF ORD'S, 1980-81
(CFAF millions)

	ORD Budgets	ORD Study
Expenditures		
Personnel	1,407	1,646
Material	579	592
Investments	1,719	n.a.
Total	3,705	
Finance		
Foreign Aid	2,034	1,180
National Budget	466	824
Own Sources (including loans)	1,599	n.a.
Total	4,099	

SOURCES: Individual provisional and executed budgets of ORDs for 1980-81 collected in the course of this study and Etude sur la Situation Financiere des Organismes Regionaux de Developpement, Vol. II, Ministry of Rural Development.

Development.[1] The MRD study makes no reference to non-operational expenditures, presumably made for investment purposes, which the ORD budgets we collected show as about CFAF 1.7 billion for 1980-81.

The ORD budgets also contain sources of revenues. The budgets we collected indicate that subventions from the national budget and counterpart funds were CFAF 466 million in 1980-81. The national budget indicates that subventions to ORDs in 1980 were CFAF 261 million. The difference here may be accounting errors, but there are national budget allocations for counterpart funds to foreign aid which go to ORDs in addition to their regular budget subventions. This might explain the discrepancy. Foreign aid to ORDs adds to CFAF 2.0 billion in the budgets for 1980-81. The MRD study estimates total ORD foreign aid in 1980-81 at CFAF 1.2 billion.

The major discrepancies, then, in alternative estimates of total ORD expenditure are in non-operational spending where our data show CFAF 1.7 billion and the MRD study provides no information and in ORD own sources of finance, where the ORD budgets show approximately CFAF 1.5 billion of loans and other internal ORD revenues and where again the MRD study makes no references to such revenues.

ORD spending out of foreign aid is probably included in the foreign aid expenditures shown in Table E-12. The net increment to spending for local services from the ORDs, then, once foreign aid is taken into account, is approximately CFAF 1.5 billion.

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[1] Etude sur la Situation Financiere des Organismes Regionaux de Developpement. (Study of the Financial Situation of the ORDs), September 1982, Vol. II, pp. 24, 25, 47.)

ORD expenditures allocated to department and distributed by operational and investment spending are contained in Table E-14. The figures used here are from the ORD budgets collected in this study. Data from the MRD study of ORDs is quite similar for operational spending for virtually all ORDs. The MRD study, however, provides no information on ORD investment spending. The figures on investment spending from the ORD budgets we collected are, therefore, not verified in any way and should be treated with some scepticism. Finally, as mentioned in the previous section, foreign aid support for ORD budgets is probably included in the foreign aid amounts contained in Tables E-11 and 12.

The departmental distribution of ORD spending continues to display the preferred position of the Southwest region. Operational spending per capita is particularly high in the Departments of Sud-Ouest and Hauts-Bassins. Investment spending by ORDs, for which data are somewhat questionable, is extremely unequal. Spending is virtually non-existent in all departments other than Hauts-Bassins and Est.

Total Local Service Expenditures From All Sources

Now, finally, the full picture of local service provision by department and geographic region can be shown. Tables E-15 and E-16 summarize our estimates of total expenditures by source and type and by region and department. Table E-15 presents estimates of amounts spent and Table E-16 contains estimated per capita expenditures. Overall, CFAF 6291 ($30) per capita was spent in 1980 for local services in Upper Volta. Of this, over 60 percent was for investment and equipment, leaving only CFAF 2,475 ($12) for operating or recurrent costs. The

TABLE E-14

ORD EXPENDITURES BY DEPARTMENT, 1980-81

Region/Department	Expenditures (CFAF millions)			Expenditures Per Capita (CFAF)		
	Operational	Investment	Total	Operational	Investment	Total
North						
Centre-Nord	113	158	271	166	232	398
Nord	64	16	80	99	25	124
Sahel	97	11	108	241	27	268
Centre-Est						
Est	239	433	672	546	989	1535
Centre						
Centre	145	26	171	169	30	199
Centre-Est	120	8	128	271	18	289
Centre-Ouest	117	35	152	132	39	171
Centre-Ouest						
Volta Noire	279	103	382	414	153	567
Sud-Ouest						
Comoe	104	85	189	491	425	916
Hauts-Bassins	325	754	1079	745	2349	3094
Sud-Ouest	382	90	472	1076	254	1330
Total	1986	1719	3705	336	291	627

SOURCE: Individual budgets of ORDs for 1980-81 collected in the course of this study.

TABLE E-15

OPERATIONAL AND INVESTMENT EXPENDITURE FOR LOCAL SERVICES
BY DEPARTMENT AND SOURCE, 1980
(CFAF millions)

Region/ Department	Operational Expenditures					Equipment and Investment				
	National Budget[1]	Department	Commune[2]	ORD[3]	Total	National Budget	ORD[3]	Foreign Aid	Total	Total
North										
Centre-Nord	680	89	22	113	904	48	158	1252	1458	2362
Nord	801	72	54	64	991	213	16	1213	1442	2433
Sahel	458	54	---	97	609	41	11	527	579	1188
Centre-Est										
Est	631	46	12	239	928	177	433	1177	1780	2708
Centre										
Centre	3457	141	413	145	4156	356	26	5339	5721	9877
Centre-Est	622	59	15	120	816	31	8	1145	1184	2000
Centre-Ouest	1114	112	56	117	1399	80	35	2252	2367	3766
Centre-Ouest										
Volta Noire	921	107	6	279	1313	182	103	2415	2700	4013
Sud-Ouest										
Comoe	591	36	59	104	790	442	85	998	5061	8365
Hauts-Bassins	1799	82	308	325	2514		754	2782		
Sud-Ouest	756	88	1	382	1227	16	90	1648	1754	2981
TOTAL	11,830	886	945	1986	15,647	1,546	1719	20,748	24,013	39,660

[1] Unallocable is allocated by departmental shares of allocable.

[2] For an identification of the communes located in each department, see Table R-11.

[3] Includes foreign aid.

SOURCES: See sources for Tables E-6, E-8, E-11 and E-14.

TABLE E-16

PER CAPITA OPERATIONAL AND INVESTMENT EXPENDITURES FOR LOCAL SERVICES BY DEPARTMENT AND SOURCE, 1980
(CFAF)

Region/ Department	Operational Expenditures					Equipment and Investment				
	National Budget[1]	Department	Commune[2]	ORD[3]	Total[4]	National Budget[1]	ORD[3]	Foreign Aid[1]	Total[4]	Total[4]
North										
Centre-Nord	971	131	1158	166	1291	69	232	1789	2090	3381
Nord	1176	112	1500	99	1455	313	25	1781	2119	3674
Sahel	1139	134	---	241	1515	16	27	1311	1354	2869
Centre-Est										
Est	1399	105	923	546	2058	392	989	2610	3991	6049
Centre										
Centre	3350	162	2387	169	4027	345	30	5173	5548	9575
Centre-Est	1349	133	833	271	1770	67	18	2484	2569	4339
Centre-Ouest	1173	126	889	132	1473	84	39	2371	2494	3967
Centre-Ouest										
Volta Noire	1448	159	194	414	2064	286	153	3797	4236	6300
Sud-Ouest										
Comoe	2788	180	4917	491	3726	682	425	4708	14,545	24,037
Hauts-Bassins	4126	255	2678	745	5766		2349	6381		
Sud-Ouest	2088	248	143	1076	3390	44	254	4553	4851	8241
TOTAL	1871	150	1940	336	2475	244	291	3281	3816	6291

[1] Unallocable is allocated by Departmental shares of allocable.

[2] For an identification of the communes located in each department, see Table R-11.

[3] Includes foreign aid.

[4] Total of expenditures from all sources divided by total departmental population.

SOURCE: Same as Table E-15.

figures for investment are probably somewhat over-estimated because of some double counting of foreign aid and over-statement of ORD investment.

Foreign aid is virtually the sole source of local investment. The national budget provides virtually all local services for those residing outside of communes. The ORD operational activities and departmental budgets together average only CFAF 486 ($2) per capita. Some communes, however, spend five to ten times this amount per capita on local services for their residents.

Regional Distribution. The regional distribution of total local services conforms to regional economic circumstances. Operational expenditures are higher in the Southwest and in the Department of the Centre; they are lower in the North region and in the Department of Center-West. Capital expenditures are more variable among departments than is operational spending. Much the same pattern emerges, however, with the Southeast region and the Department of Centre favored and less spent in the North region.

Functional Distribution. Table E-17 shows the functional distribution of local service expenditures, broken down into operational and investment spending. Investment spending is concentrated almost solely on rural development and public works. Operational spending on public works is very low, with education, rural development, local administration and health receiving roughly equal support.

TABLE E-17

EXPENDITURF FOR LOCAL SERVICES BY FUNCTION AND TYPE FROM ALL SOURCES, 1980

Function	Operational		Investment		Total	
	CFAF millions	Percent	CFAF millions	Percent	CFAF millions	Percent
Rural Development	3,879	25	9,955	41	13,834	35
Health	2,879	18	437	2	3,316	8
Education	4,389	28	984	4	5,373	14
Public Works	444	3	12,529	52	12,973	33
Administration	3,500	22	96	*	3,596	9
Women's and Social Affairs and Other Unallocable	480	3	123	1	603	1
TOTAL	15,571	100	24,124	100	39,695	100
Per Capita Expenditure (CFAF)	2,595		4,021		6,616	

*Denotes less than 1 percent.

SOURCES: Same as for Table E-15.

TAX POLICY AND ADMINISTRATION

An Overview

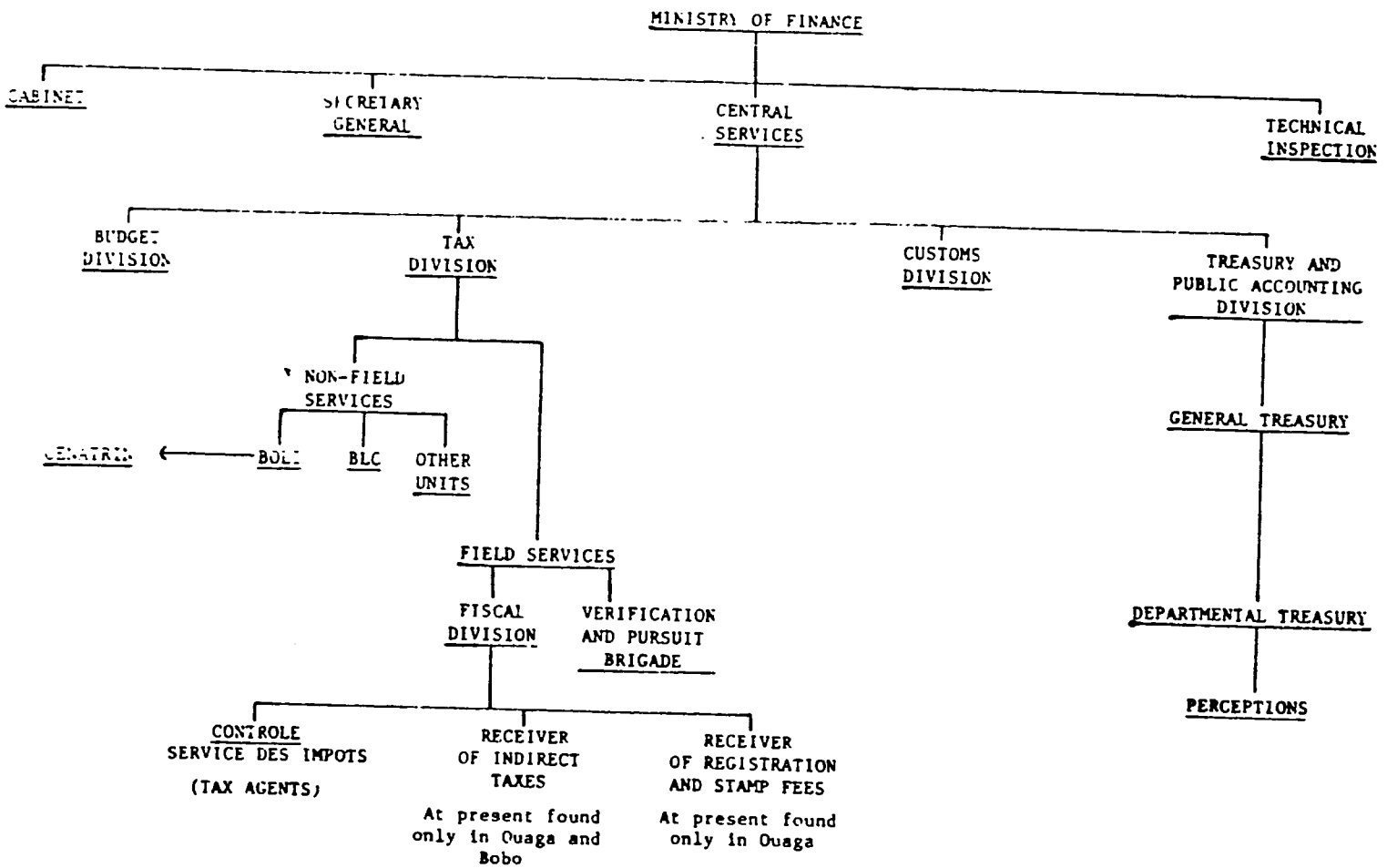
Tax administration in Upper Volta is essentially characterized by two distinctly different mechanisms. One applies to those engaged in subsistence agriculture and liable only for the standard tax on income (IFR) and possibly for the tax on livestock (TBET). The second applies to those liable for other taxes. Local agents of the Ministry of Finance (MF) have sole responsibility for assessing and collecting the latter taxes while field officials of the Ministry of Interior and Security (MIS) assess and administer the former. As is characteristic of African tax systems, assessment of tax bases and determination of tax liabilities is administratively and operationally separated insofar as possible from tax collection in order to avoid opportunities for collusion and dishonesty.

The Ministry of Finance stands at the center of the system of tax administration. Chart 3 provides an organizational description of components of the MF relevant to this study. One of its four major divisions, the Department of Central Services (Les Directions des Services Centraux) is responsible for supervision of taxation and expenditure. This department, in turn, has four components. One, the Budget Division (Direction Generale du Budget) projects revenues and expenditures of the central government and annually prepares the projected budget (Avant Projet du Budget) which serves as the basis for ministerial and cabinet discussion of budget policy leading to the establishment of the national budget. The Budget Division, however,

CHART 3

ORGANIZATION OF UNITS OF MINISTRY OF FINANCE

RELEVANT TO TAX ASSESSMENT AND COLLECTION



plays no role in the operational side of tax collection or expenditure management. The other three divisions of the Department of Central Services perform these tasks. The Tax Division (Direction Generale des Impots) and the Customs Division (Direction Generale des Douanes) maintain field officials who assess tax liabilities of individual taxpayers for domestic and international taxes respectively. The Treasury and Public Accounting Division (Direction Generale du Tresor et de la Comptabilite Publique) also maintains field offices which receive tax bills, collect payments of direct taxes and transmit them to the appropriate treasury. This office also manages the disbursement of expenditures from central and local government budgets.

The Tax Division not only maintains field officials engaged in tax assessment but has various central services as well. One of these, the Bureau of Legislation and Claims (Bureau de la Legislation et des Contentieux; BLC) can develop proposed new tax statutes and alterations in existing tax laws. There is, however, no regular process for initiating review and alteration of tax policy and the provisions of tax laws. Should the Director General of Taxation or the Minister of Finance propose a change, it would be referred to an interministerial commission whose recommendations would be presented to the Council of Ministers, and if approved, signed into law by the President.

Another central service of the Tax Division is the Bureau of Information Processing (Bureau d'organisation et de liaison pour l'information; BOLI) which verifies tax bills and collections before passing them on to CENATRIN (Centre National pour le Traitement de

l'Information) for processing. The roles of these agencies in the tax assessment and collection process will become clear as the exposition proceeds.

Assessment and Collection of Taxes

To understand tax assessment and collection in Upper Volta it is essential to distinguish direct from indirect taxes and, further, to separate direct taxes into those paid by persons engaged in subsistence agriculture from those paid by other taxpayers.

Direct or "Roll" Taxes

Rolls of specific individuals and establishments liable for domestic taxes are established and, in principle, updated regularly. Rolls which identify individual taxpayers and their tax assessments and liabilities (roles nominatif), are called "individualized" rolls here. Responsibility for preparation and maintenance of these rolls is vested in field agencies of the Tax Department called Fiscal Divisions (Divisions Fiscales). Currently, there are ten such fiscal divisions located in the administrative seats (chefs lieux) of all departments except Dori. The tax agents of the fiscal division determine the tax base (assiette) and the actual tax liability (contribution) for all taxpayers on these individualized rolls. These rolls pertain to taxes credited to departmental and communal budgets as well as national government taxes. Tax liabilities are determined with the aid of detailed tax forms which are filled out by tax agents separately for each taxpayer for each tax. For direct taxes these forms are sent to a unit of the Tax Division in Ouagadougou called the Bureau of

Informational Organization and Relations (Bureau d'organization et Liaison pour Informatique, BOLI), where they are checked and verified. If approved by BOLI they are passed on to the national information center (CENATRIN) which sends out a computerized tax bill (avertissement) to the appropriate local office of the Treasury. These field treasury offices are called either a Departmental Treasury (Tresorerie Departementale) or a "perception" depending on whether it is located in the chief center of department or in a sous-prefecture. The taxpayer then has the duty of going to the perception or Departmental Treasury and paying the amount owing, which is already known from the initial contact with the tax agent when the tax form was filled out. The taxpayer may pay before the tax bill from CENATRIN is received by the local treasury office, in which case he is said to have paid in anticipation (par anticipation), rather than according to the roll (sur role). Payment of taxes is acknowledged by a receipt provided to the taxpayer.

Taxes for which a list of specific taxpayers and their tax liabilities is maintained by the local fiscal Division of the Tax Division and for which CENATRIN sends verified tax bills to the local treasury office are called "roll" tax (taxes sur role). These include all the direct taxes, regardless of whether they are credited to the national, departmental or communal budgets.

The roll or list of taxpayers for those engaged in subsistence farming outside communes is developed in a different way than for the "named" roll taxes. In communes, with their greater population density

and smaller areas, it is feasible for tax agents to identify individual taxpayers and to determine those taxes for which they are liable. In the countryside, however, this is not possible. Instead, based on an initial village by village census which is supposed to be continuously updated, lists of numbers of individuals or families and their ownership of taxable property (essentially livestock) are maintained by agents of the Fiscal Division assisted by field agents of the Ministry of Interior and Security and by canton secretaries and village chiefs. A tax assessment for each village listing the amounts owing for each family is prepared by the staff of the sous-prefecture or arrondissement and forwarded to the local Fiscal Division. After review the FD sends, this "numerical" roll (role numerique), to BOLI in Ouagadougou for verification. When approved, it is sent back to the field office of the particular accounting post of the Treasury which services the appropriate village. The local administrative officer, either the sous-prefect or the chief of the arrondissement, is responsible for the collection of the taxes due on the numerical role. While the procedure for collection varies somewhat by region, the typical arrangement is for the rolls to be distributed to canton secretaries who present them to village chiefs and remain present to assist in the recording of taxes as paid by individual families. Funds are passed from canton secretaries either directly to the local treasury or indirectly via the local administrative officers.

This procedure applies only to direct taxes on subsistence farmers who reside outside of communes. All others who are liable for direct taxes receive individual tax bills and are referred to as being on the

"individualized roll". Residents of communes, including those liable only for the minimum IFR, are entered into the individualized tax rolls. Tax agents are responsible for assessing the tax liabilities of business firms and other enterprises whether they are located in or outside a commune. Tax agents also have responsibility for tax assessments of individuals residing outside the commune who are liable for any tax other than the minimum standard tax (IFR) and the livestock tax (TBET), such as the patente, the IFR above minimum, and the tax on rental value of housing (CM).

Indirect Taxes

Assessment of domestic indirect taxation such as the turnover tax and excise taxes operates in a somewhat different way. The field agents of the FD determine the tax liability by examination of records of the taxpayer or by estimation based on observation of activity. The office of the Fiscal Division concerned with assessing taxes and preparing tax forms is called the Tax Service (Service des Impots) and is referred to here as the SI. For convenience, the agent provides the taxpayer with a money order form filled in for the amount due. It is the taxpayer's responsibility to remit the amount owed to the receiver of indirect taxes located in Ouagadougou or to the adjunct receiver of indirect taxes in Bobo-Dioulasso. The agent sends a copy of the tax form to the receiver of indirect taxes. For indirect taxes, then, there is no roll of taxpayers maintained at the central tax office in Ouagadougou against which the agents' assessments are verified and from which tax bills are prepared and sent to taxpayers.

Indirect taxation of consumption, which includes petroleum, beverages, cartridges, tobacco, and cola nuts falls almost entirely on imported goods. Consequently, it is assessed in only a few places where the taxed items enter the country, and is mainly collected by customs officials rather than by agents of the Tax Division.

In addition to domestic indirect taxes, Upper Volta levies taxes on imports and exports. These taxes are administered by the Customs Division of the Minister of Finance, whose functioning is not examined in the present study. There are additional revenue sources from licenses, fees, and charges which accrue mainly to departmental and communal budgets although there are some national revenues from these sources. These revenues generally are collected by agents of the commune or the department either as payment at the time a service is delivered or in return for a ticket, stamp, or permit. Receipts for such charges are provided and those individuals charged with collecting the payment often retain a percentage as compensation. Details of administration of these revenues are described in another section of this report.

Operation and Enforcement

As described above the responsibilities of the central and field agencies of the Tax Division are quite substantial. Yet the resources provided for the tasks of the Division are extremely modest. As regards personnel, total staff of the Division, inclusive of both central and field agencies, was estimated at 259 as of January 1982. These personnel were rather heavily concentrated in Ouagadougou, with 70 in the central services there and another 33 working in the field offices

in the capital. This leaves 150 agents for the remainder of the entire country.

Annual expenditures for materials and supplies for the field offices of the Tax Division are not available. The basic needs here are simple. Premises, furniture and supplies for the local office of the fiscal division and vehicles, gas, and travel allowances for the agents to permit tax assessment tours to the interior. Evidence for the Department of the East, discussed below, suggests that the funds available for these activities are grossly inadequate and that an increase in allowances for tours would yield tax revenues in excess of the costs incurred.

Chart 3 above shows that the field services of the Tax Division consists of fiscal divisions and pursuit and verification brigades. In principle there should be one of each of these units in every department. In fact, there are fiscal divisions in all but one department which carry out the tax assessment duties described above. There are, however, only two pursuit and verification brigades in the entire country each encompassing large territorial areas. The apparent result of this paucity of local enforcement offices is that the tax agents themselves, who are very hard pressed to handle their primary responsibility of tax assessment, must engage in tax enforcement activities as well.

The fiscal division at the departmental level is supposed to contain three elements. One, the control, concerns the tax assessment activities of the tax agents. This function is performed by all fiscal divisions. The other two elements, receiving indirect taxes and

registration and stamp fees, are not yet instituted in the departmental fiscal divisions. Instead there is a central receiver of indirect taxes in Ouagadougou and a branch in Bobo-Dioulasso. It is because the local fiscal divisions do not contain a receiver of indirect taxes that those obligated to pay indirect taxes are given addressed money orders for their tax liability and instructed to send them to the central receiver in Ouagadougou. Similarly, there is only a single receiver of national registration and fiscal stamps and fees in Ouagadougou. Here, the procedure which we observed is that the departmental treasury will periodically purchase a stock of these stamps from Ouagadougou and as they are sold simply retain the payment.

Along with the local fiscal divisions of the Tax Division, the local accounting posts (postes comptables) of the Treasury play a major role in the operation and enforcement of taxation. However, because of the lack of trained personnel and of financial infrastructure in the interior of Upper Volta, these posts also have important functions unrelated to taxation. As regards taxation, the accounting posts receive the tax bills after they have been approved by BOLI in Ouagadougou, distribute them to taxpayers or those who will collect village taxes, receive tax payments and issue receipts, transmit copies of the receipts and monthly statements of tax payments to BOLI, and transmit actual cash accumulated to the General Treasury in Ouagadougou once it exceeds a stipulated amount.

The functions of the accounting posts unrelated to taxation include serving as the public accountant and controller of the local administrative unit (collectivite publique) within which it is located,

paying bills and checks of the national and local authorities, and acting as a postal agent where there is no post office.

The head of these field offices of the Treasury is called a percepteur, for which the usual translation of "tax collector" is misleading given the wide range of functions of this official. In his role as accountant and comptroller for the departmental and commercial budgets, the percepteur is responsible for the preparation of the management account for these public authorities (compte de gestion) and its submission to the Treasury. Since 1974 there have been two classes of local treasury field offices. One, located in the administrative center of a department is called the Departmental Treasury (Tresorerie Departementale), and has accounting responsibility for the departmental budget and if the administrative seat is a commune, for its budget as well. The other class of treasury field office, called a perception, is situated at the administrative seat of the sous-prefecture and is subordinate to the Departmental Treasury. However, not all sous-prefectures have perceptions, and often the Departmental Treasury serves several sous-prefectures.

Details of Tax Administration in the Department of the East

The above description gives a general overview of tax assessment and collection procedures. It describes the system as it is designed to work. There appears to be no comprehensive examination or analysis of the actual operation of the system. We have, however, had a close look at its operation in one area, the Department of the East, including the commune of Fada N'Gourma. A detailed description of the operation of

tax administration in this Department provides considerable insight regarding achievements and shortcomings.

The Structure of the Taxation System as Seen at the Local Level

National, departmental, and communal administrations all have some role in collecting tax revenues in the Department of the East. Currency collected is sent to the central treasury. Appropriate credits are assigned to the budgets of either the commune of Fada N'Gourma, the department, or the national government. As regards the national administration, local tax administration involves the regional offices of two divisions of the Finance Ministry, the perception or Departmental Treasury and the Fiscal Division.[1] Also involved are the local units of territorial administration of the national Ministry of Interior and Security, which in the Department of the East consist of seven sous-prefectures, the four functioning arrondissements,[2] and some 638 villages. The Prefect is in charge of all activity, including tax collection, undertaken by all governmental entities in the department, including the above group. He is the ultimate authority in the department but in the area of taxation he takes an active role only under extraordinary circumstances.

Responsibility for the tax system's functioning is diffused among the organizations involved. The field offices of the two divisions of

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[1]There is another regional representative of a Finance Ministry division in Fada, the Service de Controle Financier, but it has no role in the tax system.

[2]These function after a fashion as their incomplete staff is only partly located in the jurisdiction itself. There are four other arrondissements which, although named, are neither staffed nor financed.

the Finance Ministry, i.e., the Fiscal Division of the Tax Office and the local office of the treasury either a perception or a Departmental Treasury, share the major responsibilities for tax collection. Together they assess and collect most, if not all, taxes paid in the commune of Fada. The communal administration is not significantly involved[1] in taxation but does administer the collection of the various fees and charges in the commune which accrue to the communal budget. For the department outside the commune, the sous-prefects, the arrondissement chiefs (where there are any), the canton secretaries (and chiefs, if there are any) and the village chiefs in each sous-prefecture participate in the collection of "village taxes,"[2] some of which go to the national budget and some to the departmental budget.

The Departmental Treasury (Tresorerie Departementale) located in Fada, is an accounting post (post-comptable), i.e. office authorized to receive payment of taxes, to maintain a cash reserve and to disburse funds when ordered by the appropriate authority. It performs these functions for the commune of Fada N'Gourma, the Sous-Prefecture of Fada N'Gourma, and for the Sous-Prefectures of Diabo and Comin-Yanga. These last two jurisdictions, as sous-prefectures, should be postes-comptables themselves in the Department of the East but do not yet have the

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[1]The communal budget does pay the salary of one of the Service des Impots agents and the chief of that Service is a member of the Comite Charge de la Gestion des Biens de la Commune, the "municipal council" of the commune.

[2]This term groups those taxes applicable in virtually every village, the IFR, TBET, ICT.

authority.[1] The other four sous-prefectures do contain perceptions. The Departmental Treasury and the perceptions receive payments directly from individuals as well as from arrondissement administrators, canton secretaries, and village chiefs. The Departmental Treasury in Fada N'Gourma keeps the tax rolls prepared and sent to it by CENATRIN, the computer agency in Ouagadougou, reports payment of the direct taxes on these rolls, and undertakes legal procedures against delinquent and non-payers. Further, it distributes the tax monies it receives among the budgetary authorities--national government, department, or commune--to which they are due. It also receives periodic reports from the four perceptions in the department regarding their departmental budget receipts, though not of their national government budget receipts which they forward directly to the national treasury in Ouagadougou.

The Departamental Treasury (DT) at Fada N'Gourma is probably the most influential local actor in the entire tax system. It is involved in the collection of more of the taxes and those which yield the greatest total receipts than any other single local agency. Seemingly its position of responsibility for larger receipts has been the basis for somewhat higher salaries among DT employees, in comparison with the agents of the FD. There appears to be some intra-ministerial rivalry on this point. Unconfirmed plans indicate the FD will one day be able to receive tax payments for certain taxes. Also the FD will be provided its own pursuit brigade (Brigade de Poursuite) to be able to collect

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[1]These sous-prefectures were only recently up-graded from arrondissements.

delinquent taxes itself rather than rely in large part on the DT. Finally a hoped for computer terminal and fully computerized rolls will allow quicker and more efficient roll changes and ultimately more efficient tax collection overall. The latter improvement appears to be far in the future, however.

The FD, updates the tax census of Fada N'Gourma commune every year. It is this data, transmitted to the Bureau de Organization et Liaison Informatique (BOLI) of the Direction Generale des Impots in Ouagadougou, which permits CENATRIN to compose the tax rolls provided to the DT and the perceptions. Besides this fundamental involvement in the collection of all roll taxes in the Fada N'Gourma commune, individual FD agents are assigned responsibility for the census of each non-roll-tax[1] taxpayer in the commune, as well as calculation and notification of payment due, tracking of payment and pursuit of delinquents and evaders. This may include property or business value assessment for the patente, TCA, or domicile tax (CM), or estimation and/or determination of penalties to be paid. The FD in Fada N'Gourma concerns itself primarily with four roll taxes: the IFR, patente, the licence (assigned to the national budget in 1981) and the tax on firearms (Tax sur les armes a feu.) The FD also maintains a tax census for all of these taxes outside the Fada N'Gourma commune except for those for which the sous-prefectures in those regions maintain records, i.e., those taxes for which there is a numerical rather than individualized roll, the IFR, TBET and the tax on firearms.

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[1]BIC, IUTS (non-functionnaires), TPA, IRI, TCA, all of which accrue to the national budget.

For those who want to pay their taxes early (e.g., when proof of tax payment is needed to conduct business), the FD calculates the tax to be paid on request.

Obviously, the FD is of considerable importance. To accomplish its tasks, the FD in Fada N'Gourma in 1982 consisted of the director and six full-time paid agents and two non-paid voluntary agents who work full-time in expectation of paid positions one day. Both have been there now for over a year. However, almost all the agents were young and new to the government and to the FD. Their knowledge of their duties was a function of their inexperience. Besides being assigned the updating of the roll and filling out tax forms for one or two taxes in the commune, each agent is responsible for all "non-village" taxes in a particular sous-prefecture. Shortages of budgeted funds for vehicle maintenance, gasoline, and living expenses away from Fada has inhibited the performance of this responsibility. The results of one visit by tax agents to a sous-prefecture are described in a following section.

The sous-prefectures are responsible for the collection of all taxes in the villages. These appear to be limited primarily to the IFR and TBET though the tax on firearms is collected throughout the department and the domicile tax has shown up on rolls for the Sous-Prefectures of Fada N'Gourma and Diabo at the Treasury. The sous-prefecture maintains a census of each of its villages which it uses to update their tax rolls every year. In theory a village chief knows his village well enough and is responsible enough to the state that he updates his village's tax rolls annually by reporting changes in families in residence in the village and in animal ownership to the

canton secretary or the local administrative officer. However, changes are most often reported when they result in reductions in tax burdens. Actual changes in the roll are made only by the sous-prefectural authorities. Theoretically, the censuses would be comprehensively updated every 4 years but if this is accomplished more often than every 8-10 years, it is unusual. When the census update is undertaken, an entire canton would be done. Where cantons are grouped into an arrondissement, it is the arrondissement chief who updates the tax rolls in his jurisdiction

After the village tax rolls have been prepared by the sous-prefectures they are sent to the FD, which in turn sends them to the Tax Division in Ouagadougou. Then, after approval and verification, a statement of tax liability (prise en charge) is returned to the Departmental Treasury for distribution to the appropriate post-comptable for collection. These tax rolls are distributed to the canton secretaries and/or to village chiefs directly. Exactly to whom tax payments are given varies from village to village. It is the village chief or an appointed representative who is technically responsible for enacting payment from each family in his village over the course of the year. The village chief is compensated for his role in the tax collection process, and provided an incentive to collect all taxes due, by retaining a share of the amount collected. He receives 4 percent of receipts in the first quarter of the year, 3 percent in the second, 2 percent in the third, and 1 percent in the fourth quarter. The canton

secretary[1] is charged with assisting the village chief; most village chiefs are illiterate and cannot read the rolls. Supposedly chiefs know their villages, but older chiefs have less and less contact with the younger, less traditionally oriented, generation. Until relatively recently the chief himself was responsible for paying a prescribed amount for the village. How he obtained it was largely up to him.

The influence of the village chief varies considerably from village to village, but in many villages this personalization of authority still has a significant effect on tax payment. Particularly before the present military regime, tax collections in villages depended to a large extent on the political affiliation of the chief. A chief allied with the ruling party would be less obliged to assure tax collection in his village.

After collection tax proceeds are passed along as much of the chain of command as exists, i.e., canton secretary or chief, arrondissement chief, Sous-Prefect, and perception or Departament Treasury, depending on the Sous-Prefecture. Ultimately the Departmental Treasury or the perception transfers its funds to the national treasury.

Revenues Collected

In the department of the East there are 18 taxes and a variety of fees and charges that are administered to feed the coffers of the national government and the two administrative units in the department

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[1]The chef de canton may collect taxes in a village chief's stead, though as secretaires de canton become more and more professional and as chefs de canton are phased out, the latter's importance as a whole is reduced.

which have separate budgetary authority. Table A-1 shows the amounts collected for the various budgets from these revenue sources for the Department of the East and for the Sous-Prefecture of Bogande in 1979. As the table shows, the budget to which revenue from a tax is credited depends upon the tax and/or the jurisdiction in which it was collected.

Taxes on Commercial Activity. The taxes which finance the national government budget regardless of the jurisdiction are: the tax on commercial and industrial profits (BIC); the income tax for salaried individuals (IUTS); the payroll tax on employees paid by the employer (TPA); the tax on gross sales (TCA); and the licence, an operating fee for beverage businesses. These taxes are known as the taxes on commercial activity and various combinations of taxes may be paid by a single business depending on the nature of the business.

The taxes on commercial activity within the departmental boundaries are almost exclusively censused, assessed, calculated, billed, and recorded by agents of the Service des Impots. However, up to now they have only done so in the commune of Fada N'Gourma and the immediately surrounding area. This is reflected by the absence of revenues for all of these taxes from Bogande. It is true that Fada N'Gourma is the single most commercially active urban area in the department, but there is considerable activity to be taxed elsewhere.

Five of the six full-time agents have been in the Service des Impots for only nine months, one to three of which was spent in Ouagadougou in training. The exceptions are the director, the one agent paid by the commune of Fada N'Gourma, and the two volunteers. The other five still have trainee status. It appears, then, that the reason why

TABLE A-1

REVENUES OF THE DEPARTMENT OF THE EAST ACCRUING TO VARIOUS BUDGETS, 1979
(CFAF thousands)

Tax Revenues	Collected in the Entire Department for		Communal Budget	Collected in the Perception of Bogande for	
	National Budget	Departmental Budget		National Budget	Departmental Budget
Traditional Roll Taxes					
Standard Tax on Income	25,278		1,559	7,129	
Livestock Tax	2,563		280	259	
Standard Tax on Migratory Population		882	392		
Departmental Tax		17,821			4,117
Occupation Tax		1,813	1,151		252
License		56	270		6
Domicile Tax		232	512		19
Property Taxes: TVLH			*		
TVLP			*		
Firearms Tax		729	246		20
Road Tax			586		
Transfer Tax			*		
General Surcharge			387		
Modern Roll Taxes					
Tax on Wages and Salaries	3,444			*	
Industrial/Commercial Profits Tax	560			*	
Payroll & Apprenticeship Tax	120			*	
Tax on Rental Income	79			*	
Turnover Tax	2,058			*	
Other	2,939			*	
Taxes Due From Previous Years	11,360	13,872	2,815	92	22

TABLE A-1 (CONT.)

Tax Revenues	Collected in the Entire Department for		Communal Budget	Collected in the Perception of Bogande for	
	National Budget	Departmental Budget		National Budget	Departmental Budget
Fees and Charges					
Stamps and Registration Fees	2,341	980	215		162
Motor Vehicles		960	520		65
Bicycles		1,466	835		480
Slaughtering Examination		110	174		1
Market Fee		825	558		284
Parking Fee		349	21		*
Land Transfer Fee			140		
Stray Animal Fee		288	96		122
Cart Fee			201		
Livestock Sale Fee			27		
Spectacle & Publicity Fee			508		
Animal Export Fee					
Animal Inspection Fee	*			14	
Fines	*			275	
Income From Property		389			90
Total	50,742	40,772	11,101	7,769	5,640

*Denotes that the revenue source pertains to this budget but no revenues were collected in 1979.

SOURCE: Obtained from records maintained by the Departmental Treasury at Fada and the Perception at the Sous-Prefecture of Bogande.

no one left the commune to assess taxes in the sous-prefectures until spring of 1982 when a modest trip was undertaken was due as much to the inexperience of the agents and their training schedule as it was due to budgetary limitations on travel. From fall of 1981 to then the agents all worked together to cover the commune.

Before 1981, the business profits tax (BIC) was imposed at a fixed rate of 35 percent only on those businesses in the top five categories of a complex scheme of categorization of all businesses. Since 1981, all businesses earning a profit pay the BIC according to the following scale:

Profit (in CFAF)	Tax Rate (percent of profit)
0 - 250,000	5
250,001 - 600,000	15
600,001 - 2,500,000	25
over 2,500,000	35

The profit figure is determined in either of two ways. Preferably the business maintains reasonably accurate accounts which show what the profit is. If the business has no accounts the agent determines a profit figure on which to base the tax, in consultation with the owner. Until 1981 there were only 25 BIC payers in Fada N'Gourma; the FD maintained a dossier on each business and could check previous years' profits on which to base the current year's figure. The same figure may only be used for two consecutive years. The agent may also check suppliers' records or any other source. Normally the agent is called upon to estimate costs and sales and calculate the profit since businesses customarily do not give accurate figures even if they know

what they are. There are only four BIC paying businesses in Fada N'Gourma which keep conventional accounts: the two general stores, each run by a Syrian (unrelated to each other), and the Texaco and Total gas stations, which just began to keep accounts in fiscal year 1981. If the agent is unable to come to an agreement with the business regarding the latter's profits for the year, he may set an amount which the service chief may (or may not) adjust on appeal. Presumably, the agent is able to judge business profitability or at least a businessman's honesty. If the agent believes a business' accounts as presented are not accurate he may undertake an investigation, evaluate the firm's profitability, and set a profit figure.

The BIC, a direct tax, is paid at the beginning of the year following the year whose profits are to be taxed. All businesses are censused at the end of the year, the tax is calculated and this information is sent to BOLI of the Tax Division which has CENATRIN prepare a bill for each taxpayer. The bill sent to the appropriate poste-comptable (PC) which keeps a record of billing and receives payment, and to the FD which distributes the bills and makes sure they are paid. The FD agent may set fines when taxes are not paid. Alternatively, the proprietor may pay in advance of receipt of a bill if he needs his tax payment receipt in order to purchase beverages for his business or to enter into any contract with the state, or if he wants travel documents. In this case, the owner goes to the FD which calculates the tax and bills the taxpayer on the spot. He pays at the poste-comptable and the Tax Division is notified of prepayment. Payment is recorded at the PC.

The tax on wages and salaries (IUTS) is the income tax for those who earn a regular salary. All other individuals pay the IFR. The largest group of IUTS payers are the civil servants whose IUTS is withheld from their paychecks. For businesses and other organizations with salaried employees, the tax is withheld from the employees' pay and the employer forwards the money to the PC. The FD oversees the employers who pay the IUTS in Fada N'Gourma whom they have identified in their census. The employer may figure the amount of IUTS to pay or request the FD to calculate it. In the case of relatively large employers, like the department or the commune (their non-civil service employees must pay this tax), a list of all employees is verified by the FD and sent to BOLI for computation. In both cases, the employer pays the PC and a FD agent must verify that it has been paid each month. It is paid monthly if it is CFAF 2,500 or more; if not, then it is paid every six months.

The apprenticeship tax (TPA) is paid at the same time as the IUTS. All non-governmental employers must pay the TPA. There are 18 such employers in Fada N'Gourma. The rate is fixed at 4 percent of gross salary plus total cash allowances for Voltaic citizens and 8 percent for non-Voltaics. The FD agent must verify payment each month.

The tax on rental income (IRI) is paid by all individuals whose gross income from all rental property exceeds CFAF 120,000 annually. No records of payment of the IRI prior to 1981 seem to exist at the FD. The 1981 census, performed at the end of the year, will serve to identify all rental properties in Fada N'Gourma. The agent must determine the true owner and the correct rent. Since landlords often

undervalue their property in statements to tax agents, the agent must satisfy himself that the base is reasonably accurate through investigation and negotiation. The agent has final authority to set an amount. The rate varies from 5 to 20 percent depending on the rental value. The tax is paid at the beginning of the year following the year to which it applies. The agent notifies BOLI which, after verification arranges for CENATRIN to send a bill with copies to the PC, where the taxpayer pays. When he pays he must have proof of payment of previous years' IRI. If he has no such proof he must pay back taxes for an arbitrary number of years set by the agent. Agents tend to overestimate the years so that the taxpayer is motivated to show proof of the true number of years for which rental income was earned. If back taxes are to be paid, a penalty is included.

The turnover tax (TCA) is a straight 18 percent of an amount calculated according to the nature of business conducted. Since the tax base includes the TCA, the effective rate on the pre-tax value is 22 percent. In Fada N'Gourma the most important "industry" is the wholesaling and retailing of beer and non-alcoholic beverages. Gross sales provides the base for TCA payment in this case. In other businesses, the base is determined differently: it is the value of "reusable" materials sold and the labor involved in producing and/or installing them. For example, a business which makes window frames and installs them will pay the TCA on the value of the window frame since, theoretically, it is reusable. The value of the glass in the window is not reusable so, not taxable. If the same business installs the window frame it is taxed on the cost of labor to install. However, if a

business only provides the service of installation and does not sell the window frame, it is not subject to pay the TCA. This tax is paid monthly, based on receipts accumulated during the period. Where there are no receipts, the agent again must evaluate probable receipts and negotiate with the proprietor. It is usually sufficient that the agent sets an amount much higher than is probable so the taxpayer is motivated to produce more accurate records. The agent figures the tax and gives the taxpayer a postal money order form addressed to the receiver of indirect taxes in Ouagadougou. The taxpayer pays for the money order at the post office where the form must be validated. The agent sends a confirmation sheet to the receiver of indirect taxes to be sure the taxpayer pays. Since it is a monthly tax, controlled monthly by the FD agent, TCA payers do not get too far behind. When they do and legal pursuit is begun, the business may be liable for a CFAF 10,000 fine in addition to a fine equal to a percentage of the tax owed. The percentage applied is up to the agent to determine; the more deceitful and willful the recalcitrance, the higher the percentage. It can be anywhere between 25 and 200 percent.

The licence, (contribution des licences) is an annual tax on all beverage producers and sellers, wholesale and retail. Even those who produce and sell dolo, the traditional millet beer, are obliged to pay the licence in the commune of Fada N'Gourma. The amount of the license varies by category of beverage business and by location: Fada N'Gourma businesses pay less than corresponding businesses in Ouagadougou or Bobo-Dioulasso. This tax is also paid directly to Ouagadougou, by means of a postal money order. Until January 1, 1982, this tax went to either

the department or communal budget, depending on where it was collected. Now, however, it goes to the national budget.

Traditional Taxes. The national budget is credited with the proceeds of the IFR and TBET collected outside of the commune and the communal budget is credited for proceeds collected in Fada N'Gourma. As mentioned above, the IFR raised in the department is to be returned to the locality, i.e., sous-prefecture or arrondissement, from which collected for approved infrastructure projects. Since this is viewed as an experiment and the Tax Code has not been altered, it appears that formally the IFR remains a national budget revenue and the return to departments is national subsidy to a local collectivity.

The livestock tax (TBET) is levied on cattle, donkeys, horses, camels and pigs at rates which vary from CFAF 50 to 350 per year. Higher taxes are imposed on cattle and horses, and communal taxes are slightly higher than rural. This tax is one of the most difficult to execute. In the commune, FD agents include a count of a family's animals in the census, but since the animals roam and are not separate from others' animals and as they bear no standard identifying marks, the agent has no basis of estimating an individual's animal holdings. Outside the commune, it is the village chief or his surrogate who collects the TBET according to the roll which is based on his supposed familiarity with the village. There is much opportunity for underpayment and evasion.

The low yield of livestock taxes has led to suggestions that the vaccinations and other services provided by the Livestock Service (Service d'Elevage) be used as a control for the payment of the TBET.

Throughout Africa this proposal has been strongly resisted by officials of this service. They contend that such control is inconsistent with the aims of mass vaccination against contagious diseases, and that the number of animals treated individually is too few to significantly affect tax revenue. Further, agents of the Livestock Service do not wish to become associated with tax collection in the minds of the farmers.

The five taxes in the department which are credited to the budget of the jurisdiction in which they are collected, the commune or the rest of the department, are: the patente, a business or occupation tax based on the presumptive earnings of the activity; the firearms tax; the domicile tax (Contribution mobiliere) a tax on the actual or imputed rental value of residential dwellings, and the Impot flottant the tax paid by migratory individuals or those who cannot prove that they have paid the IFR in their native village, and finally, the departmental tax (Impot Departemental or Impot de la Collectivite) a 60 percent surcharge on the basic IFR rate of CFAF 300 per eligible taxpayer.

The patente is paid by all businesses. It has two components: an amount which varies with the importance of the business as expressed by a series of 9 categories; and proportional duty, a flat percentage of the value of the business assets. The classification system includes a list of "professions" with a corresponding categorization. The amounts of the two components mentioned may be determined according to different schedules depending on the nature of the business. It is up to the agent to determine into which category a business falls and which schedule applies. A business can qualify for two categories and would

then be placed in the higher category. There are two different tax schedules: one for Ouagadougou and Bobo-Dioulasso, and another for the rest of the country. In the Department of the East, the tax rolls for 1980 showed 1,335 taxpayers liable for the patente with only 21 having a tax liability in excess of CFAF 6,000 ($30).

The proportional duty varies by a similar regional breakdown: 12 percent for Ouagadougou, 10 percent for Bobo-Dioulasso, 8 percent everywhere else. The lowest three categories of fixed duty payers are exempted from paying the proportional duty and there is a complete schedule of activities or professions exempt from the patente. The agent must either determine the tax base which is the total value of assets, in concert with the proprietor, or estimate it from observation or other information.

There is one FD agent whose assignment it is to census, bill, and track tax payment of all millet beer producers (dolotieres),, and all wood merchants. These two professions pay only the fixed duty of the patente, besides personal taxes (i.e. IFR and TBET if applicable). There are about 500 dolotieres and 80 wood merchants in Fada N'Gourma.

The firearms tax is paid on all firearms registered in the department. The tax is a fixed amount which varies by the type of arm. All arms must be registered at the FD. In order to get a hunting permit (arms are used overwhelmingly for hunting) once a gun is purchased, proof of payment of this tax is required. The tax is annual and appears on a separate tax roll at the PC maintained by the sous-prefecture and updated with the help of the village chief or his surrogate. Through controlling for hunting permits, agents of the Water

and Forest Service (Service des Eaux et Forets) assist in the tax collection process.

The domicile tax (CM) is a tax on the rental value of domiciles. To estimate the base a calculation is made according to the type of construction, with a fixed amount per room assigned to each type of construction. The tax equals 2 percent of the number of rooms times the amount per room. The tax is annual and appears on the tax rolls based on the FD census.

The standard income tax (IFR) is paid by all non-salaried individuals between 18 and 60. It varies according to a classification which roughly corresponds to income level. In Fada, and in all communes, unless one's activity puts him or her in a higher category, the rate is CFAF 550 per person. Elsewhere in the department it is CFAF 300. In the commune, the IFR payers are included on the communal tax roll at the FD. Elsewhere this tax is collected by the village chief with the help of the canton secretary for the Sous-Prefecture, according to the numerical role maintained by the Sous-Prefecture. Prior to 1982, the proceeds of the IFR collected outside the commune accrued to the national budget; but as mentioned above, the department also levies a tax of CFAF 180 on each taxpayer liable for the IFR. Records for 1980 indicate there were some 166,000 taxpayers liable for this tax in the Department of the East outside Fada N'Gourma.

The migrant tax (Impot flottant) is a flat CFAF 2000 per person not residing permanently in a village or commune or not having a receipt for payment of the IFR in a village or commune. It is paid when periodic checks are performed by the police in the commune, when the

village chief or his surrogate demands it or, as is usually the case, when a public document is required and is provided only to those who show proof of payment of the IFR. One group who pay this tax in the department of the East are the Fulani herders who come through with their cattle on the way to coastal markets.

Taxes which are exclusively communal are the centimes additionnels, the road tax (Taxe de voirie), and a tax on those who lease rental property (TVLH and TVLP). The centimes additionnels are percentage surcharges or supplements on four taxes collected in the commune. The percentage varies by commune and is fixed at 10 percent in the Fada N'Gourma commune. The taxes to which the surcharge applies are the patente, the IFR, the Impot flottants, and the domicile tax. The road tax (taxe de voirie) is another vestige of the old head tax. All residents between the ages of 18 and 60 are subject to this tax. It is a fixed amount which varies by commune from CFAF 100 to 300. In Fada N'Gourma it is CFAF 250 per person. Taxes on the rental value of residences or commercial structures (Taxe sur la valeur locative professionnel (TVLP)) and (Taxe sur la valeur locative des habitations (TVLH)), are paid by the lessee according to purpose: 3 percent of annual rent on structures in commercial use and 1 percent on property rented as a place to live. Both are collected in and benefit only the commune. They are variants of the domicile tax (CM) and provide some additional revenues to communes from residential and commercial real estate. In 1980 revenues for these taxes were estimated at CFAF 48000 and 20600, for the TVLP and TVLH, respectively in Fada N'Gourma. The amounts paid, however, were CFAF 1280 and 525, respectively. The

Secretary General of the Commune says his revenue estimates are no more than 20 percent off and the shortfall for this tax is explained by the failure of tax agents to collect.

Other Revenue Sources in the Department of the East. Other sources of revenue collected in the commune and department include market fees, motor vehicle and bicycle taxes, slaughter fee, vehicle parking fee, donkey cart tax, fines for stray animals and revenue from the sale of animals unclaimed or for which the fine is not paid, rental and sale of public property, fiscal stamps, tax on public shows, publicity tax, and the tax on drinking establishments (not just alcoholic). There is one that is on the record but has never been imposed, the game tax, a tax on pinball machines; there is only one in Fada N'Gourma.

There are taxes which exist elsewhere in the country, but which are not collected in the department of the East either because no one qualifies to pay it or because the staff does not exist to collect it. There is little knowledge at the FD or DT of taxes with which they have no experience. Of these taxes, those that would accrue to the national budget are: the tax on self-employment (BNC); the progressive income tax (IPR); the tax on television sets. Those accruing to the communal budget are: the dog tax, the street-cleaning tax (taxe de balayage), and to the departmental or communal budget, depending on where collected: the transfer tax (taxe sur les biens de mainmorte).

Collection and Payment

Direct taxes for those on individual rolls are due when tax bills from CENATRIN arrive at the poste-comptable. It is the responsibility

of the taxpayer to present him or herself to the official and make payment. If, however, a tax payment receipt is needed before the tax bill arrives at the poste-comptable, the taxpayer can request an agent to prepare a tax assessment and go to the poste-comptable and pay there. For those on numerical rolls, tax payments are effectuated at the time that the appropriate agent of the territorial administration arrives in the village with the approved tax roll returned from the Tax Division.

To deal with those who do not pay their tax bills on time, the DT in Fada N'Gourma has two pursuit agents. The Fiscal Division in Fada N'Gourma hopes to add a pursuit brigade in the future, but at present is supposed to be served by the brigade from Ouagadougou. The tax agents themselves do deal with those who fail to pay commercial taxes; i.e., the BIC, IUTS, TPA, IRI, and TCA. In the Department of the East there are few taxpayers liable for these taxes.

When a business tax payment becomes past due the taxpayer is sent a Summation of Charges (Sommation de frais). There is no penalty if the tax is then paid. If after 12 days it has not been paid, an order to pay (commandement) is issued. If paid then, there is a 5 percent fine, based on the tax owed, or CFAF 300, whichever is greater. If not paid in 2 weeks, the process of auctioning a business' assets is begun. The auction would continue until just enough merchandise or other assets have been sold to pay the total tax and penalty bill. There is a step by step process of preparing the auction, every step of which entails a new fine so it is in the taxpayer's interest at every stage to pay as quickly as possible to stop the auction process and avoid further fines.

The commune is in charge of auctions in the Fada N'Gourma commune, elsewhere it is the sous-prefecture or arrondissement.

In the case of non-business taxpayers and those who have no assets to be sold, a 3 percent pursuit charge is levied for every year a tax is not paid. The pursuit agent is awarded 60 percent of this charge for himself. In the case of rural village dwellers, non-payers are brought to the sous-prefecture and held until the family pays the tax due or until it becomes evident there is simply no way for that person to pay.

LOCAL REVENUE ADMINISTRATION: VIEW FROM THE VILLAGE

The general structure of the tax system has been described elsewhere. The following sections detail the specificities of this system as it operates in rural areas of the Department of the East. The first section is largely descriptive and focuses on the procedures by which the assessment and collection of revenues are accomplished. In the second section revenue data for the Sous-Prefecture of Bogande from 1975-79 are presented and analyzed. This is followed by a review of the socio-cultural and administrative factors which condition the operation of the Voltaic revenue system in rural areas.

Tax Administration in Rural Areas

The following discussion focuses on the procedural characteristics of tax administration in the towns and villages of rural Upper Volta. The discussion is based on experiences and research findings in the Department of the East and especially in the North-Western sub-region which includes the towns of Bogande, Piela and Diabatou located in the Sous-Prefecture of Bogande, and the town of Bilanga located in the Arrondissement of Bilanga, Sous-Prefecture of Fada N'Gourma. A distinction is made among the various revenue sources according to the collection process. Thus, village taxes (which include the IFR, ICT and TBET) are administered by agents of the Ministry of Interior in cooperation with local authorities, while the "business taxes" (patente, licence, BIC, etc.) are administered by agents of the Tax Service. The third group of revenue sources includes fees and charges (market fee,

bicycle and other vehicle registration charges, animal inspection fee and assorted charges for administrative services) which are collected by a diverse array of actors, in many cases only marginally tied to the formal revenue apparatus of the state.

The Village Taxes

The formal tax collection system in rural areas is quite simple. The system depends upon relatively few actors performing tasks which through the years have taken on the solid and imperturbable character of routine. Indeed, tax collection has been executed with a regularity unsurpassed by the most natural phenomenon save the daily appearance of the morning sun and with a predictability far superior to the date of the onset of the annual rains. Of course, there have been changes in rates, type of tax and destination of the revenue but for the local population the tax system today functions much as it has since the colonial period.

The assessment and collection of the village taxes, that is the IFR, ICT, and TBET, depends upon the collaboration of three sets of actors: the agents of territorial administration, the local authorities (canton and village chiefs), and the taxpaying population. The inability or unwillingness to cooperate on the part of any one of these three groups can have serious consequences for the operation of the revenue system.

Each institutional actor has power which may be used to influence the character as well as the outcome of the tax collection process. In the Department of the East with its weak formal administrative infrastructure, a still dynamic local authority structure, and

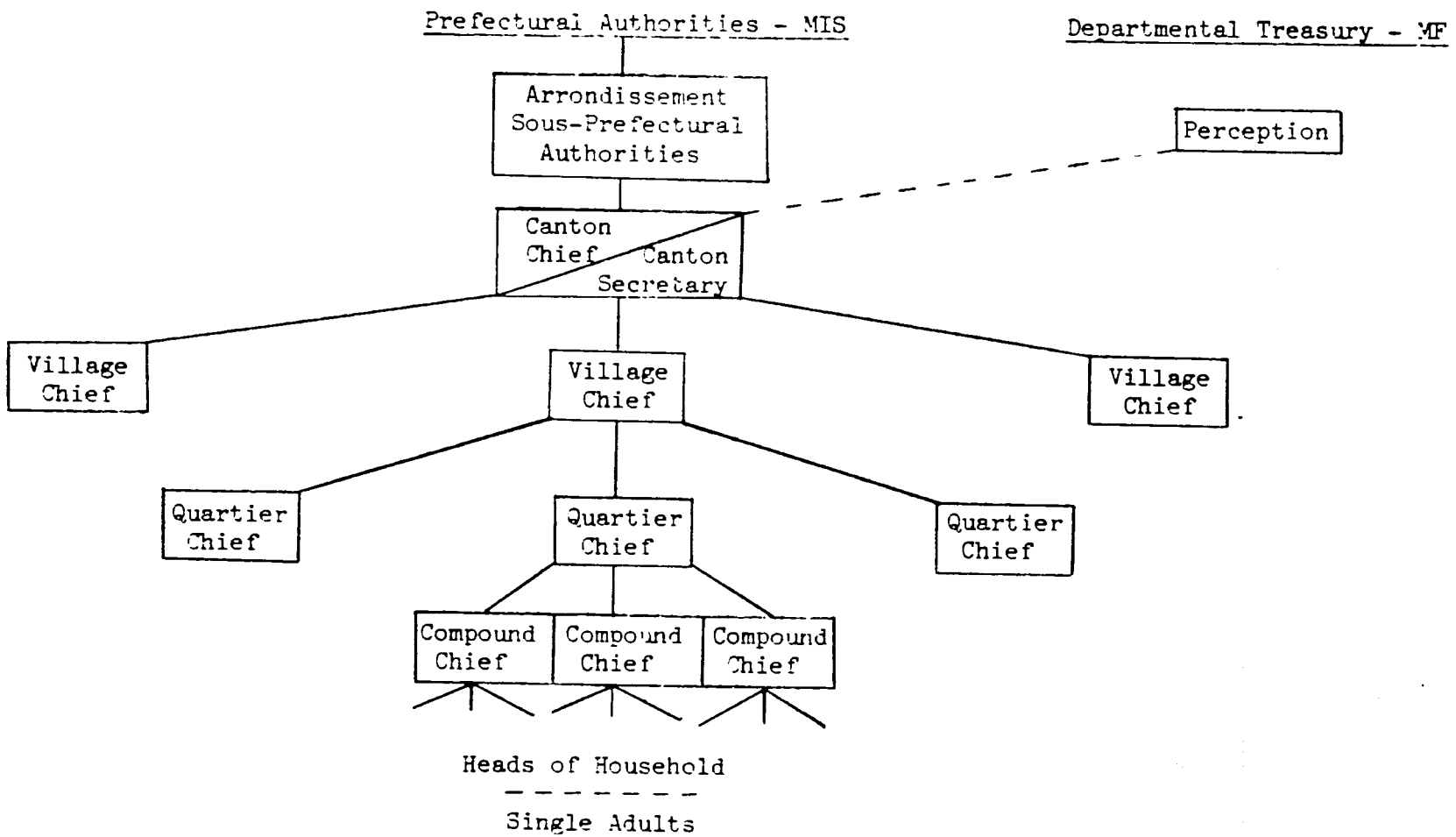
relatively isolated population, it appears that no single actor has a monopoly of power. No one authority can exact total compliance from the other actors. This situation is of strategic importance for the implication is that any attempt to improve tax assessment and collection and to enhance revenue mobilization must take into consideration the particular interests of each group and the inter-relationships among them.

The following diagram depicts the various stages and actors involved in the collection of village taxes. Information flows from public authorities to taxpayers, and from taxpayers back to public authorites, through the intermediary of traditional leaders. Tax revenues return along the same course but are transferred to Ministry of Finance agents rather than to agents of territorial administration.

Tax rolls for the graduated personal tax (IFR), the departmental tax (ICT) (a fixed percentage of the preceding tax, currently 60% in the Department of the East) and the livestock tax (TBET) are prepared at the level of the sous-prefecture or arrondissement. Agents of the Ministry of Interior, Bureau de Recensement, assisted by the canton secretaries use the information recorded on the tax rolls to determine the amount to be paid by each taxpayer. Tax statements are prepared and transmitted by the canton secretary to the canton chief or directly to the village chiefs in the canton. If the village is populous, the village chief may convoke the quartier chiefs who are then charged with the distribution of the tax statements to the heads of compound in their respective

CHART 4

TAX COLLECTION SYSTEM IN RURAL AREAS



neighborhoods. In smaller villages, the chief will summon the compound heads and give them the tax forms for their respective heads of household and single adults.

The payment of taxes is accomplished along the same lines, with money passing from the individual taxpayer or head of household to the compound chief, quarter chief and on to the village chief. At this point, the village chief may either take the money directly to the Perception or authorized agent at the circonscription or deliver it to his canton chief who aggregates the village submissions for delivery to state authorities. In some cases, the money is entrusted by the village chief to the canton secretary for delivery.

Assessment

The three taxes under consideration are all known as roll taxes as they are assessed according to information contained on the numerical rolls maintained by agents of the Ministry of the Interior at the level of the circonscription. Tax census information for a given village is organized by compound or extended family and includes the names of all family members, their respective dates of birth and sex, and the numbers of taxable livestock owned (horses, donkeys, cattle, camels, and pigs). These rolls are supposed to be updated on a regular basis with deletion from the rolls in cases of death or permanent migration and the addition of taxpayers as they come of age or move into the community. Additions, deletions or changes in the status of taxpayers are to be communicated to the appropriate officials by the canton secretary, the taxpayer or

surviving relative of a taxpayer. Neither the canton secretary nor the chief has the authority to revise information on the tax rolls.

Revision of the tax rolls are usually a response to three types of occurrences: 1) review by the canton secretary prior to the issuing of tax statements; 2) independent intervention by a taxpayer or relative to report a death or some other change in tax status and 3) revisions due to information revealed in the course of other generally unrelated state procedures. Examples of the latter include: a new resident or one not registered on the tax rolls is detected when he tries to obtain an identification card; a litigant in a herder-cultivator case is charged with damages caused by his 20 head of cattle, only five of which had been declared; and spot checks conducted by state agents.

Hence, the revision and updating of tax rolls displays an episodic rather than periodic character, resulting in an additional element of inefficiency and underevaluation of the tax base.

Although there are no reliable data on the level of underassessment, it is evident that this is a major problem in the case of both human and livestock populations. In the Sous-Prefecture of Bogande the total tax liability for livestock amounted to CFAF 2,025,250 in 1981. This corresponds to 10,126 head of cattle if it is assumed that all livestock reported were cattle. (This, of course, tends to overestimate the number of cattle, since there are undoubtedly some horses, donkeys, and pigs included in the tax figure.) Independent estimates of the herd

size in the Bogande area place the cattle population at 95,000 head.[1] Records maintained by the animal health agent in Bogande indicate that 55,886 head of cattle were seen during visits in 1981.

The implications of such discrepancies between the actual and declared livestock population for the size of the tax base and revenue yield are rather startling. Using the herd size estimate provided by the Livestock Service and adjusted for animals under two years of age, the potential revenue yield from the TBET amounts to CFAF 13,300,000, which is more than six times the assessed amount. Even the lower figure of cattle actualy counted by the local animal health agent, adjusted for young animals, would produce a revenue yield three and one half times larger than the amount on the tax books.

Human populations are also underassessed in the Department of the East. This is less a comment on the efficiency of the agents responsible for the collection of tax census information than on the paucity of such agents and the limited means placed at their disposal

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[1]Service d'Elevage, Rapport Annuel, Department de l'Est, 1980. Only those animals two years of age and more are to be declared for taxation. No conclusive data on herd composition are available for this sub-region, but other sources from neighboring regions indicate that roughly 30 percent of a given herd may consist of males and females of less than 2 years of age. For additional information see Delgado, Christopher L. "An Investigation of the Lack of Mixed Farming in the West African Savannah: A Farming Systems Approach for Tenkodogo, Upper Volta" Center for Research on Economic Development, University of Michigan Discussion Paper No. 74, November 1978; and Eddy, E.D. "Development of the Livestock Sector in West Africa" Cornell University Agricultural Economics Staff Paper No. 75-17, September 1975.

compared to the size of the territory for which they are responsible. The Sous-Prefecture of Bogande, for example, occupies an area of 6,548 km^2. Its population of 131,000 inhabitants, which constitutes over one-quarter of the total population of the Department of the East, reside in more than 220 villages. (Mehretu and Wilcock, 1979) For this entire area there are only 13 agents of general administration, nine of whom are members of the Republican Guard. The agent in charge of the Census Office (Bureau de Recensement) also serves as the head of the Military Bureau (responsible primarily for veterans' affairs and pensions) and of the Tribunal du Premier Degre, the lowest rung of the Voltaic judicial system. The census officer is assisted by one temporary agent and on occasion by members of the Republican Guard. In 1979, the most populous canton in the area was recognized as an arrondissement. The 60,000 inhabitants residing in 89 villages of the Arrondissement of Coalla are served by one administrator (the Chef d'Arrondissement) and his assistant. One administrative officer in another area reported with justifiable pride that he had added an entire heretofore undeclared village to the tax rolls in his jurisdiction.

Tax Collection

The key elements in the local tax collection system are the canton chiefs, village chiefs and canton secretaries. The canton and village chiefs derive their authority from their apical position in the local political hierarchy, while the canton secretary is an agent of the state selected by competitive examination. It is interesting to note that despite the formal objectivity of the process of selection it is often the case that the canton secretary is a member of the ruling family in

the canton. His role is thus imbued not only with the authority of the state but with the legitimacy of traditional authority as well.

In a structural sense the secretary holds a rather fluid, not to say ambiguous, position in the local power hierarchy, for he is not "of the chieftaincy" nor fully "of the state". The main qualification for the position is literacy. He receives a small salary based on the size of his jurisdiction from the government but is considered by the canton chief to be fully under the latter's authority. He deals directly with the village chiefs in performing his duties, less frequently with the individual inhabitant. Yet he is a special agent of the administration and must respond to the requests of his hierarchical superiors in the state administration.

Power in rural areas requires presence. With a weak, that is to say distant or understaffed administration, the canton secretary must rely upon his ability to cajole, threaten and intimidate recalcitrants and upon the willingness of the population to pay. In those areas with weak territorial administration but a strong canton chief, the canton secretary is perceived more as the emissary of the chief than as an agent of the state which generally translates into greater ease of tax collection.

The canton chief plays a critical role in tax collection. He in effect declares the opening of "tax season" and is responsible for the enforcement of payment in the villages under his authority. He is assisted in his efforts by the canton secretary who is literate and capable of keeping records of receipts and outstanding amounts to be

collected and by village chiefs who are responsible for exacting payment from the taxpayers under their authority.

Once the tax statements have been distributed to the village chiefs, a date will be set when the canton secretary will visit each village to collect taxes. The revenue received will be recorded and deposited with the village chief. Several visits to a village may be required before tax collection is completed.

Village and canton chiefs are reimbursed for their role in collecting taxes. A small percentage of revenues collected are returned according to a sliding scale which encourages early collection. Village chiefs receive 4 percent of receipts collected during the first quarter, 3 percent during the second, 2 percent for the third and 1 percent of taxes collected during the fourth quarter. Canton chiefs receive small monthly stipends according to the size of the population for which they are responsible. One half of this stipend is paid from the central budget, the other half from the departmental budget.

The dependence of the tax system on the actions of individuals only marginally under the supervision of public authorities presents some rather obvious dangers as well as some less obvious benefits. The personalization of the tax collection process provides abundant opportunity for abuse by chiefs and canton secretaries. At the same time, the central role of these local leaders allows for a greater flexibility and responsiveness to factors affecting an individual's ability to gain access to sufficient cash to pay his taxes as well as to adverse conditions (e.g., drought, epidemics, bad harvests) affecting larger populations.

Allegations of abuse and examples of responsiveness are many. For example, one officer of territorial administration with over 20 years of service acknowledged that there was often a substantial gap between the amount of taxes collected and the amount received by the government. This was especially the case for the tax on non-sedentary populations (Impot Flottant). The officer provided examples in which a herder, having been stopped and asked to verify payment of taxes, claimed that he had given CFAF 2,000 to the secretary but had not received any form of receipt. The secretary in question was summoned to the sous-prefecture where he remitted the CFAF 2,000 to the Percepteur without being formally charged with or admitting any wrong-doing on his part.

Another apparently common form of misfeasance in tax collection involves the continued assessment of individuals who have recently died or who have moved and are paying taxes in another locality. In both cases, abuse is possible due to the mediated nature of actual payment of taxes. That is, it is often the case that someone other than the assessed individual accepts responsibility for the payment of taxes. In some compounds the tax burden of all adult members will be assumed by the Compound Chief. In other cases, the corporate group in question, as determined by practices of commensality and collective production, may be the carre and include a primary household, married and unmarried offspring. It appears that males generally pay taxes for female members of the household. The individual heads of the carres in a compound will assume responsibility for the taxes of dependent members and remit the

corresponding amounts to the head of the compound, thereby initiating the process which ends with the receipt of revenues by the State.

The low level of numeracy skills and the practice of presenting the compound or carre head with the global amount for which he is responsible allows for the inclusion of the tax amount previously due by a recently deceased or otherwise exempt person without raising the suspicions of the head of the corporate group. When asked if there was a particularly unfair or unjust tax, six out of the fifty-one respondents who identified a specific tax (N = 200) cited the "tax on the dead". This "tax" is the result of inaccurate assessment due either to the lack of revision of the tax roll or to a willful attempt to defraud the taxpayer. The incidence of this particular form of impropriety will diminish as literacy becomes more pervasive and as citizens become better informed of their rights and responsibilities.

Finally, there are allegations of actual malfeasance, as when a chief or canton secretary fails to remit collected revenues to the proper tax authority. The frequency of such occurrences is unknown. However, evidence of the existence of this form of abuse was found. In one arrondissement, the canton chief had forbidden the canton secretary to participate in tax collection for the past two years due to what the chief considered to be inordinately low collection rates in previous years. It might be noted that the compound of the canton secretary contained several large houses with tin roofs, an uncommon example of wealth in this particular village.

The thoroughly unsurprising existence of abuses in tax collection is but one aspect of the system. Of more fundamental interest is the

potential for greater flexibility and responsiveness to the capability of individuals or groups to pay which the involvement of local leaders may provide. Evidence of this is also more elusive than are allegations of abuse. Nevertheless, three examples may be cited involving the deferment or annulment of payment, payment by another person, and underassessment resulting in the lessening of the tax burden.

The village or canton chief is in a much better position than an outsider to assess the capability of a local taxpayer to pay his taxes. He will also tend to be better informed on matters of agricultural concern, especially as they affect crop yield and hence the ability to convert crops into money to pay taxes. In years of poor harvests, the chief may decide that pursuit of unpaid taxes is not advisable. He may summon particular individuals to determine whether they are incapable of paying or simply evading taxes. In cases of impecuniousness, he may tell the individual concerned that he has until the next harvest to pay or that payment will not be required that year. In some cases, the chief may turn to his own private resources to compensate for those who are unable to pay. Local administrators report that some village chiefs have been known to pay the entire tax burden of the village with their own funds. Needless to say, such an action raises the esteem in which the chief is held by villagers and tax officials alike.

Finally, the chief may effectively reduce the actual tax burden by underassessing taxable units. Some people may not be added to the tax rolls when they move to, or return to the village. A more common example would be the underreporting of livestock. The livestock tax is not a popular tax in Sahelian countries. Cattle in particular are

looked upon not as easily liquidated assets but as security against adverse times and as potential gifts for very important social occasions. Cattle may not contribute to the inflow of cash to the owner's budget and thus to impose a tax on all of his animals may appear unjust.

The payment of the livestock tax for all animals may prove to be a heavy burden for some individuals. This tax may impose an unjustly heavy price for ownership of cattle on older men in particular. An example recounted by an elderly farmer aptly illustrates this point. The man explained that in his youth it was the practice for boys of the same age grouping to buy cattle together. The cattle were to be kept for adverse times or to be given as gifts at the time of marriage. The offspring of the initial herd remained to the present day and were in the care of the old man who was the sole surviving member of his age group. He could not sell the cattle for it was not his right to do so, but as an old man engaged in no other productive activity, he did not have access to cash required to pay the taxes on the animals.

Cases such as that cited above may result in the underassessment of livestock. More precisely, the chief would not question the number of animals declared by the taxpayer even when this number is obviously low. Flexibility is manifested by the decision <u>not</u> to impose a level of taxation that would result in an unduly heavy burden on someone with little access to cash. Underassessment also reflects responsiveness to local opposition to the tax. It should be noted that chiefs tend to own cattle, and often own more than the average villager.

A Continuing Role for Local Leaders

Given the weakness of territorial administration in rural areas of the Department of the East, both in terms of manpower and the material means at their disposal there is little practical alternative to the present system of tax collection. Although the dependence of this system on the actions of local leaders and agents not directly under the control and supervision of tax authorities presents the possibility of abuse, it also provides a degree of flexibility and responsiveness unlikely to be found in more structured bureaucratic organizations. Such qualities are of particular importance in an area with a brief history of involvement with state institutions and which suffers from great unpredictability in rainfall with the attendant threat of poor harvests and famine.

Furthermore, it is quite likely that any attempt by tax agents to circumvent local authorities (village and canton chiefs) would result in a dramatic decline in collection rates. The chieftaincy among the Gourmantche existed prior to colonization and continues to command widespread respect. The canton chief in particular is considered to be the arbiter of inter- and extra-village conflicts as well as the medium through which local interests are communicated to state actors, and reciprocally, the medium through which state actions are transmitted to the local population. One Sous-Prefet acknowledged that it was impossible for state administration to work in "unorganized" or leaderless villages.

A striking illustration of the persistence of the authority of the traditional chieftancy was presented in one arrondissement in the

northern sub-region. The position of canton chief is no longer formally recognized by the state except for those leaders in place prior to 1964. Upon their death or removal, the position is theoretically abolished and a new chief is to be elected only for the central village of the canton. In the arrondissement in question, the former canton chief died in 1975. The administrative officer rather forcefully underscored the point that the chief's replacement was a village chief only and was not considered by the Administration as the leader of the canton.

Less than three hundred yards from the site of our conversation, the chief in question was receiving visits from the various village chiefs in the canton bearing the tax receipts they had collected. He had a staff of two or three young men with literacy and numeracy skills who were busily recording the receipts as they came in. For the local population there was absolutely no doubt as to the authority of the chief. He was in all respects, save administative recognition, the canton chief with full rights and responsibilities of that position.

Further evidence of the legitimacy and power of the institution of canton chief was provided in relation to a boundary dispute in which we unwittingly became embroiled while conducting a census near the frontier of this canton. Although our intention was to include only households belonging to Village A, the dispersed residential pattern and close proximity of the two villages resulted in the inclusion of seven households from a disputed zone historically claimed by Village B. The chief of Village B insisted that we either remove "his" people from the census or that we request permission from his superior, the canton chief mentioned in the above case, to include these households in the census

of Village A. It is interesting to note that this matter, involving issues of territorial boundaries and the conducting of research by foreigners, was referred to the traditional leader (not officially recognized by the State) rather than to the administrative officer although both were located in the same town over 30 kms away.

Enforcement

Enforcement of the tax laws in rural (and urban) areas is hampered by the same factors that constrain collection: inadequate personnel and material resources. For the village taxes enforcement is a responsibility shared by local leaders and the administrative agents. Psychological pressure has replaced more physical methods of coercion practiced prior to and during the colonial period. As one canton chief acknowledged, "My force is my tongue". A canton secretary lamented that "Today, things are different. Before we would make someone sit in the sun".

Local leaders--village and canton chiefs, canton secretaries--must rely on the authority of their position, social obligations and goodwill. When difficulties arise, that is when non-payment of taxes becomes a problem, a chief may convoke the individual involved or the representative of his family and either cajole or harangue the person for his failure to pay taxes. The chief may attempt to shame the person and by extension, his family, into paying. This method, according to several respondents, was used to good effect by one canton chief in the northern zone. This chief was openly feared for his sharp words and several young heads of household of my acquaintance admitted that they

would gladly pay their taxes in advance just to avoid being summoned to the chief's residence.

According to the tax code, the names of delinquent taxpayers are to be posted in a public place, usually the administrative center. Taxpayers who remain delinquent are to be convened by the local administrative officer to discuss the means of effectuating payment. After business hours, these people are to be held in the local jail until business resumes at the administrator's office the next morning. Release is obtained upon payment of the taxes or upon acceptance by the Percepteur or other competent authority of a guarantee of payment.

In the research zone, a slightly modified version of this system is practiced. Only in cases of flagrant tax evasion will the guilty party be summoned and forced to wait outside the administrator's office. In such cases, the administrator is using the same weapon as the village chief; he is hoping to humiliate the individual sufficiently so as to encourage him, his family or other interested parties to bring the necessary funds. Although local state agents would claim that tax evaders were jailed, none could remember ever having done so. Similarly, though there are provisions for penalizing tax delinquency, the penalties do not seem to be applied in all cases, especially when the amounts involved are small.

In most cases, however, it is not necessary to resort to such practices. From discussions with state agents and taxpayers, it appears that the demonstration of a serious commitment to collect taxes is sufficient to encourage most taxpayers to fulfill their obligation. More than one administrative officer acknowledged that this

demonstration is especially effective if an armed member of the Republican Guard makes an appearance in a village to "facilitate" the tax collector's task.

Upgrading the System

The existence of the Voltaic state is most forcefully felt by rural people at the time of collection of the village taxes. Tax collection touches a broader population than does any other state activity. Most of the villages in the Department of the East are without educational, health, or administrative services of any kind. According to the departmental health service's definition of the effective service radius of health facilities as about five kilometers, only 4 percent of the department is covered by the current delivery system.[1] Yet tax revenue is collected in almost every village.

To the extent that this system functions effectively, it does so due to the maintenance of a working relationship between state agents, local leaders and the taxpaying population. At this time, it is the two latter parties who are largely responsible for the assessment and collection of taxes. The state provides the forms, the rules, the notebooks, ball point pens and global supervision--but little else in the majority of rural areas.

The incentives for local leaders and for the population are few. For the village chief upon whom a large part of the burden of collection lies, the monetary reward may be rather slight. For example, if the

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[1] A. Mehretu and D. Wilcock, Regional Planning Working Paper No. 1: Eastern Region of Upper Volta, MSU Technical Assistance Team, ORD de l'Est, 1979, p. 39.

village chief of Piela were to collect 100 percent of the tax liability from the 1,598 taxpayers in the village within the first quarter, his commission would amount to CFAF 31,250. Yet Piela falls within the top 2 percent of the villages in the Department of the East according to population size. Data from the 1975 census indicate that 78 percent of the villages in the Department of the East have less than 800 inhabitants. The chief of one such village, Diabatou, would receive only CFAF 5,759 if he were to collect the total tax burdens of the 288 taxpayers of his village within the first quarter. (Amounts based on 1982 tax data, Sous-Prefecture of Bogande.) Such expeditious and comprehensive collection is uncommon, however, and commissions are lower as a result.

Perhaps of greater importance as motivating factors are the social and political rewards that efficient tax collection may provide. In areas where the canton chief retains substantial authority, village chiefs may view tax collection as one means of showing respect to their superior while enhancing the political position of their village. Similarly, village and canton chiefs may view their performance in tax collection as a political asset which may be used to influence government decisions regarding the installation of social infrastructure such as schools, health facilities and wells.

For these social and political incentives to be effective, there must be a realistic belief in the convertibility of assets gained through tax collection performance into desired objectives and goods valued by the local population and local leaders. This in turn requires that resources be made available for investments in social

infrastructure. Popular efforts in enhancing tax collection, as in other areas of social and economic importance, must be rewarded without endangering the application of objective planning criteria in service provision.

It was stated in a preceding paragraph that power requires presence. So too does an efficient revenue administration system. Some steps are being taken in this direction. The number of arrondissements and sous-prefectures continues to increase. As more of these decentralized units of territorial administration are created, it should be possible to improve the assessment procedure through periodic censusing and routine updating of the tax rolls.

Other measures taken in the recent past focus on the improvement of the means of collecting taxes. According to one sous-prefect the provision of additional funds for tax collection by the Ministry of Finance (the figure of CFAF 160,000 was cited) in 1981 resulted in the attainment of a rate of collection of almost 100 percent as compared to the 60-80 percent collection rates of previous years. By purchasing gasoline with the extra funds, the sous-prefect was able to visit many of the towns and villages in his jurisdiction. He was accompanied on these visits by his assistant, a member of the Republican Guard, the canton secretary and on occasion by the canton chief. Again according to this offical, increased mobility allowed for a demonstration of presence and of concern that resulted in a rate of tax recovery substantially higher than usual. He also intimated that improved collections were due in part to the intimidation value of a visit of government officals and an armed guard.

In the Sous-Prefecture of Bogande, fuel was provided to canton secretaries to facilitate tax collection during the 1982 tax period. According to one canton secretary the fuel allocation allowed him to return to several villages and to visit distant ones that were outside his normal circuit. For a minimal cost (four liters of mobylette fuel with a total cash value of approximately CFAF 1000) both the mobility and motivation of the agent charged with tax collection was greatly improved.

Mobility is one of the key factors in tax collection and in service delivery in general. The great majority of towns and villages in the Department of the East and in Upper Volta as a whole are inaccessible for at least part of the year (during the rainy season) and many are located at some distance from even a motorable trail. Given the inadequacy of transportation infrastructure and the penury of decentralized services, visits by state agents are generally quite rare. The presence of a government offical in outlying communities has the positive effect of demonstrating the concern of the state for the problems of the population. A visit rarely serves but one objective. Though tax collection may be a central concern, the offical's visit also allows residents to air grievances, request administrative documents, and discuss local and national interests and events. Thus the additional funds provided for tax collection mentioned in the cases above may in fact serve numerous important purposes in addition to improving tax recovery rates.

Such low cost efforts to improved administration of the village taxes should be encouraged. Eventually, rural people will be served by

a network of local administrative offices. However, the establishment of an arrondissement entails substantial personnel and material costs which the government can ill afford at this time. An interim program emphasizing increased mobility, improved material means and incentives to improve tax assessment and collection should be considered.

Taxes on Commercial Activities

In this section attention will focus on the assessment and collection of those revenues for which the Tax Service assumes primary responsibility. These taxes which are levied generally on commercial and rental income and certain professional occupations include: the BIC, TCA, licence, patente, IUTS, TPA, IRI and the contribution mobiliere. Those taxes most commonly collected in rural areas are the patente, BIC, and the licence. Though the following discussion will focus primarily on these three taxes, the modalities of assessment and collection as well as the problems encountered by agents of the Tax Service are similar for the other "business taxes" as well.

Assessment

Agents of the departmental office of the Tax Service are responsible for the assessment of the taxes mentioned above. The patente, licence and BIC all require the physical presence of an agent of the Tax Service to establish actual tax liability. Administrative authorities at sub-departmental levels may (but usually do not) assist in the identification of the tax base, but they play no role in the determination of tax liability. Indeed, even the local field representative of the Ministry of Finance who receives tax payments, the

Percepteur, remains uninvolved in the assessment process. This division of responsibilities among agents of the same central ministry is justified by the requirement of specialized training for tax assessment and the lack of sufficient means, notably in transportation, for the Percepteur to assume such responsibilities and by the belief that separation of assessment and collection functions discourages improper behavior by tax officials.

Two general problems in assessment may be cited. First, the inadequacy or non-existence of reliable information upon which to base assessments places a heavy burden on agents whose training and skill levels are not always of a high level of sophistication. Second, the inadequacy of the material resources and personnel provided to the Tax Service makes it difficult if not impossible for the Service to cover effectively the entire territorial jurisdiction for which it is responsible.

The magnitude of the information problem may be easily grasped from one fact. According to Tax Service sources only four businesses in the departmental capitol, Fada N'Gourma, which is the largest and most important commercial and administrative center in the region, maintain conventional financial accounts. Two of these businesses (gas stations) only began keeping regular accounts in 1980. In the absence of financial accounts, agents must rely on observational and qualitative procedures which have proven to be of some reliability in the estimation of values required for assessment.

The Tax Service is responsible not only for verifying financial records but in most cases for determining the tax relevant rental values

of buildings and the net assets, sales and profit levels of businesses in the department. Information short-falls increase the range of decision of the individual tax agents and may result in significant variability in assessment practices and hence in the equity of assessment. The personalization of the assessment process tends to encourage a system of "taxation through negotiation" whereby tax liability is determined according to information (e.g., asset, sales and profit figures) of a consensual rather than empirical nature.

According to one agent, negotiation is an important tactic used in overcoming information inadequacies. The turnover tax (TCA) was cited as an example. The agent and taxpayer would engage in a form of give-and-take through which tax liability would be established. The object for the agent was to establish the amount of tax that the businessman could reasonably be expected to pay. Rather than determining the base, gross sales, and then applying the rate (in this case, 18 percent), the agent and taxpayer would agree upon the final amount to be paid and from this the gross sales figure would be derived. In all such cases, the statutory tax rate was nominally respected, though in a rather circuitous fashion.

Although assessment is not always conducted in such an imaginative way, it usually entails the application of less than rigorous assessment criteria. The case of the BIC is illustrative both of the difficulties of assessing businesses in rural areas and of the reaction of businessmen to the imposition of a new tax. The BIC, a tax on net profits realized during the preceding year, was first applied to rural businesses in the Sous-Prefecture of Bogande in 1982.

The typical small business in a rural area is characterized by (1) reliance on family rather than wage labor, (2) a low level of total investment, (3) an unstable inventory (that is, cycles of depletion and replenishment of stock rather than routine maintenance of stock levels) and (4) a total absence of commercial accounting records. Each of these characteristics holds important implications for the assessment process. The reliance on family rather than wage labor tends to underrepresent the real costs of labor to the business enterprise since only the wages of those workers registered with the Tax Service and for whom contributions to the IUTS are made are deductible as a business cost.

The second trait, a low level of investment, manifests itself in a small stock which must frequently be replenished. For the assessment of the BIC for an establishment which maintains no accounts the agent must derive the level of annual profits from the stock on hand with some estimate of the rate of sales to come up with an annual figure. The typical village store is constructed of mud bricks and contains but a single room, perhaps with 60 square feet of surface area. A diverse array of goods from bicycle parts to canned pineapple juice will be displayed on a few shelves while sacks of rice, connisters of cooking oil and other items crowd the floor. Some merchants complained that tax agents falsely accused them of keeping undeclared stock in a separate storage area. They explained that only a large merchant could afford to do so and that small merchants such as they kept their entire stock in the store itself. Nor does the appearance of the store reveal the level of commercial activity conducted there. The business of one of the more prosperous merchants in Piela, for example, is distinguishable from

neighboring stores only by the 200 liter drum from which gasoline, a scarce commodity in rural areas, is siphoned into liter wine bottles for resale.

The third characteristic of small businesses in rural areas compounds these difficulties. Interviews with merchants and with agents of a non-governmental credit project working with small businessmen (Association Pour la Productivite) support the observed practice of a cycle of depletion-replenishment in preference to routinely renewing stock levels. Reasons advanced in explanation of this preference include high transportation costs which make frequent trips for smaller purchases economically unfeasible, limited access to credit which would allow for the development and maintenance of a larger inventory and lack of confidence in intermediaries who could be entrusted with the money to buy goods in other towns while the owner ran the store. Whatever the underlying rationale, the effect is to add additional uncertainty to an agent's task of determining net profits.

The problem was dramatically evident the day tax agents visted one of the field study villages (Piela). One store was practically bulging with a recent shipment of stock while another close by had little more on the shelves than a few ink pens, two scouring pads, and some nondescript items clustered in the bottom of a light cardboard box. The son of the owner explained this near-total depletion of stock as a temporary affair. His father had invested the receipts from the store in cattle and would replenish the inventory with the profits from their sale. Neither of the merchants mentioned above kept records of purchases or sales. Thus, in fixing the amount to be paid for the BIC

the agent was totally dependent on his experience, his observations and his ability to extract realistic commercial information from the merchants.

Nor are tax agents alone in experiencing the complex nature of assessment. Merchants often feel confused, powerless or even victimized by the assessment procedure. Although it is common to find merchants who can recall the exact purchase price and the resale price of every item in their stock, they may have no clear idea of the profits they will or have already realized for any given period. They may distrust tax agents due to rumors of corruption or simply because of a lack of familiarity with the system of taxation.

A few days after tax agents visited Piela to assess businesses for the BIC and patente, I questioned local merchants about their impressions. My interlocuteurs included a former President of the Merchant's Association, a mat merchant, and several owners of large and small shops. This was the first year that the BIC had been applied in rural areas and it was evident that the nature of the tax was not understood by the merchants. It was frequently charged that "the tax man" had "taxed them twice" or that he wanted more money for some unspecified reason. Although the agents in question were to have explained the basic aspects of the BIC it was clear that the attempt was pursued with little diligence and to even less effect.

Merchants claimed that they could not afford to pay another tax, that the patente was sufficient payment for the State, and that paying two taxes separately was too much of an inconvenience. When questioned,

many of the merchants agreed that paying a higher tax was better than paying several taxes.

A preference for a single tax may be attributed to greater comprehensibility and to ease of payment. Notices of tax liability are sent to the local perception or administrative authority where they are to be picked up by the taxpayer. For the Piela merchants this would mean a 60 km journey (round trip) to learn the amount they are to pay and another trip for the actual payment. Since many of these merchants paid the patente "par anticipation" or prior to billing, the addition of a new tax would necessitate substantial costs in addition to th actual tax payment. These costs may of course be reduced if in the future the BIC and the patente are harmonized in terms of period of billing and payment.

The second major factor influencing the assessment process relates to the insufficiency of material and manpower resources. Until 1980, there were only two full-time agents and the departmental director assigned to the Fada N'Gourma division of the Tax Service. As of June 1982, only seven of the 259 agents assigned to the National Tax Service (Direction Generale des Impots) were located in the Department of the East despite the fact that the region's area of 48,000 km^2 makes it the largest administrative department in the country (18 percent of total land area).[1]

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[1] Celestin Dabire, "Evolution du Systeme d'imposition de la Haute-Volta," Local Revenue Administration Project, Metropolitan Studies Program (Syracuse, NY: Syracuse University, forthcoming).

With the increase in staff (all of whom are trainees), it has been possible to extend the effective reach of the tax service to the different sous-prefectures and major villages. Yet visits are necessarily infrequent and of short duration. The road network in the Eastern Region is quite rudimentary and the Tax Service has but one vehicle at its disposal. According to the official highway map prepared in 1978 by the Institut Geographique d'Haute Volta, there are 368 kilometers of all weather roads, 555 kilometers of dry weather roads and some 1900 kilometers of motorable trails. (Cited in UFRD, p. II-38). To this may be added the 39 km all-weather road between Namounou and Logobou, constructed with financing from USAID. Most of these roads and trails are in poor condition and exact a heavy toll on man and machine. The 100 km stretch of dry-weather road between Fada N'Gourma and Piela, for example, requires a minimum of three hours in transit, even with a durable four-wheel drive vehicle.

Tax agents claim that they receive little or no travel allowance for visits to outlying areas. Adequate lodging is generally difficult to find in the small towns in the department, as is food. These trips, then, necessarily require a certain degree of privation for the agents which in turn must have a less than salutory affect on motivation given the lack of monetary incentives.

Many of these difficulties are a product of inadequate funding of the departmental Tax Service. It would appear from the data below that the government is aware of the problem and is acting to increase the means at the disposal of this service.

Table V-1

NATIONAL BUDGETARY ALLOCATIONS TO THE
TAX SERVICE, DEPARTMENT OF THE EAST
(in CFAF)

Year	General Operations	Gas	Vehicle Maintenance	Total
1981	267,500	300,000	252,500	820,000
1980	200,000	200,000	200,000	600,000
1979	170,000	170,000	145,000	485,000

SOURCE: Service de Controle Financier, Department de l'Est.

Using the ratio of 272 francs to 1 dollar US[1] it can be seen that the Tax Service for the department must accomplish its responsibilities on an annual budget of $3015, excluding salaries. The inadequacy of even the 1981 allocation which represents a 170 percent increase in the space of two years may be underscored by referring to cost estimates provided by another service operating in the same region. According to projections published by the Integrated Agricultural Development Project, it costs approximately CFAF 1,050,000 ($3860) to operate one 4-WD vehicle for one year.[2]

Tax Collection and Enforcement

Taxes may be paid either "in anticipation" or prior to receipt of the tax statement, or upon notification of the tax amount. In the former case, a merchant may wish to absolve himself of the yearly tax burden in advance of notification so as to obtain other necessary official documentation. This is frequently the case, for example, for merchants who are involved in the importation or exportation of commodities. A merchant of mats of my acquaintance made regular trips to Niamey to renew his stock. Since he was planning a trip shortly before the normal tax-paying period, he paid the patente in advance so as to facilitate the authorization of the import license.

Most individuals, however, pay their taxes upon receipt of the official tax statement. These statements are prepared in Ouagadougou

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[1] IMF, International Financial Statistics, 1982.

[2] "Projet Developpement Agricole Integre dans l'ORD de l'Est, Programme d'Execution Campagne Agricole 1981-1982," ORD de l'Est, 1981.

from data collected and transmitted by the Departmental Tax Service. Tax statements are sent from Ouagadougou to the local branch of the Ministry of Finance. In rural areas this would be the perception; in more urban areas, especially the departmental seat, the authority would be the Division Fiscale or the Tresorerie Departementale.

Payments, either the total amount or a fraction of the total according to the regulations governing a particular tax, are to be made to representatives of the Treasury. In practice, this refers to the percepteur or an agent of the Departmental Treasury. Employees of the Tax Service are not authorized to receive cash payments, although they may do so upon request if the taxpayer resides in an isolated area or otherwise experiences difficulty in making the payment.

Failure to pay taxes will result in the issuance of a notice of taxes due followed by more serious actions if payment is not forthcoming. Agents of the "Brigade of Verification and Pursuit" of the Tax Service and other duly appointed agents are authorized to seize property in the case of non-compliance after the initial warning has been issued. Seized items may be sold only upon authorization by the Minister of Finance.

Thus, provision is made for the penalization of tax offenders. However, such enforcement measures are weakened by the lack of resources. Not all departmental branches of the Tax Service are equipped with personnel, transportation and material resources to field a verification and pursuit brigade. As was detailed in the preceding section on assessment, the Tax Service remains woefully understaffed and underfinanced. Resources are inadequate to cover the department's

scattered communities merely for purposes of assessment let alone for follow-up visits to enforce tax payment.

The severity of the problem--and the potential for improvement--was forcefully underscored by the results of a brief visit by tax agents to the Sous-Prefecture of Bogande in 1982. A three-day visit by tax agents from Fada N'Gourma brought in over CFAF 300,000 of revenue from the patente alone, plus an unknown amount in assessments for the BIC. In one day, over CFAF 100,000 was added to departmental revenues from the village of Mani, an important local market town in the north-western part of the sous-prefecture. These amounts include current and back-taxes or liabilities for preceding years of businesses previously unassessed. In the village of Piela alone, new tax assessments of CFAF 54,700 were added to the rolls; of which 29,200 francs was due from 1981 and 25,500 francs for the current year.

Although the sums stated above are quite modest in dollar terms (the exchange rate in 1982 averaged approximately CFAF 320 per $1 US), they assume rather starting magnitudes when viewed in light of the total tax effort for the patente. In the entire Sous-Prefecture of Bogande only CFAF 336,400 were collected in 1981 for the patente. During a three-day visit, almost all of which fell over the weekend, two tax agents assisted by the local percepteur were able to add a comparable amount to government revenues. And this despite the fact that they visited but three towns (albeit important ones for commercial activities).

It is clear that with some effort and cost, a substantial amount of revenue can be raised by improving the assessment and collection

process. Two agents were able to match the annual total from the proceeding year in but three days. Why then, did the exercise end so quickly and without covering all of the major villages? If over 300,000 francs could be raised in three villages over a long weekend, what might have been achieved if the agents had remained an additional two to three days?

The answer to the first question was provided by the local percepteur. Its shattering simplicity lays bare the consequences of underfinancing the Tax Service while exposing the generalized poverty of other decentralized entities. According to the percepteur, the tax agents returned to their base in Fada N'Gourma because they did not have enough money to pay for the gas to continue their work. Nor could they find another service, including the sous-prefectural authorities, willing or able to provide the equivalent of CFAF $5,000 of fuel (approximately US $15).

Because of the response to the first question, it is impossible to answer the second. It proved to be too great an obstacle to find 5,000 francs even if it would have resulted in the addition of another 100,000 or 200,000 francs in government revenue. Perhaps the remaining areas will be visited in 1983 or 1984. Until that time, the contributions of merchants and other taxpayers will be lost to the state. "For want of a nail...a Kingdom was lost."

There are two general factors which influenced this outcome. These two factors may be referred to respectively as the resource gap and the motivation gap. The generalized poverty of field services of central ministries in the Department of the East has already been mentioned.

Basic supplies such as ball-point pens, envelopes and typing paper are carefully rationed. As a rule of thumb, if a service has three vehicles at its disposal, one of them will be disabled, and even then the quarterly gasoline allocation will be insufficient for the legitimate needs of the service. Thus it is quite possible, indeed likely, that no other service felt that 20 or 30 liters could be spared from its meager supply.

The motivation gap is manifested in diverse forms, from the lack of incentives for agents of the Tax Service (and of other services) to the ambiguous linkage between revenues collected in a given jurisdiction and budgetary resources available to authorities of that jurisdiction. The results include the disillusionment of personnel and its corollary, low labor productivity, and ultimately a less than optimal level of revenue generation.

As was noted above, visits to outlying areas impose a burden on tax agents for which they receive little or no compensation. Nor does it appear that agents are rewarded, either monetarily or through the evaluation and promotion procedure, according to productivity as measured by increments to tax revenue from individual efforts in identifying the tax base, improved assessment, collection and enforcement. Performance in such circumstances depends largely on a strong sense of duty which, like a well starched shirt, holds up well in the short run but slowly loses its force with wear and exertion.

The second aspect of the motivation gap involves the linkage between local revenue effort and local budgetary resources and the structural relationship between expenditure authority and collection

responsibility. Local administrative authorities have greater self-interest in those taxes which accrue to local budgets than to revenues which accrue to the national budget. Thus local authorities may be expected to place more emphasis on the assessment and collection of the patente than on the BIC, given that the revenue from the latter accrues to the national budget. Although the level of motivation of departmental authorities for the collection of departmental revenues may be high, this relationship remains ambiguous for sub-departmental administrative units. Tax revenues collected at the level of the sous-prefecture and arrondissement are aggregated at the departmental level whereas the re-allocation of these revenues among jurisdictions is not directly tied to the relative tax contribution of the jurisdiction to the departmental budget.

This linkage problem is compounded by the structural relationship between the Tax Service and departmental authorities. The director of the Tax Service, like directors of the departmental branches of the other technical ministries, is formally under the authority of the prefect. Nevertheless, tax agents depend for career advancement and for material resources on national Tax Service authorities rather than on departmental authorities. If the revenue interests of the department are to be given greater emphasis it would be necessary to consider a program of administrative deconcentration whereby collection responsibility and expenditure authority would be located at the same level of the administrative structure. This would allow for a symmetry of interests in revenue generation, collection and expenditure.

Fees and Charges

Local and central budgets benefit from an array of fees and charges ranging from an animal export fee to a fee for motor vehicle registration. There are also land transfer fees, market fees and charges for administrative services. The distinction between fees and charges and certain taxes is not always clear and the list which we settled upon retains certain areas of ambiguity (see Table V-2). The primary criterion used to identify fees and charges concerns the administrative procedure applied for their evaluation and collection. Payment of fees and charges, in contrast to the situation which prevails for what are classified as taxes, is not organized by numerical or nominative rolls. Rather, there is generally a fee-for-service relationship implicit in the assignation of a charge or fee corresponding to a specific activity requested by an individual or required by the laws of the state. Some of these fees are of little monetary significance while others are important revenue sources, especially for local budgets. The bicycle registration fee, for example, generally ranks third after the ICT and the patente among local revenue sources in the Department of the East.

There is ample evidence that the present system of fee administration is inefficient and the potential for revenue generation from more extended uses of fees unrecognized. Receipt levels fluctuate dramatically from one year to the next and in some cases, such as the market fee, fall grossly below even conservative estimates of their potential contribution. In part, this is due to the poor performance of

TABLE V-2

DEPARTMENTAL AND COMMUNAL FEES AND CHARGES

Fee or Charge	Conditions of Payment	Budget Credited
Related to Vehicles		
Motorized Vehicules (Taxe sur les vehicules a moteur)	Includes trucks and motorized cycles Rate varies by horsepower and weight	D,C
Bicycle Tax (Taxe sur les velocipedes)	CFAF 350 per year	D,C
Parking Tax (Taxe de stationnement vehicules)	Collected for each night a vehicle is parked on public streets	D,C
Cart Tax (Taxe de charrettes)	Animal-drawn cart fee of CFAF 750	C
Related to Livestock		
Animal Export Inspection Fee (Taxe de visite sanitaire)	Performed and received by Service d'Elevage: Required for payment of animal export fee	N
Animal Export Fee (Taxe sur l'exportation de betail)	Paid at City Hall. Required for export certificate	C; cattle-CFAF 100 sheep, goats - CFAF 50
Fiscal Stamp (etat civil)	Attached to export certificate Required for various official documents	N; CFAF 100
Domestic Sale of Livestock Fee (Taxe sur le betail sur pied)	Paid to agent of commerce at market	C; cattle: CFAF 100 sheep, goats, other - CFAF 50
Meat Inspection Fee (Taxe d'abattage)	To obtain inspection certificate for slaughtering animals. Fee varies from CFAF 25-150 depending on kind of animal and size	C,D
Stray Animal Fee (Droit de fourriere)	Impounding and maintaining stray animals and compensation for damages CFAF 280-600 per day depending on kind of animal.	C,D

TABLE V-2(CONT.)

Fee or Charge	Conditions of Payment	Budget Credited
Related to Property Transfers and Official Documents		
Land Transfer Fee (Droit de mutation)	CFAF 20 per square meter of land transferred	C
Document 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
Related to Markets		
Market Fee (Droit de marche)	Permit for vending in marketplace. CFAF 10-50 per day depending on product sold and economic importance of commercial activity	C,D

agents charged with the task of collection. A factor of even greater importance, however, appears to be a serious underestimation by state authorities of the role that fees can play in contributing to total government revenue and to the financing of local public services. The discussion that follows begins with a description of the methods of collection of various fees. Attention then centers on an assessment of the actual and potential contribution of fees and charges to state revenue.

Collection Procedures

Non-tax revenue such as fees and charges are paid either directly to the competent territorial or fiscal authority (receveur municipal or percepteur) or they are collected by special agents appointed as fee collectors by local authorities. In some cases, fee collectors are nominated locally and approved by the Minister of the Interior. This procedure provides central authorities with a means of controlling the recruitment of collections while imparting a certain air of authority to the collector so designated.

Some fees may be collected by canton secretaries. The secretary of the canton of Piela, for example, is responsible for the collection of bicycle and motor vehicle registration fees. Collectors may also be responsible for several fees, the compensation for which may provide a comfortable income. One collector in Fada N'Gourma is responsible for the livestock marketing fee, the market fee, slaughter fee and bicycle and motorcycle registration fees.

The receipts from fees and charges are accounted for in the three budgets (national, departmental and communal) in the same manner as tax

receipts. Each fee has a title in the ordinary receipts section of the relevant budget.

Communal Fees and Charges

There are seven fees which are collected by the commune and only go into that budget. The taxe sur l'exportation de betail (animal export fee) is one of the charges involved in exporting cattle and other animals (unless, of course, the animals cross the border where there is no one to check papers, by far the most common practice). After inspection by a field agent of the Livestock Service and corresponding payment of the taxe de visite sanitaire (animal health inspection fee) which is a national revenue item the animal exporter takes his proof of payment of the latter to the Mairie (City Hall) where he pays the animal export fee of CFAF 100 for cattle and CFAF 50 for each sheep or goat. The receipt for such payment is required at the sous-prefecture for issuance of a certificat d'origine, for which a CFAF 100 fiscal stamp must be purchased. This certificate, along with proof of payment of the Patente, will be required at the border to export the animals. The animal export fee contributed 3.8 percent of the total revenue of the communal budget in 1979, the record year for collection of this fee which was first collected in 1977. It is not evident why this should be a communal revenue item, rather than a departmental or national source.

The taxe sur le betail sur pied is paid at the livestock market, held every Sunday, upon the sale of an animal. The commune has an agent there who is paid a 10 percent commission on his collections. He reports to the commune after a certain accumulation of tax payments and turns in the entire amount. Later, he will be paid the commission as

Table V-3

ANNUAL RECEIPTS FROM FEES COMMUNE OF FADA N'GOURMA
(CFAF thousands)

Fee	1976	1977	1978	1979	1980	1981
Bicycle and Motorcycle Registration Fee	676	566	578	835	1,197	---
Motor Vehicle Registration Fee	359	503	519	520	264	498
Market Fee	676	639	635	558	241**	267***
Administrative Charges (Stamps)	276	523	250	215	30	249
Land Transfer Fee	1,647	355	234	143	141	187
Parking Fee	---	7	---	21	---	81
Slaughter Fee	230*	214	192	174	155	---
Stray Animal Fee	299	152	148	170	61	219
Livestock Marketing Fee	---	---	---	201	---	215
Animal Export Fee	---	235	499	508	239	124
Public Shows Fee	23	16	5	24	18	27
Publicity Fee	---	---	---	3	7	11
Cart Fee	---	5	6	96	---	92
TOTAL FEES	4,186	3,205	3,066	3,468	2,353	1,970
TOTAL COMMUNAL RECEIPTS	11,909	9,435	11,668	13,198	11,769	12,030
Fees as Percent of Total Communal Receipts	35	34	26	26	20	16

*Originally cited as 23,000. Corrected to 230,000 estimate.

**Includes CFAF 50,750 in receipts for rental of store space. Actual market fee receipts of CFAF 90,000 are unexplainably low.

***Includes CFAF 20,000 rental of store space.

****Date not available.

SOURCE: Compte Administratif, Commune de Fada N'Gourma.

calculated by the Mairie and the Tresorerie Departamentale. The tax is CFAF 100 for cattle and CFAF 50 for all others: sheep, goats and donkeys. Poultry is not subject to the fee. Pigs and camels are usually not sold at the market in Fada N'Gourma. There are only 2 years for which there are total collection statistics available: collections amounted to CFAF 200,500 in 1979 and CFAF 215,450 in 1981.

The taxe des charettes (animal-drawn cart fee) is an annual license fee for all carts. Most carts are of sheet metal construction with inflatable rubber tires and are hitched to a donkey. The fee is CFAF 750 per cart. Collection has been far below the expected amount. This is due perhaps to the fact that these carts do not circulate regularly and many people only use their carts a few times a year, and some years not at all. Those few in more regular use are engaged in some sort of economic activity, such as hauling water in town or carrying wood from outlying areas.

The droit de mutation (land transfer fee) is paid to the commune when property titles are transferred or purchased. The purchaser pays the fee, CFAF 20 per square meter of land, raised to that level in 1980 to discourage land speculation. This fee applies to an increasingly important percentage of the land in the commune of Fada N'Gourma. Previously, most of the land in the commune was held under customary tenure and the transfer of use rights took place outside of the domain of state action. However, the population of Fada N'Gourma is growing and the presence of national and international development agencies and programs has resulted in the extension of zoning regulations and the

organization of residential areas in lots in important areas throughout the commune.

The taxe sur les spectacles and the taxe sur la publicite are paid by organizers of any public show where admission is to be charged unless it is approved in advance as a charitable event. A flate rate of CFAF 3000 per show is charged for the taxe sur les spectacles and CFAF 1000 per show for the taxe sur la publicite. There is also a CFAF 200 taxe d'etat civil stamp which has to be purchased for the latter which constitutes the formal demande d'autorisation (request for authorization). These two fees together contribute the second lowest amount to the communal budget and the lowest amount to the total revenue collected in the department. Together they provided CFAF 26,500 in 1979, which represents 0.22 percent of total communal receipts. In 1981, a CFAF 4000 flat rate annual fee for permanent signs in Fada was added to the publicity tax. This is separate from the tax on public shows.

The seventh fee is a charge for street cleaning and refuse removal. Rates are based on frontage area of commercial and residential property. The fee may be imposed only in neighborhoods where refuse removal is actually carried out by municipal services. Since this service is not provided by the commune of Fada N'Gourma, the fee is not not applied there. It does, however, offer great potential as a source of communal revenue.

Departmental/Communal Fees

There are seven fees which accrue to the budget of the jurisdiction in which they are collected. The motor vehicle registration fee is paid

Table V-4

ANNUAL RECEIPTS FROM FEES, DEPARTMENT OF THE EAST
(CFAF thousands)

Fee	1975	1976	1977	1978	1979	1980	1981
Bicycle and Motorcycle Registration Fee	2,518	1,290	1,348	841	1,466	1,740	3,504
Motor Vehicle Registration Fee	415	502	415	582	960	482	233
Market Fee	1,346	933	915	661	825	729	710
Administrative Charges	889	702	640	768	980	901	1,451
Slaughter Fee	148	112	135	95	110	99	114
Parking Fee	227	322	165	182	349	300	499
Stray Animal Fee	294	305	74	252	288	613	717
Total Fee Receipts	5,837	4,166	3,692	3,381	4,978	4,864	7,228
Total Departmental Receipts	49,919	53,684	52,829	41,810	40,870	37,118	50,423
Fees as Percent of Total Departmental Receipts	12%	8%	7%	8%	12%	13%	14%

SOURCE: Compte de Gestion, Departement de l'Est.

annually by all motor vehicle owners. Rates are based upon horsepower for cars and upon tonnage capacity for trucks and semi-trailors, and range from CFAF 5,000 to CFAF 25,000. The fee may be collected by anyone delegated to do so by the jurisdictional authorities. Since there are so few vehicles in the commune of Fada N'Gourma, the Secretary General of the Mairie (the chief communal administrator) has retained responsibility for collection. Since he is a full-time civil servant, however, he does not receive the three percent commission the individual executing this task is normally awarded. It is the responsibility of the owner to come to the Mairie and pay the fee each year. Outside of the commune, the fee may be paid to the local percepteur.

Bicycles, motorcycles and scooters must also be registered. The rates are CFAF 350 for bicycles, CFAF 1,000 for motorized bicycles or mobylettes and CFAF 2,000 for motorcycles and three wheeled motorized vehicles. These fees are collected by four agents in the commune of Fada N'Gourma who receive a three percent commission, and by the Secretary General. Outside of the commune, fees may be paid at the local administrative center or to special collectors such as a canton secretary.

The system of registration is similar for both automobiles and bicycles. The collector is issued a booklet of posterboard quality tickets of various fee denominations. The ticket is presented to the vehicle owner upon payment of the required amount and the ticket stubs account for tickets sold. Vehicle owners must keep the tickets, called <u>vignettes</u> for automobiles and <u>plaques</u> for two-wheeled vehicles, with them at all times for presentation upon demand by administrative

authorities and the police. If the vehicle user or owner cannot present the ticket, the vehicle is impounded and the fee as well as a fine must be paid to reclaim the vehicle.

The taxe de stationnement (parking fee) is charged for all commercial vehicles in transit through Fada N'Gourma that stop and park along the street or on public property, such as in the market place. The only exception are those vehicles stopped by the police for inspection and document checks. The rate is CFAF 100 per day per light vehicle (bush taxi) and CFAF 150 for heavy vehicles (trucks). It is collected by one man who must request payment from each driver wherever the vehicle may be parked. The money often is not forthcoming. Receipts from the parking fee are slightly below those from public exhibition and publicity fees taken together as a percentage contribution to the communal budget. They are a bit more important to the departmental budget but still constitute less than 1 percent of total departmental revenue. Indeed, the peak collection year was 1981 when the bridge at the western entry to the town was impassable for an extended period of time. Vehicles were parked along the road and their drivers could not easily avoid payment of the fee.

The taxe d'abattage is not a fee for the slaughter of animals as its name implies. Rather, it is paid for the inspection of animal carcasses to be sold to the public. In the commune, the collector of this tax is present every morning when the town's nine butchers come to kill their animals. A veterinarian from the Livestock Service inspects the animals, issues certifying receipts for animals that pass inspection and impounds for burial those parts of the animal, or the entire carcass

if necessary, that are unfit for human consumption. The receipt is required to sell meat to the public. The collector receives a ten percent commission for fee collection in the commune. The veterinarian receives an indemnite or bonus of CFAF 3000 per month. In rural areas, the commission is only three percent and inspection may be conducted by a livestock agent other than a veterinarian who may or may not be compensated for this service. Fees are paid according to the type of animal: the fee for cattle is CFAF 75, 100 or 150 depending on carcass size, for pigs CFAF 50 and only CFAF 25 for goats and sheep.

The droit de fourriere (stray animal fee) is paid according to how long the stray animal must be kept and fed. Animals which cause damage to someone's property--usually crops--may be turned over for impoundment. Unclaimed animals are sold at the auction. The daily charge, including feed, is CFAF 280 for sheep, 320 for donkeys, 330 for cattle, 550 for goats and CFAF 600 for horses, pigs and camels. This fee reflects the presumed cost of feeding the animal and use of the corral and other facilities. Until 1980, the taxe de divagation, a fine for having allowed the animal to stray, was imposed. It was CFAF 1200 for the first time and CFAF 2400 each time after that, per animal. In 1980 the decision was made that people could not pay such a heavy fine and that it really is not the owner's fault if the animal strays.

A market fee is collected from sellers each market day. Rates range from CFAF 10 to CFAF 50 according to the type of market stand and the nature of the good being sold. The collector receives a 10 percent commission. In addition to the market fee, the commune rents 34 boutiques or permanent shops to merchants. These installations are

priced at CFAF 650 to 1200 per month. There are many merchants in Fada N' Gourma who would like places in the market but for whom there is no room. Communal authorities have decided to pursue a policy of neighborhood market center development to ease the demand on the central market.

Administrative fees and charges are required for official documents and are paid for in the form of fiscal stamps which are attached to the document in question. These stamps are of two types: those that are issued by and for the national treasury and those that make up a local revenue item. For the sake of clarity, the latter shall be referred to as etat civil stamps while the national variety shall be called simply fiscal stamps.

Although information for all sous prefectures in the Department of the East is sketchy it appears that the taxe d'etat civil (document and notary fee) varies considerably from one jurisdiction to another. All requests for documents (or for information, right to a parcel of land, authorization for a specific action, employment with a jurisdiction, etc.) must be presented as a letter written by the citizen to the relevant authority. This is called a demande and until 1982 all demandes to the Fada commune administration required a CFAF 200 fiscal stamp. It has been reported that the fiscal stamp is being replaced by an etat civil stamp for some documents such as the identify card as of 1982. In Diapaga, the etat civil stamp for a demande is CFAF 50. Beyond this preliminary cost, some documents carry further charges.

In the Diapaga and Kantchari sous prefectures, birth, death and marriage certificates are free. In the Fada commune each is CFAF 50

while in Kantchari, certified copies of them cost CFAF 50 each. The jugement suppletif, a notarized document in lieu of an actual certificate of birth, death, or marriage is issued free of charge in Kantchari and copies cost CFAF 100 each. Diapaga charges CFAF 200 for a jugement suppletif while in the commune of Fada N'Gourma the charge is 100 CFAF. It is not clear why there should be such varation in the payment required for similar services.

National Fees

Among the fees whose receipts are attributed to the national budget are the fiscal stamps referred to in the preceding section. Fiscal stamps are necessary for most requests for a service or document (CFAF 200), for all commercial bills over CFAF 25,000 (CFAF 200), for all documentation arising from legal cases (CFAF 200 per document), for hospital certificates (CFAF 300), for national identification cards (CFAF 300) and for various other official documents. However, the stamps are not considered as a revenue item by departmental officials. Rather, they are accounted for as cash and sold at face value by agents of the Departmental Treasury and by percepteurs throughout the department. No formal record of their purchase or sale is recorded in the department. The percepteur in Diapaga estimated from recollection that he bought CFAF 300,000 worth in 1978, CFAF 600,000 in 1979 and CFAF 900,000 of fiscal stamps in 1982, with no purchases in intervening years.

The Water and Forest Service attached to the Ministry of Environment and Tourism collects several fees in conjunction with its

operations in the department, especially in Arly National Park, the most renowned game park in Upper Volta. These fees include a park visit permit of CFAF 2000 per person valid for one year and payable by foreigners but not by Voltaic nationals, a vehicle entry permit of CFAF 1000 per vehicle per day, and a CFAF 2000 per day obligatory charge for a guide provided by the Water and Forest Service. The highest level of receipts from these park charges on record at the Diapaga sous-prefecture amounted to CFAF 17,172,500 collected for the year 1978. With the prohibition of hunting after the November 1980 coup d'etat, receipts from the fee for each animal killed, the taxe d'abattage en chasse, and from the fee for hunting permits were lost to the state.

Wood cutting permits are issued at CFAF 6,000 per month to individuals who cut wood commercially (defined as anyone who makes more than three voyages per week: a voyage is a one-day sortie into the bush to cut wood; one cartload is usually the total for a single day.) Finally, fines are levied for cutting wood without a permit and for poaching.

The Ministry of Justice has a permanent and a circuit court based in Fada. Tribunals are also found in some sous-prefectures. Fees are required on a per case basis. The fines levied by the courts may represent quite substantial sums.

Other sources of non-tax revenue for the national budget include the taxe de visite sanitaire, an examination of animals for export conducted by the Livestock Service mentioned above in relation to the animal export fee, and a charge for the service of arranging for

announcements by the public in the country's radio system. Other fees and charges may be collected in particular areas and situations and are thus of an exceptional rather than routine nature.

The Actual and Potential Contribution of Fees and Charges

The recorded receipts from individual fees and charges tend to fluctuate, sometimes quite dramatically, from year to year. Receipts from the market fee, slaughter fee and motor vehicle registration fee were higher in the Department of the East in 1975 than in 1981. Receipts from the bicycle registration fee, on the other hand, dropped precipitously in 1978 only to quadruple in magnitude by 1981.

In the commune of Fada N'Gourma, a similar tendency toward fluctuation may be observed. The regular increase in receipts from the registration of two-wheeled vehicles contrasts markedly with the decline in market fee receipts. Global receipts from fees in the commune have declined over time, a fact which does not correspond with reports of an overall increase in population and in economic activity during this period.

Fees and charges constitute an important component of total communal and departmental revenues. For the commune of Fada N'Gourma, receipts from fees averaged over 26 percent of total communal revenue over the past six years. This is despite a dramatic decline in receipts in 1980 and 1981. Fees comprised an average of 11 percent of total departmental receipts over the past seven years.

Nevertheless, there is evidence that the full contribution of these fees and charges has yet to be realized. Undercollection is a problem especially in the rural areas of the department where administrative agents are few. The reliance on fee collectors only marginally linked to the formal revenue system requires regular supervision which adds an additional strain on the department's weak administrative infrastructure. When total receipts are low due to a small population and a low level of commercial activity, commission levels of two to 3 percent may be insufficient to motivate fee collectors.

In some cases, the fee itself may be unnecessarily low. Administrative charges for the preparation of official documents should be standardized and perhaps increased. The market fee levels of CFAF 10, 15, 25 and 50 were established in 1971 and may no longer reflect an accurate valuation of the demand for market space by merchants, nor the return which they derive from commercial activities. Slaughter fees also appear to be low in comparison to the value of livestock and the costs incurred for inspecting the meat.

Estimates of the revenue potential from vehicle registration fees, market fees and slaughter fees have been calculated from available data. Where detailed information was lacking, realistic estimates based on experience and observation were substituted. These three fees were selected due to their potential utility as sources of financing for local public services.

Motor Vehicle and Bicycle Registration Fees

As was seen in Table V-4 above, receipts from the registration of bicycles, mobylettes and motorcycles increased substantially, albeit

erratically, from 1975 to 1981. This will not come as a surprise to those familiar with the country. According to a recent article in Jeune Afrique, Upper Volta ranks third in the world in the ratio of bicycles to population. Bicycles are the main form of transportation in rural areas and are viewed as a valuable if not essential commodity by most rural families. Motorized bicycles and motorcycles are increasingly found in rural areas and cities, among wealthy farmers, merchants, laborers returning from the Ivory Coast and of course, public employees. The socio-economic inventory of villages in the Department of the East conducted by the MSU team in 1980 identified 1,773 "moteurs" in the department and outside of the commune of Fada N'Gourma. A "moteur" is the generic expression applied to all motorized two-wheel vehicles and thus it is not possible to separate mobylettes which require a fee of CFAF 1,000 from motorcycles, the owners of which must pay CFAF 2,000. Assuming for the purpose of illustration that 80 percent of "moteurs" are mobylettes and that the remainder are motorcycles, it is possible to calculate the potential level of receipts as CFAF 2,127,600. This figure is 22 percent greater than actual receipts recorded in 1980, the year in which the survey was conducted, without taking into consideration the contribution from bicycle registrations. Although there are no data available on the actual number of bicycles in the department, it is safe to assume that they outnumber mobylettes and motorcycles by at least five to one. This assumption adds up, then, to an additional CFAF 3,102,750 from the bicycle registration fee alone.

Results from the same survey indicate that there are 157 cars and 35 trucks located in the department and in the commune of Fada N'Gourma.

Based on the minimum fee level of CFAF 5,000 for each car and CFAF 20,000 for each truck, potential receipts total CFAF 1,485,000, or two times as much as actual receipts in the department and commune in 1980.

Improvement in the collection of these fees may be obtained most easily through the mechanism of spot checks for verification of registration by the police and other administrative authorities. The two-fold increase in receipts from bicycle and motorcycle registration recorded in 1981 is an indication of the effectiveness of such measures.

Slaughter Fees

The selection of the slaughter fee for particular attention was not made because of its significance as a revenue source. Indeed, receipts from this fee rank rather consistently at the bottom of revenue items and it has never contributed more than 0.5 percent of total departmental revenue for the years for which data are available. Rather, it was chosen as a representative of the class of revenue items that demonstrate a clear fee-for-service relationship. As was underscored earlier, the slaughter fee would be more aptly named a "meat inspection fee", although it may be argued that a charge for the use of the slaughterhouse facilities is also included in the fee.

The low level of receipts suggests that this fee is not meeting the actual costs of the service provided. The slaughter facility for the commune of Fada N'Gourma consists of a covered concrete platform next to the reservoir. The commune provides two workers to maintain the facilities and supplies cleaning material such as soap, brooms and brushes. The yearly recurrent expenditure on the slaughterhouse for

1979, including personnel expenditures, was CFAF 202,336 while slaughter fee receipts for that year came to only CFAF 173,592 for the commune.

Data provided in the annual reports of the Livestock Service may be used to calculate potential receipts from the slaughter and inspection of livestock. In the table below, a high and low estimate of potential receipts based on the use of the CFAF 150 and the CFAF 75 fee for cattle are contrasted to actual receipts. The actual receipts figure is the sum of the departmental and communal receipts for this fee.

Table V-5

ACTUAL AND POTENTIAL RECEIPTS FROM THE SLAUGHTER FEE
DEPARTMENT OF THE EAST

Slaughter Fees, Department of the East

Year	Actual Commune & Dept.	Potential Low	Potential High
1976	341,845**	463,375	661,750
1977	349,101	673,100	921,725
1978	287,379	624,400	846,925
1980*	253,640	536,925	735,300

*1979 Data not available.

**Error in Commune data showed receipts as CFAF 23,000. This figure was increased to CFAF 230,000 to correct for error.

SOURCE: Service d'Elevage Rapport Annuel and Comptes de Gestion, Departement de l'Est.

The estimates provided in this table are based upon the current fee structure. Additional revenue could be generated by increasing the fee so as more accurately to reflect the cost of the service and the

personal and social benefits provided by the physical facilities and routine inspection of meat prior to consumption.

Market Fee

A brief review of the nature of this fee and of the collection procedure may be of some use at this time. The market fee is to be paid by all sellers each market day. The fee ranges from CFAF 10 to 50 according to the location of the seller (such as under a shaded stall, in an open area or in a permanent shop) and the importance of the commercial activity. A woman selling fried millet cakes or beignets, for example, would pay CFAF 10 or 15 while a cloth merchant with a permanent stall would pay CFAF 50.

Collectors are in theory nominated by local officials and approved by the Minister of Interior. It is not uncommon to find that the collector is a member of one of the leading local families in rural areas. They receive a commission based on total receipts. In the Bogande area the commission is set at 3 percent of receipts while the agent in Fada N'Gourma receives 10 percent. The collector of the market fee presents each seller with a ticket marked with the fee amount as a receipt for payment.

Receipts from the market fee in the Department of the East are substantially below their potential yield. Before studying the data on potential and actual yields, several reasons may be advanced in explanation of low levels of collection. First, the commission may be too low in comparison to the effort required. Collection in rural markets can consume a rather lengthy amount of time since the collector must approach each individual seller and request payment, make change

and present the ticket/receipt. Most rural markets have a very large group of small traders and relatively few medium and large merchants, hence, a great deal of effort is expended in the collection of lower demnomination fees. A rough estimate based on the observation of numerous village markets indicates that well over one-half of all sellers are women and that they market low cost items, generally prepared foods and farm produce in small quantities, such as millet, beans, peanuts and various condiments. This results in low total collection levels with a correspondingly low return for the collector.

Second, there is little incentive for the collector or the merchant to take the market fee seriously. Contrary to the situation in many African countries where receipts are used for the upkeep of the market, receipts from the market fee in Upper Volta are merged with other departmental revenue sources. Departmental funds are rarely if ever spent on market maintenance or expansion in rural areas. For the merchant, the market fee is but one more coercive fiscal instrument. Because of this, the collector may feel that his reward is insignificant in comparison to the cost of "fining" his neighbors and acquaintances.

Third, market fee collectors are virtually unsupervised in the performance of their task. What little contact they have with state agents takes place when they deposit the receipts at the perception and buy a new book of tickets. According to one percepteur, it is generally very difficult to get the collectors to report regularly. He asserted that in his experience, it was almost always necessary to summon a collector at least once or twice before he would comply. Nor is there any sense of community pressure or accountability since there is no

apparent linkage between market fee receipts and communal or departmental expenditures for the improvement of local markets. The agent is essentially responsible only to himself.

All of these factors influence the performance of the agent responsible for collection. In a system characterized more by disincentives then by incentives, it is not surprising that certain improprieties occur. It is clear that in some cases collectors supplement their meager income from the commission by underreporting receipts. This is accomplished by simply not giving a receipt upon payment and in essence "re-selling" the receipt several times over. After witnessing this practice one market day, several local merchants were interviewed. Although the merchants were hesitant to "denounce" the collector, a member of an influential local family, they acknowledged that they rarely requested the receipt which serves no purpose for them. They also made it clear that they were aware of the illicit benefits that the collector derived from this practice but that this did not concern them.

Analysis of two sets of data, the first involving receipts from village markets in the sous-prefecture of Bogande and the second drawn from a 1980 SAED[1] study of 27 markets in the Department of the East reveals the problems and prospect of the market fee as a local revenue source. The table which follows presents the level of actual receipts for 1981, the number of sellers present in six of the major markets during the SAED research period and an estimate of potential receipts

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[1]Reported in UFRD, p. II-95 to II-105.

from those markets. A formula for the distribution of sellers among fee denomination categories was constructed from observation of numerous markets in the sub-region. The proportion of sellers per fee category used in the estimations below is as follows: CFAF 10=20 percent, CFAF 15=35 percent, CFAF 25=35 percent, CFAF 50=10 percent. Actual proportions may vary substantially from one village market to another. Due to the presence of higher order and higher cost commodities larger markets such as those of Piela, Mani and Bogande, would tend to have a larger percentage of sellers in the CFAF 25 and CFAF 50 categories, while many small markets may have no one in the CFAF 50 category.

A revised estimation is also provided. This was thought necessary to compensate for seasonal variation in market attendance by merchants and buyers alike. The SAED market study was conducted during the months of January and February, 1980. This is a peak marketing period, as it comes after harvest and coincides with the main commercialization period for millet, sorghum and peanuts. Attendance drops with the beginning of the rainy season, remains low throughout the planting and weeding periods and begins to pick up again with the ripening of the crops.

Unfortunately there are no reliable data which adequately deal with the seasonality factor. Small rural markets which sell few higher order goods such as cloth, lamps, hoes and other agricultural inputs would probably show a greater reduction than markets with higher order goods for which there is a more constant demand. To account for the effects of seasonality on market attendance the estimate was revised to reflect a 50 percent reduction in the number of sellers during the months of July, August, September and October.

Table V-6

MARKET FEE RECEIPTS FOR THE SOUS-PREFECTURE OF BOGANDE
ACTUAL RECEIPTS, 1981 AND POTENTIAL RECEIPTS
FOR SIX SELECTED MARKETS

Market	1981 Receipts[1]	Potential Number of Sellers[2]	Potential Receipts Per Market Day[3]	Potential Annual Receipts[4]	Revised Estimate Annual Receipts[5]
Bogande	20,525	100	2,100	254,100	211,050
Samou	16,800	160	3,360	406,560	337,680
Coalla	77,500	230	4,830	584,430	485,415
Liptougou	7,500	360	7,560	914,760	759,780
Piela	38,135	500	10,500	1,270,500	1,055,250
Mani	67,000	840	17,640	2,134,440	1,772,820
Bourgou	41,075				
Bonsiega	30,660				
Kouri	2,500				
Korongou	2,500				
Thion	56,705				
TOTAL	360,900		45,990	5,564,790	4,621,995

[1]Bogande Perception Records.

[2]UFRD, p. II-98.

[3]Based on seller-fee distribution formula.

[4]Markets held every three days. Annual receipts = Daily receipts x 121.

[5]Based on 50 percent reduction in sellers during rainy season.

A review of the data presented in Table V-6 raises a number of interesting points. First of all, the level of receipts actually recovered is rather low in light of the number of market centers (eleven) and the large population of this sous-prefecture (131,000 inhabitants). Receipts for 1981 amount to only $1,328.30 ($1 = CFAF 271.7) and this figure represents a 27 percent increase over total receipts for this fee in 1979!

A truly startling series of observations are suggested by data collected by SAED on the number of sellers present at 6 of the market centers during the months of January and February, 1980. According to these figures, the total receipts for the Sous-Prefecture of Bogande in 1981 could have been recovered in only 8 market days. Assuming the accuracy of the hypothesized distribution of sellers among fee denominations, receipts from the month of January alone (from only 6 of the 11 major area market centers) would have exceeded the year's total collections.

Markets in this sub-region are held every three days. Potential annual receipts from these 6 market centers alone, calculated for 121 market days, would amount to CFAF 5,564,790 ($20,481), an increase by a factor of 15 over 1981 actual receipts. Even with the adjustment for sensonality, receipts would increase by a factor of 12. Instead of the $39.85 that market fee collectors actually earned in 1981, they could have received over $600 in total commissions.

The shocking difference between actual and potential receipts from the market fee based on data from the SAED study recommends a similar look at the rest of the department. Here, too, the data are compelling.

Calculations indicate that the Department of the East could increase receipts from market fees by a factor of 32 to 38 over actual 1981 receipts. In dollar terms, this represents an increase from $2,612.50 collected in 1981 to almost $100,000.

Data on the number of merchants were collected in 27 of the approximately 180 market centers in the department.[1] Although the study included most of the largest centers, important markets such as those in Dhaka, Bilanga-Yanga and Nadiabon were not represented. Of the total of 10,970 sellers, 3,720 were present at markets held every seven days while 7,250 were counted at markets held every three days. Again applying the seller distribution formula used above it is found that potential receipts for one market day total CFAF 270,370. Given complete collection, it would require but 3 market days to amass receipts surpassing the total contribution of the market fee to the departmental budget for the year 1981.

The Revenue Effort in One Sous-Prefecture

The preceding discussion of revenue administration may be further elaborated and contextualized through examination of revenue data from the Sous-Prefecture of Bogande. Monthly accounting reports, called the "Situation Mensuelle des Perceptions," are prepared by the local treasury agent (percepteur) in each perception. These reports specify the amounts to be collected for each revenue source for which there is a tax roll, that month's receipts from all revenue sources, annual

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[1] Mehretu, 1981

receipts to date and the amounts outstanding. Data are organized by budget of attribution, that is to either the national, departmental or communal budget to which receipts accrue, and by revenue item. Information presented in the December reports for the years 1975 to 1979 is presented in Table V-7.

The Sous-Prefecture of Bogande, located in the north-western part of the department, is the most populous administrative unit in the region. Its almost 131,000 inhabitants account for over one-quarter of the population of the Department of the East while the territorial jurisdiction covers but 13 percent of the total area of the department.[1] Bogande was organized as a "poste administrative" in 1947 and became a Sous-Prefecture in 1974 with the reorganization of the national system of territorial administration. The Sous-Prefecture contains four cantons--Coalla, Bogande, Piela and Thion--each of which was based upon a traditional political order predating the imposition of colonial rule. In the past few years, Coalla was recognized first as an arrondissement and then in 1982 it was granted the status of a Sous-Prefecture. The canton of Piela was raised to an arrondissement in 1981 and became operational in 1983.

Review of Findings

Since the objective of this section is to provide the reader with an illustration of the variety of revenue sources, their relative magnitudes, fluctuation and attribution, it is not necessary to embark upon a detailed line-by-line analysis of the data. Indeed, such an

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[1]Mehretu and Wilcock, 1979, pp. 10, 20.

TABLE V-7

SOUS-PREFECTURE OF BOCANDE: ANNUAL RECEIPTS, 1975 TO 1979
(in CFAF)

National Budget (Budget de l'Etat)	1975	1976	1977	1978	1979
IFR - Standard Tax on Income	15,709,415	15,939,875	13,335,665	12,444,575	7,129,475
Livestock Fee	1,215,577	1,441,245	1,394,750	1,349,315	258,500
IUTS	33,582	---	36,770	---	---
Wood-cutting Permit	25,600	25,600	8,400	54,700	18,400
Judicial Fines	116,244	132,326	85,531	203,482	6,664
Fixed Fines	296,400	360,200	218,400	133,200	174,600
Arbitrated Fines	226,400	244,400	303,000	72,000	94,600
Animal Inspection Fee	321,100	321,100	136,500	23,700	13,650
Receipts From Past Years	3,248,985	3,249,585	---	21,800	91,520
IFR - Patente Differential	121,220	121,200	43,650	142,550	39,100
Patriotic Contribution	5,836,109	5,839,766	---	---	---
Diverse Receipts	11,495	5,050	15,905	18,030	1,000
Vaccination Tax	---	---	68,170	---	---
Balance Brought Forward					136,086
Sub-Total	27,162,304	27,729,403	15,646,561	14,463,412	7,963,595

TABLE V-7 (CONT.)

Departmental Budget (Budget Collectivite)	1975	1976	1977	1978	1979
ICT - Standard Tax on Income	8,670,300	8,901,370	9,279,600	10,007,180	4,116,585
IFLOT - Non-Sedentary Tax	40,000	40,000	34,000	46,000	6,000
Domicile Tax	51,308	167,618	33,720	145,380	18,900
Arms Tax	30,000	55,000	90,300	109,300	19,900
Bicycle Registration Fee	869,000	913,750	591,200	420,450	479,600
Motor Vehicle Registration	39,000	39,000	65,000	92,000	65,000
Patente	795,200	1,480,825	337,490	348,920	251,600
Licence	---	---	6,000	4,000	6,000
Slaughter Fee	30,258	30,258	26,918	46,739	1,081
Market Fee	248,550	248,550	205,530	311,870	284,210
Animal Impoundment Fees, Sales	59,804	59,804	83,353	32,828	121,845
Receipts from Rental Property	200	200	30,000	30,000	90,000
Administrative Charges	209,600	209,600	187,850	304,450	162,000
Receipts from Past Years	903,364	904,364	64,970	104,800	21,550
Domain Tax, Sale of Lots	75,640	75,640	107,614	134,504	---
Diverse Receipts	3,650	3,650	10,000	3,000	29,540
Sub-Total	12,025,874	13,129,629	10,999,535	12,141,421	5,674,511
Total National and Departmental Budgets Contributions	39,188,178	40,859,032	26,646,096	26,604,833	13,636,106

SOURCE: "Situation Mensuelle des Perceptions," December reports, 1975 to 1979.

exercise is of dubious value in light of the serious problems in accounting procedure which appear to plague the preparation of fiscal documents such as the "situation mensuelle."

Evidence of poor accounting practices is most obvious in the similarity of reported collections for various revenue items in 1975 and 1976. It is quite unlikely that receipts from the slaughter fee, market fee, animal inspection fee and other items would be identical in two consecutive years. Another indication of questionable accounting practices is found by examining the difference in recorded collections for the IFR and the ICT. It will be remembered that these two taxes are administered in an identical manner. The ICT is basically a sur-tax on the IFR and is fixed at 60 percent of the basic rate of the latter. From the taxpayer's perspective, they are but one tax. Yet according to the figures provided in the perception reports, in 1977 collections for the ICT <u>increased</u> by 4 percent from the previous year while receipts from the IFR <u>declined</u> by more than 16 percent during the same period. The system of tax collection in rural areas in which the taxpayer or, more likely, the representative of several taxpayers brings a sum of money and deposits it with the village chief who then aggregates the contributions for an entire village before transferring the money to the local treasury agent does not permit such a distinction between money received for the IFR and that received for the ICT.

An observation of much greater importance to the twin themes of revenue mobilization and service finance which underly this study is that there appears to be a clear secular trend toward a decline in

revenue collected in this Sous-Prefecture during the five year period in question. This decline was most dramatic in 1979. After subtracting receipts from the Patriotic Contribution for 1975 (requested of Voltaic citizens to finance military operations along the border with Mali), total revenue collected in 1979 amounted to only 38.6 percent of the receipts from 1975.

The low level of collections in 1979 may have resulted from the political unrest which plagued the country, paralyzed government operations and culminated in the military coup d'etat of November 25, 1980 under the leadership of Colonel Saye Zerbo. Nevertheless, receipts from 1978, a year of relatively greater calm, reflect a 20 percent decline from 1975. Nor may the drop in revenue be attributed entirely to changes in the tax bases. Assessed tax liabilities from the IFR did drop by more than 13 percent from 1976 to 1977 and smaller decreases were recorded for 1978 and 1979. For the five year period, taxes due from the IFR declined by 24 percent while such receipts from the TBET and the ICT showed virtually no change (less than 5 percent). Actual receipts from these three taxes dropped by 55 percent during this period.

The decline in collections is especially marked in revenues which accrue to the national budget. Over the five year period an average of 62 percent of total receipts were accorded to the national budget. This ranged from almost 70 percent of total receipts in 1975 to less than 55 percent in 1978 and 58 percent in 1979.

Within this overall trend toward declining revenues substantial variation in annual receipts for specific revenue items may be observed.

Receipts from the animal inspection fee, for example, plummeted by almost 80 percent from 1976 to 1977, by 65 percent from 1977 to 1978 and again by 42 percent from 1978 to 1979.

Similar instability in revenue yield may be observed for the domicile tax, receipts from past years, the patente and other revenue items. Such dramatic changes in collection levels suggests serious accounting problems, as mentioned earlier, as well as problems in the administration of these revenues and in particular, in collection.

Recovery Rates

A key objective in revenue administration is collection efficiency. Although this has many dimensions or components, the rate of revenue recovery is of central importance. Recovery rates may be described as the ratio of actual receipts to the amount of tax liability for a given tax or set of revenue items. Liability may be determined according to (1) data derived from an "ideal" notion of comprehensive identification and assessment of the tax base, (2) information provided on formal tax rolls detailing the amount of "actual" liability and (3) some estimation of "potential" revenue for those revenue sources for which there is no *ex ante* means of determining the base. Examples of this third form were presented for the market fee, slaughter fee and vehicle registration fees in a preceding section. Of the items which constitute sources of revenue, the most important ones for which recovery rates may be calculated are the IFR, the TBET and the ICT. These three taxes alone comprise on average over 90 percent of total revenue collected in the Sous-Prefecture of Bogande. Recovery rates for selected taxes from 1975 to 1979 are presented in Table V-8.

TABLE V-8

RECOVERY RATES FOR SELECT TAXES, SOUS-PREFECTURE OF BOGANDE IN PERCENTAGE RECOVERED

Tax	1975	1976	1977	1978	1979
IFR	79	80	78	70	42
TBET	49	58	57	53	11
ICT	87	90	90	95	43
Domicile Tax	28	91	29	80	16
Arms Tax	12	23	39	66	13

Tax Liability

Data collected in the Sous-Prefecture of Bogande permit the calculation of a rough measure of average tax liability for taxpayers in each of the four cantons. The data on number of taxpayers and total amounts owed refer to the 1982 tax exercise and include only the village taxes, viz. the IFR, ICT and TBET.

TABLE V-9

AVERAGE LIABILITY FOR THE VILLAGE TAXES SOUS-PREFECTURE OF BOGANDE, 1982 (in CFAF)

Canton	Population[1]	Number of Taxpayers	Taxes Owed	(Dollars)	Average Liability Per Taxpayer
Piela	24,750	8,694	4,409,320	($16,229)	507
Bogande	36,492	15,545	8,044,500	($29,608)	517
Thion	10,226	3,486	1,796,130	($ 6,611)	515
Coalla	59,514	22,338	11,825,740	($43,525)	529
TOTAL	130,982	50,063	26,075,690	($95,973)	521

[1]Population data are 1979 estimates. Mehretu and Wilcock (1979).

SOURCE: Perception records, Sous-Prefecture of Bogande.

The average tax liability for the three major taxes amounts to CFAF 521 per taxpayer, which is slightly less than two dollars. This is only a bit more than the cost of two liters of "melange" or mobylette fuel in Fada N'Gourma and less than the price of two kilograms of sugar.

Of course, some taxpayers will contribute more than the average amount. Even those people who own no cattle and pay the minimum rate of the IFR may pay the market fee or the fee for bicycle registration. Those who own a large cattle herd will be liable for the patente, a higher rate of the IFR, a substantial amount for the livestock tax as well as various fees and charges for animal inspection, marketing and export and administrative services. nevertheless, the population of the Sous-Prefecture of Bogande does not appear to be suffering from a particularly onerous tax liability. In terms of actual tax payments rather than tax liability, the average annual tax payment for the four years from 1975 to 1978 was only CFAF 665 per capita. This figure is based on total receipts from all revenue sources for the Sous-Prefecture, including those from the Patriotic Contribution in 1975 and 1976, divided by the number of taxpayers on the rolls in 1982.

It is important at this point to interject a word of caution. The formulation of average liability and average actual payments advanced above tends to conceal the differential effect that taxation has on particular groups and individuals. The minimum tax liability for a taxpayer in the Department of the East is less than the price of a chicken. In many areas of the country, however, the taxpaying unit viewed from the perspective of the local society is not the individual but the group. The definition of the membership of this group varies

from place to place but may include from one to over 20 or 30 members who are liable for taxes. Some members may no longer contribute to production activities due to age or incapacity while others may not be in residence. The latter is particularly common among young men who tend to be the most physically active and productive group members but who also leave Upper Volta to seek employment in coastal countries.

The representative of the group, typically the eldest active male member of the compound, then becomes responsible for the equivalent of a whole flock of chickens rather than just the one for which he is personally liable. Furthermore, he is expected to pay the total amount at once rather than to distribute payments over a longer period of time. The revenue capability of some groups may be overwhelmed by these factors, especially if they have suffered other setbacks such as sickness, crop failure, or an unanticipated demand for cash for social responsibilities such as for weddings and funerals.

Enhancing the Revenue Effort

Revenue administration at the local level may be substantially improved, resulting in more revenue, greater comprehensiveness and equity in assessment and collection, and the capability of expanding expenditures for local public services. This may be accomplished by (1) reforming tax policy, (2) improving the performance of agents responsible for assessment and collection, and (3) incorporating popular participation in the revenue mobilization effort. A combination of changes in all three areas would produce the largest effect.

Tax policy reforms may involve issues of rate changes, redefinition of the tax base, consolidation of taxes which affect the same base, redirection of tax revenues to other budgets and linking specific revenues to services (earmarking). Any alteration of present policy involves important economic, social and political considerations. No specific reforms are recommended here although a number of suggestions for improving local revenue administration are advanced. Rather, information pertaining to specific taxes and aspects of tax policy is presented so as to illustrate the types of considerations that the government of Upper Volta would confront in any contemplated policy reform.

According to household income survey data collected by Michigan State University in the Department of the East and mentioned earlier in this report average net household income per adult worker was CFAF 21,095 in 1980 or approximately $96. The average tax liability calculated in the preceding section was CFAF 521 per taxpayer which amounts to 2.5 percent of estimated net household income per adult worker.

According to survey data collected by our project in three villages in the northern part of the department, most taxpayers indicate that they are able to pay their taxes with little or no difficulty. To the question, "Is it <u>very</u> difficult, a <u>little</u> difficult, or <u>not at all difficult</u> for you to pay your taxes?", 43 percent of the 200 respondents from three villages acknowledged that it was "not at all" difficult to pay. An additional 20 percent stated that it was only "a little" difficult to meet their tax liability.

Young people in general appear to have less difficulty paying taxes than do their elders. Fifty-two percent of respondents between the ages of 18 and 25 years replied that it was not difficult while only 38 percent of those above the age of 40 years found this to be the case. Sixty-five percent of the young men who were not yet head of a semi-autonomous family unit (that is, a chef de carre) and 52 percent of the young women interviewed stated that it was not at all difficult to pay their taxes. Only 23 percent of older women, 38 percent of compound chiefs and 32 percent of carre chiefs expressed a similar opinion.

A substantial proportion of those interviewed (38.5 percent) stated that they found it "very difficult" to pay taxes. Women found it relatively harder than men (54 percent of women to 35 percent of men) and older women in particular (77 percent) found taxation to be an onerous burden. Women generally have less access to cash then do men and consequently their individual tax liability would constitute a larger part of their income. Since the tax collection effort was underway at the time that the survey was being administered in the villages, respondents were not asked if they had personally paid their taxes. One of the unfortunate consequences of this, however, is the ambiguity surrounding women's role in paying taxes. Thus, the expression of difficulty in paying may reflect actual experience or it may indicate an assumption of difficulty if women were required to pay their entire tax liability.

Local opposition to the present tax system and to the possibility of increasing tax rates may be a reflection of the lack of information regarding the nature of the system, its underlying logic and the

objectives of taxation. When asked "Why do people pay taxes?", 47 percent of respondents answered "To be free", which after interrogation proved to mean freedom from harassment by village and extra-village authorities. Fifteen percent of respondents paid because "it has always been this way". Almost one-third of respondents acknowledged that they did not know what was done with tax revenue once it was collected.

Some taxes, such as the livestock tax, prove to be difficult to assess and generate little revenue due to low collection rates. Herders and livestock owners in Upper Volta, as in other Sahelian countries, are generally opposed to this tax. Because of these problems, it is often suggested that the livestock tax be abolished.

A more interesting alternative to abolition would be to enhance the palatability of the tax by re-directing its receipts from the central budget to local budgets. (Livestock tax receipts collected in the commune already go into the communal budget.) Local administrators would find it to their obvious advantage to encourage more accurate assessment of livestock and to place more emphasis on tax recovery. Livestock owners, too, might find it more reasonable to pay a tax the receipts from which remain in the community to be used for public services which might include wells and other watering points for livestock. If assessment and collection of this tax could be made more efficient, it would constitute a very important source of revenue for local budgets in areas such as the Department of the East which contain large livestock herds.

Another means of enhancing the local revenue effort is the overt linking of tax revenue with specific services or service components.

Examples of this practice, referred to as the earmarking of revenue, exist in the form of special arrangements such as that between taxes on motor fuels and the establishment of a road fund (fond routier) for the construction and maintenance of the national road system. A similar linkage may be envisioned for taxes which correspond to specific service needs such as the livestock tax mentioned above. A fixed percentage of receipts or a flat sum could be placed in a special account to benefit livestock production. Funds could be spent on such services as watering points, the creation of revolving funds for medicine purchases by herder associations, and the construction of marketing facilities. Similarly, receipts from the market fee could be linked to the financing of market improvements such as stall construction or trash removal.

Another key area in which improvements may be made is the performance of tax agents. This would entail the provision of adequate numbers of trained personnel, increased funding for operational costs especially those related to mobility, and the development of stronger incentives for tax agents. At present, the Tax Service in the Department of the East has virtually no enforcement capability and agents are therefore unable to pursue cases in a manner which would dissuade non-payment.

Finally, important gains in local revenue administration may be achieved by actively incorporating local participation in the mobilization of revenue. If the revenue effort in rural areas is to be improved, local people must have a clear understanding of the objectives of taxation and of user fees and charges. There must be a realistic belief in the convertibility of improved tax collection performance into

objectives and goods valued by the local population and local leaders. This in turn requires that resources be made available for investments in social infrastructure and for the financing of recurrent costs required for the maintenance and improvement of existing services.

At the present time, local administrations lack the fiscal authority and functional responsibility which are required for effective decentralization. Local budgets have remained relatively static over time and local administrators have virtually no control over their sources of revenue. The key elements of service organization and finance are resolved at the central level with little influence exerted by local actors. In short, decentralization in Upper Volta will require significant improvements in administrative and technical capacity to provide services at the local level as well as increases in the fiscal resources available to local administrators.

The government must demonstrate a clear resolve to link taxes with services, especially in areas which are currently without even the most basic health, education and agricultural extension services. Local people are willing to help, by supplying needed labor and materials as is presently done for the construction of schools, health facilities and administrative centers, and by creating new revenues for local needs. When asked if they would be willing to pay a local tax the receipts from which would remain in the local administrative unit to be used for financing projects which benefitted the community, 93 percent of respondents said they would be willing to pay such a tax and an additional 5 percent said that their willingness was contingent only upon the amount of the tax.

The application of fees as a means of cost recovery for services provided to the public, however, remains rather limited. Since their institution during the colonial period, basic services such as health and education have been considered a state responsibility to be discharged free-of-charge to the population. There remains a strong sentiment against the creation of user fees and charges for these basic services among certain elements of the population and within the administration. The potential for revenue generation through their more widespread application, as well as the serious administrative problems and negative equity consequences of their use must be weighted by policy makers.

The extension of user fees and charges is recommended to cover the marginal costs of activities which yield private benefits to users of services. However, such a system should only be implemented if it can be demonstrated that (1) the cost of the collection system is low in relation to fees collected, that (2) fee receipts will be carefully controlled, that (3) the additional revenue will be used for the maintenance and improvement of the service and if (4) the administrative and technical capacity to provide such services exists and is effectively utilized.

IMPLICATIONS AND RECOMMENDATIONS

The focus of our concern is resource mobilization and service provision through decentralization. Decentralized resource mobilization can occur by redistribution of central revenues or central services to local areas or through the raising of additional revenues by local administrations. Decentralized service provision entails greater authority for functional priorities invested in local administrators, whether representatives of central or local administrations. Genuine decentralization also requires increased participation by local residents in revenue generation and in the delivery of services.

Revenue Mobilization Through Central Taxation

Although the analysis of central tax policy and tax administration is not the focus of this study, a presentation of the major issues, obstacles and prospects facing the system at this level provides a useful background to the analysis of local revenue administration and service finance. Revenue mobilization by the central government might be used to support through field operations of central ministries such local services as primary education, health, rural roads and water supply, as well as providing support to agriculture and livestock. The prospects here are, however, not particularly promising. Several recent studies in addition to this report have examined domestic revenues in Upper Volta. Their general conclusions are that the Voltaic tax system is reasonably effective in raising revenues, and that it is adequately responsive to changes in GDP. Nevertheless, our research indicates that

major improvements in assessment and collection are possible and that a few suggested reforms, could result in substantial revenue gains. Of perhaps greater importance are the benefits in equity and efficiency that an improved revenue administration system may offer.

Two reforms of the tax system generally are recommended. One involves upward adjustment of indirect tax rates on commodities. In Upper Volta, neither import duties nor excise taxes on consumption are responsive to price increases. The former because of the use of outdated posted prices (valeurs mercuriales) for imports and the latter because of per unit rather than ad valorem tax rates. Correction of these deficiencies does not require any basic change in the tax system although it does involve more complexity in determination of tax liability, which might overburden the limited number of trained tax officials.

The second reform frequently suggested concerns reduction in the extensive network of tax concessions provided to those who invest in physical capital in Upper Volta. Although no estimate of revenue loss is available, most observers contend that this tax relief seriously reduces revenues from taxation of commercial activity. Mention of reducing these concessions, however, immediately brings forth threats to leave Upper Volta by many of those who benefit from the present policy.

The various studies on tax reform do not tend to examine the central government tax system from the standpoint of equity or efficiency. Their primary interest lies in the level of revenues and their responsiveness to economic growth. From this perspective the chief difficulty, as regards revenues is the slow growth in the Voltaic

economy. Given this situation, alternative means of augmenting revenues include higher tax rates, reduction of exemptions from tax bases, improved assessment of tax liabilities, increased rates of tax recovery and new taxes.

Some possible reforms to increase effective indirect tax rates on imports and consumption have already been discussed above. Raising indirect taxes is not promising. There are few exports to tax, and with the CFA franc overvalued as it is, any policy which would increase export prices could have devastating effects on exports. The turnover tax (TCA), is already at a high rate (18 percent of the base, inclusive of the tax) which is augmented by its pyramiding character. The striking feature of the TCA is its manifold exemptions. Here, no doubt, considerations of equity and tax administration enter. The Tax Code specifies five pages of activities exempt from the tax. A considerable addition to the base could be realized by reducing this list of exemptions. This policy might, however, impose some adverse equity effects and raise problems of collection from small enterprises. The magnitude of these consequences should be examined in relation to the additional revenues generated by reducing exemptions.

There are some possibilities for improvement in the assessment and recovery of indirect taxes. The system whereby tax agents estimate turnover taxes due for those who fail to provide adequate records leaves few taxpaying establishments unassessed, but the actual assessment may be in error given the complexity of assessment of a tax subject to so many exclusions. Excise taxes fall almost exclusively on imported

goods, so that these taxes plus customs duties are levied as goods enter the country. Consequently, both excise taxes and customs duties on taxable items which enter through major ports are assessed and collected. Smuggling, however, continues to be a major problem in Upper Volta, which given its extensive border, does not lend itself to an easy solution.

Prospects for increased direct tax revenues present rather different issues. This report presents figures which indicate that the effective tax rate on wages and salaries (IUTS) is quite low. It would appear that revenues could be increased in an equitable way, without undue effects on incentives, by increasing the rate of the IUTS or reducing allowable deductions. One difficulty with such a policy is that government salaries make up approximately fifty percent of total national wages and salaries and a higher share of the base of the IUTS. Consequently, because the incomes taxed under the IUTS are largely determined by government salary levels. An increase in taxes on wages and salaries would probably lead to demands for increases in wages and salaries to offset the tax increase. Thus, government salaries would be under pressure as would the government mandated minimum wage (SMIG) for private sector employees.

There is little prospect of enhanced revenues from direct taxes on businesses and other commercial activities. The few large scale enterprises in Upper Volta are carefully monitored and tax compliance assured by the forfeit system of tax payment. Rates on commercial profits go up to 40 percent, and, given the low level of industrial and

commercial activity in Upper Volta, it seems undesirable to lower returns to investment in these sectors by higher tax rates.

Discussions of tax reform in francophone West Africa often mention the low or non-existent taxes on property transfers, especially at death. The transfer tax (bien de mainmorte) on corporate and other publically held enterprises is an attempt to compensate for the lack of estate or inheritance taxes, but its proceeds are trivial. One may argue for the need for such taxation on equity grounds, but its revenue potential is very modest.

Local Taxation

There is no doubt that the taxes whose revenues are allocated to departments and communes in Upper Volta are difficult to administer and assess accurately. These local taxes are exclusively direct taxes except for vehicle registrations, which probably are better thought of as fees. Unlike some major sources of central revenues, where withholding or border inspection facilitates enforcement, virtually all communal and departmental taxes require regular monitoring of taxpayers to assure proper assessment and payment. Local tax agents or agents of territorial administration must maintain rolls of taxpayers and their assessment for a variety of taxes which require information about family membership, economic occupation, possessions, and assets. The absolute rates levied on these bases are quite low, so that their relative complexity is accompanied by disproportionately low revenues.

Some observers of similar local tax systems have proposed the abolition of the patente. They contend that it is unnecessary for those enterprises which pay the BIC or BNC and that the standard income tax

could be used to tax other patente payers. The patente is costly to administer, and much time of tax agents would be released for more productive activities. One objection to this proposal is that increasing modern taxes on enterprises to compensate for an abolished patente would not provide revenues to local authorities which now benefit from the patente. A grant from the national government of a fraction of the profits tax to the appropriate local budget would take account of this objection but this would reinforce central fiscal authority to the detriment of local administrative flexibility. Serious examination should be given to the potential advantages of the replacement of the patente by suitable modifications of the BIC, BNC, and IFR.

The rates of these local taxes also appear quite low, even in relation to the extremely low per capita incomes of rural residents. Except for a reduction in the minimum IFR in 1980, the tax liability per category of the IFR and the Patente have remained constant since 1974 and 1970 respectively, despite the more than doubling of prices since then. While a strong case can be made for increasing these rates, the question of tax compliance arises. Our examination of local tax assessment and recovery rates shows extreme variation from place to place and across time in the same place. This reflects the shortcomings in procedures for tax assessment of non-commercial taxes in rural areas. Tax rolls are not kept up to date as tax agents often are unable to visit most of the areas within their jurisdiction and changes in villages which would increase tax liabilities often go unreported.

Major improvements in tax assessment and collection may be obtained by increasing the mobility of agents charged with these tasks. A special allocation of mobylette fuel for the canton secretaries in the in the sous-prefecture of Bogande resulted in a dramatic rise in the level of motivation of these agents at a nominal cost to the state.

The IFR is resented in many rural areas of the country, where it is seen as a payment for which no return whatsoever is provided. Thus, attempting to increase it might lead to political disaffection unless local people are assured that revenues will result in improved services. Results from the three-village survey conducted in the northern part of the Department of the East confirm that the vast majority (93%) of respondents are willing to pay an additional local tax if the receipts are used for projects which benefit the local population.

Incentives for Tax Officials

All taxes in Upper Volta are collected by agents of the central government. These agents are employees of central government ministries and are subject to their supervision and to the rules of the Civil Service. Their promotion and progress in their careers depends on receiving satisfactory evaluation from their superiors. In this system there appear to be few rewards for extraordinary zeal in collecting taxes. Instead, strict conformance with rules and regulations is the most reasonable behavior.

Although scarce resources are a key hindrance to more effective assessment of local taxes, the question of incentive and motivation of tax officials is also vital. Our recommendation is to place responsibility for collection of taxes which accrue to local budgets in

the hands of local administrators who might have a greater interest in seeing these budgets enhanced.

Fees and Charges

In Upper Volta while some fees and charges are levied for the national budget, the preponderance of such revenue sources are at the disposal of departmental and communal authorities. Fees and charges take a wide variety of forms, as described in the report. These fees and charges were mainly instituted in Upper Volta as convenient sources of revenue for local authorities usually based on wealth or other evidence of ability to pay and not thought of as payment for public services.

The inadequacy of central government revenues to meet the recurrent costs of services for whose provision the government was responsible has led to considerable interest in fees and charges as a charge for benefits received. Viewed from this perspective, rates of fees and charges in Upper Volta are notable because of the failure to revise fee levels according to changes in the cost of service provision. Thus, despite substantial increases in the costs of street and road repair and construction, the vehicle registration fee has remained unchanged since 1965 and the street cleaning and garbage collecting charge has not been modified since its inception in 1961. Similarly, charges for livestock inspection, slaughter, transfer and export all have remained constant in the face of rising salaries of the personnel who provide the services.

While fiscal and registration stamps do not always reflect service costs, there are administrative costs of recording and processing legal

documents. Perhaps equity considerations should be considered in setting the costs of fiscal stamps required for submitting necessary documents or requests to public agencies. Still, the costs of administration should be reflected in the prices of these stamps.

A major area where fees appear not to be utilized to take advantage of willingness to pay for increased services is that of market stalls. In the Department of the East, both in and outside of Fada, there is evidence of greater demand than supply of market stalls. This shortage suggests that higher fees could be charged and the proceeds used to increase the availability of stalls. Here, too, the rate has remained constant for many years.

In general, departmental and communal fee collections in the Department of the East, seem far below their potential even at the low rates. This is particularly true for the market fee and bicycle registration fee in the department. As described elsewhere in the report, local fees and charges generally are the responsibility of locally appointed collectors who receive a percentage of their collections as a commission. Without adequate supervision, fee collectors may find it difficult to resist the temptation to underreport the actual receipts collected. Insufficient enforcement and lack of interest by administrative authorities appear to be major factors in the poor performance of these revenue sources.

Improved supervision of fee collectors and higher fees and charges would provide a modest but not insignificant increase in the revenues of local budgets. Those who advocate user charges for alleviation of the burden of recurrent costs, however, propose that the use of fees and

charges be extended into areas where they are not presently utilized: primary education; health and veterinary services; rural roads; household water supply. What are the prospects for such extension in Upper Volta?

Before addressing this question, it is essential to recognize that while there are virtually no fees and charges levied in connection with these services at present, except for medicines provided for livestock, there are considerable user costs, both monetary and non-monetary, which must be incurred by those who use these services or facilities. The most substantial costs apply to primary education where parents must construct and maintain a school building, pay for books and materials (at best the state provides minimal quantities), clothing, and for a daily lunch in those schools which provide meals. User costs for water can include the construction of a well by voluntary village labor and do include time spent waiting and hauling water. Health services may require a trip of a considerable distance to the health facility and again to procure medicine.

The extension of user charges is recommended to cover the marginal costs of activities which yield private benefits to users of services. Thus, mass livestock innoculation to prevent infectious disease should not be subject to a user fee, but payment for the costs of a medicine to cure a particular animal would be appropriate. This principle regarding the proper arena for a user charge must be combined with the practical matter of the feasibility of collecting the charge. It serves no purpose to collect a fee if it costs more to collect it than the total raised from the fee. Nor will the user charge expand services if the

payment is retained by the collector or if proceeds once deposited with the appropriate government treasury do not lead to replenishment of the medicine or maintenance of the service.

Two strategies of extracting payment from beneficiaries are implied by these considerations. In one, the payment of a fee or user charge ensures the provision of the service when it is feasible to collect the payment. Primary education fits this case, since school administrators can handle the receipt of funds and the state can provide teachers, subject to the local community making its stipulated contribution. The problem of implementing this strategy in Upper Volta is that parents already are making considerable monetary contributions to their children's schooling, and if a payment to the government were instituted parents would expect the state to assume full responsibility for books, supplies, and perhaps school premises.

Health and veterinary services appear to fit into this strategy, but there are problems. First, the majority of health and veterinary workers operating in rural areas are unequipped to collect fees. There is ample opportunity for non-reporting of payments, and a lack of capacity to implement a variable fee schedule related to costs of different items. Second, at present there is no adequate system whereby payments for medicines and other supplies can be used to restock so that services are regularly available to those willing and able to pay.

The second broad strategy applies where it is not feasible to collect fees from individual service beneficiaries, but where a group of beneficiaries can be identified and taxed. Building or at least maintenance of rural roads is an illustration where this strategy can

apply since collecting tolls is not feasible yet the beneficiaries are clearly identified as those villages with access to the road. A sur tax on the land adjacent to the road would be a suitable means of finance where land taxation is practiced. In Upper Volta an alternative would be to impose an extra percentage on the IFR and perhaps the TBET for those villages alongside the road. Clearly, the proceeds of the tax would then have to be used to pay for the roads' maintenance. Maintenance could be done in segments, with particular villages having responsibility for stretches of the road.

The building and maintenance of wells in rural areas also falls into this second strategy. User charges for urban water supply can be levied as charges for connections and ultimately for metered usage and urban wells can even be monitored by a fee collector. Rural wells, however, cannot be monitored mainly because of the problem of collections. Instead, communities could opt for a modest surcharge on their IFR to provide funds for well construction and repair.

Benefit taxation in these illustrations serves the same function as the practice of voluntary village-wide "cotisations" or contributions for special projects. The former fiscal mechanism may be preferred by residents over the "social" mechanism of cotisations in villages where securing widespread participation in village projects is a problem. Benefit taxation alleviates the "free-rider" problem while assuring a modicum of horizontal equity.

The primary obstacle to the implementation of benefit charges is of an administrative nature. Benefit taxation implies that the population which has access to a given service is the one upon whom taxes are

imposed. At the present time, the administrative infrastructure in the Department of the East and in many other regions of the country is not sufficiently elaborated to perform this task. The expansion of local authorities such as the arrondissement constitutes a necessary component of a system in which benefit taxation may be pursued.

Conclusions Regarding Fees and Charges

Fees and charges currently in use offer potential for significantly increased revenues. Higher charges and improved methods of collection of fees in departments and communes should be carefully considered as ways to mobilize local resources.

At present , some fees and charges are collected for activities for which there is no clear marginal cost associated with an additional user of the service, such as vehicle registration fees, administrative charges and the fee for carts. The receipts from these fees are not earmarked and accrue to the general revenue of the department or commune. This is appropriate, since additional services can be provided without the need to cover additional costs. Here, fees and charges function much as a tax based on the ability to pay. These charges, however, should be increased to take account of the considerable inflation since their inception.

There are, however, other areas where fees and charges are or can be levied for services whose provision does involve increased marginal costs. Here, the proceeds from the fees and charges are required to provide for the additional costs incurred in delivering the service. Therefore, these fees and charges have to be earmarked for the purchase of the inputs required for the provision of the service in question.

In primary education such fees are both administratively feasible and suitable. Although their use raises questions of equity, such considerations should not prevent use of fees where in their absence services would be unavailable to the poor in any case. In other areas such as rural wells and roads, user charges on an individual use basis are prohibited by administrative considerations, but a geographically targeted tax can be levied on beneficiaries so as to achieve the effects of user charges. This approach requires earmarking of tax proceeds, local capacity for service delivery and, most important, an administrative means of taxing the beneficiaries of the service. The creation and effective operation of arrondissements is vital here.

Finally, in other areas such as health and veterinary services, circumstances indicate the suitability of user charges to cover marginal costs of medications, but administrative problems of collection and reservation of fee receipts for restocking of materials, along with the absence of a system of ensured supply which cannot be provided locally seriously hamper the potential for a fee approach. Here, we recommend arrangements which use fees when feasible, as in a larger health facility which provides more extensive services and has the capacity to bring in its own supplies, and rely on taxation to support the smaller regional dispensary.

Local Participation in Revenue and Expenditure Administration

Optimal results in revenue mobilization and service provision can only be obtained through the conscious incorportion of local participation. Local people must be cognizant of the mechanisms and the objectives of taxation if they are to be expected to contribute willingly to

the realization of social and economic development programs. Local administrators must view their role not only in terms of executing central directives but also as encouraging the vocalization of local interests and the mobilization of local initiative in coordination with state activities.

Local people are already making impressive contributions to the organization and financing of public services. They are investing their labor and material and financial resources in the construction of social and economic infrastructure ranging from rural roads to primary schools and health facilities. Parents are making substantial sacrifices to provide textbooks, school materials, clothing and nourishment for their children while assuming responsibility for the construction and maintenance of schools and lodging for instructors. Patients often must travel long distances to obtain health care only to find that they must once again travel to buy the medicine they require. The list of costs incurred and contributions provided by local people to benefit from public services is long. Yet they are willing to assume additional responsibilities as long as they can be assured of receiving improved services in return.

Communities across Upper Volta are demonstrating laudable ingenuity in mobilizing resources and in establishing collective organizations to supplement the service activities of government. These initiatives, ranging from village pharmacies to community work parties and regional parents federations, provide fertile terrain in which government assistance may take root. Care should be taken, however, lest

government actions needlessly duplicate or supplant voluntary local initiatives.

Steps should be taken to utilize local experiences, capabilities and interests to further public objectives. One such step would involve the establishment of local committees at departmental and sub-departmental levels with popular representation to study ways of improving tax collection, raising revenue and providing basic public services.

Public resources should, to the extent possible, be used to encourage and reward local efforts. "Free" public services, that is services which are financed wholly by state revenue, should be restricted to those areas which have demonstrated that they are incapable of mobilizing sufficient private resources.

Decentralization alone is insufficient. There is a tendency to place greater responsibility upon local communities without at the same time granting a proportionate increase in local authority. To expect local people to assume primary responsibility for the construction of their own schools, dispensaries and administrative facilities while also paying taxes, fees and charges is unrealistic unless this is accompanied by the devolution of decision-making authority. Local people may play a decisive role in determining how best to increase public revenue and, similarly, they should be allowed to participate in deciding how this revenue may best be spent.