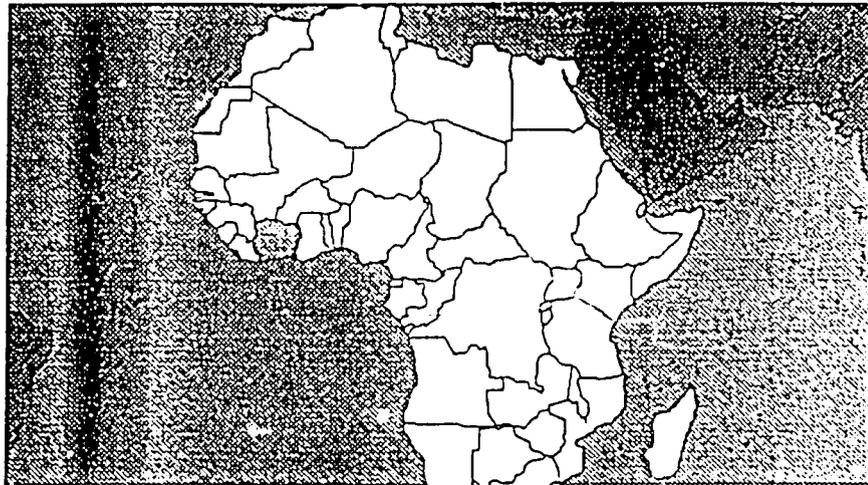


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**Survey Report of Tax Administration  
Ministry of Finance  
of the Republic of Côte D'Ivoire**



**Office of Tax Administration Advisory Services  
Assistant Commissioner (International)  
Internal Revenue Service  
United States of America**

in cooperation with

**Republic of Côte D'Ivoire**

dates

**April 15 - 26, 1991**

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## Acknowledgement

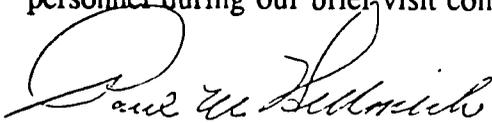
This report is the product of a joint effort between the Ministry of Finance, Republic of Côte D'Ivoire and the Office of Tax Administration Advisory Services (TAAS), U.S. Internal Revenue Service. The purpose of the Tax Administration Survey was to obtain information on the existing tax administration system and to review proposal for tax reform. Officials and Employees at the Ministry of Finance were responsive to questions in all areas of their operation and freely discussed existing problem areas and possible improvements. Without this openness it would not been possible to obtain the information contained in this report and the resulting recommendation. All personnel we encountered were friendly, hospitable, and cooperative during the survey.

The shortness of the visit to any one office, the need to communicate through an interpreter in most instances, and the limited availability of all relevant documents in English were constraints on the completion of the survey. Accordingly, it is possible that some inaccuracies or misunderstandings may occur within the report. However, we believe them to be minimal in amount, if present at all.

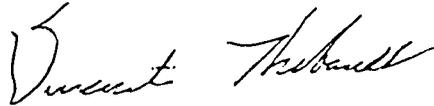
We would like to thank the Central Accountant Agent for Public Resources, Kouame M'Badama and his staff for their hospitality and for arranging our schedule in the Côte D'Ivoire.

During the two weeks, we visited all of the tax offices of the Federal Government. The cordiality and kindness extended to us at each office only reenforces our impression that the people of the Côte D'Ivoire are its greatest asset. We would like to give our special thanks to Yao Kra, Director General of Taxes and Fei Kesse, Directeur Generale Adjoint de Impots for an informative and truly memorable visit to the Ministry of Finance offices at Abidjan.

We appreciate the assistance of Frederick E. Gilbert Director REDSO/WCA, Paul Mulligan and Richard Fraenkel of PAE. The friendliness shown by all USAID and all Embassy personnel during our brief visit contributed to its success.



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# **EXECUTIVE SUMMARY OF RECOMMENDATIONS**

## **MAJOR RECOMMENDATIONS**

The following summary lists the recommendations that the survey team discussed with the Minister of Finance and Tax Department Officials on April 25, 1991 during the closeout meeting. These recommendations represent the core of what the survey team feels can be done to assist the Republic of the Cote D'Ivoire in improving its present tax administration.

### **COLLECTION**

- 1.) Review the receipt and processing system and provide written procedures with particular emphasis with establishing document controls to reduce the processing errors.
- 2.) Centralize the document processing for all taxes in a national center and to avoid duplication and to provide better management oversight of the processing system.
- 3.) Institute a more vigorous Collection program and additional funding to recover the outstanding delinquent accounts. The accounts should be prioritized to avoid expending resources on those accounts that are clearly uncollectible or those accounts that are unproductive from a cost-benefit standpoint.

### **AUTOMATED DATA PROCESSING**

- 4.) Expand and modernize the ADP function to accommodate all other changes being made to improve the system of taxation.

### **EXAMINATION AND AUDIT**

- 5.) Provide the agents who examine tax returns with the necessary resources to examine productive tax returns outside the Abidjan area as means of establishing a more balanced audit program.
- 6.) Develop audit criteria for selecting returns for a balanced examination program. The criteria should be based on return characteristics as well as information from informants rather than approval of the list of taxpayers by the Ministry of Finance.

### **TRAINING**

- 7.) Develop an in-house training capability in order to institutionalize the training function. Training programs are needed for clerical and secretarial employees to teach basic skills. Continuing professional educational programs should be provided to enable professional

employees to maintain and improve their skills. On-the-job training should be used to complement classroom training for all levels of employees.

## **PERSONNEL**

8.) Provide management training to all management levels as a means of improving the job performance of both the managers and subordinate employees.

## **ORGANIZATIONAL STRUCTURE**

9.) Establish the position of a general tax agent (as opposed to the specialist for each separate tax used today) and reorganize the structure of the tax department in order to replace the tax specialists.

## **FORMS DESIGN AND DOCUMENT RETENTION**

10.) Develop a consolidated tax form which would eliminate the need for taxpayers to file a separate tax form for each different type of tax.

## **PUBLIC INFORMATION AND RELATIONS (TAXPAYER SERVICE)**

11.) Develop a Taxpayer Assistance Program as a permanent function to inform taxpayers of their rights and responsibilities. If the recommendation to centralize processing and to redesign the tax forms are adopted, the Taxpayer Assistance Program will be an essential factor in making the new centralized system work.

## **FURTHER ASSISTANCE BY IRS**

In order to more properly address the needs of the GOCI, we recommend that an IRS collection manager provide technical assistance on a 60 day TDY to accomplish two purposes: (1) provide immediate assistance to GOCI in implementing Recommendations #1 and 3 discussed above; and (2) develop a proposal for long range plan for providing technical assistance to aid the GOCI in implementing the remaining Recommendations #2, 4-11.

We believe that the TDY will enable the GOCI to reap the benefits of remedies (i.e. cost savings from reduction of processing errors [Recommendation #1]; and increased revenues from expanded collection activities [Recommendation #3]). The quick fix should encourage the GOCI to embark on a long range plan to overload their tax administration system.

## Background

### Existing Tax System in the Côte D'Ivoire

The International Monetary Fund (IMF) and the World Bank have been conducting reviews of the fiscal situation for the past few years. The GOCI is also seeking financial assistance from the Central Bank of West Africa. The Republic of Côte D'Ivoire is one of the members of the West African Economic Community. The CFA is tied to the French franc at an official rate of 50 CFA's to 1 French franc. As a member of the regional economic federation, GOCI makes use of the Central Bank of West Africa.

The U.S. Ambassador to the Côte D'Ivoire requested the Internal Revenue Service (IRS) to conduct a needs survey with the objective of possible future assistance and training. In response to the Ambassador's request and with the cooperation and sponsorship of the USAID Mission in Abidjan, two IRS advisors conducted a functional review of tax administration.

The Government of Côte D'Ivoire (GOCI) is patterned on the French system for tax collection and administration. As such, the tax assessment function is segregated from the function that collects delinquent taxes. Within the Ministry of Finance, the Tax Department (La Direction Générale des Impôts) has responsibility for establishing the tax base and for the assessment and collection of taxes, whereas the Treasury Department (la Direction Générale de la Comptabilité Publique et du Trésor) has responsibility for the collection of delinquent taxes and certain other taxes that are paid directly to the Treasury Department.

The Tax Department encounters many problems in establishing the tax base (referred to as the "assiette"). This base should consist of the true number of taxpayers; individuals, sole proprietors and corporations. The universe of taxpayers is not known by the Government.

The taxpayer breakdown is as follows:

Individuals	130,121
Corporations	12,626
National Enterprises	636
Others	153
Total	143,536

The GOCI doesn't believe that these figures account for all the available taxpayers in a country with a population of approximately 12 million. The complexity of the tax system makes it difficult to determine the true size of the tax base. This coupled with a high tax produces a climate in which people will attempt to avoid the system, particularly when the system requires the taxpayers to identify themselves to the tax authorities. If the taxpayers do not voluntarily declare their existence, the government must try to find them either through informants' letters, or by chance if an inspector happens to identify a new business in the course of other duties.

There are also difficulties with perfecting the information which is already included in the tax base because of faulty names, addresses and multiple tax identification numbers. There

is a problem with common family names and unless you can identify a spouse and in some cases, the names of children, you are never sure that you have the correct person. With addresses, there often are inaccuracies to the point that the address given may not exist. Another area of concern is that taxpayers frequently have more than one identification number. This occurs because the taxpayer has more than one business and his name is misspelled.

Those activities designed to foster compliance with tax laws are inadequate. There are only 160 business audits conducted each year in spite of the fact that the tax base has a total of 143,536 business taxpayers. This represents an audit coverage of one-tenth of one percent of total taxpayers, which is insufficient to achieve compliance. The annual census of the businesses in the country is designed to confirm the continued existence of previously identified taxpayers as well as to detect entities that are not complying with the tax laws. The Tax Department states that it does not have enough personnel, vehicles and gasoline to visit every city and every city block. Even though the Tax Department has made great strides in improving its operations in the past few years, much work remains to be done. The Director of the Tax Department stated that what may be required is a tax office on every block in order to allow the GOCI to control the situation. However, there are more cost effective means of reaching an acceptable level of compliance, particularly through better management and training of existing personnel.

### *Description of the Collection Process*

The Treasury Department has the responsibility of collecting those taxes which the law prescribes be paid directly to the Treasury

Department as well as delinquent taxes. The following are taxes for which the Treasury Department has responsibility: tax on Industrial and commercial profits, tax on agricultural profits, tax on non commercial profits, the value added tax on products and services, tax on salaries, taxes on the employer, tax on total revenue, and finally, excise taxes.

By statute, the GOCI has 10 years to collect delinquent taxes once notice is given to the taxpayer. Currently, the original collection period may be extended if an additional notice is given to the taxpayer prior to the expiration of the ten year period from the date of the first notice. In effect, the GOCI may have up to twenty years to collect delinquent taxes depending on the timeliness of proper notice to the taxpayer.

**Statistical Data  
of the Republic of  
CÔTE D'IVOIRE**

Population (1990)	12,591,000
Annual Rate of Growth %	3.8
Population Density per sq. mi.	93
Male under 20 years %	9.3
Female under 20 years %	10.0

Life expectancy (Male) (years)	52
Life expectancy (Female) (years)	55
Infant Mortality	102/100
Urbanization (%)	42.5
Literacy Rate %	24

Gross National Product (1990) (Millions)	8,132
% Agriculture	28
% Industry	18
% Services	54
% Defense	1.9
GNP Per Capita	\$719
Annual Rate of Growth (%)	- 2.7

Exchange Rate - \$US1 (11/90)

252.45 CFA francs

## Functional Review

The objective of the survey was to identify, define, analyze and recommend improvements to the administrative functioning of the existing tax system. The survey team analyzed the personal and corporate income tax with the objective of improving taxpayer compliance and increasing tax revenues. In so doing we obtained a comprehensive picture of tax administration in the Republic of Cote D'Ivoire. The recommendations that are made throughout this report are categorized as either Immediate or Long term. These distinctions are made in recognition of the fact that some improvements must be made immediately to increase revenues while others need to be made to substantially restructure the tax agencies.

The areas reviewed were:

- Automatic Data Processing
- Examination and Audit
- Collection
- Training
- Administration and Management
- Skills
  - Organizational Structure
  - Forms Design and Document
  - Retention
- Public Information and
- Relations (Taxpayer Service)

### *Data Processing*

The processing of tax declarations (herein referred to as tax returns) begins with the taxpayer having to go to the office of the tax official for his area ("poste comptable") and file the tax return. There are ten of these posts for the entire country located in the larger

cities. These offices are usually under the control of a Treasury official. In addition to the "poste comptable", the country has 54 individuals called "receveur-percepteur" who are found in the smaller localities. These individuals perform the duties of administrator for the community where they live and have the responsibility of collecting both the federal and local taxes. These individuals are responsible for both collecting the taxes as well as dispersing public funds. The receveur-percepteur controls the bank account and reports to the Abidjan Office of the Treasury. The percepteur is an employee of the Treasury and not the Tax Department.

In Abidjan the taxpayers are required to go to the main Tax Department office, which is located in the one of five high rise buildings in the center of the city. The taxpayer submits his tax return to the office that is responsible for the type of tax being reported. The return and the check (if payment is being made) is taken to the chief of the function handling the particular tax being paid. The chief signs off on the check and the return. No date stamps are used. Thus begins the processing of the returns. The processing includes extracting data from the return and batching checks by name of the bank. The checks are processed but the taxpayer is not given credit for payment until after the check has been cleared by the bank. Once the check is cleared, the taxpayer's account is closed and no further verification is done on that return unless an informant provides information that would indicate fraud. This same process is used for all tax returns.

If the payment is not made with the return, the return is still processed and the Tax Department begins the collection process. The taxpayer is sent a letter asking for the payment of the tax. If the taxpayer responds but is unable to pay, the Tax Department will allow installment payments. If the taxpayer is uncooperative, the Tax Department adds the delinquent taxpayer to a listing and sends it to the Treasury function for further collection action.

With regard to changing a tax notice, the Tax Department is the only agency that can make adjustments to any tax bill. If the Treasury collector is informed by the taxpayer that the bill is incorrect, the taxpayer is sent back to the Tax Department to request an adjustment. Meanwhile, the collector does not suspend the collection effort. Treasury complained that it sometimes takes from several months to a year or more, for adjustments to be made. Since Treasury isn't always notified of the adjustment, the collector continues to insist on collecting the original amount. Furthermore, Treasury complained that the number of incorrect assessments is high, almost 30% for the year 1985 alone. In addition, there is concern about the late issuance of delinquent notices in the area of real estate and licensing. These notices usually are sent out during the fourth quarter of the year. The same is true with delinquent VAT, GST and taxes on salaried individuals withheld at source. These delays hamper collection efforts. In extreme cases, the collection process may be initiated too late and the business is insolvent or cannot be found because it ceased operations.

Treasury reports that quality control in the Tax Department needs to be improved. Assessment errors are made frequently. When adjustments are made, it takes a long time for them to be processed by the Tax Department

and frequent errors are made in computing the adjustments. Frequent errors are also made in accounting for the taxes between the national government and those assigned to the local government. Errors are also made in the numbering system of the tax, in the year of debt, and in the taxpayers' numbers. Adjustments are erroneously duplicated. Adjustments are made where the amount of the adjustment is greater than the original assessment.

In describing the problems with adjustments, it was pointed out that the most flagrant situations occurred in the Treasury office in Bondoukou where they had assessments of 5.5 billion CFAs and adjustments of 7.2 billion CFAs. For the same period, the adjustments in Abidjan total was 10% of issuances, 46% for the region of Bouafle, 26% for the region of Bouake, 69% for the office in Man, and finally 58% for the office in Touba. If the Tax Department and the Treasury could accurately exchange information through their ADP system some of these problems with adjustments might be corrected.

#### **Recommendation #1 (Immediate)**

**Review the receipt and processing system and provide written procedures to streamline the system with particular emphasis on establishing document perfection controls to reduce the processing errors.**

#### **Recommendation #2 (Long Term)**

**Centralize the document processing for all taxes in a national center to avoid duplication and to provide better management oversight of the processing system.**

## *Automated Data Processing*

### *Tax Department*

The tax Department has its own ADP department. The Department claims to have been operational for the last 15 years. The Department prepares the computerized listing of delinquent taxpayers that goes to the Treasury for collection. The computerized listing is also used to prepare the first letter requesting payment from those taxpayers who did not pay their taxes when they filed their returns. There is no automation outside of Abidjan at this time. There is no other exchange of information via ADP between the Tax Department and the Treasury except for the listing of delinquent taxpayers. The equipment consists of an older Burroughs system model B1968 which is assigned to the cadastre and real estate taxes. Besides this older system, there is a Unisys AIFX that handles the remainder of the needs of the Tax Department.

The ADP function is directed by an Ivorian administrator assisted by some 3 or 4 French experts who are under contract. To operate the equipment, there are 10 Ivorian programmers/ analysts. According to all concerned parties, the system is saturated and could not possibly do any more than it is doing now.

We reviewed the security for the ADP equipment and the data. Password access is required; however, the password is never changed. All work is batch work and no real time work is done on the files. Files are accessed by permission programs built into the system to prevent unauthorized access. According to the French engineer, the files are saved daily and every three months a master consolidation of the files is completed. An audit trail of those individuals who

accessed the files is supposed to be generated daily. However, we did not see one. Physical access to the computer room is controlled by use of a security pad. The room is air conditioned and the humidity and temperature is monitored so that if the temperature reaches 26 degrees celsius the system shuts down. A major concern is the problem of not having an alternative power source or air conditioning system should the central air break down. According to the ADP Chief, the Minister of Finance has ordered a study of the ADP needs for those agencies under his control. The Tax Department has requested 85 million CFA's to purchase new equipment and to expand its automation to the 10 regional offices. No decision had been made at this time on the Tax Department's request.

### **Recommendation #3 (long-Term)**

**Expand and modernize the ADP function to accommodate all other changes being made to improve the system of taxation.**

### *Treasury Department*

The Treasury has its own ADP function. Although the function has an Ivorian Director, the operations are left for the most part in the hands of a French automation specialist. He has been working with the Treasury for 3 years and is very familiar with the entire tax system. He has at his disposal, IBM equipment consisting of an IBM 4361 Model 5 system, 3 tape drives, 4 disk drives model 3770 and some heavy duty printers that have a speed of around 650 lines per minute. Security of the system is supposed to be controlled through a locked door but the door does not lock. Passwords are used but never changed. There is no real time access to the files. According to the French automation specialist, all work is processed using a batch process. Permission

files are also used to control access to the records, so that the only individuals with a need to know are allowed access to secured files and records. Automation is limited to the Abidjan facility with one external terminal linked to the Treasury office of Abidjan. The connection between the ADP facility and the Treasury office is by hard cable since both offices are located in the same building as Main Treasury. The ADP facility has no independent air conditioning and no alternative power source. Consequently, if the building shuts down, the ADP facility must shut down to prevent damaging the system.

The ADP function is responsible for Treasury's 7 major files, including the collection file. The data base is established from paper documents received from the offices all around the country and from the computerized tape of delinquent accounts provided by the Tax Department. In terms of helping the collection process, the ADP function simply provides a listing of delinquent taxpayers and prepares the first notice to the taxpayer. The Treasury ADP does not send any information to the Tax Department about its collection initiatives.

### *Examination and Audit*

The audit Process for the GOCI is limited. Although the inspectors in each tax group can check the records of taxpayers for a particular tax, they rarely go on-site to do those audits because they claim that they do not have the resources to do so. The Tax Department has a total of 20 all purpose agents who do full audits of the commercial enterprises. There are seventeen agents divided into three teams each with an agent as section chief. There is no Annual Business Audit Plan except for a goal of 10 audits for each agent. Therefore, the goal for 1990 had been 170 audits of which only 160 were completed.

The selection of companies to be audited is made by the Tax Department based on information from three sources. Such information may be received from informants, from inspectors in the community and from the staff processing the taxpayer's declaration when something is obviously wrong. The list of selected companies is provided to the Director General of the Tax Department who approves it and then sends it to the Minister of Finance who has the final say on retention or addition to the list.

In addition to the 20 agents who conduct audits for the Tax Department, there are also 6 investigators whose responsibility is to help the auditors by developing information on the taxpayers by interviewing third parties, interviewing taxpayers and by checking bank records of those cooperating banks.

The 20 all purpose agents are responsible for the entire country. They are limited by lack of vehicles and lack of fuel to do their duties. Because they do not have the means to complete audits in sufficient numbers to provide a reasonable level of compliance, they concentrate their audit activity in Abidjan. The Treasury office in Abidjan, informed us that the Abidjan office accounted for 50% of the total taxes assessed and 45% of the total taxes collected for the entire country. Abidjan is the financial capital of the country and the tax assessment and collection results support that claim.

### **Recommendation #4 (Immediate and Long-Term)**

**Provide the agents who examine tax returns with the necessary resources to examine productive tax returns outside the Abidjan area as means of establishing a more balanced audit program.**

**Recommendation #5 (Long-Term)**

**Develop audit criteria for selecting returns for a balanced examination program.**

**The criteria should be based on return characteristics as well as information from informants rather than approval of the list of taxpayers by the Ministry of Finance.**

*Collection*

The collection process at Treasury begins when there is no taxpayer response to a letter from the Tax Department. The Tax Department sends the roll (listing the delinquent taxpayers) to Treasury via a 9 track tape. The ADP section of treasury uses this information to generate a hard copy listing of delinquent taxpayers which is sent to the local office responsible for taking further collection action. The local office prepares a paper record for each taxpayer and then contacts the taxpayer. If the taxpayer pays the tax in cash, the money is recorded and the taxpayer is given a receipt. The collectors insist at every opportunity that payments be made by check or money order.

If the taxpayer is not willing to pay, the collectors have at their disposition what we would call a Notice of Levy (or Avis A Tiers Detenteur). The Avis can be sent to banks and to third parties who owe money to the taxpayer. The collectors told us that this is a very effective tool especially when used against large businesses who need access to their bank accounts. The collectors also have the authority to seize assets to pay the delinquent tax. We were told that no seizures were made in Abidjan but we were provided with a record of collections which indicated that during 1990, the collector in the Bouake office had 6 seizures and that the person in

Gagnoa had 2 seizures.

We were provided an interesting chart (Tableau 16) which shows the effectiveness of the collectors. The chart lists the names of the 10 collectors and their office locations. It also lists the number of notices sent to taxpayers, number of notices of levy issued, number of orders to pay, number of final notices and seizures. According to Tableau 16, the 10 collectors in 1990 did the following:

notices of tax due mailed/issued	2,353
notices of levy mailed/issued	9,183
orders to pay mailed/issued	283
final notices mailed/issued	404
seizures made	13

These actions resulted in the following:

Total collections	1,097,199,419 CFA (or \$3,918,569)
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Since 1987 these collectors have collected a total of 3,038,830,850 CFA's (or \$1,852,967). More than 50% of the monies collected came from the Abidjan office.

The Tax Department and the Treasury Department face the resistance of the taxpayers to comply with the tax laws.

## **Recommendation #6 (Immediate)**

**Institute a more vigorous collection program with additional funding to recover the outstanding delinquent accounts. The accounts should be prioritized to avoid expending resources on those accounts that are clearly uncollectible or those accounts that are unproductive from a cost-benefit standpoint.**

### ***Training***

The GOCI has in place a very structured training program for its top employees, but nothing in terms of structure for its clerical employees. The government employees are classified into three main categories in order of importance: administrators, inspectors and controllers. The difference between the three levels is that the administrators and inspectors normally have college degrees, whereas the controllers normally have high school diplomas, or maybe a year of Junior College equivalency. Regardless of which governmental agency a professional employee is hired to work for, formal classroom training is provided to prepare the employee to assume his responsibilities. The training is held at the Ecole Nationale d'Administration (ENA) in Abidjan. The first year is a general program provided to all the students. During the second year, employees are given specialized training taught by instructors from the agency they will work for. For example, if an employee is going to Treasury as an administrator, the employee will be taught by experienced administrators from Treasury; if the employee is to go to the Tax Department, the instructors will be from that agency. According to the director of the school, instructors are provided some training to develop their teaching skills. In the classroom, the instructors stress the practical

application of skills that will be needed for success on the job.

The site for the school is in Cocody. The building is a modern structure.

After an employee completes ENA and begins working, he will receive very little additional job training and no continuing professional education. The only additional training that may be expected is in group meetings if the section chief so desires to discuss recent changes. An exception is made for administrators who reach a certain level at which time they may be selected to attend training in France.

Job advancement for inspectors and controllers, is based on test results. If they score well and are appointed to the position, they return to ENA for two additional years. As a practical matter, it is easier for college graduates to enter into the ranks of administrators and inspectors than it is to work your way up the ladder within the Tax Department. For example, in the current class of administrators for Treasury, there were 6 students, only one of whom had been selected from within Treasury. Even doing well on a placement test will not guarantee your advancement because selection is made by appointment for which test results are only one factor.

Below the profession levels described above, are the clerks (commis) and secretarial positions. The clerks usually have a high school background and possibly have attended a school similar to ENA that teaches clerical or secretarial skills. Advancement for these people is rare.

## **Recommendation #7 (Long-Range)**

**Develop an in-house training capability in order to institutionalize the training function. Training programs are needed for clerical and secretarial employees to teach basic skills. Continuing professional educational programs should be provided to enable professional employees to maintain and improve their skills. On-the-job training should be used to complement classroom training for all levels of employees. (Management training is discussed below).**

### *Administration and Management Skills*

#### *Hierarchy*

The organization of both the Tax Department and Treasury appears to be top heavy with all direction coming from the highest level of Government. There is little chance that suggestions made by employees at the lower levels will ever be acted upon.

Span of control does not appear to be a problem. Each tax group has its share of administrators, controllers and inspectors.

#### *Physical Resources*

The buildings housing the central offices for both the Tax Department and the Treasury are modern structures but they are in need of maintenance. File cabinets were full, files appeared to be old because many documents had yellowed with age. Most of the time, the office doors were sufficiently marked as to identify which function was being accomplished behind the closed door. Equipment and furniture appeared old and in need of replacement. Several employees informed us that the telephone in their offices

did not work and had not worked for some time.

### *Personnel*

The GOCI has initiated a program to account for all its employees. There was a suspicion that there were a number of employees hired and receiving salaries, but not showing up for work and performing their duties. For the Abidjan area, a census was conducted during the months of February and March. As a result of the census and the additional precaution of making a daily head count, more than 1600 ghost employees were uncovered in the Abidjan area alone. The report for the remainder of the country has not been published, but the estimated number of ghost employees for the entire country may be as high as 20% of the total work-force. In some offices, employees are required to use sign-in sheets. Once the sheet is completed, a supervisor must physically check each office to make sure that the employees are on the job.

Government employees have not had a pay raise in years and there has been a freeze on step increases since the mid 1980s. An employee will usually stay in the same function for an entire career. Transfers between agencies at any level appear to be rare. Treasury has had people from other agencies appointed to some of its administrator positions but no one from Treasury has been appointed to another governmental agency as an administrator. Without being an administrator, an employee cannot be appointed to the higher position of Director.

### **Recommendation #8 (Long-Term)**

**Provide management training to all management levels as a mean of improving the job performance of both the managers and the subordinate employees.**

#### *Organizational Structure*

Assigned to the Tax Department are 700 employees divided among four (4) areas:

Directorate of personnel,  
administration and training;  
Directorate of contributions;  
Directorate of registrations and stamps;  
Directorate of local taxes, real estate  
taxes and survey.

A recent addition to the Department is the office of Inspector General for fiscal services. The person selected was the former Director of the Treasury.

Within each of these Directorates there are at least three subdivisions. The organization is structured by the type of tax administered with specialists whose only responsibility is to administer the assessment of a specific tax. This creates a duplication of effort at almost every level of tax administration. Every tax has a group of people responsible for receiving the returns, processing the returns, assessing the tax and carrying out the collection of the tax. Every tax has its own administrators, inspectors, controllers and clerical support. The inspectors and controllers would in our system be the equivalent of tax examiners with the responsibility of verifying the completeness of returns, that a check is attached and that the amounts are the same on both documents.

The Treasury Department consists of 13 different departments and a total of almost 1000 employees. It is responsible for the collection of delinquent taxes for the GOCI. In order to accomplish its collection responsibilities, the department has 34 employees including the 10 collecting agents for the entire country. These 10 collection agents are responsible for the collection results discussed above in the functional review of the collection activity.

### **Recommendation #9 (Long-Term)**

**In conjunction with Recommendation #10 below, establish the position of a general tax agent (as opposed to the specialist for each separate tax used today) and reorganize the structure of the tax department in order to replace the tax specialists.**

#### *Forms Design and Document Retention*

The tax forms themselves appear to be well designed and provide the information wanted by the Government under the present system of having separate forms for different types of taxes. The design of the forms do not appear to be the problem for taxpayers; but rather it is the separate filing requirements that impose unnecessary administrative burdens on both the taxpayers as well as on the tax agencies.

In the area of document retention and forms, it appears that the Government is flooded with paper and lacks the resources to control it. It was difficult to see how anyone could find a specific file in the system unless they had just recently set the file down. Desks were covered with files, cabinets were full, window sills were full, floors were piled with files and most of the files and paper looked old. Reorganization of the current filing system

with emphasis on vertical storage, microfilm, and warehouse storage is essential to any GOCI reform of the Tax Administration.

As for the retention of records, we were told that records are kept for 4 or 5 years and then they are archived in some off-site facility. Confidentiality of tax information is clearly a problem. With records left in the open in the offices, it would be a simple matter for anyone to read tax information at their leisure.

#### **Recommendation #10 (Long-Term)**

**Develop a consolidated tax form which would eliminate the need for taxpayers to file a separate tax form for each different type of tax. (When viewed in light of Recommendation #2 above regarding central processing, Recommendation #10 would result in better management control of the processing system).**

#### ***Public Information and Relations (Taxpayer Service)***

Taxpayer Service, Public Information and Public Relations as we know it does not exist. The government uses the newspapers to advise the taxpayers of changes. It also meets with professional groups such as accountants for the larger businesses and banks and discusses changes with them. It has a small mailing list for sending out new tax information. However, we were not provided with exact numbers or even estimates of how many people are reached in this manner. The area of Taxpayer Service and Public Information is an area that requires additional resources if the GOCI ever hopes to change the attitude toward paying taxes.

#### **Recommendation #11 (Long-Term)**

**Develop a Taxpayer Assistance Program as a permanent function to inform taxpayers of their rights and responsibilities. If the recommendation to centralize processing and to redesign the tax forms are adopted, the Taxpayer Assistance Program will be an essential factor in making the new centralized system work.**

#### ***Further assistance by IRS***

In order to more properly address the needs of the GOCI, we recommend that an IRS collection manager provide technical assistance on a 60 day TDY to accomplish two purposes: (1) provide immediate assistance to GOCI in implementing Recommendations #1 and 3 discussed above; and (2) develop a proposal for long range plan for providing technical assistance to aid the GOCI in implementing the remaining Recommendations #2, 4-11.

We believe that the TDY will enable the GOCI to reap the benefits of a quick fix (i.e. cost savings from reduction of processing errors [Recommendations #1]; and increased revenues from expanded collection activities [Recommendation #3]). The quick fix should encourage the GOCI to embark on a long range plan to overhaul their tax administration system.

#### ***Conclusions***

The Tax administration system in the Republic of Côte D'Ivoire, is in need of serious improvement. The recommendations made herein are based on the following fundamental concepts of tax administration:

- success of the system depends as much on programs that provide

taxpayer assistance as it does on vigorous enforcement efforts;

- poorly designed systems cause more errors than people do; and

- the system must be fair and impartial to all taxpayers; and

- the perception that the tax system.

There is no doubt that some quick fixes will increase revenues in the short run. However, unless those immediate measures are part of

a program of substantial improvement that will build taxpayer confidence in the system, the short term gains will not be worth the efforts to produce them. The GOCI needs to embark on a substantial improvement program to provide proper tax administration and to raise increased revenues. The success of this program will depend on an ongoing commitment of resources to provide an effective system that is accepted by the taxpaying public as being fair and impartial.

## Background

### Existing Tax System in the Côte D'Ivoire

The International Monetary Fund (IMF) and the World Bank have been conducting reviews of the fiscal situation for the past few years. The GOCI is also seeking financial assistance from the Central Bank of West Africa. The Republic of Côte D'Ivoire is one of the members of the West African Economic Community. The CFA is tied to the French franc at an official rate of 50 CFA's to 1 French franc. As a member of the regional economic federation, GOCI makes use of the Central Bank of West Africa.

The U.S. Ambassador to the Côte D'Ivoire requested the Internal Revenue Service (IRS) to conduct a needs survey with the objective of possible future assistance and training. In response to the Ambassador's request and with the cooperation and sponsorship of the USAID Mission in Abidjan, two IRS advisors conducted a functional review of tax administration.

The Government of Côte D'Ivoire (GOCI) is patterned on the French system for tax collection and administration. As such, the tax assessment function is segregated from the function that collects delinquent taxes. Within the Ministry of Finance, the Tax Department (La Direction Générale des Impôts) has responsibility for establishing the tax base and for the assessment and collection of taxes, whereas the Treasury Department (la Direction Générale de la Comptabilité Publique et du Trésor) has responsibility for the collection of delinquent taxes and certain other taxes that are paid directly to the Treasury Department.

The Tax Department encounters many problems in establishing the tax base (referred to as the "assiette"). This base should consist of the true number of taxpayers; individuals, sole proprietors and corporations. The universe of taxpayers is not known by the Government.

The taxpayer breakdown is as follows:

Individuals	130,121
Corporations	12,626
National Enterprises	636
Others	153
Total	143,536

The GOCI doesn't believe that these figures account for all the available taxpayers in a country with a population of approximately 12 million. The complexity of the tax system makes it difficult to determine the true size of the tax base. This coupled with a high tax produces a climate in which people will attempt to avoid the system, particularly when the system requires the taxpayers to identify themselves to the tax authorities. If the taxpayers do not voluntarily declare their existence, the government must try to find them either through informants' letters, or by chance if an inspector happens to identify a new business in the course of other duties.

There are also difficulties with perfecting the information which is already included in the tax base because of faulty names, addresses and multiple tax identification numbers. There

is a problem with common family names and unless you can identify a spouse and in some cases, the names of children, you are never sure that you have the correct person. With addresses, there often are inaccuracies to the point that the address given may not exist. Another area of concern is that taxpayers frequently have more than one identification number. This occurs because the taxpayer has more than one business and his name is misspelled.

Those activities designed to foster compliance with tax laws are inadequate. There are only 160 business audits conducted each year in spite of the fact that the tax base has a total of 143,536 business taxpayers. This represents an audit coverage of one-tenth of one percent of total taxpayers, which is insufficient to achieve compliance. The annual census of the businesses in the country is designed to confirm the continued existence of previously identified taxpayers as well as to detect entities that are not complying with the tax laws. The Tax Department states that it does not have enough personnel, vehicles and gasoline to visit every city and every city block. Even though the Tax Department has made great strides in improving its operations in the past few years, much work remains to be done. The Director of the Tax Department stated that what may be required is a tax office on every block in order to allow the GOCI to control the situation. However, there are more cost effective means of reaching an acceptable level of compliance, particularly through better management and training of existing personnel.

#### *Description of the Collection Process*

The Treasury Department has the responsibility of collecting those taxes which the law prescribes be paid directly to the Treasury

Department as well as delinquent taxes. The following are taxes for which the Treasury Department has responsibility: tax on Industrial and commercial profits, tax on agricultural profits, tax on non commercial profits, the value added tax on products and services, tax on salaries, taxes on the employer, tax on total revenue, and finally, excise taxes.

By statute, the GOCI has 10 years to collect delinquent taxes once notice is given to the taxpayer. Currently, the original collection period may be extended if an additional notice is given to the taxpayer prior to the expiration of the ten year period from the date of the first notice. In effect, the GOCI may have up to twenty years to collect delinquent taxes depending on the timeliness of proper notice to the taxpayer.

**Statistical Data  
of the Republic of  
CÔTE D'IVOIRE**

Population (1990)	12,591,000
Annual Rate of Growth %	3.8
Population Density per sq. mi.	93
Male under 20 years %	9.3
Female under 20 years %	10.0

Life expectancy (Male) (years)	52
Life expectancy (Female) (years)	55
Infant Mortality	102/100
Urbanization (%)	42.5
Literacy Rate %	24

Gross National Product (1990) (Millions)	8,132
% Agriculture	28
% Industry	18
% Services	54
% Defense	1.9
GNP Per Capita	\$719
Annual Rate of Growth (%)	- 2.7

Exchange Rate - \$US1 (11/90)

252.45 CFA francs

## Functional Review

The objective of the survey was to identify, define, analyze and recommend improvements to the administrative functioning of the existing tax system. The survey team analyzed the personal and corporate income tax with the objective of improving taxpayer compliance and increasing tax revenues. In so doing we obtained a comprehensive picture of tax administration in the Republic of Cote D'Ivoire. The recommendations that are made throughout this report are categorized as either Immediate or Long term. These distinctions are made in recognition of the fact that some improvements must be made immediately to increase revenues while others need to be made to substantially restructure the tax agencies.

The areas reviewed were:

- Automatic Data Processing
- Examination and Audit
- Collection
- Training
- Administration and Management
- Skills
  - Organizational Structure
  - Forms Design and Document
  - Retention
- Public Information and
  - Relations (Taxpayer Service)

### *Data Processing*

The processing of tax declarations (herein referred to as tax returns) begins with the taxpayer having to go to the office of the tax official for his area ("poste comptable") and file the tax return. There are ten of these posts for the entire country located in the larger

cities. These offices are usually under the control of a Treasury official. In addition to the "poste comptable", the country has 54 individuals called "receveur-percepteur" who are found in the smaller localities. These individuals perform the duties of administrator for the community where they live and have the responsibility of collecting both the federal and local taxes. These individuals are responsible for both collecting the taxes as well as dispersing public funds. The receveur-percepteur controls the bank account and reports to the Abidjan Office of the Treasury. The percepteur is an employee of the Treasury and not the Tax Department.

In Abidjan the taxpayers are required to go to the main Tax Department office, which is located in the one of five high rise buildings in the center of the city. The taxpayer submits his tax return to the office that is responsible for the type of tax being reported. The return and the check (if payment is being made) is taken to the chief of the function handling the particular tax being paid. The chief signs off on the check and the return. No date stamps are used. Thus begins the processing of the returns. The processing includes extracting data from the return and batching checks by name of the bank. The checks are processed but the taxpayer is not given credit for payment until after the check has been cleared by the bank. Once the check is cleared, the taxpayer's account is closed and no further verification is done on that return unless an informant provides information that would indicate fraud. This same process is used for all tax returns.

If the payment is not made with the return, the return is still processed and the Tax Department begins the collection process. The taxpayer is sent a letter asking for the payment of the tax. If the taxpayer responds but is unable to pay, the Tax Department will allow installment payments. If the taxpayer is uncooperative, the Tax Department adds the delinquent taxpayer to a listing and sends it to the Treasury function for further collection action.

With regard to changing a tax notice, the Tax Department is the only agency that can make adjustments to any tax bill. If the Treasury collector is informed by the taxpayer that the bill is incorrect, the taxpayer is sent back to the Tax Department to request an adjustment. Meanwhile, the collector does not suspend the collection effort. Treasury complained that it sometimes takes from several months to a year or more, for adjustments to be made. Since Treasury isn't always notified of the adjustment, the collector continues to insist on collecting the original amount. Furthermore, Treasury complained that the number of incorrect assessments is high, almost 30% for the year 1985 alone. In addition, there is concern about the late issuance of delinquent notices in the area of real estate and licensing. These notices usually are sent out during the fourth quarter of the year. The same is true with delinquent VAT, GST and taxes on salaried individuals withheld at source. These delays hamper collection efforts. In extreme cases, the collection process may be initiated too late and the business is insolvent or cannot be found because it ceased operations.

Treasury reports that quality control in the Tax Department needs to be improved. Assessment errors are made frequently. When adjustments are made, it takes a long time for them to be processed by the Tax Department

and frequent errors are made in computing the adjustments. Frequent errors are also made in accounting for the taxes between the national government and those assigned to the local government. Errors are also made in the numbering system of the tax, in the year of debt, and in the taxpayers' numbers. Adjustments are erroneously duplicated. Adjustments are made where the amount of the adjustment is greater than the original assessment.

In describing the problems with adjustments, it was pointed out that the most flagrant situations occurred in the Treasury office in Bondoukou where they had assessments of 5.5 billion CFAs and adjustments of 7.2 billion CFAs. For the same period, the adjustments in Abidjan total was 10% of issuances, 46% for the region of Bouafle, 26% for the region of Bouake, 69% for the office in Man, and finally 58% for the office in Touba. If the Tax Department and the Treasury could accurately exchange information through their ADP system some of these problems with adjustments might be corrected.

#### **Recommendation #1 (Immediate)**

**Review the receipt and processing system and provide written procedures to streamline the system with particular emphasis on establishing document perfection controls to reduce the processing errors.**

#### **Recommendation #2 (Long Term)**

**Centralize the document processing for all taxes in a national center to avoid duplication and to provide better management oversight of the processing system.**