The mobilization of local resources in Africa

Gérard Chambras, Jean-françois Brun, Grégoire Rota Grazioso

Email: G.Chambas@u-clermont.fr

This communication intended for the workshop reinforcement of the capacities “local governance and decentralization” for the Forum “Decentralization and local governance” held by the United Nations, (Vienna, 26- June 29, 2007) was written at the request of the UNDESA (united nations department of social and economic affairs) financed by the Ministry for Foreign Affairs. It concentrates on work relating to the local tax system in Africa which is currently carried out at the request the DGCID (Ministry for Foreign Affairs). The authors are liable with respect to the other members of the team that make up the DGCID. However, the authors only assume responsibility for the contents of this communication, which does not engage any organization or institution.
Contents Page

Introduction............................................
1 Global view of problems with local resources (RLP) 5
   1.1. Principal reports relating to local resources.........................
   1.1.1 Weaknesses of local resources..................................
   1.1.2 Factors of weak local resources..................................
   1.2. Which global orientations to reinforce local resources?.......  
2 Tax system in Africa for the mobilisation of local resources 10
   2.1 The local tax system in Benin- principal reports ............
   2.1.1 Global view of local resources (RLP)........................
   2.1.2 An ambiguous innovation- Local development tax (TDL)
   2.1.3 Single Real Estate Tax (TFU) and Business Tax (TPU)
   2.1.4 Reassigned Tax Resources........................................
   2.2 Benin's local tax system : the difficulties....................
   2.2.1 Difficulties caused by Local development tax (TDL) .......
   2.2.2 Urban Land Taxation: the obstacles ........................
   2.3 Which directions can be envisaged for local taxation systems
   2.3.1 Global orientations..............................................
   2.3.2 To ensure the resilience of local taxation ..................
   2.3.3 The introduction of grade related taxes , an increasignly popular way ...............  
   2.3.4 In favor of a grade related business rates (Patente synthétique).
3 Administration of local taxation : principal reports and
   directions .............................................
   3.1. Principal reports on the administration of local taxation.....
   3.2. Which administrative choices to mobilize local taxation ....
   3.2.1 Which orientations to consider ...............................  
   3.2.2 The theory of a combined and renovated tax circuit........
Conclusion ............................................
Bibliography .........................................
Introduction

Sub Saharan African countries are characterized by a weak human development and by severe poverty. For the majority, these countries cannot manage to develop in an efficient manner and be able to offer basic public services which would contribute to a reduction in poverty.

In order to compensate for this difficulty, African countries took part in a scheme to widen the various components of their budget, (Heller, 2005; Chambas et alii, 2006). Thus with the objective of strengthening it’s central revenue and reduce tax imbalance, they put in place tax reforms and modernized tax administration.

Carrying out these actions allowed them to mobilize public resources to a level similar to that of the average of other developing countries (appendix table1). In the same way, still with the aim of maximizing their budget, African countries mobilized financial resources particularly external financing, in this respect they benefited from an important amount of assistance in a largely concessional form. Lastly co-coordinated actions were brought in to improve the quality of public expenditure.

The results obtained remained too limited to offer public services to a standard high enough to reduce poverty rapidly. This is one of the fundamental reasons for which, like many other developing countries, the majority of African countries have taken up the decentralization process.

The main objective of decentralization is to compensate for the weaknesses of central states.

1The socio-politic dimension of decentralization is obviously essential. However, within the framework of this communication, the analysis is primarily carried out from a financial and economic point of view. Further studies using other research methods would be useful.

Moreover, in countries still recently in training and characterized by centrifugal forces, decentralization is regarded as a means of regulation and appeasing of the ethnic tensions (cf. Bardhan, 2002).

3The concept of “failure” is relative: the majority of central states do not offer public services of a high enough standard.
Decentralization often aims at mobilizing additional public resources. Access to better information or a more transparent use of revenues thanks to a greater proximity of the government should support the mobilization of local amenities on a more suitable level for decentralized communities and thus reinforce public resources. It is often easier to establish a link between the benefits of local public services and local taxes on a local level than on a central level. The taking into account of this link by the general population should favor the support of this system and therefore the acceptance local taxes for local resources. Such a link should lead in the direction of a bigger mobilization of public resources. The link between public revenue and the offer of services should encourage the persons in charge of the local government agencies to improve the effectiveness of their expenditure thus entering a vitreous circle certainly favorable to an election of the best managers who have been able to mobilize the financial resources necessary to achieve their objectives. The mobilization of local resources, also guaranties a certain financial autonomy of local government agencies, which enables them to have more stable resources than from transfers or largely discrete subsidies. This greater stability of resources contributes to more effective local expenditure. Finally, an increase in local resources increases the responsibility of the local governments and reduces their opportunistic behavior ("flypaper effect"), likely to occur when financing resources from gifts or external and internal loans.

The mobilization of local resources (Ressources locales propres RLP) plays an essential role in decentralization with an aim of reinforcing the budget of developing countries. This proves that this current study focuses on the mobilization of local resources (RLP). We have chosen to illustrate our analysis through the case of Benin, because this country has innovated with regards to setting up local tax systems in the most important urban communities, an innovative tax system, respectively single real estate tax (Taxe Foncière Unique TFU) and synthetic tax of small businesses and business tax (Taxe Professionnelle Unique TPU). Furthermore a Local development tax (Taxe de Développement Local TDL) is applied in Benin intended to finance communities with potentially low revenues. The case of Benin is all the more interesting as this country has since 2003 engaged itself (mayor elections going back to 2002) in an active policy of decentralization by entrusting new roles to the it’s 77 communities.

4 Benin is part of the group of the least developed Countries (LDC). Its level of human development (0,428) places it in position 163 out of 175 countries according to the UNDP in 2004. According to the national poverty profile established by the National Institute of Statistics and Demography (INSD, 1999), 45, 3% of the population live below the standard of poverty. Poverty, more so rural poverty is mostly in the North. Benin’s economy is founded on agriculture but also on intense commercial exchanges with adjoining countries. As a member State of the UEMOA, Benin maintains particular traditional commercial relations with Nigeria. After a period of revolution “Marxist-Leninist”, since 1990 Benin opted for a liberal economic system and a political regime of a multi-party system. However, it has still not managed to set up an institutional environment and governance that could have constituted as effective for many of the reforms. Even though Benin benefits from a lot help, it does not efficiently manage to provide public resources which would contribute to a fast reduction in poverty.
The first section provides an overall view of the mobilization of local resources and aims at lifting the criteria leading to an optimal tax levy.

The second section aims at analyzing the rules which govern the local resources and local governments, rules that make up the local tax system and at suggestions of possible other ways in which to define the local tax system in African countries south of the Sahara.

The third section examines the administration of the local tax system. It explores orientations which could contribute to the release of an administration of the local tax system more adapted for African countries south of the Sahara.

1 Global view of problems with local resources

Local resources (RLP) are defined as all tax resources, taxes and royalties from the local governments whose mobilization does not depend on a decision from the local authorities.

Local resources include:

- The entire revenue recovered from taxes profiting local governments including tax resources reassigned by the central state, shared or not.

- All non taxable revenues (royalties, rights, market position, fines, rights related to the act of chancellery and civil status).

On the other hand, subsidies and transfers received from the central state are not included in local resources because they are decided by the central state, largely discretionary and susceptible to short term changes. In the same way financial resources (external/internal loan or gifts) are not of a taxable nature nor are they comparable to taxes or royalties. They are thus not included in this analysis.

1.1 Principal –Main reports relating to local resources

1.1.1 Weaknesses of local resources

A first essential report that must be made is the extreme lack of local resources in the majority of sub Saharan African countries. These local resources do not generally exceed 1% of the GDP. On average local resources are established with 0.7% GDP in EMUWA (Burkina Faso: 0.6%; Ivory Coast 1%; Senegal, 0.8%). In the case of Benin (table one), in 2005 they amounted to 0.6% of GDP and 3.8% of public revenue. For 2005, the amount of local resources per inhabitant in Benin was on average 1960 F CFA (French currency term for the west African (CFA) Franc where CFA stands for Communaute
financiere D’Afrique) per capita/inhabitant. Because of their low level, the mobilization of local resources can only exert a very limited effect on development.

Table 1: Total resources of the Benin community (2003-2005)
Unit: millions FCFA

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax revenue (1)</td>
<td>7 659</td>
<td>8 806</td>
<td>8 334</td>
</tr>
<tr>
<td>GDP%</td>
<td>0.38%</td>
<td>0.41%</td>
<td>0.36%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>2.23%</td>
<td>2.51%</td>
<td>2.17%</td>
</tr>
<tr>
<td>Non Tax revenues (2)</td>
<td>2 150</td>
<td>3 376</td>
<td>4 266</td>
</tr>
<tr>
<td>GDP%</td>
<td>0.11%</td>
<td>0.16%</td>
<td>0.18%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>0.63%</td>
<td>0.96%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Reassigned Revenues (3)</td>
<td>675</td>
<td>4 708</td>
<td>2 033</td>
</tr>
<tr>
<td>GDP%</td>
<td>0.03%</td>
<td>0.22%</td>
<td>0.09%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>0.20%</td>
<td>1.34%</td>
<td>0.53%</td>
</tr>
<tr>
<td>Local Resources (1)+(2)+(3)</td>
<td>10 483</td>
<td>12 182</td>
<td>14 632</td>
</tr>
<tr>
<td>GDP %</td>
<td>0.52%</td>
<td>0.57%</td>
<td>0.63%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>3.06%</td>
<td>3.47%</td>
<td>3.82%</td>
</tr>
<tr>
<td>State Grants and others (4)</td>
<td>4 761</td>
<td>1 833</td>
<td>3 175</td>
</tr>
<tr>
<td>GDP%</td>
<td>0.24%</td>
<td>0.09%</td>
<td>0.14%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>1.39%</td>
<td>0.52%</td>
<td>0.83%</td>
</tr>
<tr>
<td>Community Local Resources</td>
<td>15 244</td>
<td>14 015</td>
<td>17 807</td>
</tr>
<tr>
<td>GDP%</td>
<td>0.75%</td>
<td>0.66%</td>
<td>0.77%</td>
</tr>
<tr>
<td>% of public revenues</td>
<td>4.45%</td>
<td>3.99%</td>
<td>4.64%</td>
</tr>
</tbody>
</table>

Source: General Direction of the Public Treasury and Accounting, and the author’s calculations.

(1) Land Taxes, patents and licenses accounts for approximately 90% of local tax revenues (89% for 2005). The other tax revenues for 2005 came from other taxable products, careers (377 million FCFA), publicity (190 million FCFA), taxis (74 million FCFA), local development tax 35 million FCFA and finally products of low taxation, firearms, farming, motorized boats, entertainment, alcohol, advertising.

(2) Within reassigned revenues appear the transfers of community state tax: 3% from customs VAT (207 million CFA in 2005) and road tax (3 174 million in 2005).

A second report is the concentration of local resources (RLP) and profit of the largest African urban centers. Thus, with Benin, for an average global level of local of 1960 F CFA in 2005, the average level of the 10 poorest communities is established at 500 CFA against 6 239 F CFA on average for the 5 richest communities.

5 It should be noted that a fraction of VAT, the total road tax as well as the substituted revenues of civic tax were already acquired with the old decentralized communities. (Source: international delta report)

6 Including 1.680.000 000FCFA for Cotonou.

7 This report seems general genuine. It was checked in Burkina Faso, in the Ivory Coast, in Madagascar, in Mauritania and in Senegal.
This inequality in the distribution of local resources (RLP) combined with a weakness of transfers and subsidies from the central state, of which neither the amount, nor the distribution, allow equality. Due to this the local public services on offer financed using internal resources tend to worsen the inequalities for the urban communities. Essentially the most dispossessed rural communities do not have the resources which would enable them to ensure a minimal standard of living.

*A third report* relates to the weak effort of the mobilization of decentralized resources in many African countries.

The evaluation of the level of decentralization can be made by an evaluation of local revenues compared to the total public revenues. However, this study does not make it possible to correctly comprehend the whole range of decentralization, as this does not depend only on structural variables, but also on the orientation of the national economic policy. This is why, following Bahl and Smoke (2003), one can use the concept of “effort of tax decentralization”, which is measured by evaluating the difference between the level of local revenues and that of revenues determined by structural factors. Bahl and Smoke (2003) evaluate the latter starting from an empirical relation of public revenues. They deduce from this a predicted level of decentralization which can then be compared on an effective level. These authors consider structural variables on a decentralization level: the income (GDP, Y), surface of the country (A), ethnic diversity (E), a variable dummy indicating the membership or non membership of the country to the old Eastern bloc (T). Thus they obtain the following formula:

\[
TS = -5.75 + 0.39 Y + 0.33 HAS - 0.23 E + 1.37 T
\]

\[
(- 4.16) (3.36) (4.74) (- 0.72) (4.20)
\]

\[R^2=0.39, N=60.\]

By bringing closer together the effective degree of decentralization to that of the predicted decentralization through their simple econometric regression, the authors determine an indicator of the effort of decentralization. The degree of decentralization therefore corresponds to total local revenues in comparison to public revenues. The effort of decentralization is evaluated by the ratio between effective decentralization and predicted decentralization.

Bahl and Smoke (2003) conclude that many African countries like Benin, Ghana, Senegal, Togo, Zambia, Kenya, The Ivory Coast, Ethiopia and Burkina Faso demonstrate a level of decentralization a lot lower than that predicted. The low level of local resources can therefore be explained by certain political economical choices.
1.1.2 Factors of weak local resources

**Governance and mobilization of local resources**

African States South of the Sahara and Benin are no exceptions, and are recently created States. This situation creates a handicap for the mobilization of central taxation and also for the local tax system as the State is still in the process of affirming itself and this in an often difficult context.

Public governance affects tax mobilization. Thus, many developing countries are affected by strong corruption which goes against the mobilization of tax resources. This negative relation between corruption and tax mobilization was particularly researched by Ghura, 1998 and Attila, Chambas, Combes, 2006.

The nature of the relation between the level of central and local taxation also proves difficult to evaluate. Does an important level of central taxation (or tax effort) support a good mobilization of the local tax system (relation between central and local taxes), or on the contrary, does it reduce the role of the local tax system (relation of substitutability)? The results obtained by Chambas and Duret (2001) tend to reveal a relation of complementarity, i.e. a good central tax mobilization would be favorable for the mobilization of local resources; conversely, a poor central tax mobilization would be unfavorable for the mobilization of local tax resources. However complementary work remains necessary.

**Public debt and mobilization of local resources**

The accumulation of public debt is a largely widespread phenomenon particularly in sub-Saharan Africa. These budgetary debts are not subject to a systematic census on an international level. They are either to do with those who supply the State or government officials and sometimes lead to serious problems within the banking system, as well as consecutive crisis’s which lead to chain failures. This phenomenon is made up of various components of the budget, of which local resources are included.

- For the component of central tax revenues, the accumulation of public debt, and particularly debt from non refundable VAT, is very frequently at the origin of “wild” compensations of credits: the taxpayers refuse to pay the taxes due, using the existing debt as an excuse. This has a direct impact on the amount of central revenue, which can affect all taxes, including local/council taxes as the taxpayer does not inevitably make a distinction between the various tax categories.
- Furthermore the accumulation of debts causes slowing down in the economic growth and obviously an indirect obstacle in the mobilization of public revenues.
- Finally, beginning with the credibility of the State and reducing the economic growth, the accumulation of public debts is disadvantageous for the offer of the various categories of finance for the budget deficit and, for this reason, affects the other components of the budget thus the local resources.

---

8 The institutional limitations of the financing of deficits within the budget put in place in certain countries or groups of countries (Djibouti, free zone,) seem to worsen the accumulation of late payments, the loophole of the financing of deficits within the budget have being subjected to a strong constraint.
Poverty and mobilization of local resources

In Africa, poverty remains very high. This is an unfavorable factor for the mobilization of tax resources (Chambas, 2005; Brown, Chambas and Combes, 2004).

Generally such inequality and such severe poverty possibly combined with other factors (ethnic fragmentation, religious divisions,...) tends to be involved in political instability and in the appearance of predatory modes where an important part of the population, generally the poorest is being exploited by a favored minority (Alesina and Perotti, 1994). In addition to this, the harmful effect on growth, political instability and violence which are in relation to this are also all factors associated to tax refusal (Frey, Stutzer and Benz, 2001; Acemoglu and Robinson, 2001). Inequality and poverty affect citizenship tax, therefore the states capacity to take and redistribute it.

In countries where there is a high level of inequality or a strong incidence of poverty, the majority of the taxpayers regard the distribution of income as unfair. The' central tax, and by extension the local tax appear illegitimate which then encourages fraud and tax evasion. The taxpayers seek even more to escape the tax to which the State is predatory (Krueger, 1993) and fails in its role to offer public services to all. According to Bayard (1989), tax evasion would then constitute “the only relevant response to arbitrary and the incurie of the States”.

Low incomes and high numbers of poor people constitutes as obstacles with tax mobilization (tax exemptions, exorbitant direct debit costs,). First of all, poverty is synonymous with an income close to the subsistence threshold. It results in an extreme difficulty to support taxation systems particularly directly. In a more general way, in order to escape poverty, or at least to survive, the poor seek to engage in non declared activities (Schneider, 2003). In spite of the development of a tax system increasingly adapted to the challenge posed by these abstract activities, a strong informalisation of the economy induced by severe poverty deteriorates the capacity of the mobilization of public resources (Araujo-Bonjean and Chambas, 2004).

External funding and mobilization local resources

A wide-ranging debate is currently ongoing as to the effects of external funding and in particular that of aid for tax mobilization. Work currently available does not yet make it possible to establish without some ambiguity if aid exerts a demobilization effect on tax mobilization. This question obviously relates to local tax resources; it is posed more especially as the backers play a big role in the technical and financial support in the development of many decentralized communities. They particularly contribute to the identification, planning, the implementation, and the follow-up-evaluation of the programs but their ability to mobilize external resources is likely to make it less necessary to mobilize local resources and thus constitute a factor of demobilization in respect to the local tax system. Conversely, one can think that by their action, in particular by creating needs in recurring resources and also by specific actions for the reinforcement of local resources, the backers can support the mobilization of local resources (RLP).

9 Brown J-F, Chambas G., Guerineau S. 2007 “Tax Help and mobilization” Study carried out at the request of the French development agency. AFD, CERDI.
1.2. Which global orientations to reinforce local resources?

To support the mobilization of local resources (RLP), it is useful, to identify all the factors that cause obstacles in the mobilization of local resources (RLP) country by country. It will then be possible to consider actions to promote the mobilization of local resources (RLP).

In order to avoid excessive social and economic costs, which could arise from the mobilization of local resources (RLP) on a non optimum level, the choice of an objective of local revenue must rest on a process of optimization. Such an optimization can take place through an analysis of the budget. It is then possible to evaluate in a comparative way the recourse between all the resources which a State can mobilize. To conclude the analysis necessary in a more optimized manner, it would be advisable to have statistical data on variables like the cost of mobilization of various resources within the budget like collection costs of various categories of local resources (RLP). An evaluation of the economic distortions and effects of poverty of local resources would also be useful.

2 Tax System in Africa for the mobilization of local resources (RLP)

An examination of the local tax system of Benin has been carried out particularly concentrating on the innovations implemented before getting rid of the main difficulties caused by this system. The local tax system of Benin seems relatively representative to that of local tax system of a great number of African countries adapting the French administrative tradition, it appears possible to explore improvement methods.

2.1 The local tax system in Benin: principal reports

2.1.1 Overall view of local resources (RLP)

As in many of the African countries, the legislation of Benin envisages a large diversity of local resources. The list of local taxes predicted by the texts leads to the conclusion that there are an excessive number of these. Many local taxes are either not applied or produce negligible revenues. Their multiplication, far from guaranteeing substantial and stable revenues, seems to introduce an unfavorable element of complexity to the mobilization of local resources.

---

10 Article 10 of Law 98-007 from January 15, 1999 referring to the financial status of the communities in Benin allows a great number of resources in favor of the communities. It distinguishes six categories of tax and non tax resources for the communities. The product of the following local taxes: local development tax, land taxes on built and not built properties, licenses and patents, tax on firearms. Products of the following taxes, pasturage, taxes on motorized boats, entertainment and play taxes, tax on the sale of alcohol, tax on advertising, taxes on posters, taxes on taxis. The product of rebates including revenue given back to the community, tourist tax taken by the state, car tax, VAT received within the customs zone (rebate of 0.4135% of received within the customs zone), road tax system taken at the rate of 0.15% within the customs zone (the 1990’s Finance law distributes the product of road tax at a rate of 60% for Cotonou, 24% Oporto Novo and 16% Parakou), exploitation of quarries and mines. The product of taxes granted as a recompense: market rights, administrative right acts, fines and rights of commercial services. Products of inheritance and surtaxes. The communes are entitled to perceive the products of the administrative acts and acts of Civil statue, the product of the fines relating to the communal territory, the rights on the commercial (demurrage charge, rights, services of market, the receipts of hygiene services (tax for the removal of household refuse), taxes or royalties on town planning and environment. The communes also perceive products of inheritance and exploitation of the communal areas. It acts, on the one hand, as resources that the communes draw from the hiring of their commercial infrastructures, the sale of certain credits (forests, mines, careers) and from the remuneration of the performances of service that the communes provide to their population. Lastly, the communes can also perceive surtaxes on electricity and water.
A large part is granted to non taxable resources which are often forming the taxes granted as recompense. These non taxable resources are generally dependant on public services, the degree of equipment, the economic activity and the standard of living of the inhabitants of the communal territory. They can thus have an important flexibility with respect to the economic activity. Moreover, the taxes granted as recompense are connected to the quantity and/or quality of the services, equipment and infrastructures offered by the communities what is favorable to good debt collection.\footnote{In many communities, the lack of payment from taxpayers is explained by the lack of services delivered (disorganization even the lack of rubbish collections, insalubrity and insecurity of the markets, obstruction of the pavements with the anarchistic installation of the canteens and souks, lack of maintenance of the roads and drainage systems, etc....). It has been concluded from several surveys carried out in various African countries that the users consider themselves ready to pay the price of the service rendered provided that the service in question meets their needs and that the quality of the service is guaranteed. However, the acceptance of the principle price of local services is higher in urban than in rural areas. This is related to purchasing power, the greatest diffusion of the principle of pricing in the urban areas and the weakest perception of the services rendered by the communities in the rural areas.}

### 2.1.2 An ambiguous innovation: Tax for Local development

In African countries like Mauritania, many communities especially those in rural environment cannot mobilize local resources because of a lack of adequacy within existing local taxes. Also with Benin, the tax for local development (TDL) created in 1999 has a central objective to provide local resources to communities having potentially low revenue from other local taxes. The Law instituting local tax development (TDL) envisages a large variety of taxes.

In the absence of text application, this tax should not be collected. However local development tax (TDL) is already ambiguously applied according to the communities, because in the absence of a clarified situation, forced by the need for resources, many communities set up taxes which had been envisaged in the initial Text of Law project but also that of non planned tax, for example, rebates are applied to cotton, food products marketed on common land is taxed and a tax is applied to cashew nuts. Taxes, of which some are the counterpart of effective services for the communities, are also levied on breeding activities (pasturage, transit, slaughtering, feeding, and marketing). Forest activities and the extraction of quarry materials are also taxed. Local development taxes (TDL) are raised on the transits of cars introduced illegally into border countries. Generally, the barrier rights tend to multiply in the absence of any coordination.

\footnote{The perception of barrier rights (droits de barrière) profiting the local government agencies is a tendency observed in many countries. It should be noted that a country like Mauritania managed to reduce this practice in particular through a national agreement with road users.}
2.1.3 Single Real estate tax (TFU) and Business Tax (TPU)

As in the majority of African countries that follow French administrative tradition, the local tax system of the communities of Benin are still largely founded on the land taxes of the built and non-built properties, with patents and licenses. The legal mode of these taxes presented a disadvantage of a great complexity, which made their application difficult. Moreover, in sub-Saharan Africa, financial administrations do not have the means to apply complex tax systems whose potential of revenue is relatively low compared to that of collection costs.

From the beginning of the 90’s, Benin was a role model by modernizing single real estate tax (TFU), land tax and single business tax (TPU), that is to say not only the license but also the scheme of tax for small community activities.

Single real estate tax (La Taxe Foncière Unique TFU)

Contrary to developed countries, where the main role of land tax in helping with the financing of local government agencies tends to decline, the urban land tax should constitute essential revenue to finance the local government agencies of developing countries. The urban land taxation presents properties (cf. infra) which in spite of how difficult it has been to establish should be a major source of local revenues in Sub-Saharan Africa countries, in particular countries whose low budgetary capacity does not make it possible to ensure stable local resources from transfers from the centre.

In Benin, the 1994 reform substituted a single real estate tax (TFU) for built and non built land taxes and two State taxes (rental tax and income tax). Real estate tax (TFU) only applies to three cities with the particular status of urban land register: Cotonou, Oporto Novo and Parakou. They propose the introduction of an urban land register, a kind of “simplified land register”.

The theory of single real estate tax (TFU)

Single real estate tax, can be applied to all fixed buildings used for residence as well as all commercial or industrial buildings with constructions. The taxable amount of single real estate tax is the real rental value of taxable goods. The rate of the tax amount is increased to 5% for built properties and 6% for non built properties. By deliberation, the communities can reduce or increase these rates by 2 points maximum. The regular payment of land taxes creates a presumption of property. Just like non-payment of tax can be regarded as a presumption of non-property by the relevant authorities.

13 Certain countries with an intermediate income like Morocco, who faced difficulties with the implementation of an urban land tax, made the choice to finance their decentralized communities from other resources (Brown, Chambas, Mourji, 2006). Thus, a major resource of the decentralized communities of Morocco is made up in retrocession of one third of the total VAT product, that is to say more than two points of GDP, what is considerably relative on a local resource level noted in Sub-Saharan African countries. Such a choice of retrocession of central resources is possible but with great difficulty in countries South of the Sahara, especially for the poorest countries, to make a success of tax transition (Baumgart and Keen 2005). Moreover, difficulties in promoting a sufficient effectiveness in the local government expenditure are foreseeable if there is not a strong bond between public taxes and services. This bond is particularly established on a local level through the mobilization of local resources.

14 The field of application and most of the exemptions are based on French legislation.
**Bases of an urban real estate tax in the African countries.**

*Urban real estate tax, local tax by excellence.* According to a habitual tax rule, the allocation of tax between the different levels of governments determines that “all that is mobile goes back to the State and all that is immobile goes to the collectivities”. This rule in particular aims to avoid distorting the local tax system, if the taxes modify the localization of activities or natural resources, this then results in a collective loss of well being. (Negative effects of parallel tax competition).

*Land tax: a tax semi-"fixed".* Because of low tax pressure, the urban land taxation under consideration in Africa involves a low impact on the localization of land tax. It seems possible to consider land tax as being close to a “fixed” tax within an economic theory sense. In other words, these taxes do not seem to work in an important way, either as an offer (decision to build residences or industrial and commercial buildings), neither when requested, nor still on the localization of urban land credits.

The taxing of non mobile assets makes the application of the basic principles of taxation “pay who profits and pay who can” easier, since the localization on the territory of a local government agency of land tax can make it possible to suppose the consumption of local public goods and/or an ability to pay tax.

*Land development tax.* Although expensive, the establishment of a land register, or an urban land register, is not only an essential component of the local tax system, but also contributes to formally establishing property rights and regulations of urban land credits. The clarification of these land regulations can constitute the principal justification of land registration and offers a base for the constitution of banking or other guarantees. By reducing the inherent risks to credit operations, this makes it possible to significantly lower the costs of loans and facilitate their access.

*Land Tax:* a tax in relation to urban development. Land tax is one of the rare taxes whose potential product would seem to go with the measurement of the challenge of the fast development of African cities. The urban development results in the creation of new land credits which certainly determine the evolution of the local public needs in infrastructures, safety, education, health, etc but also, in parallel, a widening of the chargeable base to title of land tax. To make the financing of local public services ‘maintainable’ rising from the urban growth, it thus does not seem possible to make savings from the recourse of land tax. Still it is necessary to contain within reasonable limits the collection cost of this tax.

*Land tax and equity.* Tax is traditionally regarded in developed countries as an important equity tool in the redistribution of the revenues (Mirrlees, 1971; Piketty, 1997; Burgundian, 1998). Due to this many evaluations were concentrated on the effects of the taxes on the distribution of revenues. Income tax is a natural instrument that makes it possible to ensure redistribution. However, in Africa, this tax is under developed (Chambas, 2005), the differences in incomes are considerable and there is a high level of poverty. Currently, land tax is the only direct tax whose base is established in close relationship with the taxpayer’s ability to pay tax. If the African taxpayers pay a tax in relation to their incomes or their financial status, including any part which may have been excluded by other taxes, would constitute, an outstanding innovation with regards to fairness, which would undoubtedly give support to good tax citizenship. For the moment, the application of land taxes remains marginal and thus cannot be considered a significant instrument of redistribution.

---

Tax, Citizen and urban responsibility. In countries where citizenship tax is still built as much on a national as well as a local level, land tax has two important qualities: it is direct and it concerns potentially a large part of the population. These two characteristics make this tax a founding element of citizenship. Following the example of the right to vote and of political representation; land tax induces a social recognition for the taxpayer, who is incited to adopt a responsible behaviour. As a first stage towards the legislation of installations without any legal title security, the payment of land tax can stabilize the establishments and encourage the habitants to invest in their district. Moreover, by paying the tax, the populations have a right to claim installation expenses from the local government and also request accounts from the elected officials on how public funds are spent. This specific section of land tax makes it easier for it to be accepted. However, an important taxation in the context of an erosion of the real income for a large part of the urban populations (employees of the public sector) would be all even more badly accepted as these employees already support a large part of the income tax. This reserve on the part of the employees adds to the natural reserve of the most important proprietors.

A price indication. Land tax also makes it possible to infer a close relationship between local tax as well as the local public services on offer. It thus improves the effectiveness of the choices of expenditure in the presence of collective goods. This tax constitutes an important factor which determines the level of collective services offered in the community. It therefore makes it possible to confront the taxpayers with the cost of the services which they use. It is to be stressed that this characteristic does not apply to all of the resources of local government agencies. Transfers (subsidies) from the Central state play an essential role, but do not constitute a value, as the level of the donations are often decided in an exogenic way. In a similar way, local indirect taxes (reassigned taxes, water and electricity tax) constitute a poor indication of value due to the fact they are included in the price of the product concerned, therefore more difficult for the tax payer /consumer to appreciate.

Business tax (TPU)

The model of the traditional license which is complex can be looked at as an approximation of the consumption of the activity concerned in collective goods and local services (collective infrastructures, health and safety, education...). Obviously, its method of evaluation determines the local vocation of this tax, all too often recovered by the Central state. The generally moderate amounts and the definition of its model makes it a tax which has little effect on the economic incentives system. These characteristics imply a relative economic neutrality of the license. Its output is however burdened by the exemptions envisaged in particular in the code of investments. In many countries, it ends up being a heavy handicap for certain local government agencies that are not part of the exemption choice.

16 Any persons working in trade and industry need a license. It is made up of fixed right and a proportional right established on the rental value of professional buildings. These rights are elaborated starting from a price corresponding to profession.
Before 1994, the tax legislation of Benin, like that of many African countries, envisaged the introduction of a complex taxing system for small companies. These companies liable for income tax within the framework of a fixed scheme, to a fixed rate of tax representative of the VAT or tax on the turnover and finally that of the license.

With the 1994 reform, basing itself on the good acceptance of the license, Benin like a growing number of African States opted for the imposition of small activities a business rate (Patente synthétique TPU) which adds to the traditional license, income tax and the representative tax of the turnover or VAT. Business tax (TPU) is only applicable to communities holding a particular status. It is established on the professional rental value of the establishments. Its rate is fixed at 6% to which 6% corresponding to State tax is added. It is however envisaged that this rate can be reduced or increased on deliberations of local government agencies by 2 points.

In Benin, business tax (TPU)\(^\text{17}\) is equally assigned to that of the state budget and to that of local government agencies. 10% of the product of these taxes returned to the local government is given to State administration in order to cover the administrative cost of tax management.

### 2.1.4 Reassigned Tax Resources

The legislation of Benin makes provisions for the reassignment of a fraction of the VAT and road tax to the local communities. One can also attach to the reassigned revenues the amount intended for the losses of consecutive revenue due to the suppression of civic tax.

- From the principle point of view, it is difficult to envisage the reassignment of only a fraction of the VAT received in customs. One thus reassigns the equivalent of custom and excise revenue of which the amount is unstable. In effect, the VAT received in customs is established on the value of the imports, a value extremely susceptible to the variations of the economic situation.
- The road tax system, successor of the old road usage taxes, had for objective the compensation of the port towns for the occasional costs of the road traffic originating from the ports. This was abolished by the 2006 tax law for merchandise/freight traveling towards Burkina Faso and Niger. The tax is however maintained in direction of other destinations. The revenue from the road tax is distributed to the urban districts to a total value of 80% (Cotonou (60%), Porto-Novovo (24%) and Parakou (16%)), and 20% to other communities, with a percentage allocation according to the demographic weight of each community.
- The transfer of compensation due to the suppression of civic tax is calculated according to previous annual civic tax revenues received by each community. This subsidy offers an advantage to the small communities characterized by a perception ratio higher than in larger towns.

---

17 One finds a similar distribution procedure in many other countries, for example Madagascar or Senegal.
18 The VAT, as a whole, is dependent on the final consumption: this is however much more stable than the component dependent on the exchange.
2. 2 Benin’s local tax system: the difficulties

Local development tax (TDL) is at the source of these detrimental effects, in particular because of the occurrence of rival taxes. Furthermore, in spite of their inventive nature, single real estate tax (TFU) and business tax (TPU) do not bring an adequate solution to the problems that these taxes are intended to overcome.

2.2.1 Difficulties brought in by Local Development Tax (TDL)

*Lack of economic neutrality and social justice; conflict with the central taxation system*

In various communities, local development tax is applied to the production of cotton or other agricultural merchandise intended for export. It then proves to be a so called exportation tax where the ultimate brunt is born by the manufacturers whereas an important objective of the reforms of central taxation was to eliminate these export taxes. Moreover, one of the main objectives of introducing VAT into African countries is to avoid creating remanence under the title of indirect internal taxation on exports.

Local development tax may also be at the origin of excessive fiscal charges. Several cases raised in various communities clarified the rights of occupation, of which the mode of evaluation (for example, evaluation without a well defined procedure of rent per square meter of occupied public space) led to a confiscating taxation rejected by the taxpayers.

Organized systems like the cotton system can more easily be the subject of tax imposition than others. The risk is then a concentration of the local tax system on organized systems bringing about an unfavorable imbalance in particular to the production of exports.

*Rival Level tax between communities*

In Benin, the transportation of cattle is the object of a cascade of tolls. The only constraint to the increase in the tax burden on this transportation seems to be at the risk of diverting the cattle transportation, at the profit of other communities.

In a more general way, the taxation of the transits of goods in cascade with a variable fiscal charge according to determined barriers in a way isolated by the communities exerts a particularly perverse effect on the economic activity The rate system, specifically according to the nature of the products transported, particularly takes into account the influence of public opinion or the operator pressure groups.

This competition could result in splitting up the national economic market into regional or local markets by the emergence of the equivalent of internal <customs> duty or on a communal level. This division of the interior market has already been observed in Russia and China when the local governments (provinces or States) saw their economic capacity increase during the period of decentralization *(cf. for example, Berkowitz and DeJong, 2005).*
Such a situation is obviously incompatible with an Open Foreign policy and regional integration, within the framework of the UEMOA, which constitutes two major goals of the Benin authorities.

2.2.2 Urban land taxation: The obstacles

As in the other sub-Saharan African countries, in Benin the traditional real estate tax on (TFU) constructed and non-constructed properties have never been the subject of mass application. The bulk of the proceeds from real estate tax (TFU) come from intermediate and large-sized company payments. In general, real estate taxes are the object of rejection in African countries. Merging them with land income tax only adds to the confusion as the taxpayer is then confused by the accrualment of taxes.

In Africa, the initial acceptance of real estate tax (TFU) is difficult because of the weakness of tradition in this field and also because of the ambiguous nature of real estate taxes (TFU). Furthermore, the offer of goods and public services by local government agencies often appear insufficient to legitimize a real estate tax (TFU). This tax is further poorly accepted as certain taxpayers, accustomed to tax evasion; continue behaving as “free-riders” vis-à-vis the local government agencies as well as the central state.

In the collection of real estate tax (TFU), if it is to be applied generally, and thus extended to modest buildings, entails high collection costs. Real estate tax (TFU) requires the collection of information regarding the location of property assets and subsequently the handling of this important information. Furthermore frequent updates are necessary, particularly in the working class districts.

There appears to be many difficulties, in particular concerning the evaluation of rental values. In the RIS (Fancier Information System) (RFU, Registre Foncier Urbain) zones of Benin, a “formula” to determine the rental value included in the management software of real estate produces non-transparent and often aberrant results. These then require rectification in the shape of largely discretionnal “dubbing”; the arbitrary risk is therefore high.

2.2.3. Business Tax (TPU Taxes professionally unique): the difficulties

The choice in favor of free global business rates (patentee synthétique which includes business rates, VAT and tax on turnover is a flat rate tax for small and medium-sized companies) exempting all other taxes which previously affected small companies, represents a more effective and simplified factor. However, the reference to the rental value (valeur locative) constitutes a source of uncertainty and complication. This is all the more detrimental, as is highlighted in the case of many sub-Saharan African countries, like Benin, the amount of revenue attached to this type of tax is low.

The main difficulty consists in establishing professional tax (TPU) on the rental value (valeur locative), i.e. on the same level as real estate tax (TFU). There is then a risk of higher taxation of economic activities requiring a lot of premises or, on the contrary, low imposition of the activities requiring only a few premises.

The hybrid nature of business rates (patente synthétique) encouraged certain States (Benin, Madagascar, Togo) to distinguish the local component corresponding to the license, strictly speaking, from the business rates part corresponding to national taxation, and to ventilate them respectively for the benefit of local and State agencies. This distinction which relates to taxes of minimal amounts, in order to justify that they can be in the principle plan, leads to difficulties of disproportional administration.
2.3 Which directions can be envisaged for local taxation systems?

2.3.1 Global orientations

The role of coordination of the central State

Local taxation needs to be expressed in a coherent way with central taxation. The local taxation system can be deduced from a global analysis, relating to the various forms of taxation, and placed under problematic budgetary space useful for a step of optimization.

The mobilization of a limited number of resources

The multiplication of resources leads to a poor yield taxation that is difficult to manage. Moreover, a large number of local taxes brings confusion for the taxpayer; and also contributes to a feeling of tax harassment. It is therefore advisable to avoid separating the efforts of mobilization of local taxation on a multitude of various low potential revenue.

Optimizing the economic and social costs related to the mobilization of local resources (RLP)

With regard to central taxation, an essential objective must be to prioritize the mobilization of resources with local vocation which present the most favorable properties (good acceptance by the population, strong potential revenue, less economic distortions, favorable social effects, lowest covering costs). For this purpose, it is essential to assemble the relevant information to help clarify the necessary choices. Obviously within such a framework of the analysis of the local taxation system, it is advisable to forgo taxes at the origin of strong economic distortions or inconsistencies in the existing tax system: it is a question of excluding in particular the cumulative and anarchistic barrier rights.

Resources reassigned by the central State

The application of liberalization policies (politiques de liberalization) strongly modifies the structure of central tax revenue. Also, it is useful to define the rules of the reassignment of revenue which do not lead to unstable transfer amounts. For this reason, in the case of Benin; it would be desirable to improve the definition of certain revenues reassigned by the central State. Thus, on the assumption that it will be maintained, the road tax could become a part of the total product of the VAT and not the only part established from the imports. It is also important that the central State does not accumulate arrears or delays with regard to the payment of these reassigned revenues: many difficulties noted in various countries (Cameroon, Mauritania...) represent a handicap for the local communities.

19. Thus, Burkina Faso devoted important amount of money to the debt recovery of the contribution of the informal sector (Centre Sociology of Innovation CSI Centre Sociologie D’innovation Ecoles des mines Paris ). In Ouagadougou little more than 40.000 dimensions are recovered. However the average dimension is approximately 6.000 FCFA ( Franc Communauté financière Africaine The West African CFA Franc is just known as the franc CFA where CFA stands for communeute financière d’afrique) the total product remains limited while the costs of mobilization of this tax are very high.

20. The unique professional tax (TPU) replaced by business rates, for the trade and industry profits tax (Impot BIC,a component of the overall income subject to income tax.This category includes the profits made by individuals who exercise a profession commercial , industrial or craft (individual farmers or associated companies of certain persons.) and fixed VAT rate.

21. When defining the local tax system, it is desirable to seek a coherent expression, to take care to preserve the assets obtained starting from the successive reforms relating to the central taxation.
2.3.2 To ensure the resilience of the local taxation

The urban development and the demographic expansion of the population imply an extremely fast growth in demands, particularly in the cities. Also, is it important in order to support long lasting Local resources (RLP), to adopt tax measures likely to make the tax sufficiently flexible in relation to this development? For example, a road tax sticker, which would exclusively be local tax revenue, would make it possible to have flexible resources in relation to the increase in collective transport needs.

The application of local taxes on utilities such as water or electricity could also lead to flexible local revenue compared to demand and low collection costs. Admittedly, various arguments prompt us to examine the appropriateness of such a tax. In spite of the tempting nature of collecting local tax revenue through the relatively efficient structure of the invoice and payment of these utilities, the experience of countries such as Madagascar shows that this method can lead to a less efficient collection of tax on water and electricity. Added to this is the risk of creating confusion between the local government agencies and the utilities companies. The incentive of payment by credit can also lead to the wastage of these utilities. Lastly, as the taxpayer is, in general, confused by the nature of local taxation when included in water and electricity invoices, they are unable to establish a direct link between local public services and taxation. In order to counteract this taxes levied need to appear “painless”. Lastly, it would be sensible to define a system which does not go against the objective of reducing poverty followed by certain countries like South Africa22.

2.3.3 The introduction of grade related taxes, an increasingly popular way

Local tax revenues are mainly the resources of direct taxation. To mobilize significant revenue, the tax needs to be levied on a large number of taxpayers, i.e. on the whole of the population. The low income of a large percentage of the population implies that a large percentage of rates will be of a minimum amount.

For the mobilization of local tax revenue to be effective, the costs of collection need to be kept to a minimum. However, the current combined system of local taxation appears too complex to achieve this.

➢ A system of imposition levied on a relatively complex established pie chart and therefore expensive to evaluate, such as rental value, appears justified in a minority of cases, however for taxes of a substantial amount and hope for, insofar as it is possible, a significant implementation of the tax.

22In the fight against poverty in South Africa, the exemption of payment for the use of water is applied to certain types of water consumption.
A complicated tax system does not appear relevant when it is a question of recovering large amounts of minimum tax; the cost of the collection of property tax becomes exorbitant compared to the amount collected, whereas the risk in terms of equity is marginal because of the minimum amount of taxes. Moreover, if the formulas used are unclear then the taxpayer is often surpassed by the complexity of the tax calculation.

For this type of situation, it could be suggested, with regards to central taxation, drawing on the consequences of the duality of situation.

- The taxation applicable to higher rates (recent real estate assets) would remain unchanged. Insofar as the issue in term of revenue and welfare benefits justifies it, it is acceptable to admit the disadvantages of an unavoidable complex administration, whose relative cost would not be exorbitant in relation to the relatively high tax.

- The taxation relative to the minimum rates could be simplified in a drastic way to become purely grade related, evaluating residence taxes in a similar way to that introduced in Burkina Faso. The simplified grade related nature of the tax would then make it possible, using largely community personnel, to organize the tax collection and census concurrently. It would be a question of dispensing of, as far as is possible, role distributing procedures. With a concurrent census and tax collection, it is possible to avoid lengthy recurring censuses, often not very effective despite their high costs, due to the difficulties in locating taxpayers. Within an assignment sharing structure between central and local taxation, it would appear possible that whenever the application of a complex tax raises important difficulties, in exploring the hypotheses of a grade related local property tax purely wealth related and not very redistributive while counting on general income tax which replaces central taxation, introducing a greater progressiveness throughout property tax.

2.3.4 In favor of a grade related business tax (Patente synthétique)

In all African countries, the small business tax system could be simplified in a drastic way by retaining a grade related, voluntary payable business tax\(^23\) (*patente synthétique*), whose amount would be established subject to an activity index level, without reference to sales turnover. The evaluation of the base tax would progress on a grade related scale of taxation, established from basic and easily accessible indexes\(^24\).

As in the example of community tax in Mauritania, the simplicity of the grade related business rate (*patente synthétique*) would assist with the comprehension and acceptance by the taxpayer.

---

\(^{23}\) Very precise proposals for an elaborate mode of business rates were defined by the Thill missions (Missions Thill). Mauritania has applied such a system for several years.

\(^{24}\) With an objective of transparent taxation, it is a question of making it possible for the taxpayer to know the criteria used to determine the amount of tax to which they are eligible.
It would also allow for the reduction of management costs, while avoiding the increase of procedures for these small taxpayers (limiting the number of field visits).25

For an effective mobilization of business rates (patente systhetique), a voluntary procedure of quarterly or monthly payments would be advisable. The collection, which could be helped by a land register or a chart indicating the necessary locations, would have as an aim the effective control of payments as well as debt collecting.

3 Administration of the local taxation: principal reports and directions

3.1. Principal reports on the administration of the local taxation

An initial report is that the level of current resources (average human and material) of the African tax authorities does not facilitate the effective management of the bulk local taxation, which would require human and material resources beyond those available. Therefore, in Benin, the General Tax Management service is unable, in spite of community support, to adequately organize under satisfactory conditions, the local tax revenue. In many countries (Benin, Burkina Faso, Mauritania, Senegal), the Treasury network proves better equipped in supporting the local communities. Lastly, except for certain large urban communities, the local communities are characterized by minimum resources and capacity of management.

A second report relates to the tax collection strategy in African countries. The tactical direction of the tax authorities consists in centering the resources available under the control of the most important tax collectors. This has been a crucial choice, which has made important progress in the organization of central taxes possible. This direction is however not compatible with mass local taxation management, which may call into question the assets obtained over the last two decades in the course of tax authority modernization.

A third report is relative to the need for the adjustment of envisaged administrative solutions to the specific situation of each country. Also, the choices considered here have been taken from a limited number of cases, in particular Benin and Mauritania, and should be regarded as an illustration. In other circumstances, which the authors will address in the near future by researching further countries26, the solutions are likely to be different.

25 Whereas important means are often used to ensure the management of synthetic taxes, the output of these taxes is extremely low (often less than 10,000 FCFA annually per company). The control of covering costs is thus essential
26The countries which will shortly be analyzed by on the spot missions will be Cameroon, Ghana and Mali. It also takes into account the experiments carried out in other countries in particular that of Madagascar, Morocco and Senegal.
3.2. Which administrative choices to mobilize the local tax system?

3.2.1 Which orientations to consider?

One option would be to reinforce tax authority resources to enable the administration to establish and collect local tax revenues. A major drawback of this would be not clearly defining the method for the organization of tax administration, which becomes a hybrid organization, responsible for operations (central tax and mass local tax concerns) which have no connection. The option in favor of a reinforcement of tax authority resources can also appear irrelevant as these tax authorities are already ineffective in the carrying out of their main duty, the collection of central taxes using tax collectors. The risk is the provocation of significant opportunity costs, at the origin of central tax revenue losses, while rendering even less effective the tax organization through the key tax collectors.

Another option, independent of the first, would be not overburdening the tax authorities by excessively arduous assignments within the area of local tax. Within such a structure, it is advisable to envisage, as in Mauritania, an extension of the competency of the decentralized communities who should apply their authority on established assignments and collection of the various categories of local revenues. Support from the Treasury network, a network traditionally more complex than that of the tax authorities and who, as the municipal receiver general already guarantees the collection of local non tax revenue, would be certainly useful to request.

3.2.2 The theory of a combined and renovated tax circuit

Obviously, avoiding the duality of financial circuits around local government agencies would be effective. Possible solutions vary according to the contexts'. Therefore, in the case of Benin but also in many other countries (Burkina Faso, Mauritania, Senegal), the renovation of the tax system operation circuit could operate around the municipal revenue network without having to create a new administrative complex, or question the grouping of established assignments and collection, which has constituted a significant progress.

In order to avoid mobilizing two distinct financial circuits for the local government agencies, it would be preferable to prioritize the system most adapted to the municipal revenues, which generally depends on the General Directorate of Public accounts DGCP (Direction Generale de la Comptabilite Publique). The advantages of this solution would be a greater system density, the regrouping of the administration of all tax and non tax revenue within the same management service and the safeguarding of the regrouping of the established value and collection. This option allows the respect of the vocation of the tax authorities to manage in a progressive manner the key tax collectors.
The municipal Controls would have the responsibility of the mobilization of local resources (RLP). The municipal controls would ensure all of the established value tasks and tax collection up to litigation.

The collection of grade related taxes could be undertaken, either within the framework of informal payments, or in collection rounds which would also make it possible to update the census.

**Conclusion**

The process of decentralization currently in progress in sub-Saharan Africa aims at enlarging the budgetary space through improving the effectiveness of public expenditure but also through the mobilization of additional public resources. The local resources (RLP) of decentralized communities constitutes an essential element of the revenue that make it possible to mobilize at the level of the decentralized communities: the mobilization of local resources (RLP) is mainly dependent on local decisions and generally the taxpayers should be able to establish a link between the local tax deductions and the local public services on offer.

A global assessment in various African countries highlights a limited amount of local tax revenue collected (less than 1% of the GDP) and also a distribution firmly biased in favor of the most important urban communities.

The poor mobilization of local resources (RLP) comes from economic policy decisions which are then translated in a large number of countries by a negative effort of decentralization. This result shows a reluctance of the central governments to authorize the mobilization of local resources (RLP). In addition to the intervention of political factors related to power play, an explanation of this reluctance can be the current limited effectiveness of local public expenditure. The influence from particularly pressing budgetary needs at a central level can also not be excluded. Lastly, the limited mobilization of local resources (RLP) comes from global factors (weak public governorship, accumulation of public arrears, strong incidence of poverty, and possible demobilization effect of certain forms of external aid). It is necessary to take into account all of these factors to promote a stronger mobilization of local resources (RLP).

The local taxation systems of African countries as with their administration methods are not in a situation to allow the mobilization of local resources (RLP) with the measurement of the growing role of the local communities.

In the urban zones, in spite of the setting up of real estate tax (TFU) in Benin, the system of land taxation still appears extremely complex for land assets of minimal worth. An approach, of either division according to the characteristics of the land assets, or of solely scale related local land taxation, certainly constitutes a direction to be evaluated. Scale related taxation, either generally, or applied to the section of high value property assets, would make it possible to contain the cost of tax collection and, at the same time, would make it more comprehensible for the taxpayers.

27 An alternative could be the following: Debt recovery through the controls of communal revenue and centralization with the principal revenue of the taxes before transfer to the receiver general of finance (Receveur General des Finances). Capital flow and financial information’s are transferred to the receiver general of finance (Receveur General des Finances).
The tax on small activities could also take place with acceptable collection costs through a scale related business rates (\textit{patente synthétique}) and exclusively constitute local revenue.

The local communities in the rural zones with minimum commercial activity encounter difficulties specific to the mobilization of local resources (\textit{RLP}): the experiment of local development tax (\textit{TDL}) in Benin highlights the need for the management of local taxation by the central State, which has an obvious vocation of coordination between the central and local level.

The system of revenue reassigned by the central State needs to be defined so as to provide revenue which remains as stable as possible. In particular, it is advisable to avoid a vulnerability of reassigned revenue with respect to the tax alteration or economic shocks or difficulties.

In addition to the setting up of the local tax system, innovative solutions for the local tax department should definitely be researched. The principle guidance would be to include the decentralized communities in all of the established duties and collections of the local tax system while seeking a technical support on the side of the financial administration having the best capacity in the domain of the mobilization of local taxation.
Bibliography


Baltissen, G., T. Hilhorst, 2005, Les premiers pas des communes au Bénin : enseignements du processus de la décentralisation Série Décentralisation et gouvernance locale Bulletin 371, Institut Royal des Tropiques Amsterdam,


Bourguignon F., 1998, Fiscalité et redistribution, Conseil d’Analyse Economique et Social, La Documentation Française.


Brun J-F, Chambas G., Guerineau S. 2007 « Aide et mobilisation fiscale » Etude effectuée à la demande de l’AFD, CERDI.


Appendix 1
Table I: Rate of total global public revenue: evolution and international comparison

*Units: percentage of GDP*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developing Countries</strong></td>
<td>21,3 (82)</td>
<td>21,4 (83)</td>
<td>20,8 (87)</td>
<td>20,6 (92)</td>
<td>20,8 (99)</td>
</tr>
<tr>
<td><strong>Africa South Of the Sahara</strong></td>
<td>20,8 (43)</td>
<td>20,6 (44)</td>
<td>19,8 (45)</td>
<td>19,7 (45)</td>
<td>20,1 (46)</td>
</tr>
<tr>
<td><strong>Latin America</strong></td>
<td>20,3 (18)</td>
<td>21,0 (18)</td>
<td>20,7 (17)</td>
<td>21,4 (17)</td>
<td>21,1 (19)</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>19,3 (12)</td>
<td>22,1 (11)</td>
<td>20,8 (13)</td>
<td>19,1 (16)</td>
<td>18,5 (19)</td>
</tr>
<tr>
<td><strong>Middle Eats / North Africa</strong></td>
<td>29,1 (10)</td>
<td>26,1 (11)</td>
<td>25,9 (11)</td>
<td>28,3 (12)</td>
<td>28,0 (13)</td>
</tr>
<tr>
<td><strong>Least Developed Countries (LDC’s)</strong></td>
<td>18,3 (37)</td>
<td>17,6 (38)</td>
<td>16,7 (36)</td>
<td>17,0 (39)</td>
<td>17,1 (39)</td>
</tr>
<tr>
<td><strong>Low income Countries</strong></td>
<td>18,7 (40)</td>
<td>17,5 (42)</td>
<td>17,0 (45)</td>
<td>16,9 (49)</td>
<td>17,8 (54)</td>
</tr>
<tr>
<td><strong>Middle income Countries</strong></td>
<td>23,8 (42)</td>
<td>25,3 (41)</td>
<td>24,8 (42)</td>
<td>24,9 (43)</td>
<td>24,3 (45)</td>
</tr>
</tbody>
</table>

( ) : Sample.
Sources: IMF (International Monetary Fund) (GFS Fonds Monetaire International), national statistics; author’s calculations.