Strengthening Revenue Mobilization Efforts in Sub-Saharan Africa

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It is well recognized that an adequate noninflationary revenue mobilization effort is critical for the financing of a government's necessary social and economic expenditure obligations. Unfortunately, in Sub-Saharan Africa, the tax effort in two thirds of the countries has been disappointingly low, with tax revenue as a percent of GDP at or below 15 percent; indeed, almost one third have ratios below 10 percent of GDP (see Table). Equally disturbing, many countries have witnessed a decline in their tax effort in recent years. As a result, many donors and international institutions have focused their technical assistance for Africa on strengthening revenue performance. This paper explores why revenue performance in Africa has been weak and what strategy can be adopted to remedy the problem.

Before answering these questions, five caveats should be mentioned. First, there *are* a few countries (8 out of a sample of 29) where tax efforts can be considered adequate, exceeding 20 percent. Although in a few countries this reflects a tax base that depends on the mining sector, there are other countries, notably Kenya, Seychelles, South Africa, and Zimbabwe, where the tax base is considerably more diversified--signaling what is possible in other parts of Africa.

Second, while this paper argues that there is a basic and practical strategy for improving the tax system, there is not a "one size fits all" tax policy regime that is appropriate in all cases. Differences in economic base, openness to trade, the degree of reliance on natural resources,

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the relative importance of the informal sector, administrative capacity, and the nature of the political and economic linkages to other countries, would all influence what would be the appropriate tax policy and administrative regime.

Third, a government's resource mobilization efforts do not occur in a vacuum and are unlikely to be successful in an adverse political environment or in the context of a badly managed macroeconomic policy regime. Indeed, it would be difficult for even the ideal tax policy regime and the most efficient tax administration to function effectively and yield adequate revenue under such circumstances. Weak economic policies that have led to hyperinflation, stagnant or negative growth, overvalued exchange rates, and large government payments arrears erode tax bases and induce tax evasion, thus contributing to deteriorating revenues. Civil disorder, lack of political will to stem corruption, and grossly inadequate salaries weaken the capacity of many tax administrations that were once effective.

A corollary point is that strategies to strengthen tax policy and administration are likely to be more successful in the context of a sound macroeconomic policy regime and a politically supportive environment for reform. Political will is particularly vital, whether for the adoption of a simple tax system or for the establishment of an effective tax administration.

Fourth, one must be realistic in terms of the improvement in revenue ratios that can be reasonably expected to be achieved in many African countries, given the low level of development and the heavily agricultural and informal sector character of their economies.

Lastly, one should not forget that a high tax effort is not desirable in and of itself, but only in the context of the social benefits perceived from a given level and structure of public expenditure.

In what follows, I shall initially lay out the constellation of factors that have contributed to Africa's recurring weak revenue performance, then describe the elements of a strategy that the IMF's Fiscal Affairs Department (FAD) has been recommending in recent years and that has served as the basis for some progress in revenue mobilization in several African countries. Such recommendations--encompassing both policy changes and administrative reforms--typically arise during FAD's technical assistance work, and in the context of IMF program negotiations, and Article IV Consultations

Reasons Behind Weak Revenue Performance

Poor revenue performance in Africa can be attributed to a number of factors. To begin with, both the number of "tax handles" and the size of the tax base with which they are associated, tend to be fairly limited. This results from the fact that most Sub-Saharan economies must contend with low per capita income, an income base largely derived from agriculture (of which the subsistence sector is often quite important), and manufacturing and service sectors that include a significant informal sector.

Next, most countries suffer from weaknesses in the economic policy environment or political milieu. Moreover, once such weaknesses have adversely affected an economy or dramatically reduced the administrative capacity of the tax agency, it may take a number of years, even under appropriate policies, to rebuild and restore the viability of a government's capacity for resource mobilization.

Tax policy regimes in African countries also tend to share certain features that both erode the potential for revenue mobilization and distort their impact on the efficiency of resource allocation and incentives for growth. Such features include: customs duty structures

characterized by an excessive number of multiple nominal tariff rates, significant dispersion in the rates of effective protection, and numerous exemptions; complicated multiple rate indirect tax systems applied to only a limited number of sectors and resulting in significant cascading; enterprise income taxes limited to the formal sector and subject to extensive tax incentive provisions; personal income taxes that are almost exclusively applied to wage incomes in the formal/government sector and that are subject to high average and marginal tax rates; and export taxes that, although constituting an alternative approach for taxing the agricultural sector, give rise to significant resource allocational distortions.

Exemptions in particular weaken the tax and tariff system. In some countries, more than half of imports and domestic economic activity is exempt, reflecting generous investment codes, corruption, abuses of the system by suppliers of exempted enterprises, loose controls over the granting of exemptions by government agencies, and special regimes for nongovernmental organizations (NGOs), externally financed government projects, and diplomatic personnel. Tax exemptions for agricultural inputs have also been used by African governments as a way of fostering agricultural productivity.

Finally, weaknesses in tax and customs administration go a long way in explaining why it has proven difficult to improve the revenue performance of many African countries. Factors *systemic* to a country's public administration are obviously important, including overstaffing, very low salaries, poor training, inadequate supplies and materials, lack of equipment and

vehicles, limited or inappropriate computerization, and poor management practices.1/ Deficiencies in the tax policy regime also beget administrative weaknesses. High tax rates, multiple exemptions, and diffuse authority over the granting of exemptions can encourage evasion as well as create inducements for corruption and rent-seeking among lowly paid tax officials. The politicization of customs organizations is common.

In addition to a lack of political will to support vigorous tax collection efforts, specific weaknesses in the organization of tax and customs administrations and unprioritized approaches for assessment, collection, audit, and valuation are also common. For example, current tax collection procedures in much of Francophone Africa consume large administrative resources and yet effectively involve lengthy delays between the filing of a tax return and the assessment and payment of the tax liability by a taxpayer. Collection responsibilities are often dispersed between separate administrations, creating additional opportunities for corrupt practices. Approaches to auditing in many countries are highly inefficient and involve lengthy delays and frequent legal proceedings; in general, there is little incentive for compliance by taxpayers. Customs administrations are similarly hampered by an excessive number of regulations and exemptions; complicated tariff structures; poor and haphazard controls on the transit, clearance, and bonding of imports; deficient valuation procedures (leading to cases of both under and

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1/ Poor management practices are often exemplified by ill-defined work priorities, a lack of effective supervision of staff, an absence of documented procedures, limited coordination across departmental operations, and ineffective implementation of reform measures.

overinvoicing); inadequate audit procedures; 1/ negligible penalties for misrepresentation; and significant payment arrears.

Strategies for strengthening revenue mobilization efforts

A review of the recent experience with tax and customs policy and administrative reform in Sub-Saharan Africa 2/ suggests much activity, albeit with many initiatives still at a very early stage of implementation. For a few countries, reform has been pursued with sufficient resolve to raise revenue shares, albeit often from low levels (notably Benin, Ghana, Kenya, and Uganda). 3/ I start with the thrust of the tax policy advice that FAD offers in its technical assistance program, followed by an examination of the recommended strategies for reforming tax and customs administrations.

Strategies for tax reform

When a country evaluates the appropriate tax policy regime, given its resource mobilization objectives, key considerations include the minimization of resource allocational distortions, the capacity of the tax administration, the Government's distributional objectives, and the extent to which the Government is committed to regional tax and tariff harmonization objectives. While these factors may result in different strategies across countries, a number of

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1/ Typically, a customs administration will undertake the most superficial checks on *all* imported goods rather than well-targeted selective inspections and post clearance audits.

2/ In what follows, I have drawn upon the results of a recent (1995) joint IMF-Government of France Symposium on "Major Government Finance Problems Facing the Countries of French-Speaking Africa."

3/ Obviously, such policy actions, whether preliminary or sustained, only explain part of revenue developments in the region. For example, in Francophone Africa, the devaluation of early 1994 played an important role in arresting the growing deterioration of revenue shares, although one could argue that better results were achieved by the countries that had strengthened their tax administration systems (e.g., Benin and Gabon) prior to the devaluation, as this allowed them to more fully benefit from the devaluation.

common elements would appear appropriate for Africa and are often recommended by FAD in its technical assistance work.

Typically, the advice includes keeping tax and tariff rates low, broadening the tax base as much as possible, minimizing the number of exemptions and incentives, reducing reliance on international trade taxes, and simplifying the tax system to facilitate both administration and taxpayer compliance. For countries embarking on trade liberalization, increased reliance on broad-based consumption taxes--specifically a simple value-added tax (VAT)--becomes necessary. The use of excises should be limited to those commodities for which distributional or external considerations argue for tax instruments to discourage consumption or excessive exploitation of resources. Other elements of reform include a strengthening of the schedular income tax system and a simplification of the approach to taxing small businesses (including introducing a form of income tax withholding at the import stage and reducing the minimum profit tax). At times, the tradeoff between the desirability of policy reforms and administrative simplicity would need to be considered (e.g., with respect to export taxation).

In laying out these "common elements" of policy, it is useful to recall the words of my colleague, Mrs. Milka Casanegra, that "in Africa, tax administration *is* tax policy!" While this is certainly not the whole story, this admonition does remind us of the administrative considerations that, in the case of the Sub-Saharan countries, point to the desirability of a relatively simple tax policy regime. For example, while we may be hesitant to recommend a schedular tax system in an industrial country (for which we would normally prefer taxation on a global base), it is likely to be the appropriate approach for a Sub-Saharan country, reflecting the

common administrative constraints that prevail. What are these common elements? Some of the key ones include:

• **Reduce and control exemptions.** 1/ This requires, first and foremost, strong political will from the highest level of government. Customs and tax laws and regulations should be revised to limit severely the scope for possible exemptions, including repealing all tax waiver provisions in investment codes (replacing them with ordinary legal provisions in the tax and customs codes); eliminating exemptions on all unidentifiable fungibles (fuels), primary commodities, consumer goods, and spare parts; setting fixed limits on the time period over which exemptions are available (no more than four years), and forbidding the renewal of exemptions. For oil exporters, all tax waivers for subcontracting should be eliminated (with a provision made for exporters to seek a refund for indirect taxes paid by subcontractors on inputs). Exemptions for NGOs should be tightly controlled, and where possible, restricted to specific quantities of certain items (cars, personal effects) for limited periods. Abuses in the use of diplomatic tax exemptions should be monitored.

Normally, countries will also need to revise the legal procedures for granting exemptions and the criteria used in evaluating the desirability of an exemption. In particular, tax exemptions should be issued *only* by the Minister of Finance (with limits on delegating decision-making within the Ministry). A single, transparent, centralized procedure would need to be introduced for granting any exemptions (including requiring ministries to provide estimates of

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1/ Such a policy can contribute both to an increase in revenues and a lower customs tariff rate.

the loss in duty and revenue implied by granting exemptions). 1/ Budgetary procedures may also need to be revised to ensure that Government ministries are budgeted on a tax and duty-inclusive basis, and policy makers may need to renegotiate exemptions for project or program imports with donors. 2/

- **Move to a simplified form of the VAT.** We believe that the VAT is a revenue instrument that can generate significant revenues while also being nondistortive in terms of its resource allocational effects. It has been introduced in a number of African countries, and in recent years, several of these--notably Benin, Burkina Faso, Gabon, and Zambia--have implemented reforms to strengthen its efficiency. Successful implementation requires that the legislation be kept simple. In particular, it is preferable to have only one rate (other than for zero-rated goods); as broad a tax base as possible (with only limited exemptions, such as on the most essential consumer goods and services); a zero rate applied only to exports; and a turnover threshold that ensures that the domestic VAT is applied to the larger and more limited number of taxpayers who are capable of meeting the legal and reporting obligations, consistent with a country's administrative capacity. 3/ Smaller enterprises, who may indirectly end up

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1/ Tanzania is an example of a country where efforts are being made to improve procedures for granting exemptions to make the process more transparent.

2/ A highly successful approach to limit abuses of exemptions associated with externally financed projects is for the government to negotiate, ex ante, the magnitude of the import duty exemption associated with a project. The contractor would then pay the import duty on all project inputs using a predetermined credit voucher, based on the ex ante calculation of the exempted duties.

3/ While some countries have advocated a second, reduced rate for basic consumer goods, this complicates the administration of the VAT, making it more costly for both taxpayers and tax departments. It also opens the door to political pressures to change the rates for any given good.

paying VAT on their purchases of inputs, have the option of registering for the VAT and receiving credits.

Adoption of a VAT can normally be phased in over a period of 12-18 months, taking account of the information and training needs of both taxpayers and the tax administration. VAT administrative reforms should embody the recommendations discussed above. 1/

- **Simplify the approach to taxing small enterprises.** Taxation of this sector cannot be ignored if one is to prevent evasion through the hiding of large taxpayer transactions through informal sector units and if one is to limit the competitive distortions that would arise if only the formal sector were taxed. Yet the administration of taxes on small enterprises is often unsatisfactory in many African countries. In the French system, the "forfait" system is typically used, requiring negotiation with each enterprise to determine tax liabilities under the different taxes applicable to enterprises (e.g., VAT, turnover tax, profit tax, annual license fee). Such an approach tends to be both costly to administer, low in revenue yield, and susceptible to collusion between the taxpayer and tax official negotiating the forfait level.

Several alternative approaches to the taxation of small enterprises and the self-employed are being tried in a number of African countries (notably Benin and Cote d'Ivoire). One is the introduction of a single business tax, which would constitute a minimum level of taxation. Such a tax is levied on a proportional basis, usually at a low rate (1-2 percent), on the rent paid by an enterprise (e.g., as in Benin); alternatively, the tax is levied on the enterprise's turnover (e.g., in Niger and Cote d'Ivoire). A further variant is Uganda's commercial transactions levy, which is a

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1/ Specifically, this would include a special unit for large enterprises, introduction of single identification numbers, computerization of the taxpayer master file, a policy of tax cross checking and targeted field audits, and a combining of filing, payment, and refund procedures within the tax administration.

tax on services that is applied on a minimum presumptive basis. Such taxes can initially be administered through "community policing" techniques (e.g., in Benin).

A schedular withholding tax system can be also be used as a means of ensuring at least minimal income tax payments by small enterprises or the self-employed. For example, large enterprises and government agencies can be required to withhold a certain share of their payments to professionals or individual contractors, again at a low proportional withholding tax rate. Similarly, businesses may be required to pay a 3-5 percent withholding tax on imports, which would be creditable only against the income tax. (e.g., in Benin, Burkina Faso, and Togo)

FAD also typically recommends a significant reduction in the so-called "minimum profit taxes." Presently, some Francophone countries levy such a tax on gross turnover, usually at a rate of 4-5 percent. Although creditable against the income or profit tax, such a tax rate would appear too high, particularly since the credit would be unavailable to loss-making enterprises.

• **Improve the current schedular income tax system.** Most African countries rely on a schedular income tax applied to wage and salary income for employees in the formal sector. Such a tax typically works well and facilitates a reasonably buoyant and equitable basis for generating income tax revenues. Problems typically emerge when policy makers fail to adjust tax rate brackets during periods of inflation, and when there are excessively detailed rate schedules, complicated exemption formulae, and an unduly high top marginal tax rate. Also, many countries fail to apply a schedular tax to interest and dividend income. While such an approach is decidedly second-best to a progressive global income tax for achieving equity objectives, schedular taxes on capital income sources--viz., a proportional withholding tax on

capital source income--are relatively easy to administer and would establish a basic measure of equity in a tax system. 1/

• **Reduce reliance on export taxation.** While there may be some economic justification for export taxes in a limited number of circumstances (e.g., monopolies or dominant producers), in general, export taxes are simply used to compensate for the ineffectiveness of other forms of taxing agricultural income. This is a problem because export taxes not only hold the potential to adversely effect domestic production but they also subsidize domestic consumption of exportables and contribute to a poor allocation of resources, particularly among various crops. Thus, FAD generally recommends reducing effective export tax rates (mitigating the negative effects on production), deducting export duties from the income tax payable by individuals and corporations, eliminating export taxes on products for which domestic demand is strong, and substituting an income tax if only one or a few enterprises produce or market a product.

• **Rely on an integrated rather than piecemeal approach.** It is important to recognize the links between the various elements of a tax reform strategy. Reforming customs duties will be difficult if the policy regime for other domestic consumption taxes (excises, sales tax/VAT) is in disarray. Similarly, removing direct tax incentives is often easier to achieve if accompanied by a reform of the structure of the enterprise income tax.

Core strategy for strengthening tax administration

1/ Again, while a global income tax may allow for greater progressivity, if poorly administered and subject to significant delays and delinquencies, it may, in practice, be counterproductive in terms of achieving equity objectives.

Strengthening the efficiency of the tax collection effort is important for enhancing revenue mobilization, minimizing the allocative distortions required to achieve revenue objectives, and achieving greater vertical and horizontal equity among taxpayers. The starting point is a recognition of the basic realities of many African countries in terms of (i) the limited number of enterprises that are likely to be liable for a significant amount of taxes (other than the mass of civil servants, for whom tax withholding by the Government is administratively simple) and (ii) the small number of administrative points at which tax and tariff collections are likely to be most significant and productive. 1/ This situation reflects the importance of imports in these economies and the limited size of the formal manufacturing sector. What would an effective strategy entail? The advice of FAD in this area principally focuses on strengthening collections and audit functions.

- Consistent with reforms in the tax policy regime, the focus should principally be on the larger taxpaying units in the economy. This reflects the reality that in most African countries, only a small number of taxpayers account for the bulk of taxes due (from corporate income taxes, excises, and sales taxes). 2/ Central to the strategy would be the establishment of a large enterprise collection and audit unit. In a system based on the self-assessment approach (see below), such an administrative unit would be expected to focus its energies forcefully on

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1/ In practice, this means a significant centralization of controls over the major taxpayers in a country and, where necessary, the transfer of responsibility for those taxpayers from regional and municipal offices of the tax administration. Also, as part of the strategy, lower priority is accorded to collection of taxes such as the property tax, which normally generate minimal revenues to the national Government.

2/ In a typical African country of population 5-10 million, there are normally an average 1000-2000 enterprises of significant size, with only a small number accounting for the bulk of receipts.

sending reminders and imposing penalties on the most important delinquent taxpayers (in terms of potential revenue losses). 1/ However, this approach would also need to be complemented by a strategy to ensure the *minimal* taxation of smaller enterprises, particularly in the informal sector (see below), where activity levels are below the threshold for which formal registration and tax filing would be required;

- For legal taxpaying units (e.g., enterprises), there should be a shift toward a system of self-assessment and self-payment of taxes. Specifically, enterprises would be expected to calculate the taxes that they owe and then make the payment at the same time as they file their returns. One tax office would be responsible for both receipt of the tax return and the tax payment. This departs from existing tax assessment procedures commonly applied to direct taxes, whereby tax administrators first review and calculate tax assessments for each taxpaying enterprise, then notify it as to its outstanding tax liability--but payments are made to a completely different government agency. In fact, a notice of tax assessment should be issued only when an audit suggests a need for additional payments;

- Only one organization should have the responsibility for collecting tax filings and payments (in contrast to the divided responsibilities across separate administrations found in many African countries). Such a reform would significantly increase efficiency, reduce opportunities for embezzlement and rent-seeking, and provide a clearer bureaucratic assignment of responsibility for revenue collections;

- In order to facilitate self-assessment, there should be a simplification of tax forms;

1/ Zambia is an example of a country where concerted efforts by the tax administration have resulted in the collection of significant tax arrears.

- Taxpayer identification numbers should be assigned, with the initial focus being on large taxpayer units, but with later extensions to the rest of the business sector and the self-employed. 1/ Eventually, at a later phase, such identification numbers would also be assigned to individuals;

- Audits should be targeted, focussed on only one tax, and covering only a short time period. This would contrast with prevailing practices that involve general and typically very lengthy audits that examine tax returns spanning several years and encompassing all taxes for which an enterprise is liable. Audits should normally be triggered by the discovery of an inconsistency or discrepancy in the tax return and/or by a failure by a large enterprise to file. A general audit should be undertaken only in cases of serious and repeated fraud, as might be detected during targeted audits, and would be carried out by a small, carefully selected, team of properly trained experts; and

- Procedures should be gradually computerized, but with the caveat that the sequenced introduction of well-specified computerization modules would be linked to the achievement of streamlined procedures and the issuance of taxpayer identification numbers. Initially, the focus should be on establishing the taxpayer master file and issuing monthly reminders to delinquent taxpayers. Subsequently, modules could be developed to detect inconsistencies and to cross-check returns, both across taxpayer units and/or against information from Customs.

Organizational reforms are also critical, although sometimes the solutions are aimed at the tax or customs administration alone, when the problems affect the public sector more

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1/ In Uganda, the assignment of unique taxpayer identification numbers to all taxpayers has provided the foundation for the introduction of the VAT and for the modernization of tax administration procedures.

generally. For example, one would wish to see a rationalization of staffing, coupled with an initiative to bring compensation levels closer to those found in the private sector. A strategy for training and human resource development would also be essential.

Reforms more specific to the problems of a tax and customs administration normally involve the provision of increased institutional autonomy, a revamping of the organizational structure of the tax collections unit, the issuance of an ethics code, and the imposition of adequate penalties for cases of malfeasance. In recent years, many countries--Kenya, Uganda, and Zambia, and, in the near future, South Africa--have even taken the step of establishing autonomous revenue authorities. Separating the revenue authority from the civil service is expected to facilitate greater efficiency (through economies of scale in revenue collection, greater insulation from political pressures, reduced duplication of efforts, and an enhanced capacity for cross-checking capabilities), obtain a higher quality staff (as the authority would be able to set competitive salary scales and undertake employment rationalization policies), and secure an independent source of funding (typically determined as a fixed percentage of revenue collections). It will be interesting to see if these greater efficiencies can be achieved.

Strategies for strengthening the Customs administration

Liberalization of trade has become a central theme of structural adjustment throughout the world. Africa is no exception. Trade liberalization normally entails a reduction in average tariff rates and a shift of resource mobilization efforts toward consumption-based taxes. Ironically, these trends accentuate the importance of a strengthened customs administration in Africa, since for virtually all countries it would be at the point of entry to the country that *all* forms of taxation on imported goods (be it customs duties, VAT, or an excise) would be levied

or exemptions granted. 1/ Similarly, for exports, any VAT rebates associated with exports would need to be initiated at this point. Reducing the cost and uncertainty associated with customs clearance operations will also be critical for the competitiveness of importers and exporters. Strengthening the quality of data on the value and quantity of trade will continue to be vital as an input to the macroeconomic policy formulation process. Thus, a strengthening of customs control, valuation, and data collection procedures at the point of entry of imports is now, more than ever, critical for revenue mobilization in Africa.

As with tax administration, efforts to strengthen the customs administration must inevitably focus on details, procedures, and organizational processes. Reforms must be prioritized in terms of those key stages in the process where the revenue consequences of inefficiencies will be the largest; the emphasis should be on simplification, rationalization, and where relevant, computerization. 2/ The sequencing of reforms must also reflect the early introduction of measures that do not require a lengthy time for preparation, relative to those for which significant advance planning and training are required. Beyond the types of organizational reforms discussed above, the elements of a customs reform strategy should focus on:

1/ The more advanced approaches to levying duties or taxes that are now being developed in the European Union (e.g., at nonborder points) are not likely to be feasible in Africa for the foreseeable future.

2/ In some countries, pre-shipment inspection services (PSI) provided by private agencies (on a fee for service basis) have been introduced in the expectation that they will generate significant revenue increases in the short term (in advance of the implementation of major customs administration reforms). However, such revenue increases are rarely achieved in that sort of time frame unless the authorities are strongly committed to these arrangements. PSI arrangements should be considered as temporary measures to be phased out within a two-three year period when a comprehensive customs administration reform program has been implemented. PSI arrangements also need to be carefully implemented and supervised by the authorities to ensure that they achieve their intended objectives.

- Simplification and rationalization of tariffs (lowering the maximum tariff level and reducing the number of rates to no more than three), as well as of the associated customs laws and regulations. This would also include eliminating most import duty exemptions. While these are obviously more of the nature of policy reforms (as noted above), a simplification initiative should also be recognized as a prerequisite for increased administrative efficiency;

- Strengthening of customs procedures, based on risk assessment and selective controls targeted at high risk goods and enterprises. Import processing is the first and most important procedure to be reformed, with the emphasis on internationally accepted standards, codings, and forms. The procedures should be designed to (1) ensure that all goods are reported and placed under customs controls; (2) process import declarations on the principle of self-assessment; (3) reduce the number of processing steps to a minimum; (4) introduce selective, effective goods inspection; (5) release goods from customs controls in the least amount of time possible; (6) ensure that the correct amount of revenue is paid and deposited in the government account; (7) ensure that information is provided for the timely reporting of trade statistics. Export processing is the next priority for reform, particularly for countries with a VAT, as controls should be kept to a minimum.

- Introduction of procedures for verifying values declared for customs purposes, both at time of release of the goods from customs control and, selectively, on a post release review basis. Information systems--both manual and electronic--are required to support valuation review (this may require consideration of the use of pre-shipment inspection in certain cases). Improving valuation controls is particularly important because, as a result of the Uruguay round trade negotiations, all countries that are members of the World Trade Organization have five

years to implement the GATT Valuation Agreement. In the past, most African countries did not use the GATT Agreement and considerable effort will be required to introduce new procedures and train staff to administer it effectively.

- Introduction of effective post-clearance review. This approach is particularly useful to support control of valuation, tariff classification, exemptions, drawback, and origin. These reviews should be targeted based on risk. For example, goods claiming an exemption or an zero rate may be misclassified, and goods with a high rate may be undervalued.

To support the reform strategy, customs administrations will have to introduce changes in the computer systems, organization, management, recruitment and training, and service. For example, cooperation between customs and tax offices must be improved (e.g., customs should use the tax payer identification number from the tax department). Service must be improved not only to support quick release of goods from customs control but also to process legitimate drawback claims for exporters in a timely manner.

Concluding Remarks

This paper has argued that with political will, African countries can strengthen their revenue mobilization efforts, despite the weak prevailing economic conditions and the heavily agricultural and informal sector character of their economies. This is not a theoretical argument. Many of the individual reforms advocated above are in the process of being implemented by many African countries as part of their IMF-supported adjustment programs. On a piecemeal basis, these reforms are beginning to bear fruit. More important, in those few countries where the authorities have been willing to implement these strategies on a comprehensive basis--notably, Benin, Gabon, Burkina Faso, Uganda--we are observing significant

improvement in their revenue mobilization efforts. However, one must also recognize the limits as to what can be achieved, and the serious revenue constraint that is likely to continue to burden the budgets of many African countries.

Tax Revenue Levels Still Need a Sharp Boost

Sub–Saharan Africa: Tax Revenue ~~Trends, 1990–94~~

(As a percent of GDP)

	1990	1991	1992	1993	1994
Benin	7.9	8.8	10.0	10.9	10.8
Botswana 1/	37.5	42.0	40.6	40.6	37.3
Burkina Faso	10.2	10.1	8.7	9.3	10.1
Cameroon 2/ 3/ 4/	11.0	10.6	11.5	11.6	8.9
Central African Republic	10.4	8.6	8.2	6.8	6.3
Chad	7.9	6.4	6.3	6.2	5.4
Congo 3/	16.0	15.9	14.7	15.5	12.7
Côte d'Ivoire	17.6	16.9	17.0	14.9	16.3
Equatorial Guinea	14.3	13.5	14.1	13.9	10.9
Gabon 3/	11.7	12.6	12.4	12.4	10.2
Gambia 2/	19.3	19.8	20.4	21.8	20.0
Ghana	10.8	12.4	10.0	12.9	16.2
Guinea–Bissau	8.0	6.5	3.9	5.0	6.5
Kenya 2/	19.5	20.1	19.8	20.0	26.0
Mali 5/	9.8	12.1	10.4	11.1	9.9
Mauritius 2/ 6/	22.0	22.4	20.7	19.9	19.7
Niger 5/	7.9	7.0	6.7	6.6	5.4
Nigeria 7/ 8/	4.4	4.7	3.9	3.6	4.4
Senegal 6/ 9/	14.5	15.6	15.3	13.9	12.4
Seychelles 5/	38.3	34.3	34.5	36.6	34.1
Sierra Leone 2/ 5/	8.6	9.6	11.6	13.3	13.6
South Africa 1/	25.1	24.0	23.8	23.2	23.9
Swaziland 1/	27.0	27.9	28.8	27.4	28.7
Tanzania 2/	12.1	14.0	14.8	11.4	13.5
Togo 5/	18.7	15.2	12.6	8.6	11.3
Uganda 6/	6.3	8.0	7.3	8.1	9.7
Zaïre 10/	9.3	4.4	2.7	3.4	2.9
Zambia	19.9	18.3	17.5	14.1	16.8
Zimbabwe 2/	30.4	30.5	33.3	27.6	26.8

Soruces: IMF, Country documents and staff estimates.

1/ Fiscal year beginning April 1.
2/ Fiscal year ending June 30 .
3/ Non–oil tax revenue, non–oil GDP.
4/ Calendar year or fiscal year ending the calendar year.
5/ Government revenue.
6/ Budgetary central government revenue.
7/ Federal government revenue.
8/ Including inland revenue, cusomes and excise taxes; and VAT.
9/ Fiscal year ending June 30 through 1991/92, calendar year date starting in 1992.
10/ In billions of new Zaïres from 1994 onward.