The Hunt for Revenues in a Poor State

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PhD Dissertation

Politica

ISBN: 978-87-7335-241-0

Cover: Svend Siune
Print: Fællestrykkeriet, Aarhus University
Layout: Annette Bruun Andersen

Submitted September 28, 2018
The public defense takes place December 19, 2018
Published December 2018

Forlaget Politica
c/o Department of Political Science
Aarhus BSS, Aarhus University
Bartholins Allé 7
DK-8000 Aarhus C
Denmark

A poor state navigates its terrain,
Seeking in every enterprise some profit to secure
… whereby to rule, to reign.
Behind every gate, hut, workman's bench, be there
A source of revenue?

And at its back, looms
Its minders, those
Development partners
These institutions – offering validity
(And moreover
Lifeblood that sustains)

But in the shallows, and in the depths
Particularly where the land lies fallow
Be careful there, now watch your step!
Lest you uncover …
A hornet's nest

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A note on style: The research for this dissertation was carried out exclusively by the author. However, in the dissertation I sometimes employ the use of “we” instead of “I”. I employ this term as a way of engaging in dialogue with my reader rather than to convey additional authors engaged in the research.

Acknowledgements

This dissertation began with a flight to a little city I had never heard of, in a corner of the world I had never visited. In a cross-continental search for an academic home that married politics and public administration and for an advisor that was delving into the strange little world of taxation and development studies, Ole Therkildsen from the Danish Institute of International Studies recommended that I reach out to Anne Mette Kjær at Aarhus University. Here I discovered a beautiful university tucked away in the bucolic Viking city of Aarhus, one of the largest and most respected political science departments in Northern Europe. I also met the lady who would become my mentor and advisor and moreover, a dear friend. Anne Mette Kjær welcomed me into her family home for many dinners, for her children's graduations and birthdays, and even made a proper Danish Christmas lunch for my visiting parents (despite the fact that she is a vegetarian). We co-taught a graduate seminar and might have (somewhat accidentally) shared a couple's massage in Uganda, I will neither confirm nor deny. The final pages of my dissertation were written up at her family's summerhouse on the west coast of Jutland, enlivened by brisk walks with her family and Nelson, their golden retriever, along the blustery sea. Thank you for all your support, wisdom and academic guidance; and your kindness and thoughtfulness, in so many ways.

Jens Blom-Hansen, I could not have asked for a better co-supervisor. Your guidance was always a well-balanced counterpoint, gently reminding me when the world of Togo and Bénin and taxes in a poor state was not so self-explanatory to a Danish audience as I might have assumed, always strengthening and encouraging my efforts. Thanks for graciously dealing with poor skype connections all over the world, and for heartfelt dinners with you and Marina.

Ane Foged has been my "fellow tax nerd" at the department. We found in each other the flint to sharpen our thinking. Thanks for always being game to delve deep into abstract discussions on the meaning of the "fiscal contract". Your presence made the experience much richer, intellectually and in friendship. My dear "skat ladies", Marianne Ulriksen, Mette and Ane, keep our Vietnamese spring-roll dinner party tradition alive!

Anne Pintz, thank you for all the many Hygge evenings spent on your couch with a glass of wine and a welcome hearth for disclosing the secrets of heart and mind when needed most. Aarhus would have been a much harder place to live, for three years, without you. Vilde Lunnan Djuve, I found in you, unexpectedly, a friend who shared similar challenges of splitting life and love between many worlds. Your frankness and every-ready humor always rejuvenates the soul. Philipp Pechman, we began this PhD journey together over

pizza on the canal. Thanks for your friendship. Many other friends from the department have made the doctoral program and life in Denmark a fuller, happy memory – Kristina Jessen Hansen, Dorte Henriksen, Alexander Bor, Lisa Hirsch, Ekatherina Zhukova, Mathilde Cecchini, Bruno Oliveira Martins, Åsne Kalland Aarstad and Suthan Krishnarajan to name a few.

My office mates were many, all bringing friendship and warmth to the office, and each teaching me something new about Scandinavian life – in particular, Marie Kjærgaard, Helene Marie Fisker, Ane Foged, Halbera Friða West, Henrik Lauritsen, and Mathilde Thorsen.

To the department in general, and Peter Munk Christiansen and Christoffer Green-Pedersen, in particular, thank you for accepting an American into the fold, and supporting my field work (and financing transcriptions of 150+ hours of French interviews) and to all for lending a listening ear to my ideas, a constructive platform for learning, and for encouraging my voice and presence in the department. I remark often on the incredible community and I have learned much from so many of you.

To my defense committee, Jørgen Dige Pedersen, Catherine Boone and Christian Lund, it is no small thing to devote your time and energies to a 557-page monograph. The attention and thought which you clearly dedicated to it, and the careful, thoughtful critique you provided was insightful, challenging and stretched me in my thinking, while encouraging and commendable its depth. Thank you also for your patience in allowing me the time needed to complete this effort. Thank you, in particular, to Jørgen for leading the committee's assessment and coordination.

Thanks are also in order to Jon Jay Neufeld, whose dedication to detail in sharpening the final product was immensely appreciated. To Ruth Ramm for coordinating all the complex details of my expenditure's reimbursements from field work, and Lene Hjøllund, Annette Bruun Andersen and Birgit Kanstrup for providing administrative support in so many ways.

Thank you also to all of the many dedicated officials in Togo and Bénin which made this research possible, too many to name. In particular, I extend a very warm and heartfelt thanks to Kwami Obossou, my point of contact, who facilitated my "stage" at the Office Togolais des Recettes in Lomé and to the members of the Strategic Planning department who welcomed me into their unit and with their major undertaking of generating revenue for the state to govern. Thank you also kindly to Bertin Afossoro DONKO, Solym Amavi AVIA and Sossadema PELEI among many others for all the time and access you granted me in observing your work, and dedicated to answering my innumerable questions.

Finally, I want to extend warm thanks to my family and parents who have always been so supportive and encouraging to me, even if it remained somewhat a mystery why I would want to go bury my head in books about taxes for three years. And to Jason McGaughey, my love and partner in life, who left humanitarian work in Haiti to start this journey with me in Denmark, and then supported and loved me from afar in Afghanistan, and at all points in between, whenever and wherever we could be reunited. This has been no easy journey. Thank you for always believing in me.

Chapter I
Motivating the Dissertation

> The poor country finds it hard to increase its wealth rapidly because its population lacks skills, its information base is poor or nonexistent, and its government unable to mobilize resources. The whole life of the society is affected by scarcity.
> Caiden & Wildavsky (1980, p. 47).

This is a story about scarcity—scarcity on many levels. Scarcity of resources for the government to carry out its work. Scarcity of information about taxpayers and economic activity playing out within and across their borders. Scarcity of legitimacy upon which a young state can lean when attempting to claim the power to tax citizens and commercial interests. Scarcity of manpower to cover the territory. And scarcity changes behavior. It reorients priorities. It evokes reactions to that scarcity. It creates a sense of urgency, a compulsion to think about the immediate and critical needs directly in front of you. It leads to an inability to plan for the unknown and the future; to save and build up resources; an inability to ensure revenue stability. Scarcity affects how a state behaves. Scarcity changes what a state does with the resources it has at its disposal. Scarcity also limits where a poor state can look to find revenue.

This thesis focuses on strategies developed by low-income states on the African continent to generate income with which to govern. Levi (Levi, 1981, 1988) depicted the state as revenue-hungry, tempered only by the resource-exacting efforts of broad-reaching coercion to enforce compliance. Piracha and Moore (Piracha & Moore, 2016) countered her argument, asserting instead that in the context of developing countries, where states continually fail to enforce their mandates, the state chooses to preserve rule rather than revenue. This thesis argues for a third perspective: In a poor state, the regime hands a fiscal mandate to its revenue agents and the burden rests with them to implement whatever is possible with the scarce public resources at their disposal. I argue that revenue actors maximize revenue by navigating around the biggest drains on political and administrative resources or by mitigating factors that deplete scarce resources. These factors dictate a different set of priorities and strategies at the level of implementation than those handed to it by the regime. With this perspective, we can advance Piracha and Moore's analysis. Scarcity, then, provides a different perspective on what, how, and where it is efficient to secure revenue. In a poor state, the perspective must shift from Levi's monolithic revenue-maximizing ruler to the actors in the revenue system who are tasked with generating revenue. Revenue actors can maximize revenue only by adapting the mandate to public resource constraints.

Uncovering what motivates the strategies of revenue mobilization applied by the revenue actors in the least developed countries, then, can take us a long way in understanding the persistence of tax reform failures. Revenue actors must contend with a political logic predicated on constraining access to resources and with the limited legibility of taxable objects. To gain some understanding of the strategies that these actors develop to confront such challenges while still managing to mobilize some revenue for the state, this study employs a comparative cross-case and within-case analysis of the revenue systems in Bénin and Togo, where I was embedded with revenue authorities for a period of five months. This line of inquiry also offers the potential for insights into the larger questions of how poor states (and their bureaucrats, in practice) govern.

Following the Monterrey Consensus of 2002, the poorest states have been increasingly pressed to finance their own development (Bhushan, Samy, & Medu, 2013; "Monterrey Consensus on Financing for Development," 2002). How best to secure revenue, then, has become an increasingly urgent priority across the developing world. Since the wave of independence across sub-Saharan Africa in the 1960s, an "elite" "'epistemic community' of knowledge-based experts,"[1] comprised primarily of development economists (Antonio Afonso, Tanzi, & Schuknecht, 2005; Barbone, Das-Gupta, Wulf, & Hansson, 1999; Bird & Zolt, 2004, p. 1630; Cnossen, 2014b, p. 6; Dimaggio & Powell, 1983; Duanjie & Ritva, 1999; Frankema & van Waijenburg, 2014, p. 381; Genschel & Seelkopf, 2016; S. Gupta et al., 2005; A. Sen Gupta, 2007; Krause, 2013; Mansour & Rota-Graziosi, 2013, p. 6; Minogue, 2005; Tanzi, 1990, 1993, 2017b; Tavakoli, Simson, Tilley, & Booth, 2013, p. 24; Woolcock, Lant, & Andrews, 2010), and inspired in great part by the ideas of optimal tax theory, have largely shaped tax policy and the fiscal codes across the developing world. Optimal tax theories first emerged in the 1920s, with Ramsey's quest to assess which tax instruments could be most effectively employed to promote economic growth and achieve social welfare objectives of redistribution (Atkinson & Stiglitz, 1976; R. W. Boadway, 2012; Boiteux, 1956; Chamley, 1986b; Corlett & Hague, 1953a; Dharmapala, Slemrod, Joel Wilson, & John Douglas, 2008; Diamond & Mirrlees, 1971b, 1972; Emran & Stiglitz, 2005; Gordon & Li, 2005; Huang & Rios, 2016; Judd, 1985; Lisi, 2015; Lucas &

[1] Moore, 2013, p. 2.

Stokey, 1983; Mabugu & Simbanegavi, 2015; G. Mankiw, Matthew, & Yagan, 2009; N. G. Mankiw, 1987; Mirrlees, 1971; Ramsey, 1927; E. Saez, 2002; Emmanuel Saez, 2001; Samuelson, 1986; Sheshinski, 1972; Slemrod, 1989, 1999, Stern, 1987, 1982; Stiglitz, 2015). As both economic growth and social welfare objectives are of prime importance in the development of these states, strategies of revenue mobilization and the relative successes and failures of tax reforms have become a central arena of interest to the development community. The general consensus, then, has been that tax instruments matter—both in terms of their capacity to generate substantial state revenue and their impacts on broader development objectives. However, failures to adhere to the prescriptions of development economics, informal reversion to former approaches of taxation, and the weak enforcement of new tax instruments frequently prevail.

Section 1 The Persistence of Failures in Tax Reforms

The revenue systems in developing countries are commonly plagued by corruption, tedious bureaucratic processes, and enforcement problems (Aiko & Logan, 2014; Ajaz & Ahmad, 2010; Baskaran & Bigsten, 2013; Bird & Martinez-Vazquez, 2008; Bodea & Lebas, 2013; Deborah Bräutigam, Fjeldstad, & Moore, 2008; Brett, 2016a; Buur, Tembe, & Baloi, 2012; Fjeldstad, 2003; Gordon & Li, 2005; Hassan & Prichard, 2013; M. Keen et al., 2015; Kjær, 2015a; Leonard, 2010; Lund, 2007; Luoga, 2002; Santoshini, 2016; Tanzi, 2017a; Therkildsen, 2000, 2001; M. A. Thomas, 2015; Uslaner, 2007). These characteristics endure despite extensive support from the international community to support the reform of tax systems and tax instruments throughout the developing world (Barbone et al., 1999; Brett, 2016a; Fjeldstad, 2003, 2013, 2014b; Mabugu & Simbanegavi, 2015; M. Moore, 2014; von Haldenwang, von Schiller, & Garcia, 2014b; von Soest, 2008; WB, 2017). Reformed systems are commonly structured around the primary instruments modeled in optimal tax theories (i.e. personal income taxes and value-added taxes) and reflect the ideas of New Public Management, with agencies restructured as semi-autonomous revenue agencies (Ahlerup, Baskaran, & Bigsten, 2015; Fjeldstad & Moore, 2009; M. Moore, 2014; von Haldenwang et al., 2014b). In the short term, these reformed agencies often deliver higher yields in revenue and stronger performance in combating corruption. In the medium term, however, we find three tendencies: 1) isomorphic mimicry (Andrews, 2013b; Authors, 2016; Dimaggio & Powell, 1983; Jacques, Lassou, & Hopper, 2016; Woolcock et al., 2010; World Bank, 2011) where reformed agencies mimic Western systems in structure and tax instruments but in implementation find new means to restore old practices dominated by informal political maneuverings; 2) high statutory rates but much lower effective rates of taxation;[2] and 3) a return to dependence on less-than-optimal instruments of taxation, such as trade revenues and the lower revenue yields we find in the poorest states (Baunsgaard & Keen, 2005; Ebrill, Stotsky, & Gropp, 1999; Fjeldstad, 2003; Ganelli & Tervala, 2015; Haldenwang et al., 2014; M. Moore, 2014; von Soest, 2008). In short, there is a persistence of "dysfunction" in the revenue systems in poor states (Börzel & Risse, 2016; P. Collier, 2006; Fjeldstad, 2013; Fjeldstad, Fundanga, & Rakner, 2016; Joshi, Heady, & Prichard, 2013; Levy & Fukuyama, 2010; Mallett, 2017; Sandbrook & Oelbaum, 1997; Woolcock et al., 2010).

To grapple with the stubborn challenges and poor outcomes of tax reform in developing countries, the literature has examined a wide array of issues. Weak state legitimacy (Ali, Fjeldstad, & Sjursen, 2013; Bird, 2014; D. A. Bräutigam, Fjeldstad, & Moore, 2008; Levi, 1988; Wilson Prichard, 2010b), weak enforcement capacity (Deléchat, Fuli, Mulaj, Ramirez, & Xu, 2015a; Korte, 2013b; Wilson Prichard, 2010c; Radian, 1980b), poor provision of public goods (Fjeldstad & Semboja, 2001; Levi, 1988), asymmetric information of tax obligations (Blimpo & Casta, 2017; Iversen, Fjeldstad, Bahiigwa, Ellis, & James, 2006), club goods (Bodea & Lebas, 2013), and social norms (Bodea & Lebas, 2013; Levi, 1988; Wilson Prichard & Boogaard, 2017) all depress taxpayer compliance.[3] Secondly, political order theorists describe a political logic at work in these states—an order where limiting access to scarce resources becomes the currency of power (Bratton & Van de Walle, 1997; Chabal & Daloz, 1999; Fukuyama, 2012, 2014; Khan, 2010; Kjær, 2015b, 2017; Levy, 2014; North, Wallis, Webb, & Weingast, 2013; North, Webb, & Weingast, 2007; Therkildsen, 2010; Van de Walle, 2001). A few authors have begun exploring how this political logic impacts taxation, citing, for example, a bi-directional relationship where a regime grants ad hoc tax exemptions to powerful factions in society in exchange for their continued solidarity (Brett, 2016b; H. S. Gray, 2015; Hassan & Prichard, 2013; Kjær, 2015b; Therkildsen, 2018). According to some estimations, tax exemptions actually represent lost revenue on the order of 3–10% of GDP in the least developed states (Fjeldstad, Schulz-Herzenberg, & Sjursen, 2012; M. Moore, 2013a). There remains much to do in understanding how the political logic shapes revenue mobilization strategies.

[2] Analysis by author, based on Genschel & Seelkopf, 2016, 327; World Bank Group & PwC, 2015, 13. For other discussions of effective vs. statutory tax rates, see also: Gordon & Li, 2009, 857–58; Mansour & Keen, 2009, 16–17; Swank, 2016)

[3] For other studies on taxpayer compliance, see (M. Keen, 2013; M. Keen et al., 2015; Kornhauser, 2005; OECD/FIIAPP, 2015; OECD, 2011).

In summary, we are able to glean a list of problems from the literature—the reasons taxpayers are not compliant and why the regime gives away revenue to its political coterie. The literature also recognizes many direct constraints facing efforts of revenue mobilization, namely administrative capacity (Atisophon, Bueren, Paepe, Garroway, & Stijns, 2011; Bird, 2014; D. A. Bräutigam et al., 2008; Fjeldstad, 2003; Joshi et al., 2013; M. Keen, 2012; M. Moore, 2013a; Wilson Prichard, 2010c; Radian, 1980a), and recognizes that, for instance, it is much easier to patrol a few border posts and capture some revenue as goods cross frontiers, via trade taxes, than to track and tax economic activity within national borders (Bastiaens & Rudra, 2016; Baunsgaard & Keen, 2005; Burgess & Stern, 1993a; Chowdhury, 1993; Ebrill et al., 1999; Emran & Stiglitz, 2005; M. Keen, 2008; M. Moore, 2013a; Mourmouras, 1991; Yang & Zhu, 2013). But adding up a list of problems does not offer many insights into how the implementing agents deal with all of these problems. Revenue agents struggle with weak administrative capacity, weak enforcement capacity, and poor taxpayer compliance and must grapple with an informal logic of political order predicated on limiting access to the scarce available resources (including sources of revenue formally available to the state). What we still lack, then, is a perspective of what drives where they *do* go looking for revenue. In other words, we have a good sense of the obstacles that help explain poor outcomes from an outside perspective, but we know little about how governments operate within and under these constraints. The literature on taxation in poor countries has thus far provided limited understanding of real world tax systems, and to understand these systems in the poorest states we need to study the practical implementation.

This research explores the following questions: what shapes the strategies of revenue mobilization in a poor state? And how do poor states mobilize revenue in the face of administrative and political constraints? By asking these questions and probing this perspective, we gain a sense of the opportunities available to revenue actors—both the sources of revenue that are most attractive in this environment, peering through their lens, and the strategies they employ to secure this income for the state. Differentiating obstacles as perceived and tackled by various levels of the revenue system—across low-income states and across revenue sources—provides a richer perspective, allowing us to draw out some sense of strategic patterns. From these practical patterns of implementation, we can learn more about why revenue systems in poor states retain a stubborn persistence in employing tedious bureaucratic processes, poor administration, narrow tax bases, corrupt practices, weak enforcement, and rely on less-than-optimal sources of revenue. This is the intended contribution of this thesis.

Section 2 The Prescriptions of Tax Reform and the Empirical Record (of Tax Reform Outcomes)

2.1 The State-Building, Prescription and Persistence of Inefficient Revenue Systems

From a prescriptive perspective, there is extensive discussion of the need to broaden tax bases (AfDB, 2011; Ali et al., 2013; Bastiaens & Rudra, 2016, p. 263; Besley & Persson, 2014, p. 105; Bird, 2007; Bird & Martinez-Vazquez, 2010; Curtis, Ngowi, & Arris, 2012; *Financing for Development Post-2015*, 2013; Fjeldstad, Chambas, & Brun, 2014; Junquera-Varela et al., 2017; John Piggott & Whalley, 2001; Swank, 2016). This is present in every relevant body of literature reviewed in this work. Optimal tax theories generally assume that taxes are universal in coverage in order to analyze their potential impacts on (and the best mix of taxes to achieve) social welfare objectives and production efficiency in the economy (Atkinson & Stiglitz, 1976; R. W. Boadway, 2012; Ramsey, 1927; Samuelson, 1986). These impacts are not achievable if structured on very narrow tax bases: in particular, they lose their redistributive potential to achieve social welfare objectives. Fiscal contract theorists predict that states generally deliver public goods and services to those who are contributing to the state coffers (Bird & Zolt, 2014; Bodea & Lebas, 2013; Fjeldstad, 2013; Iversen et al., 2006; S. S. Jibao & Prichard, 2015; Mahon, 2005; Tendler, 2002; Timmons, 2005). According to their theoretical perspective, broadening the tax base should incentivize the state to support the interests and provide state benefits to a wider swath of the population. State-building theorists, drawing on the experiences of the evolution of European states over the past five centuries, describe outcomes of states pressed into greater dependency on their citizens; outcomes of improved accountability and responsiveness, of better governance (Besley & Persson, 2009; Bräutigam et al., 2008; Campbell, 1993; Fukuyama, 2015; Jones et al., 2008; Keen, 2012; Lieberman, 2002; Moore, 2004; Prichard, 2010; Prichard & Boogaard, 2015; Strauss, 2008; W. Martin & Prasad, 2014). Development economists, drawing on the predictions of fiscal contract theory and outcomes described in the state-building literature, press for broadened tax bases as one of the primary avenues to increase the tax yield in reforms they support across the developing world (AfDB, 2011; Bastiaens & Rudra, 2016, p. 263; Besley & Persson, 2014, p. 105; Bird, 2007; Bird & Martinez-Vazquez, 2010; Curtis et al., 2012; *Financing for Development Post-2015*, 2013; Junquera-Varela et al., 2017; John Piggott & Whalley, 2001; Swank, 2016).

The questions asked in these bodies of literature are not oriented towards what actually motivates revenue mobilization—of where a poor state actually goes to hunt for revenue or why. Instead, from optimal tax theories, fiscal contract and state-building historical accounts, and development economics we understand the ideals of a revenue system: How and what revenue instruments a poor state should employ. But what we understand from the failures and successes in tax reforms in poor states suggests that prescription and normative perspectives do not go very far in motivating actual patterns of revenue mobilization in a poor state. While there have been some major advances, including better insulation from political interference, improvements in administrative capacity, and widespread adoption of the value-added tax (Bird, 2012; Devas, Delay, & Hubbard, 2001; Dom, 2017; Fjeldstad & Moore, 2009; S. S. Jibao & Prichard, 2015; M. Moore, 2013a; Wilson Prichard, Cobham, & Goodall, 2014; von Haldenwang, von Schiller, & Garcia, 2014a), there has also been a persistence in outcomes diametrically opposed to prescriptions: continued dependence on trade and donor funding rather than domestic revenues, narrow tax bases, and patterns of corruption and weak enforcement. We will briefly summarize each in turn.

2.1.i Corruption, Weak Enforcement, and Tendencies to Revert to Old Ways

In the literature, problems pertaining to corruption and poor administration are often referred to as constraints to successful revenue mobilization rather than an outcome of other factors at work in a developing country (Fjeldstad, 2013; Fjeldstad & Semboja, 2001; Fjeldstad & Tungodden, 2003; Hadler, 2000, p. 10). As framed in a recent article by Fjeldstad: "…there is no doubt that weak and often corrupt revenue administration remains a fundamental barrier to effective and fair taxation and to building wider trust between government and citizens in many countries" (Fjeldstad, 2013, p. 6). If poor administration of revenue mobilization could be overcome, some estimate that revenues could be increased by some 30% (Hadler, 2000, p. 10). But as we see from the literature on tax reforms, extensive efforts to reform these systems are generally met with little sustained improvement and a tendency to revert to old ways. For instance, when studying the reform of Tanzania's revenue authority, Fjeldstad found that initial improvements in yields and in tackling corruption were followed by an uptick in corrupt behavior and weakening yields and enforcement (Fjeldstad, 2003). Moore and others have found similar tendencies in the wave of new, semi-autonomous revenue agencies across the African continent (Dom, 2017; Fjeldstad & Moore, 2009; M. Moore, 2013a). These persistent tendencies suggest that factors pertaining to corruption and poor administration are not themselves the problem as much as a consequence of other factors at work in these environments.

Similarly, development economists, inspired by the ideas in optimal tax theory were highly influential in reforming the fiscal systems of poor states in the 1990s, particularly in the advent of the structural adjustment reforms across the continent (Emran & Stiglitz, 2005; Krueger, Schiff, & Valdes, 1988; G. M. Meier, 2005; J. W. Thomas & Grindle, 1990; Toye, 2000; World Bank, 1980a, 1981). And again, we find that these efforts were often met with a reversion to old ways—weak enforcement and dependence on less-than-optimal tax instruments (e.g. trade taxes) even before the periods of reforms were completed (e.g., see Baunsgaard & Keen, 2005; Ebrill et al., 1999; Ganelli & Tervala, 2015).

2.1.ii Statistics and Dependence on Trade Revenues Rather than Domestic Sources

On a macro level, we already know a fair amount about where revenue generally comes from in a poor state. Significant progress has been made by the International Centre for Tax and Development (ICTD), based at the University of Sussex, and UNU-WIDER to compile a database of revenue statistics for developing countries, working closely with governments throughout the developing world (Wilson Prichard et al., 2014).[4] This is a significant improvement on the data available from the World Bank and other institutions, some of the earliest efforts having been carried out by Hinrichs (1966) and others in the 1960s (Hinrichs, 1966; Plasschaert, 1962a). Holes still remain, and as Jerven (2014) and others have pointed out, there is always a substantial degree of guesswork involved in the development and standardization of these figures, particularly in the poorest states (Jerven, 2014; M. A. Thomas, 2012). But we have learned much more, statistically, in the past four years about actual revenue sources for these countries than we have ever known before (at least since these states became independent countries in the 1960s).

There are clear patterns regarding the main revenue workhorses in low-income states, with recent shifts in these general trends (see Figure 1 below).[5] In the period 1987–2014, the primary source of government revenue in low-income states was aid ("grants") from development partners and the international financial community. Until 2000, grants contributed roughly 4% (of total GDP) to the government. Since then, aid increased to almost 6% of GDP by

[4] Government Revenue Dataset, Source URL: https://www.wider.unu.edu/project/government-revenue-dataset

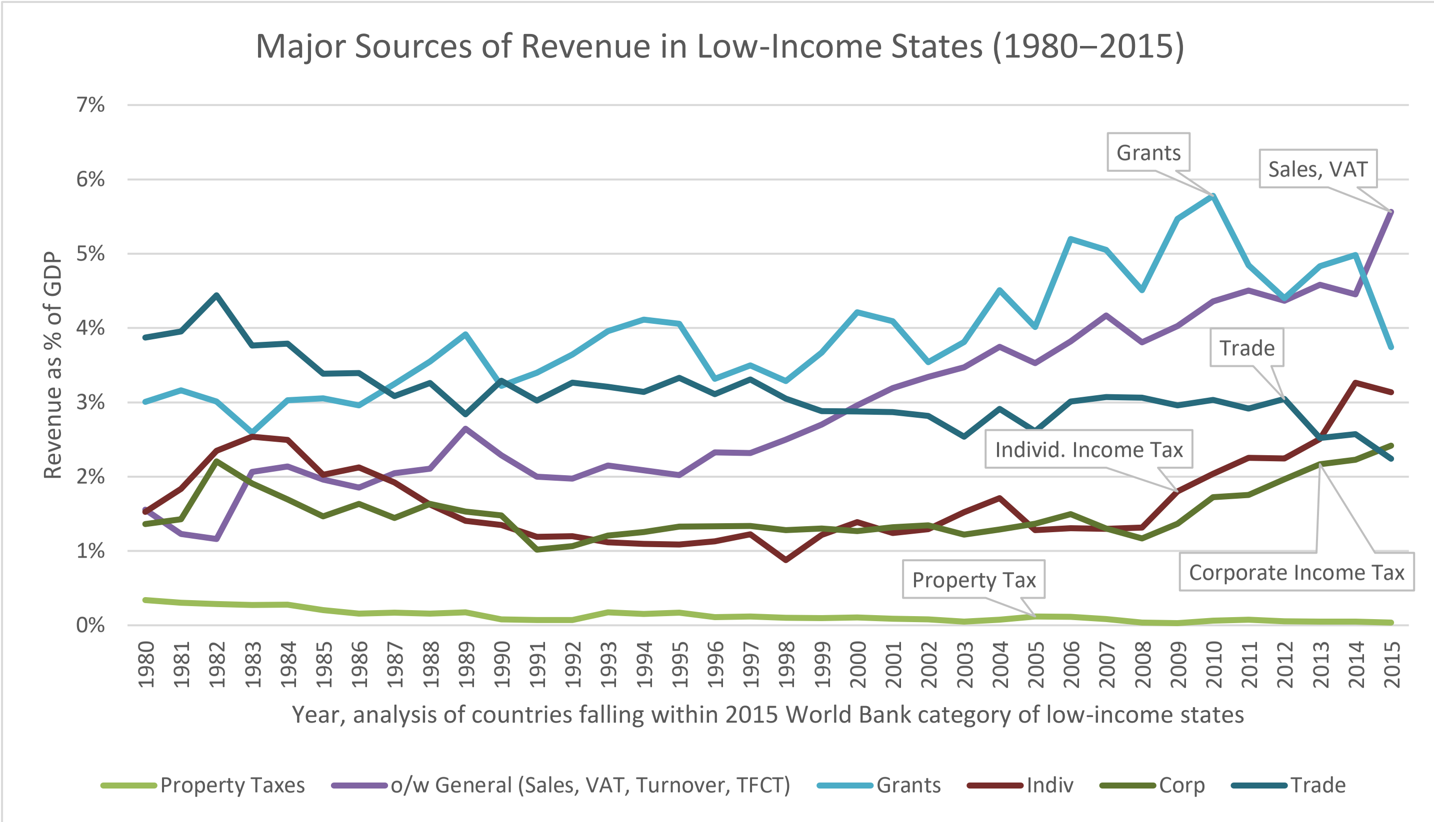
[5] Data in Table 1: Source is the Government Revenue Dataset, Analyzed by Rachel Beach. Source URL: https://www.wider.unu.edu/project/government-revenue-dataset. Figures referenced in the discussion roughly average the most recent estimates from Table 1 analysis and estimates from Genschel & Seelkopf, 2016)

2010, before declining since then. Apart from donor revenues, low-income states have typically mobilized a significant portion of their revenues (though still less than aid) from trade taxes (averaging 2.8–3%% of GDP).[6] That figure has changed little in the past thirty-five years, with a peak in the early 1980s and a very recent downtrend since 2012 (development economists and international best practice generally frown upon this as a source of revenue). We return to trade tax contributions in a moment. Value-added taxes (VAT), starting from a weaker position in the 1980s, overtook trade taxes as the most significant source of tax revenue in low-income states around the year 2000, with an increasingly rapid uptick since 1996. By 2015, we see that VAT taxes delivered 5.5% of GDP to the state as revenue (45 of the 54 states on the African continent adopted a VAT between 1980 and 2015; see Ahlerup et al., 2015; Botes, 2001; Casanegra de Jantscher, 1990; Cnossen, 2014, p. 4; Ebrill et al., 2001; Keen, 2008, 2013; Krever, 2008; Paz, 2015; J. Piggott & Whalley, 2001; PWC, 2014)

In most low-income states, these VAT revenues are often still a form of "trade taxes," as the larger share of VAT revenues often comes from imports (Cnossen, 2014a). But we do not see VAT taxes displacing other sources of trade and customs levies, possibly until 2012. Property taxes, much emphasized by development economics and state-building theorists, contribute a very insignificant portion of state revenues (0.04% of GDP), although property taxes are generally used to finance local government (e.g., see the treatment of property taxes in Bahl & Bird, 2008; Bird & Slack, 2006; Fjeldstad & Heggstad, 2012; Franzsen & McCluskey, 2005), suggesting that even that 0.04% may have some significance for some local governments. Individual income taxes, the workhorse of industrialized states since World War II (Besley & Persson, 2009; M. Moore, 2004; Piketty, 2014; B. S. Steinmo, 1989b; Tilly, 1975), since the late 1980s until 2008, has contributed a low share of revenues (1–1.3% of GDP), roughly equal to corporate income taxes. Since 2008, however, we see an increase in revenues from both sources, with personal income taxes by 2014 even overtaking trade revenues (contributing upwards of 3% of GDP to government coffers). It remains to be seen if this trend will continue.

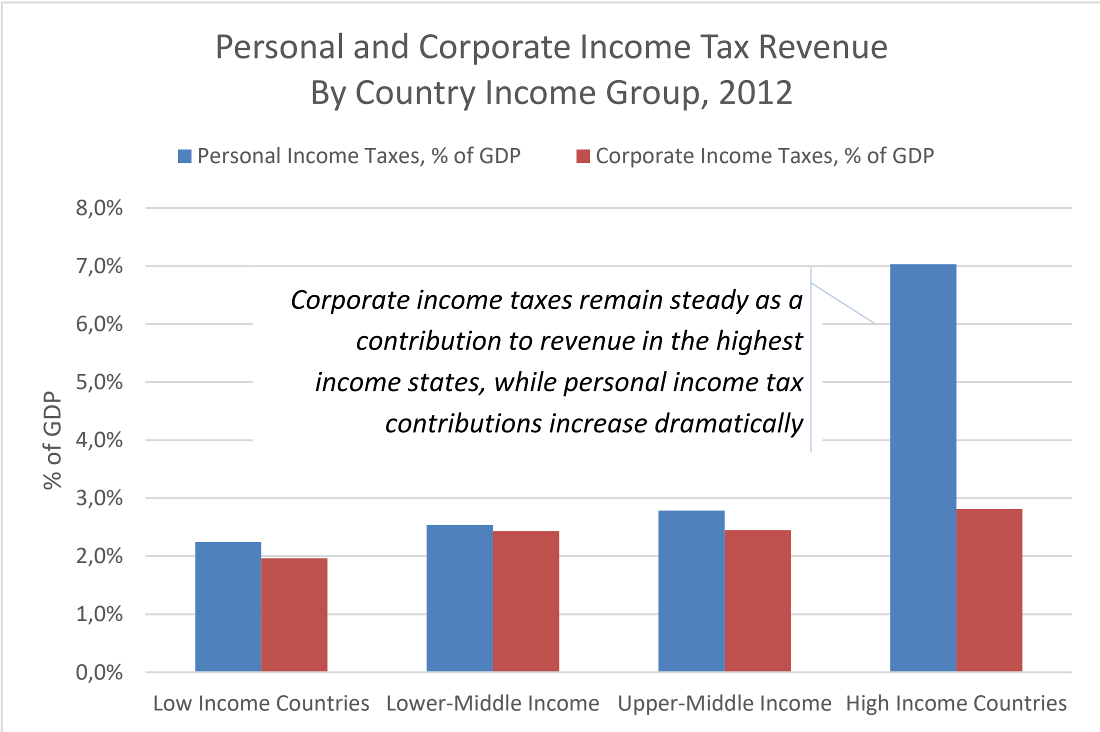
[6] I do not include statistics for resource revenues in this analysis, as it is only relevant, to varying degrees, to some countries in the low-income country group. Resource revenues do not feature largely in the analysis in this thesis. In focusing on the poorest of the poor countries, I have intentionally focused on the countries with the least resources—even natural, extractive resources from which to draw revenue.

Figure 1. Major sources of revenue in low-income states (1980–2015)



Two possible explanations are increasing donor support to finance administrative capacity building in low-income states' revenue systems and a related shift in revenue agencies to semi-autonomous, better financed and resourced authorities (this is probed to some degree in the case studies below). In higher income states, by contrast, corporate income taxes play a weaker role, while personal income taxes becomes one of the dominant sources of income (see Figure 2 below). This shift first occurs when states reach the highest-income country bracket, suggesting that informal economy and related legibility factors (discussed in Chapter III and cases) continue to significantly impact revenue mobilization strategies in lower-middle and even upper-middle income countries.

Figure 2. Average Personal and Corporate Income Tax Rates, by Country Income Group.



Source: UNU-WIDER / ICTD Government Revenue Dataset, analyzed by author.

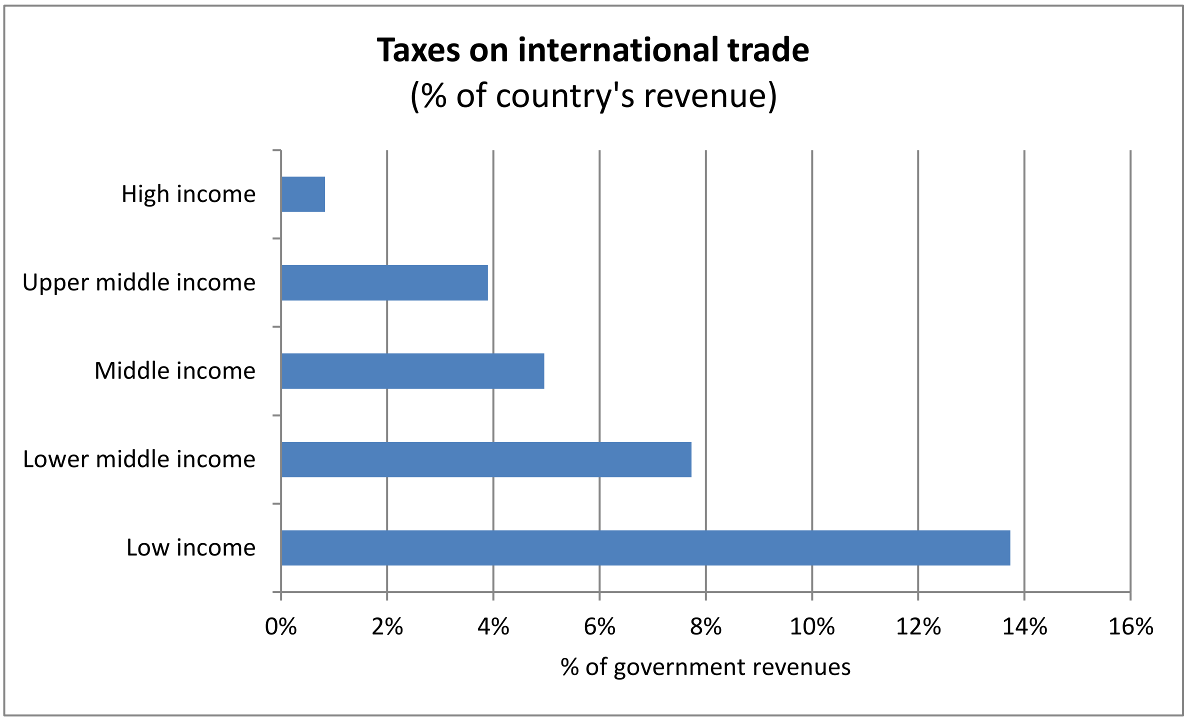
There is also a clear relationship between the level of per capita income and the volume of government revenue (AfDB, 2011; Allard, Selassie, & IMF, 2016; Birdsall & Menezes, 2004; Cnossen, 2014a; Jonathan Di John, 2009). In low-income countries, the average is 13–18% of GDP. In African middle-income countries, the total tax take averaged 25% one decade ago but has since declined to 18%. High-income countries jump another decile in revenues to mobilize 35% of GDP. Why do we find these tendencies? One obvious factor is the potential sources of revenue available in an economy. Statistical analysis of the "determinants" of tax yields are numerous (Bird & Martinez-Vazquez, 2008; Jonathan Di John, 2009; Fjeldstad, 2013; Foged, 2015; Genschel & Seelkopf, 2016; Gordon & Li, 2005, 2009; A. Sen Gupta, 2007; M. Moore, 2007; Morrissey, Prichard, & Torrance, 2014; Stotsky & WoldeMariam, 1997) and include per capita GDP, levels of aid, economic and political stability, perceptions of corruption in a society, size of the informal economy, and the share of the agricultural sector's contribution to GDP.

One factor to highlight from this literature is the agricultural share. Statistically, higher shares of output (GDP) from agriculture have a depressive effect on revenue mobilization (Cottarelli, 2011, p. 56). The intuition behind this builds on the Rostow-inspired understanding that economies largely dominated by the agricultural sector tend to fit with the characteristics of less-modernized, traditional, non-monetized, pre-industrial societies (Bates, 1983; Bauer et al., 1984; Binswanger & Deininger, 1997; Rostow, 1959; M. Smith, 2015). In such an economy, there is minimal value-added, monetized economic activity, which the state can capture (see Gupta, 2007, p. 7; AMC). That is, in agricultural-dominant, non-industrialized economies there is a real scarcity even of potential revenues which the state can mobilize.

Empirically, in terms of actual income generated from tax instruments in a low-income state, trade taxes represent a substantially larger share of state income for low-income countries than all other country income groups (see Figure 3 below). Trade taxes equal almost 14% of the total revenue yield for low-income countries, compared to less than 1% of government revenues in an OECD state, or even compared to a 7.7% in a lower-middle income state (on average). There is roughly a 50% jump in the trade tax take even between low income countries and lower-middle income states. This is a significant difference in revenue yields and revenue dependence between country income groups. For some of the poorest states, such as The Gambia and Bénin, trade taxes represent half of their government revenue (7% and 5% of GDP, respectively).[7] Gordon and Li (2005, p. 1) highlighted these empirical patterns in trade tax contributions by country income groups.

[7] Intl Trade taxes (exports and imports), % of GDP (and % of gov. revenue) from ICTD, June 2015 data analysis: 6% - Liberia (32% of revenue), 6%—Togo (35% of revenue); 7%—The Gambia (47% of revenue); 5%—Eritrea (20% of revenue), 5%—Bénin (45% of total government revenue).

Figure 3. Trade taxes as a percentage of total revenue, by country income group



Source: World Bank (2011); data accessed March 2016, analyzed by author.

Thus, trade taxes still represent a very important tax category for the poorest states in our modern world. Indeed, taxes from trade are the most important revenue sources for many poor states. These findings suggest that there may be thresholds of government revenue per capita below which administrative feasibility considerations call for a very different formulation of revenue strategies and optimized models of taxation. What would optimal tax models look like if organized around the constraints facing low-income states? While it is relevant to ask, and indeed we will spend some time in Chapter II understanding the theories and assumptions behind optimal tax theory that motivate international best practice in taxation, we will not be developing adjusted optimal tax models in this volume, but instead investigate the strategies that revenue actors develop to navigate these constraints.

2.1.iii Extremes of Narrowness in Tax Bases

Tax bases in the poorest states are not only narrow, they are often *acutely* narrow. While statistics are scarce, by combing the literature we can see that personal income tax contributors represent between 0.05 and 2% of the population, and estimates range upwards of 70% of the economy being untaxed (Bird & Zolt, 2004; Curtis et al., 2012; Ebrill et al., 1987; Fjeldstad, 2013; Terkper, 2003). A range of 400–600 taxpayers generally contribute upwards of 80% of the revenue in most low-income states (Bird & Zolt, 2004; Curtis et al., 2012;

Jonathan Di John, 2009; Ebrill et al., 1987; Fjeldstad, 2013; Wilson Prichard, Jibao, Bah, & Jumu, 2010; Terkper, 2003).

2.2 (Revenue) Hungry and Weak (States)

If we dig a little deeper into the statistics, what seems straightforward at face value (including from where these states mobilize revenue) becomes a little more confusing and nuanced. First of all, the poorest states—those one might surmise have the greatest need for cash—mobilize the least revenue as a proportion of GDP, of any economies in the world. While we are aware of some of the "determinants" impacting revenue yields in a poor state, such as the agricultural share in the economy, there are still constructive insights to be gained from probing this line of thinking for a moment. If they are so poor, one would think that they would be extracting the largest amounts to finance state-building.

There is, in fact, empirical evidence that many of the poorest states' tax rates, particularly business taxes, are the highest, on average, of any country income group in the world. However, there is a significant contrast between total revenue yields and average total tax rates paid, for instance by businesses in low-income states. These factors of interest are referred to in the literature as the total statutory versus effective rates in the literature (Seelkopf, Lierse, & Schmitt, 2016; World Bank Group & PwC, 2015). For instance, the total tax burden (effective rate) for a medium-sized domestic corporation operating in Africa was 54%, compared to 41% in OECD high-income states (World Bank Group & PwC, 2015, p. 13). While this average reflects all of the various taxes levied on business (not just corporate income taxes), it is still useful to our discussion to compare the corporate income tax yield in low-income states to yields in higher-income countries.[8] In a low-income state, corporate income taxes mobilized 1.3% of GDP in revenues for the state, whereas corporate income taxes yielded more than double, at 3.2% of GDP in revenues for OECD states (Genschel & Seelkopf, 2016, p. 327). Thus, with significantly lower rates, corporate income taxes are much more productive for higher income states. Can we conclude that the poorest states are attempting to generate more income for state operations than wealthier countries? If this is the case, why do

[8] The "total tax rate" measures all of the taxes and mandatory contributions that a standardized, mid-sized domestic company must pay in a given year as a percentage of its commercial profit. These taxes and contributions include corporate income tax, labor taxes and mandatory contributions, property taxes, vehicle taxes, capital gains tax, environmental taxes, and a variety of smaller taxes. The taxes withheld (e.g. personal income tax) or collected by the company and remitted to the tax authorities (e.g. VAT) but not borne by the company are excluded from the total tax rate calculation (World Bank Group & PwC, 2015, p. 11).

they fail in achieving their own fiscal goals to such an extreme? These states, it seems, are at least formally intent on mobilizing much more revenue with this tax instrument. Poor states are hungrier for revenue (higher statutory rates), but also weaker and unable to capture as large a share of their economies as wealthier states (lower effective rates).

The empirical realities highlight several additional points of interest for our investigation. First, there is very little information regarding the total statutory burden of taxation on citizens and businesses operating in a low-income state. A few recent studies have begun work to understand total tax burdens considering both formal and informal taxes and levies (Boogaard & Prichard, 2016; Mallett, 2017; Olken & Singhal, 2011; Paler, Prichard, Sanchez, Sierra, & Samii, 2017). Aggregated tax rates from all of the various fees, tariffs and taxes levied on a business or individual, compared to total revenue yields, otherwise known as the "tax gap," might suggest an even greater contrast than we see in the 54% levied on compliant firms. Here, I reference an IMF report and a few other examples, including a case study in Tanzania on tax gaps (R. W. Bahl & Bird, 2008, p. 295; Curtis et al., 2012; Ebrill et al., 1999; Fjeldstad & Heggstad, 2012a; M. Keen et al., 2015). The statistic above regarding the total tax burden for a domestic corporation in Africa tallied the average tax burden paid by a compliant firm. It did not report on the total burden they should have paid if they were fully compliant with all taxes and fees, nor did it report what percentage of the tax base (firms) were actually compliant.

Several questions emerge. First among them is our question of why. Why do the poorest countries have the highest statutory rates? And secondly, why do they manage to capture a much lower portion, not only than their intended rates, but even as compared to OECD and more developed countries, which have much lower statutory rates to begin with? From the literature, we can recognize that coercive capacity and enforcement capacity, both scarce resources to the administration in a poor state, are certainly part of the answer regarding the failure to mobilize what they intend (Acemoglu, Chaves, Osafo-Kwaako, & Robinson, 2014; Boone, 2003b, 2003a; Deléchat, Fuli, Mulaj, Ramirez, & Xu, 2015b; Kasara, 2007; Oecd, 2014; Paler et al., 2017; Wilson Prichard, 2010c, 2015; Radian, 1980a; A. Shah, 2006). But why then keep rates so unfeasibly far and away from what they are able to achieve? The much lower yields in low-income states suggest either high levels of non-compliance or a much narrower de facto tax base from which revenues are mobilized. Both elements are partly relevant and informality features largely. It is estimated that in low-income states, an average of 40–60% of economic activity is informal or non-compliant with tax regulation (Cottarelli, 2011, p. 9) which in turn narrows tax bases to a very small proportion of the economy. Informality is a fuzzy term, however, as taxpayers in developing countries are rarely fully compliant with all government regulation and taxes. These are states where legal code, tax law, and state regulation are layered frequently without rationalization and harmonization with older tax codes. As such, even a "compliant firm" might be engaged in violating one regulation in their good-faith effort to comply with another (Allard et al., 2016, p. 69; Cottarelli, 2011, p. 21). So informality in a poor state should best be viewed as degrees of compliance and intention to comply by taxpayers, where information is scarce about all of the relevant tax codes and regulations. From our perspective—of strategies within the government system—the question begs: To what extent is this non-compliance ignored, allowed, or intensively confronted by revenue actors? Are there patterns in whom they press for compliance?

To answer these questions, it would be a useful exercise to dig into revenue actors' strategies. Are they only targeting a portion of the businesses that owe them significant taxes? Do they press businesses to pay only a subset of the total taxes they owe, to make strategic use of their limited resources? Or do they target a subset of taxpayers, possibly the biggest taxpayers, where they could expect the greatest returns for their efforts? Or do they equally enforce all taxes and receive only partial returns on all levied? It is here that my research on strategies of revenue mobilization can begin to explore—and hopefully answer some of these questions. These questions remain fairly open and in need of illumination, a task for this research.

Thus, we find evidence to suggest that the poorer the state, the greater the disparity between the legally established tax burden[9] versus the actual tax burden imposed—which is strikingly low (Seelkopf et al., 2016; World Bank Group & PwC, 2015). As an economy develops, it appears as though statutory (formal) tax rates and effective (de facto) tax takes converge on a middle ground. In a poor state, the fiscal mandate cannot be taken for granted as representative of what is, in fact, implemented.

Poor states are the revenue-hungriest of all states, but only on rare occasions, it appears, can they achieve some level of quasi-voluntary compliance, given scarcity of public goods and services to deliver and scarcity of coercive capacity; the carrot and stick of Levi's (1988) quasi-voluntary compliance. These realities also suggest a persistence of a weak fiscal contract (D. A. Bräutigam et al., 2008; Levi, 1988; Wilson Prichard, 2015; Timmons, 2005; Uslaner, 2007), where, regardless of the state's intentions and promises to the

[9] Which, as we just discussed, is generally a much *higher statutory* tax burden than in OECD states.

wider society, there is simply little funding in its coffers to finance the provision of public goods and services. Total government revenues are $134[10] per capita, on average, in the World Bank bracket of low-income states.[11] In many poor states, salaries and other recurrent costs, together with debt repayment, consume a large portion of their budgets. These two factors (at a macro level) are taken for granted in this work: the state's (overall) weak coercive capacity and the inability to deliver sufficient public goods and services, which weaken the possibilities for achieving quasi-voluntary compliance across a state (Ali et al., 2013; S. S. Jibao & Prichard, 2015; Kjær, 2009a; Levi, 1988; Radian, 1980b; Torgler & Schneider, 2007).

The basis of the fiscal codes in many of these countries are inherited (i.e. from former colonial powers; Acemoglu et al., 2001; African Development Bank, 2011b; Boone, 2003; Frankema & van Waijenburg, 2014; Kjær, 2009; Mamdani, 1996; Prichard, 2010b; Young, 1986) and, as such, influenced by modern states that have greater coercive capacity and are better able to deliver on goods and services. So we find a scenario where the implementing bodies that comprise the revenue system in a poor state are tasked with achieving an often unachievable mandate. As Radian saw in his in-depth investigations into resource mobilization in developing countries, the challenges of high levels of non-compliance and weak capacity to enforce the fiscal code create mutually reinforcing negative spirals, where citizens recognize the weak ability of the state to enforce and evade at higher and higher degrees (Deléchat et al., 2015a; Korte, 2013b; Wilson Prichard, 2010c; Radian, 1980b). We are left with an open question as to how states and their revenue agents combat these negatively reinforcing spirals of weak compliance and enforcement.

2.3 The Logic of Political Order in a Poor State

I borrow from the conceptual lens of North's limited access orders as a constructive way of understanding the political mechanics of the poorest states in our modern global order (North, Wallis, Webb, et al., 2013). The logic of limited access orders pivots around alternative mechanisms for the control of violence, where violence cannot be credibly deterred by central authorities. This is particularly relevant when governments lack sustainably adequate resources to maintain secure control of their territory and lack the legitimacy to

[10] Statistic calculated by author with data from the UNU-WIDER Government Revenue Data set and the CIA World Factbook.

[11] Country income groups based on the World Bank classification for FY2017 (http://data.worldbank.org/about/country-and-lending-groups): low-income countries: $134.72; lower-middle income countries: $1,184.61; upper-middle income countries: $2,136.36; high-income countries: $11,825.

build credible, non-partial institutions that are respected by all parts of society. The weaker and more impoverished the state, the greater their vulnerability to challenges of authority and legitimacy. North et al. develop their work on the understanding that access to power and resources in such an environment are regularly mediated through the blunt instruments of violence or threats of violence. The formal institutions of government lacking means and credibility to manage these threats take a back seat to more pragmatic means. Political order, instead, revolves around the resources for political organization and privileged informal access to financial means that elites can call upon within society to counter (Fukuyama, 2014; H. Gray, 2015; Korte, 2013b; North, Wallis, Webb, et al., 2013; North et al., 2007; Therkildsen, 1993, 2010, 2018; Van de Walle, 2001).

How does a state function in such an environment? Possibly by alternating between the passive navigation of these realities—of alternative centers of power within society—and the proactive incorporation of the greatest threats to its authority. This begs some rather interesting questions about the state's approaches to mobilizing (capturing) resources (revenues). Recognizing already that a poor state cannot command the resources necessary to meet all of the demands of all its citizenry—for education, health care, security, and welfare—it must devote its energies and resources to limiting threats before providing public goods and services. If this is the case, it would suggest that a poor state's limited resources are limited even more by the need to share them with competing power centers in society. Furthermore our stylized state with limited means in a limited access order cannot eliminate all threats but must selectively co-opt or incorporate only the gravest threats to its survival and find a manageable balance of precarious stability under which it is feasible to carry out basic functions of government.

Accordingly, the revenue system must be organized to support these informal arrangements. More explicitly: the mobilization (or non-mobilization), organization, and distribution of state revenues are likely shaped and driven by these factors of the political order. This is where my research (from the political side) begins in exploring how a state designs effective revenue strategies within the context of this political logic. What we are lacking is an understanding of how this plays out at the levels of implementation.

How do revenue authorities approach these issues? Even outside of political order factors, we have already acknowledged that they have the least resources to mobilize revenues of any economies in the world and likely face the highest compliance enforcement costs of any governments. Revenue actors, it seems, must be strategic in the use of the limited resources that they have at their disposal for carrying out the tasks of revenue mobilization. They must decide where to dedicate scarce personnel along with administrative and enforcement capacities. On top of these factors, we layer complicated informal political maneuverings, where patronage and clientelism present the dominant, controlling force behind the scenes in many regimes. Any real sources of income are likely of interest to—if not fully controlled by—informal political powers operating inside and outside the government. These political realities constrain the remaining space where a revenue authority can find accessible sources of revenue. In brief, revenue mobilization is a complicated animal in the poorest states. What we can see at face value from statistics of revenue sources belies a web of complicated challenges which revenue actors must navigate to mobilize revenue for the state. This is the intent of my research—to investigate how the revenue system and its actors navigate these realities and what ultimately shapes their decisions of where to dedicate their resources in extracting income for the state.

2.4 Summary of Introductory Arguments and Thesis Motivation

To achieve meaningful reforms, reforms with permanence, and long-lasting positive results, it is essential to examine the problems of revenue mobilization—the poor returns, low compliance levels, weak enforcement, and tendencies towards high levels of bureaucratic corruption—from the perspective of the revenue actors themselves who must carry out this work. Understanding what shapes the strategies of revenue mobilization, then, says something about how poor states govern in light of the constraints a poor state must navigate.

This work has an ethnographic dimension in its investigative approach. It is an effort to identify strategic action within the bureaucratic organs of a poor state tasked with generating revenue with which to govern. The analytical work is to ascribe meaning to these strategies, to understand what motivates them, and to what ends. What do we accomplish with these insights? The hope is that they can say something more about outcomes perceived to be failures—failures to generate sufficient revenue; failures to improve efficiency in revenue systems; failures to eradicate corruption in revenue agencies; failures in enforcement; failures to wean poor states off of less-than-optimal revenue sources, such as high corporate income tax rates and trade taxes; failures to employ best practice instruments of taxation, such as the personal income tax, the VAT, and property tax; and finally, failures to broaden tax bases.

Piracha and Moore (2016) have argued that developing countries frequently have formally functional systems but consistently fail to use the tools at their disposal. I argue that reforms and the legacies in the fiscal codes, largely based on international best practice and ideas stemming from optimal tax theories, are not functional in this context. Where political logic and scarcity present a different set of constraints, the system must be designed to be operate within and given these constraints. Where formal fiscal codes and revenue systems do not accommodate these factors and work with them (as suggested in *Working with the Grain*; see Levy, 2014), then revenue actors, at the level of implementation, must take the tools at their disposal and refashion them into revenue instruments that generate some revenue for the state while not eroding the scarce political and administrative resources at their disposal. Where revenue instruments exact unsustainable levels of administrative or political cost, they are likely disregarded or only partially imposed at sustainable levels. In practice, this could mean that a revenue agent—as we see with the field agent in Piracha and Moore's case study—adjusts imposition to a level that a taxpayer sees as "fair" and affordable, ensuring compliance without requiring substantial system resources to enforce the imposition.

Finally, I argue in this thesis that the practical challenges presented in a poor state by scarcity (on many levels) frequently override the prescriptions and international best practice of revenue mobilization. This scarcity expresses itself in a number of ways, which the literature on African states, on developing countries in general, and taxation in developing countries has explored.[12] These include: scarcity of (i.e. weak) legitimacy for the regime and revenue agencies themselves (D'Arcy, 2011; Dix, Hussmann, & Walton, 2012; P. Englebert, 2000; Goodstein & Velamuri, 2009; Rothchild & Chazan, 1988; Therkildsen, 1993); related competition for dominance and legitimacy with other centers of authority which are present in these states, such as traditional authorities (Boone, 2003b, 2003a, 2013; Boone & Duku, 2012; Bruce, Garcia-Bolivar, Roth, Knox, & Schmidt, 2007; Dijk & Nieuwaal, 1983; Labonte, 2012; Lund, 2007; Maconachie, 2012; Nieuwaal, 1996, 1981; Nieuwaal & Dijk, 1999; Toulmin, 2008); an informal political order characterized by exclusive, privileged control of scarce resources present in a poor state (Hyden, 2005; Khan, 2010; Kjær, 2015a; Kjær & Katusiimeh, 2012; Korte, 2013b; Mkandawire, 2015; North, Wallis, Webb, et al., 2013; North et al., 2007; Therkildsen, 2010; Van de Walle, 2001); the political costs of imposing taxes on citizens who receive little in the form of goods and services from a poor state (Besley & Coate, 2003; Hoffman & Gibson, 2005; Wilson Prichard, 2015; Tendler, 2002; Timmons, 2005); scarcity of administrative capacity (Atisophon et al., 2011; Bird, 2014; D. A. Bräutigam et al., 2008; Fjeldstad, 2003; Joshi et al., 2013; M. Keen, 2012; Koberg, 1987; M. Moore, 2013a; Wilson Prichard, 2010c;

[12] Scarce resource endowments, for instance, were one of Doner et al.'s (2005) conditions of systemic vulnerability in their work on developmental states.

Radian, 1980a; Tushman & Romanelli, 1985); illegibility, scarcity of information about, and a lack of tax handles in societies dominated by informal economic activity (Bird & Martinez-Vazquez, 2008; Joshi et al., 2013; M. Keen, 2012; La Porta & Shleifer, 2014; Musgrave, 1959; Scott, 1998); and finally, an inability to effectively broadcast power to the hinterlands due to scarce coercive capacity (Aidt & Jensen, 2009; Boone, 2003b; Herbst, 2000; Isaac William Martin, Mehrotra, & Prasad, 2009, p. 188; M. Moore, 2014; Peltzman, 1980; Rémy Prud'homme, 1992; M. A. Thomas, 2012, 2015).

Section 3 Key Concepts

3.1 Revenue Actors

The perspective taken in this research is that of revenue actors. The state is not taken as a monolithic entity, as is the case with Levi's ruler (1988). Instead, we explore through the lens of all of the actors involved in the system of mobilizing state revenue—from agency directors down to street-level bureaucrats and managers in between. Policy-makers are, from my perspective, also part of the revenue system as such, they are revenue actors. However, my research largely focuses on the bureaucratic actors and the received constraints of the fiscal mandate handed down by policy-makers. This also includes their advocacy in trying to adapt the formal fiscal code (the second chapter is focused on understanding what we can expect of policy constraints—the legacies in the fiscal code). By breaking down the state's revenue system into the relevant actors, we can use the framework I develop in Chapter IV to assess the constraints facing a revenue actor in their specific environment and tease out patterns in revenue mobilization strategies. But it is the behavioral aspect that I want to address and be quite transparent about from the beginning.

The dominant perspectives generally assume bureaucrats in poor states to be lazy, corrupt, and driven by perverse incentives (Besley & Persson, 2014; Bierschenk & Olivier de Sardan, 2014; Blundo, Olivier de Sardan, Arifari, & Alou, 2006; Brehm & Gates, 1999; Buur, Therkildsen, Hansen, & Kjær, 2013; Krueger, 1991; Krueger et al., 1988; Piracha & Moore, 2016). Krueger and others make implicit (and explicit) assumptions that bureaucrats are rent-seeking. But we also find some contrast in some of these same works, such as in Bierschenk & Olivier de Sardan, 2014; Blundo et al., 2006; Lund, 2007; and Piracha & Moore, 2016, where the behavior of bureaucrats seems to play a role in terms of adjusting for political instability and administrative constraints or navigating the informal maneuverings of the political order. I start with a neutral perspective, even making the basic (and controversial) assumption that a bureaucrat means well; that is, I assume that revenue actors make an effort to achieve the mandate with which they are tasked—revenue mobilization for the state—in whatever level of the system they may operate. In this sense, in my theory I do not consider personal motivations to take advantage of the system, to manipulate, or rig for personal gain. These motivations are certainly present in many actors and their actions, but certainly not all. And as the goal in this work is to further our theoretical understandings of how a revenue system in a poor state functions, it is the systemic behavior that I focus on; not the personally aberrant behavior. Where I identify behavior motivated solely by personal gain, it is generally excluded as human behavior motivations and actions. In this way, we can acknowledge that these factors are at work, but entertaining them detracts from the effort to distill behavior driven by the environmental constraints in a poor state.

3.2 Revenue Systems

For our purposes, a revenue system is the collective of institutions established to generate revenue on behalf of the state. Revenue systems are always and everywhere highly path-dependent—a system that can assemble incomes from many disparate parts of the economy to be infused into the state and allow it to carry out its functions, thinking of revenues as its lifeblood, as it were (Brewer, 1989; Di John, 2010; M. Moore, 2004; Peters, 1991; J. Schumpeter, 1954).

3.3 Revenue Efficiency and Scarcity

In economics, efficiency refers to an ends–means relationship. From this perspective, something is inefficient when one could achieve a desired end with fewer means or produce more with the same means.[13] To an economist, scarcity is "insufficient resources, goods, or abilities to achieve desired ends. Figuring out ways to make the best use of scarce resources or finding alternatives is fundamental to economics."[14] In my research, I use the concept of "revenue efficiency"—where the "means" are administrative resources on the one dimension and political resources on the other. Inefficient revenues drain these resources. The "ends" are revenue production. These are the public resources necessary to implement public policy—public resource efficiency, in a sense.

From this perspective, we begin to see how gaining an understanding of revenue actors grappling with limited resources on both dimensions becomes a microcosm for how poor states as a whole, as well as the appointees and agents throughout its ministries and administration, govern on a shoestring

[13] Definition borrowed from the Concise Encyclopedia of Economics, Definition URL: http://www.econlib.org/library/Enc/Efficiency.html

[14] Definition borrowed from the Library of Economics and Liberty. Definition URL: http://www.econlib.org/library/Topics/HighSchool/Scarcity.html

(for a sampling of the literature examining the challenges of governance and revenue moblization through the lens of poverty, see: Acemoglu & Robinson, 2010; Caiden & Wildavsky, 1980; Jerven, 2014; Moore et al., 2008; Radian, 1980; Therkildsen, 2000; Thomas, 2012, 2015).

I assume that scarcity is a given in a poor state; that is, that states operate with insufficient resources to carry out their mandate and must find alternative solutions to at least partially enforce their mandate. Scholars such as Koberg (1987) have explored how resource scarcity effects organizational behavior. In these analyses, organizations are viewed as evolving organisms that must adapt to environmental constraints (Koberg, 1987; Tushman & Romanelli, 1985). The revenue systems in the world's poorest states are our organizations of interest, which must be constantly adapting to their environmental constraints: a lack of administrative and political resources.

In my work, I use the term "efficiency" in both a technical-administrative-logistical sense (administrative efficiency) as well as in a political sense (political efficiency). The concepts of administrative efficiency and political efficiency will be developed in the third and fourth chapters, but it is important for the reader to keep in mind that when I refer to efficiency or revenue efficiency without specifying which dimension, that it refers to both facets of the concept.

The exception is in Chapter II, where I analyze the legacy left by optimal tax theory and development economics on fiscal codes throughout the developing world. Their primary interest in tax instruments is its potential economic effects and, as such, its efficiency in an economic sense. For this chapter only, I will discuss efficiency in the economic sense, as seen through the eyes of optimal tax theory and development economics seeking the economic effects of various tax instruments. Because it is on this basis of economic efficiency that these economists assess various tax instruments, not on the basis of revenue efficiency. When we then move to revenue actors in developing countries, in Chapters III and IV, I develop a model of revenue efficiency based on the two dimensions that I theorize are the most important to a revenue actor—its administrative and political efficiency. A key proposition here is that political and administrative efficiencies override economic efficiency objectives in the poorest states for strategic actors at the implementation level.

3.4 Legibility

Legibility is a concept that will be relevant throughout this thesis. It is developed in greater depth as a key aspect of the administrative efficiency dimension in Chapter III. However, as we will employ the term in the discussion of optimal tax theory in Chapter II, I provide a brief definition here. I define legibility as the degree to which objects of taxation within an economy are recorded, registered, indexed, digitized, and can be accessed and referenced in a standardized, short-hand fashion.

3.5 Strategies and Strategic Behavior

Strategy is an important element in my research and, as such, it will be useful to first define the concept and, secondly, to determine how I am identifying elements as strategies in the course of my fieldwork. I think of strategies as a process involving continuous adjustments and incremental changes. Borrowing from the Merriam Webster medical definition, I define a strategy as an adaption or a complex of adaptions. I expect the state to take on different priorities at different phases of development. Strategy, in this sense of constant adjustment, is the making and refining of plans adapted to their environmental constraints. Strategy as used in the analytical work and cases studies employs a more specific definition. In the analysis of my field research, a strategy is defined as an aberration from the fiscal mandate motivated by a constraint (not human factor such as personal gain and related corrupt behavior).

Section 4 Plan of the Thesis: Hunting for Revenues in a Poor State

Chapter II, *Optimal Tax Theory and Development Economics: Influences on Revenue Systems*, answers the following question: How have optimal tax theories and development economics shaped the formal strategies of revenue mobilization (i.e. the fiscal code) in low-income states? In this chapter, I draw out the general principles of optimized taxation and fiscal management that have been influential after which I walk through sixty years of development economics and how this evolution has impacted taxation and reshaped fiscal codes throughout the developing world. The chapter concludes with a critique of the relevance of these influential bodies of thought, the impacts on fiscal codes, and potential challenges for enforcing a fiscal code that is not well adapted to the administrative and political constraints of a poor state.

In Chapters III and IV, I turn my attention from the literature to developing the theoretical arguments. These chapters answer the following questions: What are the constraints shaping the decisions of revenue actors? How do they make decisions about where to focus their efforts, and what are the resulting strategies for revenue mobilization? In an effort to answer these questions, I develop a model of revenue efficiency. Below is a brief outline of these two chapters. The primary research question motivating the entire investigation from Chapter III until the end is as follows: *How do poor states mobilize revenue in the face of administrative and political constraints?*

Chapter III, *Scarcity and the Administrative Efficiency Dimension*, is a brief chapter. Here, I examine the administrative constraints on revenue mobilization in a poor state. How would revenue actors assess whether a potential revenue source could be considered administratively "efficient"? I employ the concept of legibility as my primary criteria for assessing administrative efficiency. Chapter IV is exactly as advertised: *Political Inefficiencies & theory of Revenue Efficiency*. This chapter examines the political constraints on revenue mobilization in a poor state. How would revenue actors assess whether a potential revenue source could be considered politically efficient or inefficient to mobilize? I employ the concept of political sensitivity as my primary criteria for assessing political efficiency. In this chapter, I develop a model of revenue efficiency scenarios which frames the decision-making paradigm facing revenue actors. I then explore two attributes that could render a revenue source politically sensitive in the lowest-income states.

In Chapter V: *Research Design & Methodology*, I operationalize three key terms: strategy, administrative efficiency, and political efficiency. I then develop the research design and methods for field research that I employ to investigate the strategies of revenue mobilization in a poor state from the perspective of revenue actors. In the final section of this chapter I discuss the challenges I faced, in Togo and Bénin, in employing my research methods in practice.

In Part II, there are two case introduction chapters—briefly covering the political economy of the two revenue systems (Chapter VI), and a briefer case studies introduction (Chapter VII)—followed by five case study chapters (Chapters VIII–XII). These include Chapter VIII: *Grappling with Revenue Inefficient Sources,* Chapter IX: *Tackling Administratively Inefficient Revenues*, Chapter X: *Navigating Politically Inefficient Revenues*, and Chapter XI: *Capturing & Constructing Efficient Revenues*. The first four (of five case study chapters) are organized by the four revenue efficiency scenarios which are developed in chapter four. In Chapter XI: *Recalibrating the Fiscal Code*, I present some tentative findings on policy formulation which, while not the result of my original research design, seem to provide some support for my arguments.

I conclude in Chapter XIII with revisions to the theory, recalibrating what we have learned about strategies of revenue mobilization in a poor state, and outline a research agenda emerging from this research.

Chapter II
Optimal Tax Theory and Development Economics: Influences on Revenue Systems

The fiscal code is essentially the mandate for revenue actors, whose task is to mobilize the revenues specified within this code. As such, we can think of the code as a sort of first-order constraint on revenue mobilization—the formal, legal imperatives of where, how, and from whom they are not only allowed to but also expected to generate revenues. The fiscal code is not created (at least solely) with input from the revenue actors who are tasked with its implementation, but rather from a variety of internal and external actors.

Internally, we find the political processes, parliamentary debates, and campaign promises that feed into the evolution of this living document and we can assume that these elements will play significant roles in the shaping of these fiscal codes (Bates & Lien, 1985; Bodea & Lebas, 2013; Boucoyannis, 2015; J Di John, 2006; Christian Ebeke & Olcer, 2013; Fjeldstad et al., 2016; Fjeldstad, Rakner, & Ngowi, 2015; Hansen, Buur, Mette Kjær, & Therkildsen, 2016; Hassan & Prichard, 2013; Kangave & Katusiimeh, 2015; Kjær, 2015b; Korte, 2013a; M. Moore, 2004; Peters, 1991; Ross, 2004; S. Steinmo, 1993b). In Schumpeter's words, "the fiscal history of a people is above all an essential part of its general history" (J. Schumpeter, 1954, p. 6). In the poorest of developing states, however, fiscal codes are also heavily influenced by the zeitgeists of two main bodies of thought: optimal tax theory and development economics. These influences come in the form of conditionalities on donor grants from multilateral institutions (including, significantly, the IMF's structural reform push of the 1990s); but also in the form of consultants contracted to support these governments who draw their expertise largely from optimal tax theory and development economics (Bird & Zolt, 2004, p. 1630; Cnossen, 2014b, p. 6; Dimaggio & Powell, 1983; Frankema & van Waijenburg, 2014, p. 381; Genschel & Seelkopf, 2016; Krause, 2013; Mansour & Rota-Graziosi, 2013, p. 6; Minogue, 2005; Tavakoli et al., 2013, p. 24; Woolcock et al., 2010). There also appears to be a fairly common practice of copying portions wholesale from other countries' fiscal codes,[15] as well as administrative systems and international best practice in tax policy (Bird & Zolt, 2004; Hadler, 2000). These are the legacies writ large in the fiscal code of a poor state.

Given these legacies, the fiscal codes of low-income states often have a high degree of externally framed objectives and tax instruments—not all of which are relevant to, affordable for, or administratively and politically feasible for a poor state. This thesis accepts that some (declining) level of colonial legacy and (varying degrees of) path dependency persists in the fiscal codes of these countries. We do not delve into the literature exploring this history and the extent of these influences, as doing so might risk distracting from the main investigation into the strategies of revenue actors rather than enlightening the discussion. Instead, we focus on the more modern elements of influence; that is, we examine the ideas stemming from optimal tax theory and the evolution of development economics thinking over the past sixty years. The main question we probe in this chapter is this: ***How have optimal tax theories and development economics shaped the formal fiscal codes and tax policies that serve as the mandate for revenue mobilization in poor states?*** The purpose, then, is to understand how these two main bodies of thinking have influenced and shaped the mandate presented to bureaucrats in a poor state, a mandate which they must do their best to implement. Our investigation into strategies revolves around revenue actors' attempts to navigate this mandate, their first-order constraint.

In this chapter, we will also be probing the literature for what we can learn about what might be the actual effects of various tax instruments or revenue system organization in the context of a poor state. This is the second question of interest guiding this chapter. While this chapter is heavily focused on ideas emerging from economic models, the interest is in the relevance of principles and tendencies emerging from the use of these revenue instruments and bodies of thought shaping revenue mobilization strategies. It lends us insights into the dynamics at play when we start exploring the actual strategies developed by revenue actors in the case studies section.

First, we walk through the principles of optimal tax theory that are present in many forms in these fiscal codes, criticizing the relevance of these theories for their relevance for revenue mobilization strategies developed in the low-income state context. We then follow the evolution of development economics thinking and extrapolate the impacts, influences, and theoretical perspectives

[15] These phenomena are difficult to find in the literature but would appear to relate to a frequently accepted norm referenced in workshops with revenue authorities from across the continent (e.g. the International Centre for Tax and Development's Annual Meetings).

of taxation and fiscal codes across the developing world over the past half century. This exercise will serve as the backdrop for the development of a theory of revenue efficiency in Chapters III and IV.

Section 1 Insights from Optimal Tax Theory

Optimal tax theory developed as a branch of normative economic theory. It was intended to guide tax policy development by separating the general tendencies and effects of each particular type of tax instrument. The optimal tax literature (Atkinson & Stiglitz, 1976; R. W. Boadway, 2012; Boiteux, 1956; Chamley, 1986b; Corlett & Hague, 1953a; Dharmapala et al., 2008; Diamond & Mirrlees, 1971b, 1972; Emran & Stiglitz, 2005; Gordon & Li, 2005; Huang & Rios, 2016; Judd, 1985; Lisi, 2015; Lucas & Stokey, 1983; Mabugu & Simbanegavi, 2015; G. Mankiw et al., 2009; N. G. Mankiw, 1987; Mirrlees, 1971; Ramsey, 1927; E. Saez, 2002; Emmanuel Saez, 2001; Samuelson, 1986; Sheshinski, 1972; Slemrod, 1989, 1999, Stern, 1987, 1982; Stiglitz, 2015) is important in our quest to understand what shapes fiscal code and tax policy in low-income countries (LICs) for several reasons. This body of thought has been influential in the design of tax instruments as a part of strategies formed at the policy level of the revenue system in low-income states. As discussed above, this influence has been indirect and has come in the form of donor agendas and specific loan-grant conditionalities. Thus, it is important to understand the main ideas that have emerged. However, the literature is highly technical in nature, and most of it is irrelevant for our purposes. This review aims to extract key principles rather than examine the economic models. In particular, two key ideas have been broadly accepted: tax instruments and taxpayer segmentation matter. The choice of instrument (i.e. type of tax) can have a significant impact, albeit positive or negative, on economic growth and socio-economic inequality. The most economically efficient instruments, which serve as the backbone for optimal tax theory, are income taxes and consumption taxes. How these taxes are structured to optimize economic efficiency constitutes the main preoccupation of this literature. I briefly critique the relevance of these efficiency considerations for a poor state context. A second aspect, segmentation, is a more recent contribution and is highly relevant for strategies of revenue mobilization in a poor state. Segmentation refers to the treatment of taxpayers by semi-homogenous groupings, strengthening the ability of the revenue system to reduce compliance gaps.

Another key insight from optimal tax theorists is treating taxation as a system (see, e.g., discussions of the tax system in Aizenman & Jinjarak, 2008; R. Boadway & Sato, 2008; Mirrlees, 1971; Slemrod, 1989). Neither assessing optimal tax levels nor developing strategies of revenue mobilization are effective if revenue sources are treated in isolation. Revenue mobilization from one source affects the revenue system as a whole. For instance, how one commodity or income source is taxed potentially affects the supply (production) and (consumer) demand levels of both that revenue source as well other commodities and trade. Optimal tax theorists examine how taxing one sector or group in the economy affects the behavior of economic actors and the entire economic system. Their interest is in trying to ensure that the revenue system is structured to motivate and incentivize the most efficient economic behavior possible while minimizing distortion in the efforts to collect revenue for the state.

Throughout this optimal tax theory section, I critique the applicability of optimal tax theorists' conclusions, where administrative constraints, information asymmetries, and political costs of imposition in a poor state render economic efficiency goals unachievable or ill-matched to the poor state context. In addition, throughout this section, I highlight when and where optimal tax theory might provide useful insights into what we could expect from employing specific revenue instruments in the strategies of revenue mobilization in a low-income state. In this sense, I will be extrapolating a bit from optimal tax theory, guided by whatever limited empirical evidence exists surrounding revenue systems in a poor state. Thus, we can benefit from the optimal tax theorists' treatment of revenue mobilization efforts as part of a system; however, our task throughout this volume will be to unpack what these particular revenue systems look like and how decisions are made for revenue mobilization strategies in a poor state.

1.1 Economically Efficient Tax Instruments vs. Public Resource Efficiency

Efficiency in the sense used by optimal tax theory is economic efficiency (Aizenman & Jinjarak, 2008; R. W. Boadway, 2012; Diamond & Mirrlees, 1971a; M. Keen, 2008; Mabugu & Simbanegavi, 2015; G. Mankiw et al., 2009). By economic efficiency, these theorists are seeking the least economically distortionary instruments of taxation. Their interest is in improving (or at least not worsening) social welfare in the process of taxation, as well as ensuring that taxation does not hinder production—creating the fewest disturbances and least distortion of the economic forces of supply and demand beyond what is absolutely necessary in the process of extracting revenue for the state from the economy (see, e.g., Giertz, 2009).

In the remainder of the thesis following this chapter, I will focus on two concepts of efficiency of my own derivation: political and administrative dimensions of efficiency. These concepts focus on efficiency in the use of public resources necessary to mobilize revenues (revenue efficiency) rather than impacts on the efficiency of production in the economy. The concepts will be introduced in the next two chapters. Only the administrative dimension plays a role—albeit minimal—in optimal tax theory. For instance, administrative limitations have been considered where theorists had to be realistic about the most basic limitations of employing tax instruments (even in an industrialized state). This is true, in particular, for their first-best optimal tax instrument: the lump-sum tax adjusted to every consumer's utility curves. The utility each consumer gains from their consumption of a set of products varies for every individual. An optimized lump-sum tax[16] adjusted to each person's individual utility (the impact on their consumption and economic behavior) would require an extent of knowledge that might be partially accessible fifty years from now but was certainly not available when these models were developed (see Ramsey, 1927, p. 58).[17] At a basic level, the asymmetry of information between revenue actors and taxpayers—that is, the "illegibility"[18] of a tax instrument—therefore had to be entertained (R. W. Boadway, 2012). However, aside from these basic acknowledgements, optimal tax theorists make extensive assumptions about both the capacity of the state and the information available for potential revenue sources. This critique provides a platform for the development of the administrative efficiency concept in the next chapter.

Our work here is two-fold: first, to identify the influential ideas surrounding the particular tax instruments considered (economically) efficient that have contributed to shaping macro-level revenue mobilization strategies in poor states; and secondly, in terms of political and administrative feasibility, to criticize the relevance of these instruments for an environment of scarcity, regardless of their adoption and integration into the formal mandates of poor states.

As discussed above, the preoccupation of this body of literature has been to structure the tax instruments that are least distortionary ("optimized") for economic production and growth while simultaneously correcting for socio-economic inequality; that is, optimal tax theorists are preoccupied with how to structure a revenue system to be economically efficient. In this sense, their

[16] Diamond and Mirrlees are careful to distinguish the lump-sum tax from the poll tax, a tax which would be the same rate for all taxpayers in segmented groups and *is* highly relevant for low-income states (Diamond & Mirrlees, 1971a, p. 8, footnote 3).

[17] On a side note, I might add that if the state would ever be able to achieve such intimate familiarity with consumer preferences at *any* point in time, most of us would probably be genuinely concerned…

[18] In Chapter I, legibility is defined as the *degree to which objects of taxation within an economy are recorded, registered, indexed, digitized, and can be accessed and referenced in a standardized, short-hand fashion.* It is discussed at further length in Chapter III.

work entertains priorities that are likely of even greater concern in the poorest states: economic growth and improving socioeconomic inequality. Economic efficiency objectives—while critical for a poor state—are often luxuries that the revenue systems in poor states can ill-afford to prioritize. These concerns are often overridden by more immediate concerns, not least the scarcity of the revenue system's administrative resources and political capital.

Optimal tax theorists face a challenge: The instruments that enhance growth often have a negative effect on socio-economic equality, and vice versa. In fact, the incompatibility of these objectives carries on into our discussion of development economics. This tension is well reflected in the two main bodies of thought vying for influence in development economics over the past half-century. Indeed, it is the waxing and waning of these two perspectives—the frustrated incompatibility of the twin objectives of achieving economic growth versus achieving greater social equity—which has driven the evolution of development economics thinking.

The achievement of such economic objectives drove optimal tax theorists towards two main tax instruments: the personal income tax and uniform consumption taxes (e.g. the value-added tax, commonly known as the VAT). Theorists debated what mix of the two, or even the possibility of reliance on a particular rate structure of one of these instruments, could achieve one or several economic goals with the greatest economic efficiency (see, e.g., Atkinson & Stiglitz, 1976; Sheshinski, 1972). Personal income taxation and uniform consumption taxes form the backbone of revenue systems in the industrialized world (i.e. OECD, high-income states) (Ebrill et al., 2001; S. Steinmo, 1993b).

1.1.i Lump Sum

Most of the optimal tax literature agrees that lump-sum taxes represent the most efficient, ideal-type optimal instrument for revenue mobilization; or what they term the "first-best" model (Atkinson & Stiglitz, 1976; Diamond & Mirrlees, 1971b; Mirrlees, 1971; Ramsey, 1927; K. Roberts, 2000; Emmanuel Saez, 2001; Samuelson, 1954; Stern, 1982). A "lump-sum tax" implies one simple, basic tax imposed on citizens. If there were no administrative constraints, exacting one sum directly from each citizen, according to their horizontal and vertical equity[19] positioning within the population, would be efficient and relatively painless for the taxpayer and tax collector alike. Unfortunately, a lump-

[19] Horizontal equity refers to socio-economic equity vis-à-vis those earning the same income level but taking individual circumstances into account rather than merely considering the income level; vertical equity refers to proportional levels of taxation between different income groups, meaning that the rich are taxed proportionately *more* than the poor in a society (see Steinmo, 1993b, p. 53).

sum tax adjusted to individual utility curves is not feasible anywhere in the world.

Most optimal tax theorists recognized that lump-sum taxes are generally impractical.[20] Some ruled these taxes out immediately, as did Ramsey (1927) in the original models; others specified lump-sum taxes as necessary for full optimality but as not being feasible (Diamond & Mirrlees, 1972); while others yet ruled them out on the basis of the potential for administrative error (Stern, 1982). Recognizing this, optimal tax theories split off into modeled "second-best" options based largely on either some structure of direct tax—income taxes (Atkinson & Stiglitz, 1976; Boiteux, 1956; Harberger, 1971; Mirrlees, 1971; Revesz, 1989; K. Roberts, 2000; E. Saez, 2002; Sheshinski, 1972; Stern, 1982) or indirect tax—some form of commodity taxation, such as the VAT (Diamond & Mirrlees, 1971a; Ramsey, 1927; Samuelson, 1954, 1986). Income taxes and consumption taxes thus form the backbone of second-best models of optimal taxation. And as such, optimal tax theories largely mirror models of the taxes that contribute the lion's share of the revenue in industrialized states (G. Mankiw et al., 2009, pp. 147–148).

Following a brief discussion of these second-best models, I analyze administration limitations in a low-income state environment and what they suggest for recommendations coming from optimal tax theory. Optimal tax model predictions for low-income states would likely produce a different set of outcomes, where the main tax instruments face a different set of structural features. In particular, the information asymmetry challenges in a poor state extend far beyond the information asymmetries and illegibility of tax instruments addressed by optimal tax theorists. Secondly, the high degree of informality present in these economies limits the relevance of models in which optimal tax theorists make assumptions regarding the ability of the state to identify and tax income directly; assuming the universal reach of the tax instrument.

1.1.ii Personal Income Tax

According to optimal tax theorists, personal income taxes are one of the least distortionary tax instruments, allowing for the most efficient allocation of production in an economy by only taxing incomes (i.e. no direct taxes on consumption or production) (Atkinson & Stiglitz, 1976; R. W. Boadway, 2012; Feldstein, 1973; Huang & Rios, 2016; G. Mankiw et al., 2009; Mirrlees, 1971; K. Roberts, 2000; Emmanuel Saez, 2001; Sandmo & Dixit, 1977; Sheshinski, 1972; Stern, 1987; Stiglitz, 2015). In fact, some authors have concluded that progressive income taxes can be used exclusively to achieve both production

[20] Boiteux, 1956, might be an exception.

efficiency and social equity goals (Atkinson & Stiglitz, 1976; Sheshinski, 1972); however, this assumes that income tax can be levied universally, which, as discussed below, diminishes its relevance in a low-income state.

Numerous economic objectives are best achieved by employing personal income tax instruments. First, for countries where correcting social inequality is a priority, some form of progressive income taxation is forecasted as one of the most effective tools due to its universal link to (formal) incomes in a society (G. Mankiw et al., 2009; Mirrlees, 1971). Some optimal tax theorists have concluded that progressive income taxation can be used as the exclusive tax instrument for correcting socio-economic inequality through income redistribution (Atkinson & Stiglitz, 1976; Sheshinski, 1972). To achieve equity goals—correcting for extremes in socioeconomic inequality in a society—early thinkers in the field recommended fairly high, progressive marginal tax structures (R. W. Boadway, 2012; Mirrlees, 1971). Mirrlees' foundational model proposed progressive rates with no negative tax rates, which will be relevant in a moment (Mirrlees, 1971).

The current thinking is somewhat ambiguous regarding the progressivity of the income tax rate. In a tax instrument, 'progressivity' refers to a tax rate that increases as income increases. There is some accord in more recent models in structuring income taxes with flattened progressive rates, sometimes with negative (or negative marginal) tax rates (R. W. Boadway, 2012; G. Mankiw et al., 2009). However, Mankiw et al. and Bird suggest that some of this consensus is likely due to optimal tax theorists converging with modern policy trends—we could point to the use of a negative tax rate in European welfare state models—rather than the other way around (Bird, 2012; G. Mankiw et al., 2009).

Saez (2002) demonstrated how negative tax rates and negative marginal tax rates for personal income taxes can be optimal under specific circumstances. While not likely fiscally or administratively practical for the revenue systems in poor states, his models are particularly relevant for their economic development challenges and therefore of interest when considering the economic objectives of the tax structures in poor states. Negative tax rates are essentially a form of guaranteed universal basic income (UBI) for those below a certain income or "ability" threshold, an idea that has gained momentum in recent years as a development solution (a few recent articles: Caputo, 2012; Lacey, 2017; Ruckert, Huynh, & Labonté, 2018). Conversely, a negative marginal tax rate implies a government income-matching scheme for labor income below a certain threshold (e.g. the US Earned Income Tax Program), which, when compared to negative tax rate regimes, is better optimized to incentivize work force participation (E. Saez, 2002). In both scenarios, citizens below a certain income or "ability" threshold receive subsidies to provide support for extreme financial vulnerability. Those falling under the threshold in the negative income tax scenario would not contribute to income tax.

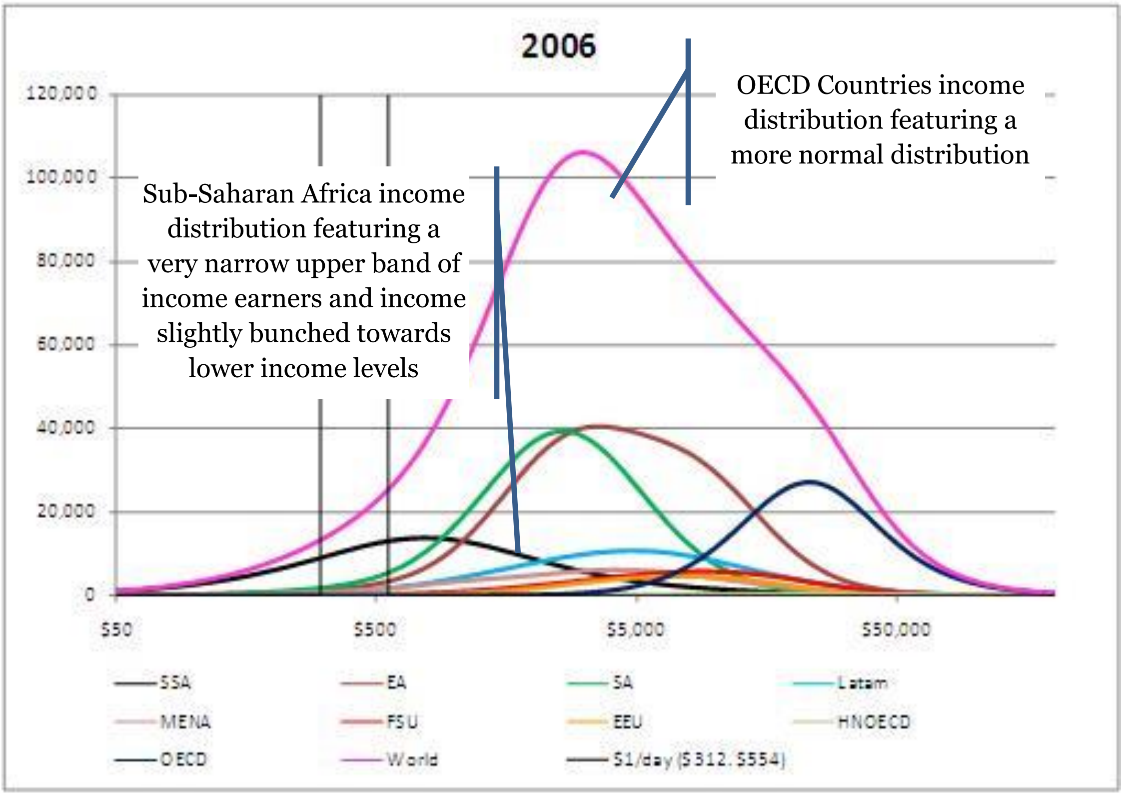
Employing a negative (marginal) tax rate structure would make significant use of redistributive mechanisms, shifting a bulk of income from middle and higher income earners to the lower income earners in a society. These scenarios are based on assumptions including the capacity of the government to efficiently redistribute taxes between citizens as well as the capacity of the government to enforce citizens' contributions to the formal labor pool. Neither assumption holds in a low-income state, where states lack the capacity both to effectively redistribute to the lowest earners (or lowest "ability" laborers in the economy, as is frequently used in the models), as well as the state "reach" capacity to enforce contribution to the formal labor markets (Bird & Zolt, 2004). This perspective is reinforced by the prevalence of informal economic activity in low-income states. It should also be noted that with greater levels of inequality and the larger the proportion of an economy that falls below the poverty line, the greater the redistributive effect; a discussion to which I now turn.

Under a hypothetical progressive structure with negative tax rates[21] in our countries of interest, per optimal tax theory models, the tax burden would fall more heavily on the small cluster of higher income earners. Income earners below the poverty threshold in these contexts comprise a substantial portion of the population (see Figure 4). If the personal income tax was structured as a flattened progressive income tax featuring negative tax rates for those below the poverty threshold, then a majority of taxpayers in a low-income state would be receiving a subsidy (and, under a negative tax rate structure, would not be contributing to taxation). This scenario is counter-productive to generating state revenue. Economically, if we could assume its feasibility as a universal instrument, it could be an efficient and powerful instrument to provide some economic stability and socioeconomic equity to those living at a subsistence level, which would achieve some vertical equity goals. Given the economic structure in a poor state, however, it would also risk overbalancing the vertical equity effect. The small upper crust of high income earners would be carrying a relatively heavy tax burden in society. In fact, there is some evidence to suggest that in this latter sense, this scenario aligns fairly well with the empirical observations in poor states. In the lowest-income states, the tax burden frequently falls largely on the top 400–800 economic actors (e.g., see Curtis, Ngowi, & Arris, 2012, p. 4, for evidence from Tanzania, where the top 400 taxpayers contribute 70% of the total revenue). It is evident that for a revenue

[21] I employ negative tax rates rather than negative marginal tax rates for simplicity of analysis.

system in a poor state and its tax policy makers, there will often be a conflict of interest between revenue mobilization imperatives and employing tax instruments to achieve economic objectives such as correcting for socioeconomic inequality.

Figure 4. Parametric Estimations of World Distribution of Income—considering breadth of negative net personal income tax rates bracket in Sub-Saharan Africa (which largely consists of low-income states) compared to OECD



Parametric Estimations of World Distribution of Income, 2006. Source: VOX CEPR Policy Portal, URL: https://voxeu.org/article/parametric-estimations-world-distribution-income

If we assume 1) the universal imposition of the personal income tax and 2) a flattened, progressive income tax rate with negative tax rates for citizens falling below the poverty threshold in our stylized "poor state," the impact on taxpayer burdens is quite unbalanced. To achieve income redistribution whereby negative tax rates include all those below the poverty line, a substantial portion would have to be extracted from the small pool of high income earners to subsidize the 50+ percent of the economy falling below the poverty line. In Togo, for instance, 55% of the population is living below the poverty line and 49% are in absolute poverty. In fact, a full 81% of the population are in or at risk of falling below the poverty line (Kohnert, 2017a). The resulting effect for a revenue system in a poor state would be extremely little mobilized revenue. In fact, if the instrument was implemented fully, it would suggest that the net effect of this tax would be a substantial loss of revenue for the government, in attempting to enforce negative tax rates for those below the poverty line. It would certainly place an extreme burden on the top 400–800 taxpayers.

To be clear, I am not entertaining a discussion of the taxable capacity of the various income groups—the highest income groups may carry the greatest burden. But this says nothing about whether their tax burden falls above or below their individual taxable capacity (R. W. Bahl & Bird, 2008; Kimmel, 1949). Conversely, for the lowest income earners in a poor state, if they are taxed very minimally but still at positive rates, it is certainly possible that this rate is still greater than their taxable capacity, particularly for those falling below the poverty line and forming part of the subsistence economy. In simpler terms, even taxing a wealthy person substantially to subsidize the poorest in society does not suggest that this tax burden presents an unsustainable tax burden on the former; whereas if the poorest persons living below the poverty line are required to pay some minimal amount of taxes, it is possible that even this minimal contribution impinges on their subsistence.

Most of the citizens in poor states do not pay personal income tax. In most low-income states, roughly 1–2% of the population form part of the personal income tax base (Bird & Zolt, 2004, pp. 1658–1659; Ebrill et al., 1987, p. 360, Table A5). Why is it that the personal income tax is only imposed on a small subset of the population? One empirical element partly explains this phenomenon: the average size of the informal economy in the poorest states is substantial, heavily dominating the economy (Faso, Africa, & Kakpo, 2018; Gordon & Li, 2009; Joshi et al., 2013; La Porta & Shleifer, 2014; J Piggott & Whalley, 2001; Pimhidzai & Fox, 2012; Terkper, 2003). This structural feature of the economy greatly reduces the number of economic actors who receive a formal salary which can be taxed with standard personal income tax withholding mechanisms (R. Bahl & Bird, 2008). Another element stemming largely from the nature of economic activity in a poor state, whether formally reported or not, is its illegibility, including the predominance of cash-based, non-traceable transactions. This phenomenon will likely be displaced by mobile banking transactions within the next fifteen years, which will again have considerable implications for adapting revenue mobilization strategies. This is beyond the scope of this research but gaining some interest (GSMA, 2017; Handjiski, 2018; Mas & Radcliffe, 2009; Rotberg & Aker, 2013; UNCDF, 2017). We will investigate formal and informal strategies that revenue actors in poor states develop to adapt income tax policy to the administrative constraints they face in this type of economy in Chapter VI and Chapter IX, Section 4.

In summary, since some of the earliest models, optimal tax theorists have reinforced the prominent role personal income taxes should enjoy in a state's revenue mobilization strategies. The tenants of these recommendations stem from the expected economic efficiencies and redistributive potential of this instrument, which few other tax instruments can achieve without greater distortion to consumption and production in the economy. Key among these economic objectives is the ability of personal income tax to correct for social inequality. However, these expected effects are based on an assumption of universal imposition, which does not hold in the lowest income states. The main body of optimal tax theory did not develop models to fit developing country contexts. Regardless of feasibility, it is likely that a universal structure for the personal income tax instrument remains in the fiscal codes of many of these countries.

In summary, if we could assume universal coverage, a flattened progressive income tax with a negative tax rate for those below the poverty line might provide an effective tool to combat poverty and extreme financial vulnerability in these economies. In a low-income state, however, the personal income tax cannot achieve the redistribution effect it is traditionally designed to achieve within optimal tax theories. First, in a poor state, employing the personal income tax to correct for inequality would overwhelm the very narrow band of high income earners supporting the revenue system. Secondly, in a poor state, the personal income tax is far from universal, negating any redistributive goals it is designed to achieve. As such, the personal income tax takes on different characteristics: a limited tax base of higher income earners and civil servants. Under these circumstances, the economic goals the personal income tax can achieve must also shift to fit the non-universal nature of the instrument in this context. These characteristics also imply a different set of revenue mobilization strategies surrounding this potential revenue source compared to those modeled and prescribed by optimal tax theory. One strategic element could be the modeling of social equity and economic efficiency impacts of the personal income tax as it is employed in the context of poor states—on a narrow, wealthier income tax base. A second potential strategy could be the development of other tax instruments that would better target informal economic activity. How poor states attempt the direct taxation of the informal economy is a question explored in Chapter VIII.

1.1.iii Corporate Income Tax

Corporate income (capital) taxation was originally a major component of tax models. Some early models taxed corporate profits at 100%, which in practice resembled a communist-socialist structure (see, e.g., Dasgupta & Stiglitz, 1974). Other models suggested an antipodal strategy: a zero-rated tax on capital (corporate) income, resembling an extreme laissez-faire version of capitalism (Atkinson & Stiglitz, 1976; Chamley, 1986b; Diamond & Mirrlees, 1971a; Judd, 1985; G. Mankiw et al., 2009, p. 167; Ramsey, 1928). (In this sense, these models can be viewed as the contribution of optimal tax theory to the extant socio-political debate surrounding capitalist and communist social models.)

The second generation of optimal tax models suggested that revenue strategies should shy away from corporate income tax instruments altogether, as the tax burden will likely be shifted to consumers, creating significant economic distortion (Chamley, 1986a; Judd, 1985). High capital[22] (corporate) income taxes would also risk reducing savings and capital formation in industrial sectors, which is essential for economic growth (Musgrave, 1987). This second element is highly relevant for economic objectives in poor states, where the need for capital formation is critical to economic development. Here, we see the emergence of another conflict between economic development goals and feasible strategies of revenue generation in a poor state.

In the short run, however, the Chamley-Judd model suggests that high levels of corporate income tax may be necessary (Auerbach, 2013; Chamley, 1986b; Judd, 1985). Similarly, Atkinson and Stiglitz qualify low corporate income tax rates on the assumption of sufficient revenue generation from progressive income taxes (Atkinson & Stiglitz, 1976; Auerbach, 2013). In a poor state where the progressive income tax instrument is unable to wield the power of revenue generation that it can in industrialized states, the low or zero-rated corporate income tax model does not hold.

Any optimal tax strategy advocating for the non-/low-taxation of corporate income also contrasts sharply with the empirical reality in poor states, where corporate income tax statutory rates are higher (see discussions in Chapter I) and corporate income taxes provide the larger proportion of income tax revenue (see Figure 2), and a fairly significant proportion of revenues mobilized overall (see Figure 1). In fact, empirically, the personal income tax contribution to revenues does not substantially increase in lower or middle-income countries, on average. We first find a substantial jump in personal income taxes (from roughly 2% to 7% of GDP, in contributions to government revenue) when a country reaches the high-income country group. Thus, empirically, the conditions necessary for lowering corporate income tax rates first emerge when a country is in the highest income group.

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[22] Capital income includes corporate profits. For the sake of simplicity, I will refer to them interchangeably in this discussion. Capital income definition: "Income that is derived from capital, such as stock dividends, realized capital gains, an owner's profits from a business, or the interest paid to holders of debt. Compare with labor income." Source URL: https://definedterm.com/capital_income

Where high levels of profits and corporate income tax, as well as high tax rates for the highest marginal personal income brackets, both discourage savings and capital formation, luxury consumption taxes might be best fitted to target income that is not contributed to savings and capital formation, thus reducing distortionary effects. And where the risk of economic and political instability already encourages capital flight from low-income countries, taxing luxury consumption (rather than wealth directly) might reduce capital flight risk while minimizing the distortion of any potential savings and capital formation in poor states. These conclusions were largely drawn from a development economist perspective on optimal taxation theories in Musgrave's 1959 book, *Tax Reform in Developing Countries*. As highlighted in the next section, it is a prime example of development economic theory that is influenced by and draws upon optimal taxation theories in recommending tax structures for lower income states (Musgrave, 1987, p. 245).

The debate on the effects of corporate income taxation remains unsettled. Some recent authors have suggested that an optimal system can be structured on a constant-rate tax on capital income and a zero tax rate on personal income taxes (if industry is allowed to deduct capital expenditures from taxable income) (Abel, 2007; R. W. Boadway, 2012). This contrasts with earlier influential models, which had advocated a zero-rate tax on capital in the long run (Chamley, 1986b; Judd, 1985). However, Boadway points out that for the earlier zero-rate models to be relevant, the government must "commit forever to the tax system which is optimal at the beginning of the planning period." In the "absence of commitment," models forecast positive and potentially very high capital income taxes (R. W. Boadway, 2012, p. 16). Given that very long-term commitments to a tax system are unlikely to happen anywhere in the modern world, the earlier results hold little weight for policy relevance. But the forecasting of high capital income taxes is particularly relevant where tax polices change on a very frequent basis. This would include economically-driven and politically-motivated agendas for frequent major shifts in tax policy and formal revenue mobilization strategies, which is most likely to be the case in the poorest states. In other words, politically and economically unstable countries will likely see frequent shifts in tax policy (some discussions related to fiscal policy instability can be found in Aisen & Veiga, 2008; Barma, Kaiser, Minh, & Lorena, 2012; Irigoin & Grafe, 2013). Where political or economic instability suggests that governments are unable to credibly commit to long-term tax policies, optimal tax theories predict (and recommend) positive and potentially very high capital (corporate) income taxes. This scenario is well-fitted to the political economy of a poor state. While it is unclear whether their prescriptions have influenced the policy choices in developing countries, the outcome appears to align with the predictions made by optimal tax theorists. Conversely, the conventional wisdom regarding corporate income tax rates together with international tax competition stresses the importance of low corporate income tax rates. Accordingly, the tendency for higher corporate income tax rates in poor states likely stems more from pragmatic revenue capture strategies than adherence to somewhat obscure predictions from optimal tax theory for an environment lacking credible commitments to fiscal policy.

In summary, the generally appreciated take-away from optimal tax theory regarding the strategic use of corporate income taxes is a very low or zero-rate corporate income tax. However, when the assumptions for these models are carefully reconstructed for the poor state context, including low contributions to revenue from progressive income taxes and an unstable tax-policy environment, optimal tax theory predicts high corporate income tax rates. This fits very well with the empirical reality. Empirically, corporate income taxes contribute a roughly equal proportion to personal income taxes in the overall income tax envelope of low-income states. In countries with higher levels of economic development, corporate income tax contributions to the revenue system's income tax envelope remain steady, whereas personal income tax contributions increase dramatically (see Figure 2).

This analysis has highlighted the conflicting priorities facing poor states in the design of their revenue policies, between capital formation (which would require low taxes on corporate profits) and realities of tax policy instability in a poor state, for which optimal tax theories forecast high corporate tax rates. Secondly, from optimal tax theory we understand that high corporate income tax rates will shift a greater burden onto consumers, which would have an even greater negative impact on social welfare where the majority of the population lives at or below the poverty line (the conditions relevant to the poorest states). Regardless, high tax rates appear to be somewhat unavoidable in an environment where personal income tax contributions remain low (which also describes the conditions in poor states and middle-income countries). These tensions suggest an ongoing conflict between revenue mobilization strategies and economic development objectives.

1.1.iv Consumption Taxes (Indirect Taxes, Including the VAT)

Optimal tax theorists have reached a consensus that uniform commodity taxation is the other least economically distortionary instrument (in addition to, or in conjunction with, progressive personal income taxes) a revenue system can employ (R. W. Boadway, 2012; G. Mankiw et al., 2009). This was not the conclusion of early optimal tax theorists, who proposed differentiated commodity taxes based on aggregate consumer utility and welfare functions

(Ramsey, 1927; Stiglitz, 2015). However, these early models were developed on practically unobtainable information, or information that was only crudely and indirectly accessible, as observed through consumer and market surveys. As such, later theorists moved toward the more pragmatic uniform commodity taxes (Corlett & Hague, 1953b).

The impetus for uniform commodity tax rates shifted further in the 1980s, when flatter, progressive personal income taxes came into fashion, and models were able to employ the new progressive income tax structure, such as in the influential Atkinson–Stiglitz model (Atkinson & Stiglitz, 1976). Progressive personal income taxes were seen as a more efficient instrument to correct for social inequity than a differentiated and complex consumption tax (R. W. Boadway, 2012, p. 58). In that sense, uniform commodity taxes could be viewed as a second-best option *within* the optimal commodity tax sub-literature: where perfect information is not available, it is more efficient to tax consumer goods at a standard rate and let markets determine who the tax burden ultimately falls on for each type of good.[23] A uniform commodity tax rate also allows for a much simpler administration of the system, which is pertinent to its adoption in low-income states (Bird & Martinez-Vazquez, 2010; R. W. Boadway, 2012, p. 51).

By the late 1990s, uniform commodity tax (in particular, the value-added tax or VAT) was seen as the least distortionary *indirect* instrument available to governments, as a uniform tax rate would least impact consumer decisions (some oversimplification of motives here). Within a decade, over 100 countries worldwide—including more than half of the countries on the African continent—adopted VAT taxes as an important—even primary—new revenue machine (Ebrill et al., 2001; Krever, 2008; PWC, 2014).

A few optimal tax theorists have warned of the potential for the VAT's regressivity[24]—placing a greater relative tax burden on the poorest and most financially vulnerable individuals in these states (Mabugu & Simbanegavi, 2015; Slemrod, 1989). Others mention political economy considerations, where political instability would impact collection efficiency, together with other factors (e.g. urbanization rates and agricultural share of the economy)

[23] This debate can be empirically observed in the choice of tax structures in the United States (which has no uniform commodity tax, and is heavily dependent on semi-flattened, progressive marginal personal income taxes) versus the dual-tax structures of western Europe and the EU, where VAT taxes are universal (albeit not as uniform as intended under original region-wide agreements) and combined with more progressive income taxes.

[24] Regressivity describes a scenario where a tax is structured so that those with the lowest levels of income pay a proportionally great amount of taxes than taxpayers in higher income brackets.

that are relevant to the poor-state context (Aizenman & Jinjarak, 2008). Another group considers the limitations of an effective VAT and weak potential for broadening the tax base where an informal economy is present (R. Boadway & Sato, 2008; J Piggott & Whalley, 2001). Each of these factors limits the potential efficiency of a uniform commodity tax, particularly in features lending themselves to eroding the "uniformity" aspect of the tax. These include administrative limitations in the application of the tax, as well as exceptions, exemptions, or differential rates, which reshape the tax into a differentiated rate commodity tax—which is in fact what the tax looks like, in practice, across every developing country where it is applied (Cnossen, 2014b; PWC, 2014). We will return to these discussions in the analytical case studies in Chapter IX.

The VAT has been widely viewed as the revenue instrument that can best replace inefficient trade taxes, as we will discuss further in Section 2. However, while wealthier countries have had more success replacing trade revenues with the VAT instrument, poorer countries have been somewhat less successful (Baunsgaard & Keen, 2005). A more recent cross-over analysis of development economics and optimal tax theory has also produced a model of VAT in a developing country context that exhibits a high degree of informality. This model concludes that the VAT can function as an economically (and administratively) efficient tax on the informal economy, as many informal operators are not registered with the revenue agencies, but receive inputs or imported consumer goods (e.g. from China) from operators paying the VAT. In this model, VAT forms a "tariff" of sorts on imports sold by informal operators—allowing the VAT to serve several functions: 1) an efficient uniform commodity tax on businesses operating in the formal sector, 2) an efficient tax on informal economic activity, and 3) an import tariff (of sorts) on informal economic activity. This allows the government to capture revenues from formal and informal economic activities alike while remaining fairly economically efficient in its consumer behavior effects (M. Keen, 2008).

In summary, a uniform commodity tax is generally seen as the most economically efficient complement to a progressive income tax to balance economic efficiency and socioeconomic equity objectives, as put forth by Atkinson and Stiglitz (Atkinson & Stiglitz, 1976; R. W. Boadway, 2012; G. Mankiw et al., 2009). However, the applicability of these optimal tax models to a poor state context is tempered on several fronts. First, in this context, it lacks a universal progressive income tax to balance the otherwise regressive effects of the uniform commodity tax (i.e. the VAT), which then places an overall larger burden on the poorest in society. Some, though, have suggested that without the very narrow application of the personal income tax to the small cluster of formal, higher income earners in poor states, that the VAT would be even more regressive (Bird & Zolt, 2004, p. 1639). In this sense, the narrow personal income tax base (its progressivity is somewhat irrelevant given the narrow, somewhat uniform tax base groups of civil servants and large-firm staff members) combined with a VAT which serves a split function in a poor state—as a tariff on informal goods and a uniform commodity tax on formal operations—creates its own semi-efficient and semi-progressive structure of tax modeling. In poorer states—where agriculture and informal economic activities predominate, political instability is more likely to be present, and the capacity to administer the tax is limited—the relevance of employing the VAT broadly is somewhat dampened. Moreover, the high prevalence of (often politically motivated) exemptions combined with administrative limitations *reshape* the VAT structure (which, in principal, is a uniform commodity tax) into a differentiated rate commodity tax, which in fact reflects the structure of the tax in many developing countries.

We will explore revenue mobilization actors' strategies to address these concerns in the case studies in Chapter IX.

1.2 (Economically) Inefficient Taxes

Within the optimal tax theories, several taxes are generally treated as less efficient taxes which modern economies were shifting away from—including customs and excise (trade taxes) and property taxes (e.g., Slemrod, 1989, p. 29). Consequently, most models spend little time entertaining the optimization of these tax instruments, and theorists have generally focused their energies on the optimal rate structures of their main instruments of interest (i.e. progressive income taxes and uniform commodity taxes). However, there is some literature to draw on regarding tariffs and trade taxes. Thus, by carefully examining the literature, we can glean some insights on these "economically inefficient taxes."

1.2.i Trade Taxes

Trade taxes fall into the "stigmatized" category. The field of economics, particularly those of the neoclassical persuasion, have generally accepted the distortionary effects of trade tariffs and duties on the efficient movement of goods and services across international borders (Bates, 1983; Davis, 1975; Ricardo, 1817, 1973; A. Smith, 1976). While we will review the conceptualization in a few models, most optimal tax theorists scarcely mention trade taxes—including customs, import duties, and export tariffs. Trade dynamics (not trade taxes) are either *assumed* as an existing condition for building models or assumed to not exist at all; that is, an economy operating in either a perfectly open or perfectly closed economy. The earliest thinkers built models in a closed economy (i.e. Ramsey, 1927). The second wave, in the 1970s, adapted early models to open economies, but generally assumed free trade and completely open markets as a basis for their models (Atkinson & Stiglitz, 1976; Boiteux, 1956; Dasgupta & Stiglitz, 1974; Diamond & Mirrlees, 1971a).

Summaries of the state of the art in the literature reference trade very briefly (R. Boadway & Sato, 2008; Mankiw, Matthew, & Yagan, 2009). However, while the majority of this body of work did not entertain trade taxes, there *are* a few relevant, specific takeaways on trade taxes in this literature. Pigou (1947) extended models to trade. His focus was on determining whether there was a differential effect of imposing a uniform commodity tax (i.e. VAT) in the country of export versus the country of import, his conclusion being that there was no economic difference. As Dasgupta and Stiglitz pointed out, however, Pigou did not address the question of how to treat commodities that are produced both domestically and imported (Dasgupta & Stiglitz, 1974).[25] He did surmise in his analysis that the rates of export and import duties should be set based on a full analysis of elasticities of each export and import, and that changing the levels of tariffs on one good *affects* elasticities of demand for other imported and exported goods. This conclusion reminds us of the importance of considering the entire revenue system and interactions between different tax instruments when designing revenue strategies. Where developing countries continue to depend more on trade taxes, their interactions remain relevant to strategy development. In general, Pigou's work draws parallel conclusions to those of Atkinson and Stiglitz on domestic taxes: trade tax rates should be considered corporately to develop contextualized, optimal models (Atkinson & Stiglitz, 1976; Pigou, 1947, p. starting on 73).

Atkinson and Stiglitz (1976) and Diamond and Mirrlees (1971b) assume an open economy and do not incorporate trade taxes in their models. In their conclusions, however, similarly to Pigou, Atkinson and Stiglitz theorized that imports should be treated equally to domestic producers, and if the country is a "price taker" then it should not tax intermediate imported goods, instead only taxing imported final goods at the same rate as the domestic sale of the same commodity. Low-income states would fall within the price-taker group

[25] At the time of their writing in the 1970s, Dasgupta and Stiglitz recognized that almost all countries impose extensive import duties at varying rates and concluded that both consumption and trade taxes should be employed (Dasgupta & Stiglitz, 1974). Empirically, this largely remains true today regarding the *incidence* of trade taxes, as roughly 40–50% of the countries in all income groups still impose some customs duties and import tariffs, albeit with significant decline in rates and volume of trade taxes, where the global economy has moved dramatically towards freer trade in recent decades.

for most imported goods and, as such, according to their recommendations, should not impose taxes on imported (intermediate) goods and treat imported consumption goods equally to domestically produced goods.

Empirically, the VAT, the modern version of one of optimal taxation theorists' second-best tax instruments of uniform commodity tax, is increasingly successful in low-income states (generally if it is administered *in combination* with trade taxes) for optimizing revenue mobilization (Brun & Diakite, 2016; Cnossen, 1994, 2014a; Ebrill et al., 2001; M. Keen, 2008, 2013; Krever, 2008; Paz, 2015; J Piggott & Whalley, 2001; PWC, 2014). Trade and VAT taxes each account for administrative limitations in a poor state in different ways (Aizenman & Jinjarak, 2008; Casanegra de Jantscher, 1990; Cnossen, 1994; Gordon & Li, 2009; M. Keen, 2008; M. Keen et al., 2015; Paz, 2015). The VATs are useful for their built-in incentives for self-policing, which facilitate record-keeping and tax compliance among economic actors who might otherwise not record any transactions or report any income to government. This is part of the compliance-focused optimization strategies recommended in the newer optimal tax literature (M. Keen, 2013; M. Keen et al., 2015). It is accomplished by placing the greater economic burden on non-compliant businesses throughout (informal and formal components of) value chains, a rare feature among other instruments of taxation. This is a particularly useful tool where the informal economy represents a large portion of economic activity and, accordingly, income and wages are thus largely "unobservable," as Atkinson and Stiglitz's models predicted (1976, p. 57). Conversely, trade- and customs-specific taxes are able to capture revenue at border points, where no other internal mechanisms are sufficiently structured and function well enough to administer and enforce VATs (particularly outside urban centers). This summarizes the debate between Emran et al. and Keen et al. (R. Boadway & Sato, 2008; R. W. Boadway, 2012; Emran & Stiglitz, 2005; M. Keen, 2008). The classical optimal tax literature remains silent on this point, however, failing to recognize the need for trade taxes where there is a lack of tax handles on the economic activity proceeding *within* a country's borders.

We can draw the general conclusion that trade taxes and domestic taxes should be considered jointly in designing contextualized optimal tax rates and structure in any environment. In particular, in keeping with Smith–Ricardian theories of comparative advantage and neoclassical perspectives on free trade, optimal tax models recommend strategies that treat domestically produced and imported goods equally if they cannot dictate prices on international markets. In principle, this minimizes economic distortions to consumption. However, such a prescription does not consider the development agendas or infant-industry prerogatives that might be an important part of a low-income state's economic objectives. One clear criticism can be made here; this advice is weakened when the state lacks the ability to universally tax domestic goods (i.e. goods produced in the informal economy), implying that imported goods might be included in the VAT structure imposed on imports, while much of the informal domestic production goes untaxed (M. Keen, 2013; M. Keen et al., 2015). Where imported and domestic goods overlapped (same types of goods), the structure would preference domestic goods (creating a form of de facto protection for local, untaxed goods). From an economic efficiency perspective, this creates distortions, whereas it might be preferable from a development perspective. Setting aside economic objectives for a moment, from a *revenue mobilization* perspective, taxing imported goods where domestically produced goods are beyond the state's reach provides at least some form of potential revenue yield for the state.

In general, these models suggest that fiscal instruments do not achieve their intended effects in isolation from other fiscal instruments, and contextual factors matter significantly.

1.2.ii Non-tax Instruments—Seigniorage and Inflationary Taxes

Optimal theories exploring monetary instruments also provide important perspectives on the strategic use of seigniorage and "inflation taxes." Simply put, an "inflation tax" implies a condition where inflation debases the value of the cash that consumers are holding in their pockets, which is not indexed to inflation (Aizenman & Jinjarak, 2008; Bauducco, 2008; M. Friedman, 1971; Lucas & Stokey, 1983; Phelps, 1973). This phenomenon is particularly relevant in the poorest states, where much of the population likely carries out transactions on a cash basis. From optimal (monetary) theories, we learn that the generally accepted rate of optimal inflation is low, stable, and positive (generally, the target is 1% of GDP) (M. Friedman, 1971). But we also learn from Friedman and others that inflation can be instrumental as a very "efficient" form of tax on the cash economy. In addition, by printing money above the rate of growth and keeping these funds in government coffers, governments can "create" revenue for themselves (Baltensperger & Jordan, 1997; M. Friedman, 1971; Goode, 1984a; N. G. Mankiw, 1987). This is seigniorage. While even among economists there is no clear consensus about how to calculate seigniorage, I reference a definition from a recent *Journal of Development Economics* article in which seigniorage is defined as "revenues obtained by a consolidated government (treasury and central bank) from the issuance of base money" (Aisen & Veiga, 2008, footnote 1).

Some have suggested that seigniorage is a very important source of revenue for developing countries – much more so than for OECD countries (Allard et al., 2016; Goode, 1984b, 1984a; Gordon & Li, 2005; M. A. Thomas, 2012). Certainly, in the decades following independence, many new countries relied on the printing presses to finance deficits (Aisen & Veiga, 2008; Brett, 2016b; Cukierman, Edwards, & Tabellini, 2016; Drummond, Srivastava, Daal, & Oliveira, 2012; Gordon & Li, 2009; Mourmouras, 1991). As Friedman, Goode, Mankiw, and others have demonstrated, however, this creates unsustainable inflationary tendencies in the medium term (Bauducco, 2008; Cogley, 1997; Fischer & Modigliani, 1978; M. Friedman, 1971; Goode, 1984a; Gylfason, 1999; N. G. Mankiw, 1987; Phelps, 1973). Inflation was one of the critical problems that the structural reforms of the 1990s had to address and correct for throughout the developing world (also discussed in Section 2) (Toye, 2000). In one notable recent article, however, Gordan and Li (2009) estimated that seigniorage accounts for 22% of revenues in developing countries. If there is further evidence supporting this estimation empirically, we can expect seigniorage to form a significant part of the revenue mobilization strategies in a poor state.[26] In the course of my field work, I discovered that while seigniorage is formally "illegal" in the West African Economic and Monetary Union, there is more to the story, as discussed in Chapter XI.[27]

The inflationary tax has historically played an important role and continues to do so today in some developing countries (particularly in the most economically and politically unstable, as discussed below), (Allard et al., 2016; R. W. Bahl & Bird, 2008; Cukierman et al., 2016; Gordon & Li, 2005; M. A. Thomas, 2015; Toye, 2000). As such, it is a relevant aspect of our inquest into revenue mobilization strategies for poor states. The most important contributions from optimal (monetary) theories include the following: inflation is considered a tax on holding cash balances (N. G. Mankiw, 1987). It imposes social costs, and therefore has impacts on the equity goals of optimal tax theory (Fischer & Modigliani, 1978). In a first-best optimal (monetary) model, there is no inflation, potentially even deflation (M. Friedman, 1971), but once economic distortions are introduced (including the government's need to raise revenue), a second-best optimal fiscal model concludes that a low positive inflationary rate is optimal (Phelps, 1973).[28]

Phelps critiqued Friedman's models for disregarding the immediate problem created in the efforts to reduce inflation in countries that previously depended on seigniorage for government revenue (Phelps, 1973). The structural reforms of the 1980s and 1990s (explored below in the development economics section) were partly in response to unstable monetary policy, caused, in

[26] Based on my own calculations and discussions with Martin Paldam, an economist at Aarhus University, these figures seem over-estimated.
[27] Interview 106.
[28] A large part of this summary draws closely on the literature review in (N. G. Mankiw, 1987).

part, by a heavy reliance on seigniorage (see, e.g., World Bank, 1981). Restructuring these economies did not necessarily provide replacement fiscal instruments nor consider their reliance on seigniorage to manage instability in revenue flows (C. Ebeke & Ehrhart, 2011; Phelps, 1973). As such, lowering inflation to "optimal" rates meant the loss of ability to use seigniorage to manage revenue mobilization instability. Lost revenues had to be recovered from other sources, which were much less likely to provide an immediate infusion of revenue into the public treasury (Cogley, 1997; Phelps, 1973). Where it is applied, seigniorage can be viewed as a government's transition strategy for softening the financial constraints of government (Hochreiter, Rovelli, & Winckler, 1996). This optimal fiscal theory insight regarding inflation as a source of government revenue is important for our exploration of the potential strategies available to the revenue authorities in the poorest states.

Stokey and Lucas (1983) find that optimal inflation rates are heavily impacted by credible commitments from governments and central banks. Aisen and Veiga (2008) have confirmed Lucas and Stokey's theoretical work empirically, in a panel data study of 100 countries, finding that high inflation rates are common under circumstances of political instability. Political instability often precipitates monetary and revenue instability, each successive government changing the central bank leadership and frequently revising tax policies (Aisen & Veiga, 2008). Thus we can identify forecasts for high inflation and greater tendencies to rely on seigniorage and inflationary taxes in an environment of political instability and frequent tax policy revision. Even drawing on the normative work, we can find evidence that the "inflation tax" will likely be an important part of the story in the revenue mobilization strategies of low-income states. These findings also suggest that maintaining a stable political order (even in the form of a hybrid authoritarian order) might lend itself to less reliance on distortionary inflation taxes, a particularly relevant conclusion in poor states that might have few other fiscal instruments to turn to in periods of several revenue instability.

1.3 Taxes Ignored by Optimal Tax theory

1.3.i Property and Agricultural taxes

The optimal tax literature virtually ignores property tax as a taxation instrument. This is most likely due to two factors. First, property taxes are generally treated as a "local tax," where the imposition of the tax and the income generated—and sometimes even the tax rate and structure—are generally managed by municipal authorities (R. Bahl & Bird, 2008; Bird & Slack, 2006; Fjeldstad & Heggstad, 2012a; Riel; Franzsen & McCluskey, 2005). Lacking a state-wide impact or central state-level control, local taxes are difficult to integrate into optimal state taxation models. Secondly, optimal tax theorists focused more on money flows that could be taxed in the process of incomes being received (by persons or corporations) and transactions (consumption). In Mirrlees' classical 1971 model, for instance, he emphasized a focus on "earned incomes," which he defined as "non-property" income (Mirrlees, 1971). The term "property tax" does not appear in the literature reviews written by Boadway (2012) or Mankiw et al. (2009). Conversely, property tax is a prominent dimension in development economics discussions, particularly in the past decade. Similarly, optimal tax theories do not address the treatment of agricultural taxation, an arena of revenue mobilization that has figured prominently in the development debates and strategies in the poorest states since independence and colonial rule (a few relevant studies are included here: Bates, 1983; Binswanger & Deininger, 1997; Boone, 2003; Karshenas, 2001; Krueger, Schiff, & Valdes, 1988; Schiff & Valdés, 1992).

1.4 Taxpayer Grouping and Compliance

Optimal tax theorists have been influential, not only in what a government can achieve through tax instruments but also in terms of how to organize taxpayers, tax rates, and "bunching" strategies to ensure the highest possible rates of compliance (Dharmapala et al., 2008; Giertz, 2009; M. Keen et al., 2015; Emmanuel Saez, 2001; van der Hoeven, 2010). These developments have been observed in the last two decades and have had a significant impact on the organization of revenue systems around the world, particularly in developing countries where informal and formal taxpayer groups require starkly differentiated approaches to administrative management.

The more recent branches of the optimal tax literature explore issues of tax evasion and tax compliance (see Damjanovic & Ulph, 2010; Kopczuk, 2001). This literature investigates optimal revenue structures to tackle issues of non-compliance, particularly where there is an intentional effort to conceal income and offshoring profits (e.g. with recent base-erosion and profit-shifting trends). The key normative contributions include the reorganization of taxpayer groups by semi-homogenous groups, so as to better fit tax policy design and related compliance strategies to the audience. In addition, Keen and others have recognized that there will be a given level of non-compliance and that tax rate segments should be adjusted so as to limit the "bunching" of taxpayers at the upper margin of any tax bracket (signaling that taxpayers may be intentionally either limiting economic activity to maintain taxable incomes below a certain threshold or under-reporting actual earned incomes, neither of which is attractive (M. Keen, 2013; M. Keen et al., 2015; Kopczuk, 2001).

Optimal tax theories are built on the premise that the right tax instruments and rate structures are the primary factors of interest: get the tax instruments and rates right, and you solve most of the problems of inequity, distortions to economic productivity and growth, and countering non-compliance in revenue mobilization.

1.5 Summary of the Relevance of Optimal Tax Theory to a Poor State

In summary, then, the original theories of optimal tax theorists were very generic, with large assumptions made about a variety of aspects, limiting their relevance in the context of poor states. These include: first, the feasibility of obtaining inputs for the determination of an optimal tax rate structure; second, the availability of "tax handles" and economic activity "legible" enough to the state that it could be targeted; third, the cost and bureaucratic capacity for administering the proscribed strategy; fourth, the political palatability of "optimized" systems; and fifth, most ignored the need to not simply correct socio-economic inequalities or economic distortions in the economy, but to raise revenue for the government itself. On this final point, optimal tax theorists were more preoccupied with finding ways to adjust where government revenue comes from to minimize distortions, and much less interested in ensuring an increase in the total tax take, which is urgently needed in the poorest states. While optimal tax theorists (sometimes explicitly) factored out these feasibility questions on purpose, we must reintroduce them to determine whether the prescriptions remain relevant given these additional factors, as I have briefly done in the analysis of each section above. Applying these ideas to the poorest of modern states, optimal tax models are likely to look quite different.

Finally, the aspect of administrative capacity in a poor state and the "legibility" of revenue sources in these economies significantly limit or change the impact of the primary revenue instruments employed in optimal tax models. Ramsey, who can be considered the father of optimal tax theorists, built a model that freed the tax planner of administrative costs in an effort to identify what the most ideal tax structures would be if implementation was costless. The assumptions carried through much of the subsequent work in this field (Diamond & Mirrlees, 1971b; Ramsey, 1927, p. 47; Revesz, 1989; K. Roberts, 2000; Emmanuel Saez, 2001; Samuelson, 1954; Sheshinski, 1972). While administrative costs were ignored in optimal tax theory, they are likely to play a dominant role in defining revenue-efficient strategies in a poor state, as we will explore in the coming chapters. In summary, in much of the optimal tax literature, the state is regarded as a quasi-non-entity. To make such an assumption, optimal tax theorists must assume a strong state—in the sense that it can take the state's administrative capacity to carry out any tax policy structure economists design as a given. This is a rather different scenario from a context where the necessary administrative capacity does not exist.

Section 2 Influence and Perspectives of Development Economists

With the optimal tax theorists, we were able to draw out generalized principles that have been influential in the thinking of tax policy reformers in developing countries. With the Development Economists, we move much closer to the primary body of thought that helped shape tax policy in poor states over the past six decades.

Early thinkers were highly influenced by Rostow's (1959) *stages of development* in their interpretation of the priorities of (economic) structural transformation. Taxation was initially relevant only to the extent that it supported these stages: first in contributions to the state's capital accumulation, and then supporting structural transformation through import-substitution strategies. Interest in revenue systems moved nearer the center stage of the development agenda in the 1970s and 1980s, as development economics evolved from the idealistic in terms of what was possible with taxation instruments—focusing on agendas of equality through redistributive tax policy inspired by optimal tax theory—toward more urgent issues of reorganizing taxes to stimulate economic growth, and finally, in the last fifteen years, to the revenue institutions themselves and the more pragmatic issues of improving compliance.

Still, by 2015, we see that there has been limited evolution on some fronts in terms of an understanding of how particular revenue instruments (e.g. personal income taxes) function in the poorest states in Sub-Saharan Africa; states which contrast in so many respects from the Western, industrialized context that birthed these revenue instruments. Some sense of one-size-fits-all persists regarding the ideal structures of these revenue systems. Thus, while some of the ideas emerging from development economics certainly resonate with the challenges common to most poor states, assumptions endure that the same broad strokes of tax reform relevant to an industrialized wealthier state with a largely formalized economy are relevant to all developing countries. For example, in a report written at the start of the new millennium, economists from the International Monetary Fund (IMF) stated that taxation is an instrument of income redistribution and pro-poor policies, reducing horizontal inequities (Chu, Davoodi, & Gupta, 2000). To accomplish these ends, they prescribed broad tax bases, low tax rates, and limited exemptions. And more recently, in the joint memorandum for post-2015 development finance, the World Bank and IMF recommended the following strategic priorities for revenue systems in developing countries: 1) building a fair, broad-based personal income tax, 2) implementing a simple, broad-based VAT tax, and 3) adjusting corporate income tax rates to "international standards" (IMF & WB, 2015).[29] Each of these recommendations is informed by optimal tax theory—and each was critiqued in the last section regarding their weak relevance in the context of the poor state. However, while we gained some useful insights into the possible *motivations* for high corporate income tax rates in the poorest states, the criticism of optimal tax theory did not fully explain *why* there is a persistence of very narrow tax bases for the personal income tax, and to some extent, the VAT. The insights we still lack after the review of the development economics literature will be further explored in the case studies, using the lens of my theory of revenue efficiency, developed in chapters III and IV. This theory focuses on two elements: the particular political constraints on revenue mobilization in the poorest states of the sub-continent, together with the particular challenges presented by extremes of administrative constraints, such as the minimal "legibility" of most of their potential sources of revenue.

One other aspect will be relevant throughout: Revenue mobilization is highly dependent on the existence of a sustainable and expanding tax base. Approaches favored by Development Economics schools of thought over the past fifty years have had mixed success in terms of supporting the growth of important tax bases in poor states. In some cases, these policies have served to erode tax bases. This phenomenon certainly impacts the strategies applied by revenue authorities hunting for potential sources of state revenue. Indeed, there is an argument to be made that many low-income states are as poor today as they were when they gained their independence in the 1960s.[30] This

[29] The extended Joint-Memorandum list includes the following components: the unspectacular but critical work of building effective and trusted tax administrations; eliminating exemptions and incentives that forego revenue to little useful end; implementing broad-based and simple VATs, complemented with excises on a limited number of items to address other policy priorities, such as public health; building a broad-based and fair PIT; establishing a broad-based CIT, at rates competitive by international standards; implementing simplified tax regimes for micro and small enterprises; designing and implementing international tax rules, in relation to both BEPS and EOI, that are sensitive to the circumstances and capacities of LICs and supported by coordinated international action; establishing fiscal regimes for extractive industries that provide investors with confidence while ensuring that revenue collections respond appropriately to changing circumstances (IMF & WB, 2015).

[30] Regarding the question of gains in GDP per capita in low-income states compared to their GDP per capita levels in the early 1960s, there is a lack of consensus on whether some economies have actually regressed. Different databases, based on different base years, provide contradictory evidence. For instance, the World Development Indicators and Angus Maddison dataset show widely contrasting results. WDI are based on current (2015) U.S. dollar prices, and the Maddison set is based on a

suggests, first, that revenue systems (as instruments of developmental policies) might be a part of the eroding-tax-base problem; and, secondly, the stagnation or erosion of tax bases offers little space for an expansion of revenue mobilization. Potential revenue yields are important to the theory of revenue efficiency and in the analysis below. In the remainder of this chapter, the relevant inquiry focuses on understanding how evolving development policies have shaped tax policy and impacted potential revenue yields.

It is important to recognize that development economics theories fill innumerable volumes. See Meier (2005) or Lin (2012) for recent reviews. The treatment given here aims at briefly exploring this evolution of thinking and its impact on revenue mobilization in poor states over the past half century. However, any brief overview will lend itself to oversimplification. All errors or misrepresentations presented here are strictly my own.

I will proceed through this literature in the following order: first, I explore the influential ideas of early development thinkers and the debate they contributed to in later periods, including a disconnect between idealism and pragmatism that has continued ever since. Secondly, I outline the rise of the development economist experts and optimal tax theory applications to poorer countries. Next, we examine the influential import-substitution strategies of the 1970s and their impact on revenue mobilization at the time and in the decades that followed. I then discuss the treatment of taxation in the World Bank's *World Development Reports* as a manifestation of the prevailing thinking during periods of change between the 1970s and 1980s. Following this discussion, we briefly explore the structural adjustment facility of the mid-1980s and 1990s: its significant impact on revenue mobilization together with a shift towards increasingly holistic perspectives on taxation, influential ideas contributing to these major changes, and calls for the "rationalization" of tax systems within development economics thinking in general. Next, we examine the criticism and increasing questioning of conventional wisdom in the late 1990s through the current period together with the increasing focus on issues of corruption, capacity development, and compliance. Finally, we arrive at the current place in time, where there would appear to be a persisting

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1990 U.S. dollar prices. Even in relative terms the results do not correspond. The Maddison dataset shows 14 African countries which have a 2008 per capita income lower than the 1960 per capita income level. The WDI dataset shows no countries (where data exists for the same group) with a per capita income lower than the 1960 (or 1961) level. The lowest is still a 56% increase in GDP per capita. See Maddison (2010) and World Bank (2015a). See also a brief reference in Lindemann and Denzer (2013).

dissonance between what development economists prescribe and what defines the strategies of revenue systems that cannot be explained fully by development economic policy and theories.

2.1 Development Economics: Evolution of Taxation Advice from the 1950s to the present

2.1.i 1950s–60s: Early Development Thinkers

Prior to the mid-1980s, development economics as a body of thought paid less attention to the role of taxation in developing countries. In some ways, this probably lent greater voice to the few who did spend real effort thinking about these topics during the 1960s and 1970s. Early thinkers, including Chelliah, Hinrichs, and Kaldor, were influenced by Rostow's stages of development (Chelliah, 1971; Hinrichs, 1966; Kaldor, 1963; Rostow, 1959).

Rostow studied the economic history of development and found that countries evolve through five stages: traditional society, preconditions for take-off, take-off, the drive to maturity, and the age of high mass consumption.[31]

As the basic features and structural transformation of economies described in Rostow's stages have motivated and stimulated much of the debate in economic development theory—which in turn has significantly impacted tax policy reforms in poor states—it is helpful to briefly outline the stages. The descriptions of the first stage, in particular, aptly describe the environment in which revenue actors in a poor state must mobilize revenue (particularly in the rural economies of poor states). According to Rostow, each stage of development displays particular structural features: the first stage is characterized by a labor-intensive, agriculture-based subsistence economy featuring minimal trade and lacking records of transactions (which weakens the legibility of revenue sources in an economy and is relevant to the administrative efficiency dimension developed in the next chapter). The second stage features "preconditions" for growth: capital-intensive labor increases, extractive industries develop, and there are some levels of savings and investment. In take-off mode,

[31] According to the theory (which aligns fairly well with descriptive evidence from economic history), movement from one stage to the next is *not* and never has been inevitable; at least prior to the drive to maturity. In fact, many countries remain stagnant or even move backward. There is evidence that this is the case in many low-income states, which today look strikingly similar in structure to their 1960s counterparts. For instance, if my reader will permit me to use the wealth of a nation as a simple proxy for its stage of development, Lindemann notes that in 2008, there were 14 countries with per capita income levels *below their* 1960 levels (Lindemann & Denzer, 2013, p. 1, see footnote 3 for a discussion of his findings).

industrialization expands, as does savings and investment. The share of agriculture in labor employment declines (this feature was important to import-substitution industrialization and East Asian counter-strategies, discussed below). The third stage, the "drive to maturity," features greater "value-added" and diversified manufacturing, use of more sophisticated technology; development and growth are "self-sustaining." The final stage is defined by high levels of industrial output and an economy dominated by services industries (Lin, 2012, p. 27; Rostow, 1959).

Over the next fifty years, development economics would look for these features as signs of the progression of developing countries and try to induce change. Debate surrounding the driving forces of progression—internal transformation versus externally-oriented, trade-driven growth—would figure largely in the evolution of development thinking. In each, the revenue systems and tax structures have played key roles, but they first really came into their own as a factor in the mid-1980s (I return to this topic below). Functioning revenue systems, and their capacity to carry out macro- and microeconomic policy agendas, were previously largely treated as a given. The stages of growth are a background feature throughout my discussion in this section.

As development economics formed its own body of thought within public economics, there was a genuine degree of dissonance between carryover from optimal tax theory and the pragmatic perspectives. This played out in expert missions to countries, and case studies exploring what was possible in revenue mobilization in impoverished states (see, e.g., Hinrichs, 1966) (I discuss Kaldor's contributions in the next section, where they better fit the discussion). Some called on economists in these developing countries to start from scratch in developing their own economic models that were fitted to very different structural factors (G. M. Meier, 2005, p. 55; Myrdal, 1957, pp. 103–104). Nevertheless, Western-inspired models dominated in the vacuum of economic models emerging within these new countries.

Optimal tax theory had been built on the assumption that economic growth was a given (in their models). The main task of optimal tax theory, then, was to find the best way to mobilize a static level of revenue while minimizing distortions to a growing economy and simultaneously achieving other political agendas via tax instruments. The two main objectives of optimal tax models (sometimes competing, sometimes cooperative, depending on the economist) were improving equity in society and enhancing the efficiency of markets. These twin objectives mirror the underlying factors in the development economics debate: inward-looking structural improvements via transfers from one part of the economy to another (i.e. redistribution) versus outward-looking strategies that believed firmly in market efficiency (i.e. limiting distortions to economic efficiency) to drive growth and pull countries out of poverty. There were high growth rates across the developing world in the 1960s, which lent itself to approaching the issues of development from a similar perspective to optimal tax models. Development economists essentially posed the problem as follows: growth is a given, but how best to organize the economy in the process? (Debowicz & Segal, 2014, p. 3; Ndulu & O'Connell, 2008; World Bank, 1980a).[32] However, those who took first trips to newly independent countries and emerging economies around the world, such as Hinrichs, saw that many of the instruments important to optimal tax theories did not feature largely in domestic revenue reports (Hinrichs, 1966; Kaldor, 1963; Plasschaert, 1962b; Wai, 1962).

Trade was one of the only significant (and expanding) sources of revenue for low-income states and the only potential source of revenue in closed economies (Hinrichs, 1966). Hinrichs recognized that trade served as one of the only sources of revenue, particularly for the low-income group.[33] Of the selected economies in Hinrichs' analysis in the late 1950s, closed economies had an average total revenue basket of 11% of GNP, whereas open economies succeeded in mobilizing between 17–23% of GNP—the difference attributed almost completely to taxes on foreign trade (Hinrichs, 1966, p. 36).[34] Thus, for these economies to have any hope of increasing revenue mobilization, taxing trade was the one potential instrument they could wield with any effect.

Hinrich's observations nested well with some features of Rostow's of pre-take-off stage: countries that demonstrated a propensity for trade (and reaped revenues from trade) could be positioning for a real economic takeoff and modernization (Hinrichs, 1966, pp. 7, 20, 45–46; Rostow, 1959; M. Smith, 2015). In his use, "openness" was not equated with free trade, nor complete liberalization, per say, so much as engaging in international trade. This would contrast with the neoclassical ideas of trade prevailing in the 1980s and 1990s. Consequently, from his vantage point in the 1960s, a higher degree of trade was preferable, as it presented an opportunity for real revenue mobilization for the state—along with higher degrees of monetization, industrialization, and urbanization—each seen as essential for increasing the tax base. This early, empirically driven perspective was indicative of the extent to which

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[32] Growth rates of 3–5% on average, but the subset of Sub-Saharan African countries never saw rates higher than 2% on average in the 1960s.

[33] From Hinrich's Table VII, *Tax Structure Profiles*. Openness in low-income countries (< $250 per capita income, GNP, 1958–59), open group: Burma, Ceylon, Malaya; partially-open group: Cambodia, Thailand, Indonesia; closed group: Pakistan, India, Philippines. Note: *these are all Southeast Asian countries* (Hinrichs, 1966, p. 36).

[34] All other sources, including indirect and direct sources, hovered between 1 and 5% of GNP.

many substantial portions of these states were not monetized (i.e. economic activity based on barter trade) and were largely rural, subsistence agricultural economies, revealing the limited scope of potential tax bases and lack of tax handles for any form of taxation. From his perspective, emphasizing openness and trade policy was an approach that would facilitate movement into the pre-takeoff and takeoff stages of growth.

Another school of thought in development economics—those promoting inward-driven structural-change type development strategies—generally dominated development perspectives in the late 1960s (the subject of the next section). Prior to this (i.e. before McNamara took the helm at the World Bank in 1968), most of the focus had been on providing financial support for the expansion of physical infrastructure projects. Finance reports focused on the contributions of domestic revenue mobilization to the capital projections necessary for development plans. Foreign aid would serve as a replacement for the "savings gap" that local taxation could not mobilize (G. M. Meier, 2005, p. 44–48). Thus, the source of revenues was less of a concern than the total expected levels of revenue that could feasibly be raised to finance growth and transformation. I will not dwell on this period longer, as the treatment of taxation by project-focused strategies was minimalistic and functional.

In summary, given the commodity booms in newly independent states across the developing world, the earliest development economics thinkers largely took economic growth as a given. In this sense, their perspectives harmonized with optimal tax models, which also took some level of economic growth (and revenue) as a given. Instead, they were largely concerned with how to organize these growing economies to spur structural transformation, in keeping with Rostow's stages. However, some of the first missions to these new states recognized that trade revenues were one of the only main sources of revenue available to the states. Promoting trade was seen as an important priority, not in the sense of lowering barriers to entry and free trade but as a pragmatic means of increasing state revenue via customs and import duties. Thus, there was some disconnect between pragmatism in revenue mobilization strategies for new states vis-à-vis theories of economic transformation. In general, revenue instruments were less important in the early years. While development economists initially called upon new states to design their own models of development, the absence of emerging economic models from new states spurred the import of Western-inspired models, albeit poorly fitted at times. This would eventually translate into the poor fit of tax models and fiscal policy design.

2.1.ii 1970s: The Rise of the "Experts," Lessons of Optimal Taxation, and Dominance of Structuralists

World Bank President Robert McNamara's ascendancy to the top of the institution (1968–1979) and his appointment of Hollis Chenery as head of the economic department boosted the role of research, the rise of economic "experts," and the teachings of optimal tax theorists. Explicit attention was now paid to the *sources* of revenue mobilization and what these instruments could achieve. There was also more recognition that various revenue sources played particular roles in shaping the development agenda. Chenery emphasized reconciling growth strategies with equity through redistribution—via progressive income taxes and other tax forms as transfer mechanisms between economic groups in highly unequal developing economies (Chenery, Ahluwalia, Bell, Duloy, & Jolly, 1979; G. M. Meier, 2005, pp. 44–52). A 1979 report (written by development institutes at Harvard, Sussex, and Chenery at the World Bank) revealed very optimal-tax-oriented language, which assumed a level of faith regarding the redistribution potential if "selective" revenue approaches were employed.[35] In line with many of the leading voices in development economics

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[35] For example, Chenery et al., pp. xix: "How government budget resources are generated and how they are allocated are basic questions for any distribution policy. Government budgets typically are not disaggregated by categories relevant for distribution purposes although the information to do so is generally available. For example, household consumption surveys provide information on the consumption patterns of different income groups, which can be used to evaluate the incidence of different patterns of indirect taxation. However crude, these estimates provide a basis for a <u>more selective approach to raising government revenues</u>."

See also Chenery et al., pp. 42–43: "...we can visualize the <u>role of the state as using available policy instruments</u> (including the allocation of investment in physical and human capital) so as to maximize a welfare function of the type just described. State intervention of this sort requires both an analysis of the determinants of income in poverty groups and of the linkages between the incomes of different groups. The fact of income linkages is crucial for any analysis of distributional problems since they impose important constraints on policy. Thus <u>tax-financed transfers</u> from the rich to the poor may raise the income of the poor but, if they reduce savings and capital accumulation by the rich, they may in time lead to lower income in the poorer groups. An analysis of these interactions requires an <u>integration of growth and distribution theory</u>."

And Chenery et al., pp. 7: "A major problem in comparing income distribution data between developed and underdeveloped countries is that pretax data does not reflect the <u>equalizing impact of progressive taxes</u> combined with <u>welfare-oriented public transfer mechanisms</u>. These fiscal corrections are generally more substantial and more egalitarian in developed countries... Most of the underdeveloped countries show markedly greater relative inequality than the developed countries." In a way, of the 1970s, Chenery concluded that the instruments of taxation that had served to redistribute wealth in developed economies should be able to serve similar purposes for the developing world, where improving socioeconomic equity was more urgent.

Throughout the 1970s and 1980s and to the present day, debate evolved as to which optimal tax theories to apply in these countries and how. Where progressive income taxes were implemented, for instance, Musgrave and others cautioned that excessively progressive income tax structures might reduce or even eliminate whatever potential savings accumulation was possible among the narrow band of relatively high income earners in these economies (Musgrave, 1987, p. 245). For similar reasons, Musgrave also advocated a separate treatment of corporate income taxes from personal income taxes.

Even earlier in the 1960s, economists were already calling for developing countries to align their tax systems to the conventional wisdom of the optimal tax theorists. This was evident in Kaldor's now oft-referenced article of 1963, "Will Underdeveloped Countries Learn To Tax?"(Kaldor, 1963), the implicit question being: Would they ever learn to tax the *proper* way? By which Kaldor meant progressive income taxation—the instrument optimal tax theory espoused for achieving equity via redistribution, the tax instrument that had financed the growth of the modern Western economies (Bird & Zolt, 2004; Genschel & Seelkopf, 2016; Kaldor, 1963). Many of the early expert missions assumed that a progressive income tax would allow governments to tax at higher rates than the economy was growing to keep up with and finance further expansion (Bird & Zolt, 2004, p. 1633). In so doing, they consistently overestimated the ability of these countries to rapidly expand personal income taxes, where cash-based and even barter-based informal economic activity still dominated. The personal income tax was an instrument based on salary withholdings relevant only to the very small groups of formal corporate firms, and civil service had formal salaries (African Development Bank, 2009; Bird & Zolt, 2004; Burgess & Stern, 1993a; Wilson Prichard et al., 2010). There was a persistence in assuming that this was the best option to correct massive inequality issues in these countries, despite the fact that the structural nature of the economy meant that the personal income tax instrument was ill-suited for this purpose.

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his comment could be seen as simply advocating for the Gini coefficient-structured data that would allow for a more realistic comparison, but there does seem to be an implicit assumption in his writing that while progressive taxation and welfare-oriented public transfer mechanisms were stronger in the developed world, they still played a similar role in the poorest of developing countries.

Kaldor made two key observations regarding developing countries in his influential article of 1963. First, income distribution appeared much more unequal, the top fraction holding a much greater proportion of income.[36] Secondly, there was a propensity of the wealthier fraction to spend a greater proportion of their income on consumption than the wealthier brackets of the population in higher-income states. He combined these observations with an assumption that tax administrative capacity must be much simpler in poorer, developing states, given the much smaller group of taxpayers to manage and the capacities built into the new states from the colonial era (Kaldor, 1963, 1980; Toye, 1989). Consequently, Kaldor concluded that the income/GDP (or GNI) ratio was a poor indicator of taxable capacity[37] and that the uncaptured revenue was substantial. If this was the case, then greater effort would deliver higher yields. His conclusions reflect similar veins of thinking throughout the development economics literature regarding both the potential yield of existing tax bases and administrative capacity. The case studies in Chapter VIII challenge this notion, finding that greater efforts in the poorest states can in some cases lead to a extremely high costs of revenue production, where there appear to be some production possibility frontiers[38] in revenue generation. Administrative capacity has been somewhat separated from the story of means and scarcity, of the fundamental ability to afford administrative systems that more sophisticated tax handles require, and of the means required to mobilize revenue from informal, cash-based economic activity. Indeed, the dominant school of thought in the 1970s—the structuralists and "planners"—placed great faith in the ability, strength, and unity of "the state." Few criticized them for failing to see that low-income states were not "all-powerful monoliths" (Little, 1982, pp. 58, 126; G. M. Meier, 2005, pp. 84–85). This tendency to assume the existence of administrative means and resources has obscured some of the basic challenges, which are very real for a low-income state. Not to overstate the case, as early as 1959, Musgrave did recognize the issue of weak "tax handles" in developing countries, and Stiglitz called attention to the "imperfections of information" in his first visits to Kenya in 1967 and 1969 (Burgess & Stern, 1993b; G. M. Meier, 2005, p. 118; Musgrave, 1959, 1973).

[36] What we see today is that there is actually on average more inequality in developed countries than in developing countries (UN Development Program, UNDP, & UN Development Program, 2013). The impact of income levels in real terms is much more stark, however, as the percentage of the populations subsisting on less than a living wage is much higher.
[37] Kaldor's taxable capacity, in use, references both the tax base and the administrative capacity.
[38] That is, where efforts beyond a certain threshold lead to losses.

Nevertheless, these assumptions overestimate the feasibility of administering a range of revenue mobilization strategies. This aspect in particular motivates the administrative efficiency dimension developed in the next chapter and the investigation in the case study chapters to follow.

The main sources of revenue upon which developing countries were relying says something about the revenue potential of tax bases as well as the limited means available to the administration in these countries. Around the time of the Chenery report in 1979 and over a decade after Kaldor's article, revenue systems in countries which today remain low-income countries were dominated by trade taxes (see Figure 1 above), of which import tariffs held the larger share (not shown in figure) and a mix of other indirect taxes (of which excise taxes, eschewed by optimal tax theory, dominated in reported categories). Personal and corporate income taxes tied with consumption taxes, on average each representing a revenue yield of roughly 1.5% of GDP. Other than trade taxes, no revenue instrument yielded much more than 1.5% of GDP.[39] While the limited yields alone suggest a limited reach of particular tax instruments, there are no real statistics available on the "incidence" of each of the tax instruments, which I suspect would reveal the extremes in the narrowness of these tax bases. What was also true was that a substantial portion of public spending was financed either by monetizing deficits, seigniorage and inflationary taxes, or by borrowing abroad at a rate of 10–15% of GNP—a figure generally greater than all of the revenues mobilized in these countries (World Bank, 1984, p. 32).[40] These findings suggest that there was indeed some disconnect between what development economists assumed possible in terms of development agendas that could be achieved using domestic tax instruments versus the reality of the rather crude instruments employed to finance development and a myriad of constraints facing the revenue authorities in these impoverished states.

Assumptions regarding the existing administrative capacity in newly independent countries disregarded both the weakness of the new states' legitimacy in their claims regarding the right to tax these sources of revenue, as well as discounting or ignoring the massive capacity loss resulting from the exodus of colonial administrators. With this exodus, new states suffered major institu-

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[39] Ibid.

[40] This phenomenon, despite subsequent major efforts to reduce inflationary taxation and significant success in recent decades in reducing inflation rates, is still a feature in the developing states of 2016. See, e.g., trends for sub-Saharan Africa, where the average rests at 6%, with a slight uptick since 2012 (Allard et al., 2016, p. 39, Figure 2.15).

tional knowledge loss together with the disappearance of soft-budget constraints, whereby deficits had been generally shifted onto the colonial power's financial budget sheets (some evidence of these factors can be seen in Barnes, 1977; D. Bräutigam & Knack, 2004; Bush & Maltby, 2004; Pakenham, 1991; Plasschaert, 1962). In some ways, it would appear as though taxation in the poorest states might be much more complicated and costlier than tax administration in more developed economies. But Kaldor's assumptions regarding tax administrative capacity reflected the general perception of the time: administrative capacity was generally treated as a given in much of the development literature until the mid-1980s, even into the 1990s.

Kaldor concluded that there was substantial taxable capacity in the economy (by which he meant potential revenue) that was not being successfully tapped. In particular, he cited high levels of exemptions and underreported income. Even with marginal income tax rates for the highest brackets topping 80%, he recommended more taxes, not less. This conclusion likely reflected—or even facilitated—a growing sense that many of these countries have much greater potential than they were mobilizing and that this was partly the failure of the tax administration, more regarding collection than capacity (Kaldor, 1963, 1980). Since then, the narrative of the key issues obstructing revenue generation in poor states has frequently been one of waste, inefficiencies, and corruption. We revisit this discussion later in the chapter. While not negating the existence of waste, inefficiencies, and corruption, this volume presents a counter-perspective, a story of scarcity and means, as a rationale for the persistence of weak enforcement, as told through the lens of revenue efficiency.

There was some emphasis in the 1970s on searching for new ways and sources of raising greater revenues. This general line of thought can be traced in the annual World Bank development reports of 1978 and 1979.[41] For example, in an excerpt from the 1979 report:

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[41] For example, from WDR, 1978 report the language: "*To achieve the projected rates of growth* it will be essential to sustain high domestic savings rates. Particularly in the *Low Income countries*, which *will need to raise their savings rates substantially*, *this will require major efforts to mobilize domestic resources, including the reform of taxation systems*, introduction of more realistic prices for public-sector products and services, *restraint in government consumption expenditures*, and increased incentives for private savings" (World Bank, 1978, p. 27).
WDR, 1978 report: "In general, expanding investment in infrastructure *will require new efforts to raise government resources, either through taxation or through fees charged to the users of the services*. Because of rapid urban growth, current plans for the construction of infrastructure already strain the resources of governments, especially local governments which are responsible for a large part of investment in these sectors" (World Bank, 1978, p. 61).

> … *additional revenue will be required* in many cases. In oil producing countries such as Colombia and Mexico, *elimination of the subsidy on the domestic consumption of oil products* could increase government revenue by the equivalent of about 3 percent of GNP. In most countries, the introduction of *more realistic user charges, especially for urban services, could significantly reduce the outflow of* public funds and ensure a *more efficient use of public services*. In Colombia, the *valuation of property at market prices could yield an additional 1 percent of GNP in property taxes*. *Eliminating income tax exemptions* on the imputed rent for owner-occupied dwellings, a highly regressive subsidy used in many countries, *could yield equally substantial increases in revenue*. The preferred combination of services, expenditure reallocation and revenue generation will vary among countries. In raising revenues to finance basic services, the poorer of the semi-industrialized countries, such as Egypt and the Philippines, may have few options but to reallocate public expenditures (World Bank, 1979, pp. 94–95).

The early questions that arose as revenue systems came into focus in the development agendas was more a question of where to mobilize revenue, but still rather neglecting the question of the feasibility of these countries to mobilize revenue from intended tax bases.

WDR, 1979 report: "*responsibility* for providing and regulating urban services is typically shared by national, state and local governments, and at each level of government there commonly exist numerous autonomous public agencies with *overlapping servicing, taxing or regulatory functions*. In Bogota, for example, some 15 independent local public agencies, as well as various national government ministries and agencies, are involved directly or indirectly in transportation, housing, education and health. In such circumstances, the objectives and priorities of individual agencies rarely match, and at times conflict with each other, *often resulting in poor coordination, delays, or contradictory actions* (World Bank, 1979, p. 84).

WDR, 1979 report: "*…additional revenue will be required* in many cases. In oil producing countries such as Colombia and Mexico, *elimination of the subsidy on the domestic consumption of oil products* could increase government revenue by the equivalent of about 3 percent of GNP. In most countries, the introduction of *more realistic user charges*, especially for urban services, could significantly reduce the outflow of public funds and ensure a *more efficient use of public services*. In Colombia, the *valuation of property at market prices could yield an additional 1 percent of GNP in property taxes*. *Eliminating income tax exemptions* on the imputed rent for owner-occupied dwellings, a highly regressive subsidy used in many countries, *could yield equally substantial increases in revenue*. The preferred combination of services, expenditure reallocation and revenue generation will vary among countries. In raising revenues to finance basic services, the poorer of the semi-industrialized countries, such as Egypt and the Philippines, may have few options but to reallocate public expenditures" (World Bank, 1979, pp. 94–95).

In the case of exemptions and underreported income, little has changed in fifty years. Most low-income states' revenue systems are characterized by a high incidence of tax exemptions and underreporting, with estimates that tax exemptions represent lost revenue of some 3–10% of GDP (Fjeldstad et al., 2012; M. Moore, 2013a). This percentage is substantial in light of the fact that many poor states have failed to increase their (non-resource) tax take, on average, by more than 1–2% of GDP over the past several decades (Jonathan Di John, 2009; Mansour & Keen, 2009). We will explore exemptions further in Chapter IV, developing the political efficiency dimension, incorporating the phenomena into a more structured discussion on political resources for control.

Some themes brought out during the 1970s, with the rise of structuralists and development experts, remain relevant to this day. These include a tendency to overestimate the feasibility both of shifting emphasis in where revenue is mobilized and in broadening the preferred tax bases. Also relevant here were assumptions that the failure to broaden these revenue bases could largely be attributed to administrative inefficiency, waste, and corruption. This assumption will be challenged in my theory of revenue efficiency in Chapter IV and the case studies to follow. We also see that a propensity to overlook or dismiss the particular extremes of administrative challenges and means in a poor state started early on in development economics thinking.

In summary, there was a shift in thinking in the 1970s, with some concern for better employing the tax instruments espoused by optimal tax theories, such as progressive income taxes, to capture higher levels of revenue without shrinking the capital formation so essential to the new states. They placed some faith in the possibility of redistribution within the economy if "selective" tax instruments were used. Key thinkers of the period, such as Kaldor, arrived at the conclusion that GDP statistics were not good indicators of taxable capacity in the new economies, espoused increasing tax rates, and tended to overestimate the administrative capacity. Experts called attention to issues, such as high levels of tax exemptions, which have become a persistent theme in revenue loss in these states to the present day.

2.1.iii Duality, Structuralists, and the Rise of Import-Substitution Strategies

If we examine developing countries today, we will find that many of these countries display features from several of Rostow's stages of development. As many students of African politics and economies have noted, there is a spatial dimension and variation to the characteristics these economies exhibit; what some have termed a "dual" economy (Bates, 1983, n. for a political science perspective; Newbery & Stern, 1987, n. Lewis Chapter or Stern, p. 168, for instance). Rural areas still look quite similar to what Rostow described as "traditional" society, where most of the population is engaged in subsistence farming, sometimes non-monetized (i.e. bartering), with little connection to the outside world or even their own national capital. Urbanized centers are increasingly connected to globalized market value-chains, featuring a partially salaried population largely situated within the civil service, higher demand and value in property markets, and modernized features of infrastructure and modes of commerce. Most of these urban centers also feature massive slum areas that are usually dominated by first- and second-generation rural-to-urban migrants, who are searching for a way into the urban commerce and usually dependent on and engaged in informal economies, living in more fragile poverty given that their new predicament of poverty is now combined with the loss of the safety net provided by rural land and subsistence farming (Bates, 1983; Chimhowu & Woodhouse, 2006; Karshenas, 2001; World Bank, 1984). Dualism is a persistent socio-economic feature in most of the modern world's poorest states. The persistence of a dual economy has implications for which taxation instruments are feasible and relevant for these disparate types of economic structure. Accordingly, this assumption is important for our investigation of what shapes revenue mobilization strategies. Administrative and political constraints on revenue mobilization play out in different fashions within and between the rural and urban spheres of these countries, as we will explore in the case studies; for the moment, we dwell on how these characteristics figured into the evolution of development economics.

This feature of a dual economy gave rise to a debate (which has likely existed in every society, particularly during the transitional periods) as to the extent to which the burden of development and transition should be borne by urban centers versus rural areas (this topic has spawned a massive literature, a sample of which includes: Amin, 2014; Bates, 1983; Boone, 2003; Herbst, 2000; Karshenas, 2001; Krueger, Schiff, & Valdes, 1988; Newbery & Stern, 1987; Sah & Stiglitz, 2002; Schiff & Valdés, 1992; Timmer, 1989; Yang & Zhu, 2013). Regardless of how the distribution falls between urban and rural areas, this development burden has largely been borne in the form of taxes, or through marketing boards and the manipulation of exchange rates which largely created a tax-like effect (Bates, 1983). This debate played out in the tax policy reforms over the past fifty years and was particularly relevant to the import-substitution industrial development strategies promoted by the structuralists in the 1970s and to their critics.

In the 1970s, the structuralists were influential in the development economics narrative. Their main thrust was development via internally driven change as the primary source of growth (Bauer et al., 1984; G. M. Meier, 2005;

Myrdal, 1957; Prebisch, 1959; Singer, 1950; Timmer, 1989). Economic restructuring and industrial protection would facilitate the progression toward and through Rostow's stages of preconditions for growth and take-off.[42] The preconditions stage would exhibit a transfer of labor from the subsistence agriculture side of the dual economy into early industrialization and more "capital-intensive" production activities. Agriculture was perceived as the "black box" out of which labor and resources could be shifted (often via taxation) to finance industrialization—in effect, to stimulate structural transformation of the economy and movement into the next of Rostow's stages of growth (Debowicz & Segal, 2014; Krueger, 1991; Little, 1982, p. 105; G. M. Meier, 2005, pp. 44–45, 85–87; Schiff & Valdés, 1992). From the earliest UN development reports, it was assumed that any amount of labor from the agricultural sector could be extracted without reducing agricultural output (G. M. Meier, 2005, p. 45; United Nations Department of Economic Affairs, 1951, p. 41). These ideas gained prominence among development economists even before the 1970s. Throughout the developing world, import-substitution industrialization strategies proliferated through a mix of overvalued exchange rates, protective tariffs, quotas and quantitative restrictions on manufactured-good imports, export taxes on agricultural goods, and a range of other strategies amounting to significant bias towards urban areas and the significant implicit and explicit taxation of agricultural sectors and rural economies (Anderson & Hayami, 1986; Lipton, 1977; Schiff & Valdés, 1992).

While East Asian and Latin American economies shifted directions (to some extent, at least, for Latin America), the medium-term effect of implicit and explicit taxation of agricultural production on the African sub-continent was the economic degradation of rural economies and the agricultural sector as a sustainable tax base (Bates, 1983; Binswanger & Deininger, 1997; Doner, Ritchie, & Slater, 2005; Ebrill et al., 1999; D. Keen, 2003; Lele & Christiansen., 1990; Schiff & Valdés, 1992; Whitfield, Therkildsen, Buur, & Kjaer, 2015). Marketing boards proliferated, but the average effect was another form of taxation via price suppression for farmers across the developing world. The marketing boards reaped the surpluses when global market prices were high, which they lent and eventually transferred to central governments; and when prices were low internationally, they lowered returns for farmers. In essence, marketing boards often became an implicit tax on agriculture rather than their intended purpose of supporting agriculture and serving as a cushion against

[42] The second stage features 'preconditions' for growth: capital-intensive labor increases, extractive industries develop, and there are some levels of savings and investment. In take-off modes, industrialization expands, as do savings and investment.

fluctuating world market prices. In addition to overvalued exchange rates, which implied an import-dependent urban bias, in a landmark World Bank study in 1988 (and updated in 1992), Krueger et al. found that, on average, the industrial protectionist strategies of the 1960s to mid-1980s represented an average 22% tax on agricultural sectors (Krueger et al., 1988; Schiff & Valdés, 1992). During this period, the agricultural contribution to Africa's value-added increased only slightly, while its contribution to GDP in the region slightly declined and then stagnated across the region (see statistics and charts in FAO, 2015). In Ghana, for instance, these policies greatly dis-incentivized cocoa production, leading to a 60% decline in production from the 1960s to the 1980s (Whitfield et al., 2015). In effect, import-substitution policies financed industrialization at the expense of farmers' incomes, the economic expansion of the agricultural sector, and its sustainability as a tax base (Binswanger & Deininger, 1997; Jensen, Robinson, & Tarp, 2004; Krueger et al., 1988; Schiff & Valdés, 1992). This would have an impact on future revenue mobilization strategies.

Throughout the 1970s, there was a disconnect in the role and use of revenue systems. While development economists debated an ideal tax mix (how best to apply the lessons of optimal tax theorists to ensure a balance of improved equity and market efficiency in these impoverished states), the structuralists among development economists were employing the revenue system to support import-substitution strategies; namely, protective tariffs for industry and agricultural taxation mechanisms. Thus the idealists were debating optimal tax instruments for developing economies while the structuralists were using revenue instruments that contrasted sharply with optimal tax theory to promote import-substitution industrialization strategies.

While verging on conjecture, this disconnect probably contributed to the rise of another form of dualism—the formal and informal uses of government institutions in developing countries. This second form of dualism was formally what institutions, such as a revenue system, declared as their strategic intentions to development agencies (and populations), and informally: what they effectuated in practice with these institutions. The problem would later become evident to development economists (see, e.g., World Bank, 2011). From a development economics perspective, this is a tendency to communicate one set of objectives to development partners, while simultaneously (and often informally) dedicating institutional resources to another set of objectives. Andrews (2013b) used the term "isomorphic mimicry" to describe this phenomenon of institutional functional dualism as he explored its depths in the public financial management systems of developing countries. Isomorphic mimicry and dualism between (formally) articulated and (informally) implemented strategies of revenue mobilization likely emerged in the 1970s in many countries. We will return to this aspect in the next section and in our discussion of the sources of political inefficiency in Chapter IV—namely, political conflicts of interest, as well as in case studies in Chapter X.

In all of these debates, the ability of the revenue systems to carry out these mandates in poor states—including administrative and political feasibility—did not feature prominently in discussions; even where major problems were becoming evident—as in the increase in revenue lost to exemptions, which are often driven by political motives. Early studies focused more on macro factors such as economic structure and agricultural share (Chelliah, 1971; Musgrave, 1973). Local political agendas for taxation were not included in the discussion and the revenue sources' accessibility to these administrations were taken as a given to some degree. The Chenery report did acknowledge this slightly, even if focusing narrowly on the efforts to capture revenue from the wealthiest: "Legislating progressive rates of direct taxation is, of course, entirely costless, but implementing them to cover a wide range of higher-income earners is extremely difficult" (Chenery et al., 1979, p. 83). This tendency to dismiss the feasibility of proposed revenue strategies was likely obscured by the fact that import-substitutions strategies featured accessible "tax handles"—much more so than those emphasized by the next generation of development economics in the 1980s-90s. Tariffs, export taxes and trade revenues are some of the easiest revenues to capture as goods cross borders. In addition, inflationary taxes, seigniorage, and exchange rate manipulation required little effort or resources on the part of revenue authorities.

In summary, three different aspects of dualism emerged in the 1970s which impacted or were directly related to the revenue system: 1) an urban–rural economic dualism: Urban areas began modernizing, while the rural areas (which were financing this industrialization) stagnated, sometimes sinking further into a subsistence-type economy, suggesting increasingly stark differences in the urban vs. rural potentials for revenue mobilization as well as relevant tax strategies that could be applied to each in the future. 2) Dualism existed in the role and use of the revenue system: either as a tool to optimize economic efficiency and achieve socioeconomic equity goals or as an instrument to support the structural transformation of economies via import-substitute industrialization. 3) Finally, at this point a dualism likely emerged in the dialogues with developing countries' development partners, a disconnect between the expressed, formal objectives which institutions (e.g. the revenue system) were intended to support, versus enacted, informal objectives (i.e. where the states dedicated resources within institutions in practice).

2.1.iv Mid-1980s–Mid-1990s: Neoclassical Influence and Trade Liberalization

By the mid-1980s, weakening returns from agriculture as the revenue-driver, related inflationary tendencies, overvalued exchange rates, high interest rates in lending states, and slowing economic growth in the 1980s following commodity price shocks in the early 1970s all contributed to a growing debt crisis (Deborah Bräutigam & Knack, 2004; Rodrik, 1996; Tanzi, 1990, 1993; Toye, 2000; Whitfield et al., 2015; World Bank, 1980a, 1984). Implicit and explicit agricultural taxation was insufficient to cover expanding financial deficits. Consequently, developing countries borrowed to sustain their momentum in the quest for industrialization and the hoped-for structural transformation. Import-substitution strategies were unsustainable. Critics, including new World Bank Chief Economist Anne Krueger, declared that import-substitution strategies were highly biased against agriculture, created sector distortions, and were placing excessive financial strain on the economies (Anderson & Hayami, 1986; Krueger, 1991; Krueger et al., 1988; Toye, 2000). Krueger championed the power of the free market and the potentials for growth in an era of expanding globalization. She led the charge to shift the development economics zeitgeist from a structuralist-dominated narrative to the neoclassical era (Meier, 2005, Chapter 6). With this school of thought came a massive overhaul of trade policies throughout the developing world. Revenue and customs authorities cut tariffs and quota restrictions significantly. While trade liberalization led to significant revenue losses and a search for new sources in struggling states, it also led to increasing divergence between the articulated versus implemented agendas in revenue mobilization strategies, as discussed in the last section. For instance, many of the African states that embarked on trade liberalization platforms in the late 1980s and through the 1990s (e.g. Senegal) started with agreements to reduce trade revenues, and some had actually increased their trade revenues by the end of the reform period (Ebrill et al., 1999). This behavior was partly revenue-motivated—states lacked other accessible sources of revenue and had to reverse course on trade liberalization agendas agreed upon with the international financial institutes and development partners.

With the rise of neoclassical perspectives, the debate in the developing world shifted on who should carry the development burden between rural and urban economies. A few interesting takeaways related to the revenue aspect will suffice for our purposes. Some, such as Ahmed and Stern (1991, p. 94) identified agricultural tax policy as a special area related to development agendas and food security; as such, taxing the agricultural sector should not be viewed narrowly as simple tax policy. Prominent economists such as Stiglitz and Sah (2002) acknowledged that, in most developing countries, the real incomes of rural sectors were substantially below those in the urban sector. Accordingly, they suggested that the urban poor should only be subsidized if the rural poor were also subsidized. Conversely, it would be desirable to tax the urban economy while subsidizing the rural poor. Under no scenario in this analysis did they recommend subsidizing urban areas while taxing rural areas (Sah & Stiglitz, 2002, pp. 39–42). This conclusion was diametrically opposed to the structuralist argument of previous decades, and its impact on revenue mobilization strategies suggested a very different trajectory. However, in most sub-Saharan Africa countries, this line of thinking did not gain enough influence to reverse directions in development agendas; indeed, the debt crises left little internal space for revenue generation from any part of the economy. The development economics agenda pushed towards another direction: growth via expanded trade.

Neoclassical thinkers were concerned with recovering the lost growth of the 1960s–70s and saw the route out of poverty via ties to international markets (Easterly, 2001; G. M. Meier, 2005; Rodrik, 1996; Toye, 2000). The primary aspect was to look outside their borders. Structuralists such as Prebisch and Myrdal had argued that unless factor endowments and structural features within the economy could be manipulated to improve the country's comparative advantages in factor endowments, exposure to international markets would be detrimental (Bauer et al., 1984; G. M. Meier, 2005; Myrdal, 1957; Prebisch, 1959; Singer, 1950). They argued that protectionist tax instruments (tariffs and quotas) were necessary to induce change in the features of capital, land, and labor. Conversely, neoclassicists placed great emphasis on global markets to induce a competitive realignment with comparative advantages together with the feature of capital mobility and foreign investment aspect, which implicated a lifting of restrictions on capital flows and deregulating capital markets. These neoclassical ideas took shape in the reforms of the 1980s and 1990s, which saw a tremendous liberalization of trade restrictions.

Neoclassical economists identified the economic limitations of the poor states' domestic resource mobilization strategies without generating higher levels of investment and economic stimulation from trade. This also meant lifting protectionist tariffs that had generated revenue but stifled trade. From this perspective, the neoclassical perspective on trade differed from Rostow, who viewed trade as a source of state revenue. As economists searched for avenues for growth, some taxes became the obstacles to achieving these ends. In the annual World Development reports of the late 1970s and 1980s, taxation was treated largely in reference to preventing or minimizing the distortionary effect of taxes on trade and markets—which might hinder economic recovery and the hoped-for but yet unrealized return to the tremendous growth of the

1960s (World Bank, 1978, 1979, 1980b, 1981). Tax reform, Newbery and Stern (1987, p. 166) argued, should be preoccupied less with the optimization of static revenues when the total yields were far lower than needed for the pressing needs of development, focusing instead on where to reduce or remove taxes to stimulate desperately needed economic growth to raise these economies out of poverty.

By 1985, the tone and treatment of revenue and taxation changed yet again. Development economists increasingly realized that tax instruments in many developing countries were overly complex and had significant (often negative) effects on the economy. They needed to be holistically "rationalized" to ensure faster, more stable economic growth (see, e.g., discussions of tax instruments throughout the annual World Bank Development Report, 1985).[43] From the debt-recovery perspective and the expected decline in trade-related revenues, Musgrave, Stern, Ahmad, Stiglitz, Newberry, and others debated how best to adapt the lessons of optimal tax theory to the needs of developing economies desperately seeking a bump in revenues (Ahmad & Stern, 1991; Musgrave, 1987; Newbery & Stern, 1987; Sah & Stiglitz, 2002).[44] However, Musgrave and others also recognized how critical it was for these economies to attract capital. Any revenue mobilization strategies would have to be structured to facilitate very attractive rates and environments conducive to foreign direct investments and capital (Musgrave, 1987, p. 249). In the 1980s, revenue mobilization objectives had to take a back seat to economic growth, and revenue systems needed to be holistically reorganized to facilitate this objective.

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[43] From Box 4.7 of the 1985 World Development Report, p. 66, in reference to the case of Argentina: "Faster and more stable economic growth will require among other things several structural reforms, including significant improvement in public sector investment and other spending controls, rationalization of the tax structure, reform of the financial system, and reduction of trade restrictions."

[44] Musgrave recognized that the structural features in a developing country were quite dissimilar to the most industrialized, wealthiest countries. Specifically, he pointed out that developing countries featured isolation and segmentation within industries and markets in these economies and that most of these developing countries could be characterized as small, open economies. As such, they were price takers in international markets, as we briefly discussed in the optimal tax theory section (Atkinson & Stiglitz, 1976). Consequently, tax regimes should not be organized around trade tax strategies that assumed the ability *to change* terms of trade. Moreover, their revenue systems were highly vulnerable to international commodity prices.

With a mix of ideas from both schools of thought and the neoclassicists dominating, revenue systems moved centerstage, with calls for a complete overhaul and rationalization via tax reforms.

2.1.v Structural Adjustment Facilities

The structural adjustment facility initiated in the 1980s was organized to offer desperately needed financial support for debt-laden countries (Emran & Stiglitz, 2005; Krueger et al., 1988; G. M. Meier, 2005; J. W. Thomas & Grindle, 1990; Toye, 2000; World Bank, 1980a, 1981). The ten elements of conditionality, while ironically labeled "structural," largely embodied the thinking of the neoclassical school of thought as the path to achieve this structural adjustment. Among these elements was tax reform. Holistic taxation systems were now explicitly part of the development agenda. In fact, each of the major conditionalities of structural adjustment impacted strategies of revenue mobilization (Mosley, 1987; Toye, 1989). The ten components, which an English economist christened the "Washington Consensus" given that the World Bank, UN, IMF, and U.S. State Department all strongly supported this new line of thinking, included the following: 1) fiscal discipline, 2) public expenditure priorities, 3) tax reform, 4) financial market liberalization, 5) competitive exchange rates, 6) trade policy liberalization, 7) foreign direct investment, 8) privatization, 9) deregulation, and 10) property rights (G. M. Meier, 2005, p. 92; Williamson, 1990).

The structural adjustment reforms had an extensive impact on the reshaping of revenue mobilization throughout the developing world (although poor states ultimately reverted to some original strategies, which we discuss in a moment). In particular, fiscal discipline and public expenditure prioritization pressed governments to balance budgets and reduce reliance on deficit monetization via inflationary taxation mechanisms and borrowing abroad (G. M. Meier, 2005; A. Shah & Whalley, 1990; World Bank, 1981). The tax reform component now called on countries to reorganize revenue instruments in line with the conventional wisdom stemming from optimal tax theory—reducing dependence on inefficient, distortionary instruments of trade and turnover taxes, etc. while prioritizing flattened progressive personal income taxes; establishing VAT taxes as a better instrument to replace turnover and other sales and intermediate good taxes; reducing corporate income taxes; and introducing incentives to attract foreign direct investment into their economies, which desperately needed a cash infusion (e.g. tax exemptions). They also pressed for a devaluation of the exchange rates, which relieved some urban bias tendencies (e.g. serving as an implicitly embedded tax on agriculture). The privatization of inefficient state enterprises also meant a loss of non-tax revenues, as did the liberalization of trade policies, in reducing customs, tariffs, import duties, and other trade revenues.

Some development economists criticized tax reform “rationalizations” as being potentially regressive in effect given the structural features of these economies (Ahmad & Stern, 1991; Bird & Martinez-Vazquez, 2010; Bird & Zolt, 2004; Botes, 2001; Emran & Stiglitz, 2005; A. Shah & Whalley, 1990). Shah and Whalley pointed out that taxing the small portion of labor that was formalized tended to drive down wages in the informal sectors, which had an overall depressive effect on the economies. They (like others since) also cautioned against relying too heavily on VAT indirect taxes, which could tend to be regressive given that lower income earners generally use a greater portion of their income on consumption (Ahmad & Stern, 1991; Bird & Martinez-Vazquez, 2010; A. Shah & Whalley, 1990). As the proportion of the population paying income taxes in the poorest states was likely less than 2% (Bird & Zolt, 2004, pp. 1658–1659; Ebrill et al., 1987, p. 360, Table A5[45]), consumption taxes (VATs) had at least slightly more of a significant, redistributive impact in developing countries than income taxes. Others pointed out that while income taxes do not play a genuinely redistributive role, eliminating income taxes would render the system even more regressive, as income taxes tend to fall on a small portion of middle to upper income groups (Botes, 2001). Thus, while reforms were critically urgent to address spiraling inflation, slow growth, and countries overburdened with debt, not all economists were convinced that the optimal-tax-theory-espoused revenue instruments would be less distortionary in these economies.

While the overall impact of these reforms on revenue is still being debated (Agbeyegbe, Stotsky, & WoldeMariam, 2006; Baunsgaard & Keen, 2005; Ebrill et al., 1999; Stotsky & WoldeMariam, 1997; Toye, 2000), the experience of structural adjustments would ironically appear to have reinforced the importance of trade tax revenues in the strategies of poor states (Baunsgaard & Keen, 2005; Ebrill et al., 1999; Ganelli & Tervala, 2015). Where implemented, reforms represented substantial losses in accessible revenue streams, includ-

[45] See the relevant table in Annex Section 1 at the end of the dissertation. Kenya is the only African state in this table. It is currently a lower-middle income country but can give us some sense of the empirical reality one would likely find in other less-developed countries. In Kenya, according to this 1987 report, the percentage of the population paying income taxes was 0.56%. Based on my own discussions with revenue authorities, this percentage appears to coincide well with current figures in many low-income states.

ing trade, agricultural implicit and explicit taxes, seigniorage, corporate income taxes, and state-run enterprise revenues, none of which were likely to be rapidly recovered from new sources. Personal income taxes and VAT taxes would require both substantial administrative capacity and taxpayer information to enforce and expand. Baunsgaard and Keen (2005) found that while wealthier states were largely able to recoup losses from trade liberalization, the poorest states only recovered an average of 30%. In light of these losses, many of these states would appear to have reversed course. Here, we see evidence of dualism between the revenue policies and strategies articulated by poor states to development partners and revenue strategies implemented. An IMF report on trade liberalization in the late 1990s explained how, despite low-income countries signaling strong commitments to IMF-led trade liberalization programs, most of these states were found to be relying on trade taxes to an even greater extent by the end of the decade (Ebrill et al., 1999). This is an important point that we will reference in developing the theory of revenue efficiency in Chapters III and IV.

Emerging from the end of the last millennium, we see several tendencies. The first is the emphasis that development economics placed and continue to place on revenue instruments advocated by optimal tax theory, despite these states being reticent to employ them (see, e.g., Chu, Davoodi, & Gupta, 2000; and a very similar policy recommendations fifteen years later in IMF & WB, 2015). The second is an increasing tendency for low-income states to signal commitment to these revenue instruments, while continuing to rely to a large extent on sources eschewed by optimal tax theory (e.g. trade taxes). Development economists struggled to address this disconnect, pointing to politics, administrative inefficiency, and corruption.

2.1.vi The Good Governance Agenda and Administrative Inefficiency in Revenue Mobilization

Whereas the planners and structuralists were naïve about the capacities and good intentions of governments as a unitary actor, neoclassicists were naïve about economic growth being a phenomenon of "all boats rising." Within a few years, unintended consequences of structural adjustments unfolded. Venality, bribery, and dysfunction in government administration was rife; state officials exploited reforms to fortify patronage networks while cutting back on basic services (Fukuyama, 2015; Goldstein, Geithner, Keating, & Park, 2003; Grindle, 1997; Landell-Mills, Agarwala, & Please, 1989; Mwenda & Tangri, 2005; Therkildsen, 2000). Issues of corruption, weak institutions, and political factors entered into the conversation. In the 1991 World Bank Report, corruption was on the table (possibly for the first time), including discussions of rent-seeking and the "capture" of the state by elites, of political instability and its effects on macroeconomic stability and democracy, of weak institutions, and "rethinking the state" (World Bank, 1991, pp. 1, 10, 109, 128–129).[46] Whereas structural adjustment efforts focused on reducing the size of the state, this report declared that for the state and the market, "each has a large and irreplaceable role" (World Bank, 1991, p. 1). That same year, Douglass North's landmark book, *Institutions, Institutional Change and Economic Performance* was published (North, 1990). Without strong institutions, he argued, reforms were vulnerable to co-optation for political ends. The World Bank, the institution that had been very uncomfortable discussing politics until the 1990s, now realized that politics were partially responsible for unintended outcomes of structural adjustment reforms.

Landell-Mills, Grindle, Knack, and others carried these ideas forward under the "Good Governance" agenda (Andrews, 2013a; Grindle, 1997, 2004; Kaufmann, Kraay, & Mastruzzi, 2007; Knack, 2000; Landell-Mills et al., 1989; J. W. Thomas & Grindle, 1990). In 1989, Landell-Mills, Agarwala, and Please articulated the need for better governments across the developing world to tackle stagnant growth and persistently poor outcomes in development programs. A decade later, Knack, a World Bank economist, introduced a policy paper with the following statement: "Good governance—in the form of institutions that establish predictable, impartial, and consistently enforced rules for investors—is crucial for the sustained and rapid growth of per capita incomes in poor countries" (Knack, 2000, p. i). The paper spawned a new generation of thinking in development economics, a perspective which brought

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[46] "*Political instability and other political considerations go a long way toward explaining why*, in the first place, many of *these countries adopted*, to their economic disadvantage, the *policies they did*. And they underline the difficulty many countries face in changing course swiftly. So it is important to ask whether sufficiently broad support for the sorts of reforms that have been recommended can be built. *It has often been argued, for instance, that democracy and structural adjustment do not mix well*. Is this true?"

"And there is more to political stability than merely avoiding coups. Separatist movements, regional rivalries, ethnic frictions, and other sometimes violent social conflicts can plague even the most secure executive. *Repressive governments can create a semblance of stability* even when they entirely lack popular support, as Eastern Europe showed until recently. In 1987, roughly half of the world's governments were not democratic (Figure 7.1), whereas about three-fifths of nonindustrial countries fell into that category. *Social consensus helps governments to establish legitimate authority to govern. Without this authority, even the most basic functions such as taxation and allocation of public spending can become problematic*" (World Bank, 1991, p. 128).

politics and corruption solidly onto the agenda. The failure to achieve the major reform of revenue systems under the structural adjustment programs of the 1980s and 1990s was attributed to challenges to governance and "weak institutions" (see, e.g., Deléchat, Fuli, Mulaj, Ramirez, & Xu, 2015; Duanjie & Ritva, 1999; Therkildsen, 2000, 2010; Timothy & Torsten, 2014).

Complementing the new good governance agenda, development economists also brought attention to issues of administrative inefficiency and complexity in revenue systems across the developing world. In letter of introduction in the 1988 World Development Report written by new World Bank President Barber Conable, administrative inefficiency in revenue mobilization and the related costs of tax administration entered into development dialogues:

> The costs of revenue mobilization can and must be reduced in the interest of more efficient resource allocation and growth. Tax reform in certain developing countries shows that governments can simplify overly complex and costly tax systems, broaden tax bases, lower tax rates, and improve tax administration, while maintaining or even increasing revenues (World Bank, 1988, p. iii)

By 2000, significant strides had been made in many countries to rationalize the myriad of burdensome and complicated tax instruments. There was an outgrowth of tax system evaluation tools and emphasis.

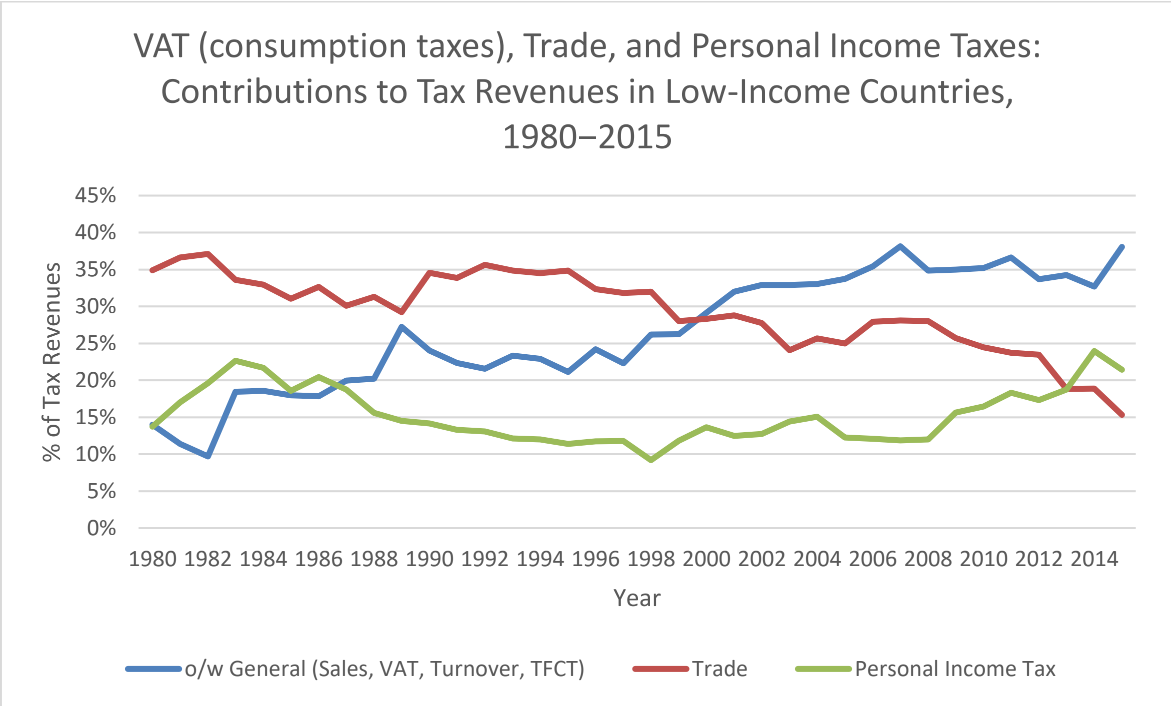
In 2004, a framework was developed for the "Diagnosis of Tax System Weaknesses" and included factors such as simplicity, corruption and accountability, cost indicators, and taxpayer surveys in a framework including capacity and institutions (Barbone et al., 1999). USAID, DFID, the World Bank, the OECD, and many other organizations have embarked on substantial tax reform programs and initiatives across the developing world (Everest-Phillips, 2009; Wilson Prichard, 2010a). Since 2005, the World Bank has included an extensive *Paying Taxes* report alongside its annual Doing Business reports. The 2007 report addressed issues of transparency, compliance, and effectiveness in tax regimes (IFC, The World Bank, & PWC, 2007; World Bank Group & PwC, 2015; Yesegat & Fjeldstad, 2016).

As these structural adjustment programs were implemented and tax regimes overhauled, development economists realized that revenue yields were not increasing as expected. Attention shifted to several more practical matters, including the autonomy and agency of revenue authorities and issues of corruption and non-compliance (Ebrill et al., 1999; Gallagher, 2009; Ganelli & Tervala, 2015). Following the principles of New Public Management, revenue authorities were encouraged to move outside of the ministry of finances and organize as semi-autonomous agencies (Ahlerup et al., 2015; Fjeldstad & Moore, 2009; M. Moore, 2014; von Haldenwang et al., 2014b). Between 1990 and 2015, 43 of the 54 states in Africa have developed semi-autonomous revenue agencies (Cnossen, 2014b, p. 4). Corruption was addressed more directly, and major tax administration reforms were undertaken to reduce corruption and waste, strengthening the capacity of tax administrations throughout the developing world.

In the interest of reducing corruption and tax evasion, other lessons from optimal tax models were adapted beginning in the late 1990s, now with an eye to improving compliance based on rates adjustment, where there were noticeable signs of "bunching" of reported incomes at the higher end of an income bracket—where development economists assumed that rate structures encouraged underreporting of income to stay within lower marginal tax brackets (Best, Brockmeyer, Kleven, Spinnewijn, & Waseem, 2015; Brockmeyer & Hernandez, 2016; Dharmapala et al., 2008; Emmanuel Saez, 2001). Newer models, introduced even as recently as 2015, include something of a "optimal non-compliance" factor, accepting that, at this stage in the game, all states will inevitably be marked by levels of non-compliance, and more so in developing countries with much weaker capacity to enforce compliance (M. Keen et al., 2015).

While there have been tremendous gains made in reforming revenue agencies across the developing world, including many of the world's poorest states, policy recommendations from development economists have not substantially changed the revenue picture. For instance, by 2008, VAT taxes had been implemented in 130 countries, had overtaken trade as the primary non-trade source of revenue (see Figure 5), and were making gains to replace the share of trade-specific revenues of customs and tariffs (Gallagher, 2009; M. Keen, 2008). Nonetheless, trade revenue still represented an average of 28% of total tax revenue yields in low-income states. Moreover, the feasibility of these newer instruments actually increasing the total revenue envelope for poor states is indeterminate. A recent study found no positive statistical effect in the role of VAT in increasing the overall tax take in developing countries (Ahlerup et al., 2015). Personal income tax returns remained stubbornly low—contributing an average of 11% to revenues in the poorest states (see Figure 5). Likewise, the advent of creating autonomous revenue agencies to confront administrative inefficiency and corruption across the developing world demonstrated a nice bump in revenue mobilization in many countries. According to recent studies, however, this effect is usually short-lived (Ahlerup et al., 2015; Authors, 2016; Fjeldstad, 2003; Jacques et al., 2016; M. Moore, 2014). In fact, the only revenue source in recent years that has demonstrated a significant effect in increasing the overall revenue mobilization rates for low-income countries has been natural resources, particularly in the extractive industries. This result is only relevant for countries blessed with natural resources or that are working on bringing these industrial contributions online (Mansour & Keen, 2009). Thus, resource revenues are to developing countries in 2016 what trade revenues were to developing countries in 1960—the only major class of revenue sources that holds the potential to increase revenue mobilization in a poor state (Hinrichs, 1966). For those without natural, extractive resources, there would appear to be nowhere to turn to generate more revenue.

Figure 5. Contributions of VAT (consumption taxes), Trade and Personal Income Taxes to Revenues in Low-income Countries



Source: Government Revenue Dataset, UNU-WIDER, analyzed by author.

2.1.vii Hernando de Soto and Rising Interest in Property Taxation

The good governance agenda and new institutional economics generated interest in another source of revenue that was largely disregarded in the optimal tax models: property taxes. Moreover, where few other sources of revenue were proving successful in increasing the tax take in the developing world, the writings of Hernando de Soto and increasing rates of urbanization across the developing world pointed development economists to the revenue potential of property taxes.

While his writings are now somewhat out of step with the current thinking on the topic, particularly in the African context (e.g., see Benjaminsen et al. 2009; Mckechnie 2005; Nyamu-musembi 2006), the emphasis on property taxes was largely inspired by de Soto's influential[47] ideas surrounding the assignment of private property rights (de Soto, 1989, 2000). The formal registration of property rights should give life to property markets and enable property owners to use property as collateral for financing business and enterprise.[48] Failure to formalize these rights, according to de Soto, represented an estimated $10 trillion in "dead capital"—including lost revenue for the state (de Soto, 1989, 2000).[49] De Soto's work coincided with the rise of neoclassical economic perspectives and the good governance agenda, both largely premised on the idea that governments exist to secure property rights (Acemoglu, Johnson, & Robinson, 2004; Bates, 1983; Bates & Lien, 1985; Besley & Persson, 2009; North, 1990; North & Thomas, 1973; Rodrik, Subramanian, & Trebbi, 2004). The push for titling property and granting individual property rights also held interest for revenue mobilization strategies. It created an impetus to collect, record, and register property, rendering it as a more "legible" source of revenue (Bird & Slack, 2007; Deininger, 2003; R. Kelly, 2000). As such, mass formalization projects could substantially expand the potential of a property tax base. Thus, we saw a symbiotic energy in the emergence of new domestic revenue mobilization development agendas and land tenure and property rights reforms espoused by the major development institutions.

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[47] Introduction from *People in Economics* (Clift, 2003): "Hernando de Soto has star appeal. He is on the must-call list of many world leaders. He is feted by the press and funded by international development agencies. His think tank in Peru has produced some of the most influential work in development economics, while his best-seller *The Mystery of Capital* was hailed by The Economist as "the most intelligent book yet written about the current challenge of establishing capitalism in the developing world." In it, de Soto argues that, despite the triumph of capitalism over communism, the market system is in deep trouble as long as so much of the world remains poor. The key to both spurring development and securing capitalism is enabling tens of millions of poor entrepreneurs across the third world to become part of the system rather than excluded from it by bureaucracy and red tape."

[48] "Land tenure is seen by many as the foundation for economic activity and market functionality in capital markets. As de Soto and many others, including Feder (1985), Besley (1995) and Carter (2003) claim, visible collateral can lower the information costs that often limit development of the private financial sector. Lower information costs can mean less credit rationing and more credit access" (Mckechnie, 2005, p. 53).

[49] Excerpt from De Soto, 2000, p. 159: "In every country we have examined, the entrepreneurial ingenuity of the poor has created wealth on a vast scale—wealth that also constitutes by far the largest source of potential capital for development. These assets not only far exceed the holdings of the government, the local stock exchanges, and foreign direct investment; they are many times greater than all the aid from advanced nations and all the loans extended by the World Bank."

However, studies of the massive reforms in de Soto's home country of Peru and similar efforts across the developing world called into question the assumed effects: enabling marketization as a mechanism did not unfold as expected (Field, 2007; Kagawa, 2001; Kjær, 2017; Lastarria-cornhiel, 1999; Mckechnie, 2005). Private property rights do not always fit African tenure systems well, where customary rights tend to dominate, particularly in the rural sphere. Creating private property rights and the inevitable transformation of customary rights could lead to the loss of land as a safety net and break the social structures surrounding these customary structures (Binswanger & Deininger, 1997; Boone, 2003b, 2013; Bromley, 2009; Chimhowu & Woodhouse, 2006; De Schutter, 2009; Gonzalez, 2009; Toulmin, 2008). These aspects will become relevant in our discussions in case studies, exploring the sources of weak legitimacy regarding the imposition of taxes on resources, such as property.

Property taxes and tenure securitization projects have also featured largely in the burgeoning field of taxation and state-building for its synergies with other development objectives—namely democratization, state accountability and decentralization, and, in particular, lending the possibility of fiscal autonomy to local governments throughout the developing world (R. Bahl & Bird, 2008; Bates & Lien, 1985; Fjeldstad & Heggstad, 2012a; Li, 2015; Wilson Prichard, 2010c; Wilson Prichard, Jibao, Orgeira, & Boogaard., 2017; A. Shah, 1997). Since the early 1990s to the present, the interest in property taxation potential and securing land tenure has been highly influential in development economics and has mobilized extensive donor support. These projects have included tenure securitization, rights formalization, private property rights assignment and reforms, sophisticated cadastre development, and property taxation initiatives (Adams, Franzsen, & Jibao, 2015; Bruce et al., 2007; Deininger, 2003; Deininger, Selod, & Burns, 2011; Everest-Phillips, 2009; Roy Kelly, 2000; Kjær, 2017; World Bank, 1993).

In terms of generating revenue from property taxes (particularly at the local level), the results have been mixed and generally weak, albeit with some successful, positive exceptions to the rule (Adams et al., 2015; Bird & Slack, 2006, 2007; Fish, 2015; Fjeldstad, 2017; Roy Kelly, 2000; Slack & Bird, n.d.). In particular, many of these studies cite political and administrative constraints obstructing the successful mobilization of revenues from property taxes. Both the political and administrative aspects (but particularly the politics) are arenas in which development economics find themselves somewhat at a disadvantage in their efforts to explain the challenges facing a poor state's efforts pertaining to revenue mobilization.

2.2 Summary: Evolution of Development Economics

In the early years, economists were less concerned with the design of revenue instruments and more fixated on identifying any sources of potential revenue. Trade revenue was the only area that early missions such as Hinrichs' identified as having expansionary potential. In the course of the decade and with a shift in leadership, however, the experts of the 1960s and 1970s pointed to the dramatically successful rise of personal income taxes as an income generator in the USA and Western Europe in the wake of two world wars. Kaldor and others worked to align the fiscal policies of developing countries with the modern lessons of optimal tax models—with progressive income taxes playing a prominent role. There was substantial economic growth in the 1960s and 1970s across the developing world, and structuralists deliberated in this period how these seemingly unstoppable engines of growth could be organized to bring about structural transformation in the process. Redistribution via taxation (generally from the rural agricultural economy to infant urban industry) was one of the key tools at their disposal to elicit such transformation. Revenue instruments mattered, and structuralists placed great faith in the capacity of these young states to implement new reforms. During the 1970s, however, other concerns came to light in the form of high levels of tax exemptions and underreported incomes and administrative inefficiency. These issues would present ever greater challenges to development efforts and the recommendations of development economists.

By the 1980s, the ostensibly unstoppable growth of the last two decades was stagnating. The unsustainable burden of implicit and explicit taxation of the rural agricultural sectors combined with declines in international commodity markets had eroded the capacity of the latter to finance growth in the new states. Rampant corruption, dependence on seigniorage to fill revenue gaps, and spiraling inflationary tendencies further eroded tax bases. While experts influenced by the ideas of optimal tax theories looked to these models to restore market efficiencies and minimize economic distortions in struggling economies, structuralists had been employing the revenue system to shift resources from rural to urban areas. A dualism emerged between the ideal design of fiscal codes, which had become increasingly complex and labyrinthine, and the use of revenue systems in developing countries to achieve other economic objectives. A shift in leadership at the World Bank led to the rise of neoclassical theories in development economics—embodied best by the idea of the free market. Marketing boards, which had contributed up to a third of the state's revenue in implicit agricultural taxes,Bates, 1983, p. 110 together with overvalued exchange rates, tariffs and quotas, and related import-substitution strategies of the 1970s were now overhauled by trade liberalization in the hopes of engendering a new, growth-driving development. The revenue effect, in general, was an even greater and abrupt loss of whatever revenues struggling states had still been able to secure from the stagnating agricultural sectors without any clear strategy for revenue replacement in the short term. Whereas Rostow and Hinrichs and other earlier influential thinkers had seen trade as a source of revenue, neoclassical economists saw free trade as an engine of growth that would lead to greater industrialization, specialization, and, consequently, new value-added sources of state revenue; however, these were neither short nor even medium-term solutions to the critical revenue challenges.

By the mid-1980s and throughout the 1990s, the World Bank and IMF enacted a new series of structural adjustment loans to provide much-needed financing to desperate states. The conditionalities of these loan facilities were intended to assist states in massively restructuring administrative bloat and inefficiencies, corruption, debt, and inflationary spirals. All ten main tenants impacted revenues for developing states, including a direct focus now on tax reform itself. Fiscal codes across the developing world were reshaped to align with the ideas inspired by optimal tax theories—including the creation of new uniform commodity taxes (VATs); flattened progressive personal income taxes; an eradication or substantial reduction in trade, customs and tariffs revenues, and levies; restrictions on the use of seigniorage to account for revenue instability; as well as reduced corporate income tax rates. However, the shock of such a substantial loss of revenue under the structural adjustments led many developing countries to revert to the stigmatized but more accessible sources of revenue—namely, an increase in dependence on trade revenues by the end of structural adjustment periods. A new form of dualism likely emerged during this period: isomorphic mimicry of Western institutions—signaling commitment to the principles, optimal tax models, and conditionalities imposed by donors while shifting institutional and administrative resources to more pragmatic strategies.

At the turn of the century, the failures and frustrated reforms from structural adjustments were becoming ever more evident, and development economists turned to good governance theories to explain failures. In the euphemistic terms employed by many, "institutional choice" mattered. Corruption and weak political institutions could be blamed for reform failures. At this juncture, however, development economic theories found themselves in a weakened position to address development challenges—where development challenges often required political rather than economic solutions. One form of taxation suggested an avenue capable of motivating institutional strengthening and positive state-building momentum: property taxation. However, the results of efforts to target property taxes, a source of revenue disregarded by optimal tax theorists as a "non-income" tax base, have been mixed. Politics have again often been the reason provided for stalled efforts, together with fairly high levels of administrative sophistication and the legibility-creation efforts necessary to successfully implement property tax strategies.

Section 3 Chapter summary

What shapes strategies of revenue mobilization in poor states? Our effort in this chapter was to develop some understanding of optimal tax theory and the ideas emerging from development economics over the past half-century, both of which have influenced and shaped the revenue mobilization strategies in poor states.

Investigating optimal tax theory allowed us to grasp the potential of revenue instruments at the disposal of revenue authorities, while attempting to retrofit their recommendations to the constraints of a poor state. We can distill a few key lessons from optimal tax theory: revenue mobilization should be treated as a system, as efforts in one area may impact the behavior and economic choices in others. Secondly, many of the basic assumptions for best practice tax instruments do not hold in a poor state setting—primarily among them, the assumptions of the universal reach of the tax instruments and the formal, recorded nature of transactions. Adjusting these assumptions changes the economic impacts and revenue potential. The breadwinners in Western societies, including the progressive personal income tax, becomes a narrow instrument incapable of achieving welfare redistribution objectives. However, it can be constructively designed to alter economic behavior among the small population of civil servants and formal salaried labor in a poor state. In an environment characterized by a narrow personal income tax and tax policy instability, the corporate income tax should be structured with higher rates. The VAT (uniform commodity tax) in an environment dominated by informality becomes a dual-tax, serving as a tariff on imported goods sold in the informal economy and a standard consumption tax for formal transactions. This creates a default preference for domestic (informal) goods which may facilitate development objectives without establishing overt protectionist policies. While seigniorage serves as one of the few instruments at the disposal of poor states to overcome vulnerability to revenue instability, it incites inflationary spirals. In its absence, poor states must identify alternate means to account for cashflow gaps in the short-term. Where no protectionist development priorities are under consideration, imports and domestically produced goods should be taxed similarly. Grouping taxpayers by semi-homogenous taxpayer groups rather than by taxpayer instrument allows revenue authorities to tailor revenue mobilization strategies to particular attributes of informal and formal economic actors. Optimal tax models generally treated the administration of revenue mobilization as costless and state capacity as irrelevant by assuming it was fully capable of implementing most models developed, which greatly minimizes the practicality of many general findings. These models also assumed that revenue sources were “legible” and able to be identified and targeted, an assumption which is not true for 40–85% of the economic activity in the least developed countries. Accordingly, besides the findings regarding VAT taxes, optimal tax theory offers little insight into optimal ways of mobilizing revenue from the largest parts of their economies: informal, predominantly rural, and agricultural tax bases. It offers nothing with respect to political will or the potential political costs of attempting to secure revenue with these various tax instruments.

Development economics theories emerged in the absence of locally constructed models from newly independent states. The advice and influence came in conjunction with critical revenue support from multilateral and bilateral aid from the international financial community—the primary sources these young states could turn to fill yawning revenue gaps in five-year development plans. The dissonance between three elements persisted from the early years of post-independence until the current period, with stress placed on various potential revenue instruments as economic theory evolved over the past half-century. These conflicting elements included, first, a pragmatic search for real potential sources of revenue available to new young states; second, the use of revenue instruments to achieve a variety of political and economic objectives (e.g. import-substitution strategies, protection of private property, and the promotion of democratic accountability); and thirdly, the design of revenue instruments to mirror international best practice—at times regardless of the relevance of these best practice models and their underlying assumptions. The disconnect between the ideal design promoted by development economists and multilateral institutions (who themselves provided one of the largest sources of revenue for poor states) and pragmatism in revenue mobilization strategies likely led to a phenomenon of isomorphic mimicry—formally mimicking the institutional structure of Western-inspired models while shifting resources and de facto strategies to other politically important objectives and more pragmatic means of revenue mobilization, such as taxes on imports and exports. Meanwhile, the failure of many tax reform programs to deliver high yields in revenue and to broaden tax bases by any substantial degree has been increasingly attributed to administrative inefficiency, weak political institutions, and corruption (Table 1).

Table 1. Ideas from Optimal Tax theories and Development Economics shaping fiscal codes in developing countries

Period	Main ideas in Development Economics	Influence in Shaping Tax Strategies in Poor States
1960s	Rostow's influential *stages of growth* motivates debates among development economists regarding best way to achieve transition from one stage of economic growth (i.e. subsistence agriculture-dominated economies) to the next in newly independent states: via expanded trade or internal structural transformation.	Pragmatists identify trade taxes as one of the few sources of revenue with potential for expansion in newly independent states. Tendencies to overestimate the political and administrative capacities and consolidations of new states and their ability to implement new policy reforms would continue through the 1970s.
1970s	Period dominated by structuralists and planners; main development thrusts focused on structural transformation and shifts in developing economies from agricultural subsistence to value-added industrial-led growth in urban centers.	The "experts" look to the lessons of optimal tax theories to assess how tax instruments could facilitate structural transformation, criticizing economically inefficient tax regimes dominating the developing world, and advocating much greater reliance on progressive income taxation to support redistribution within the economies. In practice, unsustainable implicit and explicit taxes on rural agricultural sectors create urban bias, weaken agricultural productivity and lead to revenue declines by end of the decade. High rates of tax exemptions became prevalent.
1980s	Period dominated by neoclassical ideas and free market principles. Many developing economies stagnated due to slowing global growth as well as depleted agricultural sectors due to import-substitution industrialization strategies. The focus was generally on markets, not governments.	New economies increasingly rely on "inflation taxes" and seigniorage, together with increasing indebtedness to manage revenue gaps due to falling prices in international commodity markets and stagnating agricultural productivity. Development economists advocate structural adjustment programs (outlined below) to correct for distortions, including tax reforms.

Period	Main ideas in Development Economics	Influence in Shaping Tax Strategies in Poor States
1990s	Neoclassical and structuralist ideas contribute to the development of structural adjustment programs, supporting highly indebted countries in substantially reforming fiscal and monetary policies and reducing administrations widely seen as “bloated” and inefficient.	Structural adjustment facilities enacted major tax policy reforms across the developing world to better align systems with international best practice—reducing use of seigniorage, trade taxes, lowering corporate income tax rates, creation of VAT tax regimes, and liberalizing trade regimes. By the end of the period, however, many states had reverted to increased reliance on trade revenues as well as grants from multilateral development partners.
	Persistent corruption, administrative waste and inefficiencies, and weak political will to oversee structural reform programs engender a new perspective in development economic theories: the rise of the institutional choice and good governance agenda.	Semi-autonomous revenue agencies replace line ministry revenue departments across the developing world to address issues of corruption, administrative inefficiency, and political interference. Early successes were often followed by poorer results and the re-emergence of political interference, weaker revenue returns, and corruption in the medium term. Reorganization of revenue agencies featured homogenous taxpayer groupings.
2000s	Governments increasingly seen not simply as facilitator of markets but as institutions in themselves which widely impact societies and markets. New focus on promoting democratic values and political reform.	The Monterrey Consensus of 2003 emphasizes the need for self-reliance and sustainable “domestic resource mobilization” in developing countries to finance their own development. In 2016, the Addis Tax Initiative reinforces the international development community's commitment to supporting domestic resource mobilization and ensuring policy coherence in line with international best practice. This period exhibits increasing interest in property taxation as a means of promoting decentralized, democratic, and accountable states.

Chapter III
Scarcity and the Administrative Efficiency Dimension

This chapter is a brief development of the administrative efficiency dimension. For our purposes, administrative efficiency simply refers to the amount of a state's administrative resources consumed by a given task. Taxable objects that are illegible to the state require extensive administrative resources to identify, track, register, and value. These render the revenue source administratively inefficient. I explore some expectations of the administrative resources important for revenue mobilization – generating income for the state. Following a general understanding of necessary resources, I consider the extremes in the shortage of these administrative resources that are likely to characterize a poor state. We then briefly explore some types of revenue sources that are likely to exact relatively more resources in the revenue system. With this understanding, we develop a sense of administrative efficiency—the prudent use of precious and scarce administrative resources. The following chapter then introduces the political dimension and develops the theory of revenue efficiency.

Section 1 Administrative Resources for Revenue Mobilization

Every government requires administrative resources—manpower, facilities, and information-processing capabilities, as well as relevant information itself. In a revenue system, all of these components are essential. And in the poorest states in our modern world, all of these resources consume much of the government budget while still often being insufficient to manage the tasks of administration at hand. These states govern on a fraction of the budget of OECD states (i.e. states that served as the basis of optimal tax models). For instance, Sierra Leone's government operates on a budget of $124 per capita, compared to $34,500 per capita in Denmark ("CIA World Factbook," n.d.). On average, government revenue in low-income states is $134 per capita.[50] By comparison, even in lower-middle income states, the revenue figure is greater by a factor

[50] Analysis by author. Statistics on Government Revenue and Population from the CIA World Factbook, latest data, accessed February 2016; Country Income index based on the World Bank rankings for 2017.

of nine.[51] Moreover, that $134 must finance the entirety of the state governance efforts: security and policing, administration, public services, education, and healthcare provision. Budget limitations entail very real and practical issues of administrative resource limitations (see, e.g., discussions in Thomas 2012, 2015).

Administrative costs that might be insignificant in a middle- or upper-income state could render a revenue mobilization strategy unfeasible in a low-income state. For instance, Cnossen estimated that "a best-practice, broadly administered VAT costs $100 per registrant per annum" (Cnossen, 1994; cited in Emran & Stiglitz, 2005, p. 620) Where the government's *entire* administrative per capita budget equals an amount not much more than the administration of this single tax, this strategy would be impractical.

There are counter perspectives on this issue regarding resource scarcity and administration in poor states. Firstly, a number of authors have asserted that (eastern) African public servants are the highest paid in the world, vis-à-vis the income of the average citizens in their states (Bierschenk & Olivier de Sardan, 2014; Schiavo-Campo, 1999; Therkildsen & Tidemand, 2007). Most of these authors also acknowledge two elements: public servants still find their salaries uncompetitive vis-à-vis potential earnings in large, private-sector firms. Secondly, development partners support up to half of the government budgets that finance these salaries. Moreover, key reports from the IMF and African Development Bank have estimated tax collection cost ratios in eastern Africa at roughly 1.7–3% of revenues mobilized (African Development Bank, 2011a; Bird & Zolt, 2004). Gallagher estimated that revenue mobilization costs only $1.11 for every $100 it collects from taxpayers in sub-Saharan Africa. To explain this low cost ratio, he cites another statistic: sub-Saharan African revenue systems understaff their agencies to balance costs-to-revenue yields. On average, there are only 0.25 staff for every 1,000 persons in a society, lower than the ratio on any other continent (Gallagher, 2009).[52] These

[51] Source: Government Revenue per Capita, averaged by country income group: Low Income Countries: $134.72; Lower-Middle Income Countries: $1,184.61; Upper-Middle Income Countries: $2,136.36; High Income Countries: $11,825. Analysis by author. Statistics on Government Revenue and Population from the CIA World Factbook, latest data, accessed February 2016; Country Income groups based on the World Bank classification for FY2017 (http://data.worldbank.org/about/country-and-lending-groups).

[52] Keeping in mind that these figures incorporate middle and upper-middle income countries on the continent, I expect the cost ratio to rise and the staff ratio to decrease for low-income states on the continent; i.e. costs per dollar of revenue collected would increase and the number of staff assigned to tax collection activities would decline.

statistics suggest the strategic use of administrative resources, such as limiting tax collection to more productive sources of revenue and disregarding the wider swaths of eligible small taxpayers so as not to exhaust administrative resources. In support of this perspective, there are very few contributing taxpayers in the poorest states, an even smaller portion of whom contribute the main bulk of revenues. While it is difficult to obtain concrete statistics, as we discussed in the previous chapter, economists estimate the citizens contributing to the personal income tax at 0.3–5% of the population in the poorest states (e.g. 0.56% of Kenyans contributed to this tax in 1987, Ebrill et al. 1987). In many low-income states, roughly 400–800 taxpayers contribute an estimated 80% of revenue.

If we broke down the administrative costs of mobilizing revenues from the *rest* of the economy beyond the 400–800 main contributors (i.e. among mostly small and informal, urban and rural taxpayers), I expect that the administrative resources required to cover such collections would frequently vastly exceed these ratios, even above the total amounts mobilized, for many small taxpayers. Tax experts in developing countries support the notion that revenue mobilization, and income taxes in particular, are likely considerably more costly in developing countries than in the "developed" world (Bird & Zolt, 2004, p. 1666). The wisdom of taxing informal operators and rural economic activity in the least developed states is debated, partly due to high administrative costs and low revenue yields (Joshi et al., 2013; M. Keen, 2012). Many frame this problem largely in terms of poor compliance and tax evasion (see, e.g., Bird & Wallace, 2004), where those evading taxation are described in terms of proactively avoiding tax obligations. However, there is more recent recognition that many taxpayers are only passively uncompliant, being unaware of obligations (often due to illiteracy). Moreover, low compliance rates often exist due to the limited "reach" of the state, and the high cost ratio of taxing in minimally populated areas (Bird, 2014; Herbst, 2000; Joshi et al., 2013; Wilson; Prichard, Beach, Boogaard, Mohiuddin, & Foged, 2018; Wilson Prichard, 2010c; World Bank Group & PwC, 2015). I will discuss the latter two elements briefly.

In *Theory of Public Expenditure*, Colm constructs a rudimentary "governmental overhead costs curve" (2009, p. 7), estimating that administration costs are likely highest in two areas of a country: urban areas with high population density, where congestion creates administrative problems to be solved and rural areas with low population density, where government services cannot be used to capacity and things such as mail delivery are expensive. The challenges of rural mail delivery, where residents and mailboxes are far and few between, also applies to rural revenue mobilization and tax collection. Where tax collectors must cover long distances to reach small populations of potential taxpayers, cost-to-collection ratios can increase dramatically, particularly where potential revenue yields are very low. Martin et al., Herbst, and a number of others have brought attention to the issues presented by trying to collect taxes in areas of low population density and where roads are often of poor quality and scarce in quantity (Aidt & Jensen, 2009; Herbst, 2000; Isaac William Martin et al., 2009, p. 188; M. Moore, 2014; Peltzman, 1980; Rémy Prud'homme, 1992; M. A. Thomas, 2012, 2015).

In a poor state, it is not only the limited government resources that must be considered, but also the potential revenue yield that can be generated from a given strategy. Indeed, in Doner et al.'s prominent work on developmental states, "scarcity of easy revenue sources" is one of three interactive conditions of systemic vulnerability in developing countries (Doner et al., 2005). Where a majority of economic operators are small informal businesses, implementing a strategy to broaden the VAT tax base to encompass the vast swaths of small, informal operators—and moreover, considering the additional administrative resources necessary to identify, incorporate, and train them in the proper use and filing of VAT tax receipts—renders a $100-per-registrant strategy potentially even more impractical for a poor state.

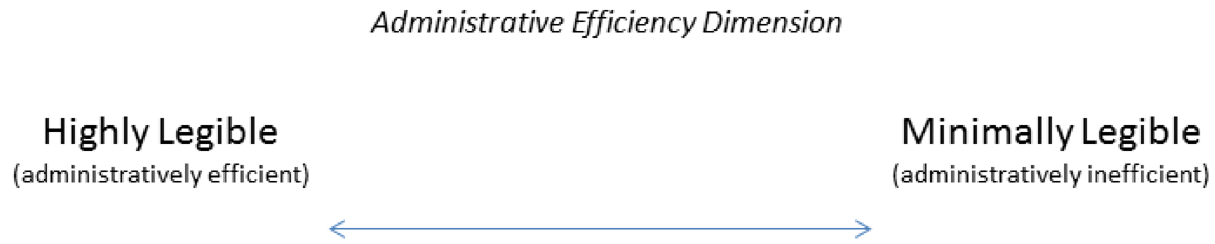
1.1 Legibility—The Defining Characteristic of Administrative Efficiency in a Poor State

The primary resource of interest for revenue mobilization is information about what the state is trying to tax. The administrative aspect of my theory largely concerns the "legibility" of economic activity. My concept of legibility is inspired by an anthropological use of the term that focuses on the knowledge a state has about any taxable object (Scott, 1998, pp. 2–83). To secure revenues through taxes or other means, the government requires pertinent information about the object of taxation. The need to extract revenues therefore often serves as the impetus to know: for the state to know and identify who, precisely, are its subjects and what economic activity occurs within its territory. Legibility, then, can be seen as the state's efforts to "translate" economic activity, wealth, and persons into standard measurable and quantifiable units, which can then be taxed (Scott, 1998, p. 2).[53] I define legibility as the degree to which objects of taxation within an economy are recorded, registered, indexed, digitized, valued, and can be accessed and referenced in a standardized, short-hand fashion. Highly legible revenue sources are administratively efficient to mobilize.

[53] Scott, James. Seeing Like a State, p. 2.

In light of this, I have developed the administrative efficiency dimension, which is essentially a continuum of the legibility of the taxable object. Potential revenue sources for which the state has extensive, easily accessible, recorded, digitized, standardized, an easily-determined taxable value, and quantifiable information are highly legible (a few examples are discussed below). Those which present minimal attributes of legibility—sources of revenue lacking records and which are non-digitized, present difficulty in assigning a taxable value, are non-standardized, and not easily quantifiable—are administratively inefficient. These are potential sources of revenue that require extensive administrative resources on the part of revenue actors to make them legible. Musgrave uses the term "tax handle" to reference the means by which a state can grasp a source of revenue, so to speak (Musgrave, 1959, 1973). See Figure 6 below.

Figure 6. The dimension of administrative efficiency



Creating legibility is essentially an act of state-building (Andrews, Pritchett, & Woolcock, 2017; Lund, 2007; Mallett, 2017; Piccolino, 2015b; Scott, 1998). Translating taxable objects into legible forms is achieved through activities such as census and the creation of personal tax identification numbers for the purpose of levying a personal income tax; or the development of streets and addresses for accurate management of a property tax. Inadequate knowledge about a particular tax base or the lack of a tax handle for an object that the state is trying to tax greatly limits the ability to secure the tax effectively. If all business transactions in a community are handled in cash and there are no receipts or legers reporting business sales, there are very limited means at the disposal of a revenue authority to identify taxable objects and levy a sales tax.

Legibility is a fundamental problem facing the revenue systems and actors in poor states (Hyden, 2005; Joshi et al., 2013; Lund, 2007; Scott, 1998). The greater part of economic activity is not "formal," and the state has limited means of knowing the economic activity of its subjects and available resources in any comprehensive and standardized fashion. Revenue actors are, as Scott puts it, "partially blind" and face much greater challenges identifying wealth and targeting revenue streams for extraction.[54] Scott recognized this as a central challenge to state-building historically.[55] It is also a central problem in statecraft among the youngest and poorest countries in the modern world. The world's poorest states face extreme challenges in securing revenue streams with which to govern, given that much of their economy is relatively illegible. Thus, our administrative inefficiency encapsulates the extent to which economic activity is illegible and requires deciphering in rather inefficient ways to identify wealth and resources.

1.2 Varying Legibility

The legibility of revenue sources can vary significantly across revenue sources as well as within a given revenue source. One type of tax may be imposed on diverse types of taxpayers—rural and urban, wealthy and poor, illiterate and well-educated taxpayers—which creates variation in the legibility of the source. This is particularly true in the poorest states, where a duality in the economic structure, between formal and informal economic activities, is a defining feature (Besley & Persson, 2014; Binswanger & Deininger, 1997; Burgess & Stern, 1993a; Chenery et al., 1979; Joshi et al., 2013; La Porta & Shleifer, 2014; Potts, 2007; Sen, 1966). Land and property as a source of state revenue is a prime example. The treatment of land is particularly diverse within and throughout African states (Binswanger & Deininger, 1997; Boone, 2003b; Chauveau, Colin, Jocob, Philippe, & Le Meur, 2006; Chimhowu & Woodhouse, 2006; Gardini, 2012; Kjær, 2017; Nieuwaal & Dijk, 1999; Toulmin, 2008; Unruh, 2008), which in turn has significant implications for its potential as a source of revenue for the state (Adams et al., 2015; Riel; Franzsen & McCluskey, 2005; S. S. Jibao & Prichard, 2015; R. Kelly, 2000; Toulmin, 2008).

In Sierra Leone, for example, two-thirds of the population depend on land and the agricultural sector (FAO, 2015). Despite land providing income for the majority of the population, its potential as a tax base is greatly diminished by the fact that most land users are subsistence farmers with little to no expendable income (i.e. minimal revenue potential). Aside from the questions of the potential size of this tax base, however, the government's ability to tax property is complicated by the dual land tenure system, freehold, and customary leasehold (Adams et al., 2015).[56]

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[54] Ibid.

[55] Ibid.

[56] According to the Food and Agricultural Organization, land tenure refers to "the relationship, whether legally or customarily defined, among people, as individuals or groups, with respect to land (for convenience, "land" is used here to include other

Property in the wealthier districts of the capital of Freetown is partially registered under a legal structure of freehold (i.e. private property), has registered streets and addresses, and can be bought and sold. Establishing a best-practice, market-value-based property taxation system remains unrealistic, however, as a mere 25% of the city's properties are identified and valued, and transactions are stored mostly in paper-based, non-digitized form, which renders them difficult to reference (S. S. Jibao & Prichard, 2015). I would classify these as somewhat administratively efficient sources of revenue. Settlement areas of Freetown are still legally classified as private property, but none of the residents of the city's 61 slums were registered in the 2004 census, and there is no comprehensive property registry. Informal slum dwellers have neither legal documentation for their land nor formal address for reference in identifying properties (Beukes, 2015). These are minimally legible objects of taxation, albeit still the same object of taxation (property) in different areas of the same city. Thus, the slum settlements in the capital are administratively inefficient sources of revenue.

Elsewhere in Sierra Leone, which is predominantly rural, property is held under a completely different tenure system—customary leasehold land tenure—where the local chieftain is the custodian of ancestral land. Land cannot be bought and sold, only leased. There is much confusion regarding land under custodial systems. Property tax can solely be applied to buildings, not the land, partly due to the societal treatment of land. Limited property markets take on a very different nature in such a context, with high insecurity of tenure both for land-owning family lineages and the tenants who lease land from them. There are no clear values and registers of land. The key source of knowledge, where custodial law is unwritten, resides with the chieftains. Rural property is therefore minimally legible as a potential object of taxation—administratively inefficient sources of revenue. Thus, as we see with property in

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natural resources such as water and trees). Land tenure is an institution, i.e., rules invented by societies to regulate behavior. Rules of tenure define how property rights to land are to be allocated within societies. They define how access is granted to rights to use, control, and transfer land, as well as associated responsibilities and restraints. In simple terms, land tenure systems determine who can use what resources, for how long, and under what conditions.

Land tenure is an important part of social, political and economic structures. It is multi-dimensional, bringing into play social, technical, economic, institutional, legal and political aspects that are often ignored but must be taken into account. Land tenure relationships may be well-defined and enforceable in a formal court of law or through customary structures in a community. Alternatively, they may be relatively poorly defined with ambiguities open to exploitation." FAO, Accessed April 30, 2018. URL link: http://www.fao.org/docrep/005/y4307e/y4307e05.htm

Sierra Leone, legibility (and consequently, the administrative efficiency) of taxing property varies across a state's territory.

The evidence from Sierra Leone brings an interesting facet of administrative efficiency to our attention: When and where revenue sources are fairly illegible (and in particular, where the revenue source is largely controlled by local and non-state actors, such as traditional authorities and chieftains), the state's revenue actors become highly dependent on local knowledge. This dependency can create power reversals between centers of power which possess local knowledge and the state's revenue actors trying to mobilize revenue. This reality, in turn, opens the door to a number of pragmatic revenue mobilization strategies—strategies which would frequently deviate from the fiscal mandate. These factors are relevant for our discussions of state legitimacy pertaining to claims of the right to tax, of revenue competition, and the impacts of fiscal decentralization in the next chapter (i.e. developing the political efficiency dimension). In Chapters VIII and IX, we explore several cases encapsulating this phenomenon.

Highly legible sources of revenue are scarce in the least developed countries. The relationship can be seen as being inversely proportional to the size of the informal economy, where the poorest states are generally likely to feature large informal economic sectors. Multinational firms (frequently headquartered in more developed, industrialized economies with local branches or sub-firms located in developing countries), by nature of trading products on global markets, often have incentives and regulatory stipulations that ensure well-kept bookkeeping and accounting records. In this sense, they are highly legible given the extent of their registered, digitized record-keeping. Many such operations and the financial operations of multinational firms are also very complex, however, requiring high skill levels and extensive auditing resources to decipher taxable values. Thus, the revenues of multinational firms also pose a degree of variability in legibility and administrative efficiency, which affects taxation efforts.

Section 2 Scarcity of Administrative Resources in a Poor State

In a recent fictional American television series, a state-of-the-art medical facility in Seattle flew in a number of doctors from the Syrian war zone in the interest of teaching them the latest technologies and procedures they could use to operate on patients in the field and in war-zone hospitals.[57] Upon gathering both teams of doctors for the training, the Syrian doctors asked if they

[57] *Grey's Anatomy*, a television drama, airing since 2005 (ongoing, at the time of writing) produced by ABC (American Broadcasting Company).

could adjust the instruments available for the practice operations to fit the tools they would have accessible to them in the field. The Seattle team, which had already tried to limit the medical instruments to manual tools that could be used in the field without electricity, agreed, inviting them to adjust the instruments to the set of supplies that were available and accessible in Syria. The Syrian doctors removed all but five or six very basic tools. And then said, “wait, there’s something else.” They turned off the lights, grabbed a flashlight, and hung it over the operation table. “Okay, now that’s about right. Let’s begin.” Working together, the Seattle and Syrian teams started thinking up all kinds of creative ways of carrying out operations, with very basic tools, looking around at what common items might support an operation, such as duct tape to set a bone splint. Meanwhile, they kept having to squint and adjust the flashlight to get some light on the subject to be able to see what they were trying to do.

In a poor state, the scarcity of administrative resources can evoke similar images—particularly rural teams that are sometimes operating without computers, without internet or electricity, and cannot make use of state-of-the-art optimization models of taxation. Instead, to try to accomplish their task, they must look around for whatever basic resources they have at their disposal to raise revenue for the state. And frequently, they cannot even “see” their “patient,” the taxpayer, very well. Most potentially taxable economic transactions are taking place “in the dark;” that is, informally, in cash-based transactions that are not traceable, identifiable, or recorded in any way.

Our interest is in understanding how the revenue actor—at every level throughout the revenue system—navigates these administrative constraints, and how they manage to mobilize some revenue for the state despite the less-than-optimal operating conditions.

Chapter IV
Political Inefficiencies and a Theory of Revenue Efficiency

Development economists, in describing the obstacles to effective tax mobilization, often encounter problems they loosely define as a lack of political will and ascribe poor tax collection to poor enforcement, administrative inefficiencies, waste, and corruption (António Afonso, Schuknecht, & Tanzi, 2005; Bird & Martinez-Vazquez, 2008; Bird & Zolt, 2004; Burgess & Stern, 1993a; Cottarelli, 2011; Martin-Vazquez & Alm, 2003; Oecd, 2014; Slack & Bird, 2014; Tanzi, 2017a; Wai, 1962; World Bank, 1979). While our focus is not so much on poor tax collection, we can gain an understanding of where and why revenue is mobilized by understanding the obstacles and constraints facing revenue authorities. Unpacking this oblique "political will" problem is particularly germane to the discussion. Political order theorists have explored neopatrimonial politics and the revenue bargains between elites and the state via informal arrangements (Bratton & Van de Walle, 1997; Chabal & Daloz, 1999; Fukuyama, 2012, 2014; Khan, 2010; Levy, 2014; North, Wallis, Webb, et al., 2013; North et al., 2007; Therkildsen, 2010). Alternatively, state-building theorists focus on the constructive fiscal contract and state-building impetus they view as inherent (although not inevitable) to the revenue mobilization efforts in developing countries (Besley & Persson, 2009; Deborah Bräutigam et al., 2008; Campbell, 1993; Fjeldstad, 2013; Fjeldstad & Moore, 2007; Herbst, 2000; Lieberman, 2002; M. Moore, 2008; M. Moore & Fjeldstad, 2008; Wilson Prichard, 2015; Timmons, 2005; William Martin & Prasad, 2014). I hope to tease out what is relevant for our purposes in terms of trying to get at what motivates, constrains, or influences the strategies developed by revenue actors in the political sphere of a low-income state.

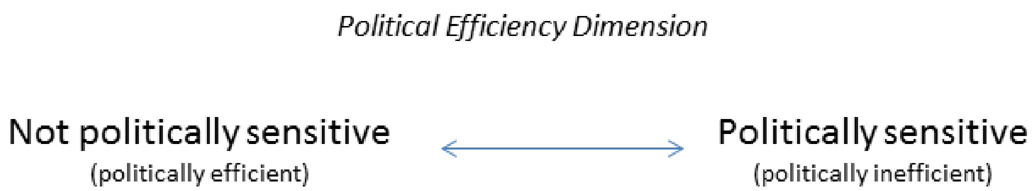
I proceed as follows: The first section introduces the political efficiency dimension, which includes two key factors that impact the political sensitivity of mobilizing revenue from a given source. These include weak legitimacy and political conflicts of interest, both of which include several aspects. The second section analyzes the role of revenue agents as rational, strategic actors. In the third section, I introduce the revenue efficiency model, an implicit decision-making framework that I expect revenue actors to employ in determining which portions of the fiscal code to implement. I take the theory as far as possible in terms of developing expectations pertaining to the static and dynamic strategies revenue actors might employ when addressing inefficiencies. The fourth section explores empirical manifestations of both political and administrative efficiency dimensions, allowing a means of measuring these concepts. In the fifth section, I present my theoretical expectations for specific types of taxes and which subsets of each type would be most likely to be revenue-efficient before concluding.

Section 1 Political Efficiency Dimension

This section is devoted to the political efficiency dimension of my model and explores what shapes revenue mobilization strategies in a low-income state. I examine two key factors that play into, describe revenue actors' behavior related to, or present constraints within the political efficiency dimension. These include: weak legitimacy in rights to tax and political conflicts of interest. In this section, I develop a theoretical perspective to grasp how revenue actors react to political constraints, and to make assumptions about behavior and types of strategies affected by political factors.

The political efficiency dimension is the less straightforward of the two dimensions in my revenue efficiency typology. Among the potential sources of revenue available to a poor state, politically inefficient revenues are those that would be rather attractive to the revenue agencies were it not for political complications. In other words, they would perhaps be economically efficient, but are not politically efficient. I define political inefficiency as any source of revenue that evokes political sensitivity. Like administrative inefficiencies, as discussed in the previous chapter, political inefficiencies exhibit an element of relativity. In the theory of revenue efficiency developed below, revenue actors are likely to pursue sources of state revenue that evoke fewer political sensitivities—resistance, friction, political upheaval—than other sources of revenue. In a sense, taxes are always political. But we can fathom politically efficient revenues as those that are the least politically sensitive (Figure 7). For parsimony, to conceive of the impact of political factors on revenue mobilization efforts, I employ the term "politically inefficient" to encompass sources of political friction and political sensitivities.

Figure 7. The dimension of political efficiency (of mobilizing potential sources of revenue)



The question addressed in this section pertains to the factors that could render a revenue source politically inefficient. Political inefficiency stems primarily from two sources: weak legitimacy (of the state's claims to tax) and political conflicts of interest. I examine sources of weak legitimacy before turning to political conflicts of interest.

Throughout the discussion of the political inefficiency factors, I will outline some static and dynamic strategies that revenue actors could be expected to take in light of the inefficiencies present. The role of "static" and "dynamic" strategies is discussed further in the theory development; in brief, static strategies are generally used under normal circumstances, with revenue actors reacting to political sensitivities, and largely avoiding them when possible, whatever form they take. Dynamic strategies are used when the state is pressed to increase revenues and must find ways to address and hopefully alleviate political sensitivities in an effort to generate greater revenue yields.

1.1 Factor 1: Weak Legitimacy in Rights to Tax

The poorest states in our modern world often wrestle with a specific type of scarcity: lack of legitimacy. Englebert and others have argued that a "legitimacy deficit" is widespread across the African continent and suggest that it is one of the key factors explaining poor developmental outcomes (D'Arcy, 2011; Dix et al., 2012; P. Englebert, 2000; Goodstein & Velamuri, 2009; Rothchild & Chazan, 1988; Therkildsen, 1993). Weak legitimacy enfeebles the revenue actor's hand; where citizens question the rights of the revenue agency or the rights of the state itself to impose taxes on them, revenue becomes relatively inefficient to mobilize (politically). This section explores specific elements of weakened legitimacy—a source of political inefficiency. For our purposes, the legitimacy we are discussing is a weakness of legitimacy, as it specifically relates to a source of revenue.

1.1.i Social and Institutionalized Norms Weakening Legitimacy

Weak legitimacy in the state's claims regarding its right to tax a source of revenue can stem from social and institutionalized norms related to the tax base. In other words, citizens may think the state has no prerogative to impose a tax on a particular economic activity, possession, or source of wealth. For instance, the socio-political treatment of land in the African context, in particular, makes property taxes particularly vulnerable to this source of political inefficiency—on a continent where most of the modern world's poor states are found (Adams et al., 2015; Boone, 2013; Deininger, 2003; Durand-Lasserve, Durand-Lasserve, & Selod, 2015; Riël Franzsen & McCluskey, 2017; Toulmin, 2008).[58] Where land is seen as an inherited right and the domain of a family, kinship tribe, village, or other ancestral lineage, the state efforts to target property as a source of revenue is likely met with resistance. In the eyes of the family or tribe, particularly where the ancestry preceded the state's existence, the state might have weak claims to anything related to this property and, as such, weak rights to impose any levies on the family's possession of the land or earnings coming from it (Haan & Djedjebi, 2000; Migot-Adholla, Hazell, Blarel, & Place, 1991; Toulmin, 2008; Unruh, 2008).

Weak legitimacy in the state's right to impose taxes could also stem from other social and institutionalized norms as well as the role and prerogatives of other non-state legitimate authorities. These relate to the domain of the traditional authorities who often serve as the guardians of a resource or group—waterways, trees, land, or village inhabitants (Acemoglu, Reed, & Robinson, 2014; Boone, 2013; Boone & Duku, 2012; Gardini, 2012; Nieuwaal & Dijk, 1999). In many African states, traditional authorities still hold authority over many aspects of local socio-political order, including judicial proceedings and the resolution of disputes over land, marriage, and inheritance (Acemoglu, Reed, et al., 2014; Boone, 2013; Koulen, 2009; Nana et al., 2015; Nieuwaal & Dijk, 1999; Toulmin, 2008; Unruh, 2008). In fact, many of the public "goods and services" provided by the state in industrialized countries are provided by traditional institutions in the least developed states; administered by authorities that claim alternate derivations of legitimacy (Bruce et al., 2007; Labonte, 2012; Lund, 2007; Maconachie, 2012; Toulmin, 2008). If state legitimacy is weakened by competing authorities filling public service provision gaps that a weak state cannot fulfill, the authority of the state to claim resources from the community is likely undermined. This perspective resonates with the findings of Bodea and Lebas (2013), where the provision of "public goods" by groups other than the state weakens compliance with state efforts to tax communities. Whether or not this suggests a citizen's disassociation from the state depends on context has been debated in the literature (Rothchild & Chazan, 1988; Therkildsen, 1993). Regardless, there is a growing body of evidence that informal taxes and tax-like fees are levied by non-state actors in many developing countries (Boogaard & Prichard, 2016; Haver, 2012; Juul, 2006; Lund, 2007; Mallett, 2017; Olken & Singhal, 2011; Wilson Prichard & Boogaard, 2017; R.

[58] Twenty-seven of the thirty low-income countries in the world are located in sub-Saharan Africa. Haiti, Afghanistan, and Nepal are the three found elsewhere. Country income group designations from the World Bank classification of GDP/capita as of 06/2017 (http://data.worldbank.org/about/country-and-lending-groups). Low income: ≤ \$1,025; Lower middle income: \$1,026–4,035; Upper middle income: \$4,036–12,475; High income > \$12,475.

Prud'homme, 1992; Santoshini, 2016; Weijs, Hilhorst, & Ferf, 2012). These phenomena are more pronounced in lower income, fragile, less-consolidated states, such as the Democratic Republic of the Congo, Sierra Leone, and Burundi.

In many countries, the fees and tributes paid to traditional authorities are explicitly described as "non-tax" payments, which creates a political cushion between the taxing powers of the formal state and the levying powers of other authorities. In some cases, the fiscal code explicitly delineates which tax bases are the preserve of state and which are designated for local and/or traditional authorities (Adams et al., 2015; Olken & Singhal, 2011; Rémy Prud'homme, 1992). But all of this strengthens the case that the state revenue actors are not the only actors mobilizing revenues in many countries. Moreover, there is evidence in some cases of conflict between traditional and formal state revenue authorities over tax bases (Oecd, 2014; Putzel & Di John, 2012). In other words, there is evidence of revenue competition and specific challenges to the state's legitimate claims to tax resources and citizens. A chieftain's clan might consider his right to impose a levy or informal tax on the use of this resource more legitimate than the state's right to impose a tax on the use or lease of the same resource (S. Jibao, Prichard, & van den Boogaard, 2017). As such, the legitimacy of the state's claims would be weaker than those of the traditional authority, and efforts by the state's agents to impose a tax on this resource could be met with resistance.

Where the state lacks the effective coercive powers to enforce taxation, it opens a power vacuum in which one might likely see other revenue actors (that may or may not be acting on behalf of the state) mobilizing revenues based on (other) claims to legitimacy and their own ability to enforce taxation. Their greater power to enforce extraction, relative to the central state's revenue actors, if and where it existed, could reinforce their taxation-related claims. This would suggest that the state's revenue actors might face competition in areas where they have the least capacity and knowledge to enforce taxation. We will discuss this further in the section outlining political institutional factors. The point here is that there is a spatial dimension to the state's legitimacy, echoing Boone's work on political topographies (Boone, 2003b, 2013)—in some regions of a country, the state might have weaker claims to tax than traditional power centers.

The legitimacy of customary institutions and traditional authorities vis-à-vis formal state legitimacy is in flux across the continent (of Africa), varying by state and even by kingdom or clan within a state (Boone, 2003b, 2013; Logan, Bratton, Gyimah-Boadi, & Mattes, 2008; Toulmin, 2008). Analyzing recent Afrobarometer surveys, Logan observes how in many African states, the perceptions of the legitimacy of traditional authorities are increasing rather than decreasing (Logan, 2013; Logan et al., 2008). In Uganda, for example, the Buganda Kingdom enjoys rather high degrees of legitimacy, whereas other kingdoms are fairly weak or are becoming socially irrelevant (Acemoglu, Chaves, et al., 2014; Pierre Englebert, 2002; Whitfield et al., 2015). Within each of these states, the relations, cooperation, and claims between state and traditional authorities over various resources and citizens varies considerably. While this story is unfolding differently in the various states across the continent, these dynamics could potentially be becoming more relevant to the revenue mobilization strategies in some states than they appeared to in the past. The increasing power and legitimacy of traditional authorities could have serious implications for future prospects of the state's legitimate powers of taxation. We might expect to see revenue actors forced to organize strategies of revenue mobilization around increased competition. The essential point here is that sometimes it is a relevant factor. This includes both the relative legitimacy of the state vis-à-vis various traditional institutions within their territory as well as the social norms surrounding the prerogatives of customary institutions. Both can impact the legitimacy of the state's claims to tax property, persons, and/or economic activity.

Social and institutionalized norms that do not reinforce the state's prerogatives can weaken its legitimate rights to tax. Where traditional authorities claim greater legitimacy, or social and institutionalized norms undermine the state's claims, revenue sources are politically inefficient.

How would challenges to the state's legitimacy or revenue competition affect the strategies of revenue actors? Theoretically, we might expect a static strategy involving revenue actors staying clear of these areas, leaving them as untaxed, semi-ungoverned spaces[59] so as not to encourage confrontation with competing powers. When revenue actors are pressed for greater revenue yields, we could theoretically expect two dynamic strategies including: 1) Bureaucrats within the revenue agency themselves lobbying for the state to provide more services to taxpayers to ease resistance to tax collection efforts. Or 2) revenue actors aligning themselves informally with traditional authorities and sharing revenue yields in exchange for their support. To garner the support of more legitimate traditional authorities, we might see scenarios where revenue agents delivered a portion to state coffers and the remaining portion to rival actors (i.e. informal revenue sharing). The capacity of the state to fulfill the public goods and services gap would likely determine which of the two dynamic strategies revenue actors might choose, given pressing needs to deliver higher revenue yields.

[59] See "Informal Taxation in Ungoverned Spaces" (Mallett 2017).

1.1.ii Exclusive Political Settlements and Revenue Bargains

Weak legitimacy can also stem from the state's failure to uphold an implicit or explicit revenue bargain. There is a growing body of work on the dynamics of revenue bargaining (Bates & Lien, 1985; D. A. Bräutigam et al., 2008; Jonathan Di John, 2010; Kangave & Katusiimeh, 2015; Kjær & Ulriksen, 2014; M. Moore, 2004; Wilson Prichard, 2015; Ross, 2004; Wong, 2009). Within this literature, there is a fairly general consensus relating to the legitimacy of the right to tax. If the state has implied a specific use for the funds generated from a tax and citizens fail to see the state delivering on these political promises, then the legitimacy of the state's rights to mobilize this tax are weakened in the eyes of the taxpayer.

The revenue bargaining literature largely revolves around the question of which groups in society are likely to engage in revenue bargaining with the state. Understanding who is likely to hold bargaining power, as well as the nature of the revenue bargain, allows us to identify patterns of variation in the political efficiency of revenue mobilization. Prichard, Timmons, Bates, et al. argue that the state is most likely to engage in revenue bargaining together with those who have the greatest ability to fiscally constrain the state given both the proportionately greater size of their potential tax payments and their ability to conceal or relocate these taxable assets (Bates & Lien, 1985; Wilson Prichard, 2015, p. 73; Tilly, 2003; Timmons, 2005). Fiscal contract theories center on the exchange between state and bargaining groups (Deborah Bräutigam et al., 2008; Fjeldstad, 2014b; M. Moore, 2004; Timmons, 2005). Timmons (2005) predicts that goods and services will largely be oriented towards the primary group of taxpayers. If the biggest contributors to the state's budget are high income earners, then the state will provide goods and services that are important and relevant to this group of taxpayers, namely the protection of their private property. Conversely, if the system is regressive and the greatest tax burden falls on the poorest in the economy, Timmons would expect public goods and services provision to be reoriented to their particular set of needs—such as health care, education, and a social welfare system. From the classical fiscal contract theories, we have the following proposition: Revenue bargaining outcomes are oriented toward the largest revenue contributors in society, both in terms of revenue contributions and public goods and services delivery.

Boucoyannis (2015) argues that effective revenue bargaining between state and society occurs only when the most powerful groups are themselves subject to taxation. Prichard (2015) argues that groups within society that have greater capacity for collective action are more likely to engage the government in revenue bargaining. Kjær et al. (2015) argue that in non-industrialized states, both the character of the revenue source and the relative importance of groups to the informal political order affect the relative bargaining power taxpayers can command. Political settlement theorists predict that revenue bargaining often takes place among those who are important to the informal political order (H. S. Gray, 2015; Khan, 2010; Kjær, 2015b; Kjær & Therkildsen, 2013; Kjær & Ulriksen, 2014; North et al., 2007). Understanding who these groups are allows us to outline a topography of political efficiency in revenue mobilization.

While groups with weaker revenue bargaining power in society (i.e. those lacking importance to the informal political order, providing modest tax contributions, or lacking in capacity for collective action) may be unsuccessful in terms of engaging the state in revenue bargaining, weak taxpayers may engage in one-sided tax resistance and evasion if they feel that the government is unresponsive and has not reciprocated with general commitments to the supply of public goods and services (Bratton, 2012; Leone, n.d.; Wilson Prichard, 2010d, 2015). The state failing to deliver tends to weaken its legitimacy in the eyes of citizens. Revenue actors must navigate these complex variations in the perception of state legitimacy. This, then, is the intersection between revenue bargaining and our investigation into revenue mobilization strategies. Where revenue mobilization efforts collide with political sensitivities stemming from weak legitimacy, it is important to understand how revenue bargains have shaped the political landscape and to outline groups for which taxation efforts will be perceived as illegitimate.

The competing predictions present some uncertainty about who, in a poor state, will see the state's efforts to tax them as legitimate. If classical fiscal contract theory paints the more accurate portrait, then our empirical knowledge about the poorest states suggests that fiscal exchange often occurs predominantly between the state and 1–5% of the population (Bird & Zolt, 2004; Curtis et al., 2012; Ebrill et al., 1987; Fjeldstad, 2013; Terkper, 2003). As touched upon in Chapters II and III, there is evidence from my case studies of Bénin and Togo together with existing empirical evidence for a number of other low-income countries that the state's main revenue contributors represent a tiny fraction of society. In Tanzania, for instance, 400 taxpayers (0.0008% of the population[60]) provided 80% of the state's tax revenue in 2013 (Odd-Helge Fjeldstad, 2013, p. 10). In Bénin, 70,000–75,000 public employees and 700–800 large enterprises provide 80% of the state's domestic revenues (Piccolino,

[60] Tanzania's total population in 2013 estimated at 50,600,000. Source: http://worldpopulationreview.com.

2015a, p. 571). In Togo, in 2015, the 500 largest taxpayers (0.007% of the population[61]) contributed 73% of domestic revenues. From an urban–rural perspective, 98% of the total revenue mobilized in the country is from the capital city of Lomé, which accounts for a mere 17% of the country's population.[62] If fiscal contract theory holds in a poor state, then we should expect that public goods and service provision, as well as efforts to mobilize revenues, to be concentrated on this small population largely centered in the capital city. Furthermore, efforts to mobilize revenues from outside this pool would be perceived to some degree as illegitimate, face some resistance, and, accordingly, be politically inefficient for revenue actors to target. We could also expect a much stronger fiscal contract between the population in Togo's capital city of Lomé and the government than we would find elsewhere in the country, as they bear 98% of this burden. We find some evidence both supporting and to the contrary of these expectations in Chapters VIII (Section 3.1), X (Section 1) and XI.

On the other hand, if the predictions in political settlement theory hold some validity in poor states, then we could expect that revenue bargains among groups important to the regime would likely manage to exclude themselves, formally or informally, from the tax net. We find some evidence of this in Chapter X. Neither of these bodies of thought—classical fiscal contract theories or political settlement theorists—predict stable arrangements for the taxation of those who are outside the revenue bargaining arenas. As such, the most politically efficient sources of revenue are likely a subset of the main revenue contributors: those who are least politically important to the regime. One group stands out as a clear fit for this profile: foreign-owned large firms. Foreign firms lobby governments for support and the public services that are necessary for their operations, and they are able to threaten a regime with their potential departure, which creates an economic motivation to appease them; nevertheless, they are less likely to form part of the inner circles of a poor state's informal political order.[63] Conversely, large firms are likely among the main contributors to the state income. Thus large, foreign-owned firms are likely to be party to revenue bargaining but hold the weaker hand in terms of politically motivated exclusion. We find evidence of this in Chapter XI, in a case examining the telecom industry in Bénin.

[61] Togo's total population in 2015 estimated at 7,400,000. Source: http://worldpopulationreview.com.

[62] Analysis of statistics provided by the Office Togolais des Recettes, 2015.

[63] I set aside the mobility of their assets, à la Bates and Lien, for this discussion, to clarify expected political effects. See African Development Bank, 2016 for this discussion.

Judith Tendler's (2002) concept of the Devil's Deal can been seen as a theoretical perspective related to those who are not the main tax contributors in an established fiscal contract—by self-exclusion[64] or other means. For those not sharing in the bulk of the fiscal exchange, she predicts that a tacit agreement could be established: "[Y]ou leave us alone, we will leave you alone." In other words, the state agrees to generally leave entire groups of society out of the tax net in exchange for their silence, not demanding anything from the state nor voting (or voting to support the regime), in exchange for their liberation from tax regimes. Tendler expects this type of state–society relationship to be most likely among the poorest informal economic actors who generally have the least to provide the state in terms of revenues. Thus, we would be likely to see a variety of tacit self-exclusionary arrangements taking place across a poor state. The efforts of revenue agents encroaching on such informal arrangements by trying to impose taxes on these groups would likely be met with resistance—rendering the state's efforts politically inefficient. These taxpayers would be apt to challenge the state's claims of their right to tax them, attempting to actively resist or, more likely, passively evade efforts to tax them. Tendler's theory substantiates the idea that taxing the population in a poor state who fall outside the main centers of fiscal exchange would generally be perceived as illegitimate by the population. And indeed, we find some evidence of this in Chapter VII—in efforts in Togo to tax their rural economy.

A puzzle remains: does a regime focus its revenue mobilization efforts on those who are politically important to keep the regime in power or are these groups specifically exempted from taxation? While this discussion cannot be resolved here, grappling with such questions helps us recognize that the particulars of revenue bargains and exclusive political settlements matter in terms of who in society finds the imposition of taxation legitimate.

In summary, a number of dynamics can weaken the state's legitimate claims to taxation. Several groups are likely to be particularly sensitive to tax imposition: 1) those not currently party to the greatest portions of fiscal exchange between state and society; 2) those for whom revenue bargains entails their exclusion from paying taxes; and 3) those who perceive the state to have failed in upholding the fiscal contract. Each of these groups would likely be politically inefficient sources of revenue.

What types of strategies might we expect revenue actors to develop to navigate the particulars of revenue bargains and informal arrangements of a given

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[64] For a case study of the self-exclusion of citizens (SOSSOU, 2016, p. 269) taking place in Burundi.

political settlement? Static strategies might entail non-enforcement and revenue actors otherwise limiting tax imposition on these groups. Relevant dynamic strategies are considered in the theory development section below.

1.1.iii Corruption Cuts Both Ways

Corruption lends itself both to strengthening and weakening legitimacy. Logan, D'Arcy, Fjeldstad, and others have explored the links between corruption, legitimacy, and taxation (Aiko & Logan, 2014; Ali et al., 2013; Isbell, 2017). D'Arcy (2011) finds that while corruption may not always be at the root of a legitimacy and credibility crisis, it plays a role in this relationship. Khan (2007, 2010) finds that corruption is a defining feature of developing countries, albeit weakening their legitimacy. Theoretically, I argue that both engaging in corrupt activities and abstaining from illicit activities undermine state legitimacy in different ways.

From a classical fiscal contract perspective on revenue bargaining, we expect corruption to weaken legitimacy when an explicit or implicit understanding of how the state is expected to use revenue is violated by funds being siphoned off for personal use or used poorly and inefficiently. From a political settlement perspective on revenue bargaining, however, fully enforcing the fiscal mandate where informal political arrangements demanded otherwise can also weaken legitimacy. Activities labeled as classical acts of corruption (e.g. siphoning off funds for personal use by those close to the regime) are often themselves the informal, expected "deliverables" from the state to factions of the informal political order in a revenue bargain (Kjær & Therkildsen, 2013; Therkildsen, 2018; Therkildsen & Bourgouin, 2012; Whitfield et al., 2015). For instance, if elites important to the regime's grasp on power have indicated through back channels that exemptions or the non-enforcement of specific taxes are expected in return for their continued solidarity and support for the regime, then any violation of these informal arrangements would create political inefficiencies (in efforts to tax this group). As such, we expect revenue actors to be often caught between two sources of political inefficiency. Fully enforcing the fiscal mandate on a politically powerful elite faction might elicit upheaval of the informal political settlement. Conversely, if the revenue actor chooses to avoid these landmines and only partially enforces the fiscal mandate on the politically "irrelevant" portion of the designated tax base, then they risk another source of political inefficiency; that is, when strategic non-enforcement on privileged, politically elite taxpayers comes to light, they risk the ire of the general public as well as another constituency: development partners.

In light of this trade-off, based on the sensitivities attached to partial versus full enforcement, revenue actors must determine what generates a higher degree of political inefficiency. Where a revenue actor chooses full enforcement on politically important factions, political repercussions for the regime could be destabilizing in severe cases; or might simply invoke a slap on the hand of the revenue actor who did not adhere to the informal political norms. It might also invite personal repercussions for the revenue actor, as has been documented, where bureaucrats are relocated to a remote post as punishment for their lack of respect for the powers that be (Bierschenk & Olivier de Sardan, 2014; Blundo et al., 2006). Cases of relocation punishment were also confirmed in Togo during one field interview.[65] On the other hand, if the revenue actor chooses partial enforcement to avoid these hazards, the agency risks coming under fire from development partners or civil society watchdogs for failing to carry out their mandate. Such declamations might come together with cries of corruption, laziness, and the ineptitude of the agency, which would further erode the regime's (and agency's) legitimacy to carry out its duties. Corruption, it seems, is a double-edged sword. Addressing some aspects of corruption to eradicate cries of illegitimacy and the ineptitude of the regime can awaken an even greater political sensitivity emanating from the informal political order.

Revenue actors would likely develop static strategies, weighing the risks of imposing on political important factions versus abstaining; and determining which course of action is more politically efficient.

In this sense, we begin to see challenges of corruption, waste, and administrative inefficiency in a new light. Revenue actors often struggle to strike a balance between appeasing the political order sensitivities that obstruct their efforts versus staving off criticism of ineptitude and abusing the privileges of discretion and position. This resonates with some of the findings from both Piracha and Moore (2016), and Hassan and Prichard's case studies (2013) of revenue agencies and street-level bureaucrats in Pakistan and Bangladesh, as discussed further below.

1.1.iv Weak State Legitimacy

In the tax compliance literature, stronger, more legitimate political institutions are generally understood to be associated with greater tax compliance (Jonathan Di John, 2009; Fjeldstad et al., 2012; Wilson Prichard, 2010b,

[65] Observation Memo 25: The acknowledged practice took place under the former revenue agency, which had less insulation from political interference as a line agency under the Ministry of Finance, not within the new semi-autonomous revenue agency. A phone call from a politician or a powerful member of the regime's inner circle was often sufficient.

2015; Torgler & Schneider, 2007). Prichard (2010b) explores a number of scenarios in Ethiopia, Kenya, and Ghana in which citizen's perceptions of government legitimacy impacted their willingness to comply with an imposed tax. A recent investigation of small business owners in Lomé, the capital city of Togo, found that information asymmetry regarding the fiscal code could not explain their failure to comply with tax obligations (Blimpo & Casta, 2017). In fact, it demonstrated that improvements in information about tax obligations only exacerbated the non-compliance problem. One of the paper's conclusions was that political legitimacy was possibly more relevant to taxpayer behavior than information asymmetry (particularly among small businesses, which are likely to suffer from information asymmetry).

Legitimacy problems can contribute to broad-reaching political inefficiencies for the state revenue authorities. But the weak legitimacy of specific claims pertaining to the state's rights to tax something can also nuance which taxes, or imposition on specific taxpayer groups, carry politically sensitivity. Weak legitimacy pertaining to the right to tax is the first factor that could render a source of revenue politically inefficient. Weak legitimacy regarding the right to tax could stem from social, institutionalized norms surrounding a potential source of revenue. Weak legitimacy can stem from the corrupt, inappropriate use of funds. Conversely, weak legitimacy can stem from the failure to carry out activities labeled as corrupt but which undergird the informal political order. Such legitimacy problems could also stem from state failure to uphold an implicit or explicit revenue bargain. The second source of political inefficiency is political conflicts of interest, to which we will now turn.

1.2 Factor 2: Political Conflicts of Interest

1.2.i Electoral Mandates and Political Interests

Revenue mobilization efforts met by political conflicts of interest result in friction, which can take place at many levels and in many ways, materializing from within or outside the revenue system (for a few relevant perspectives, see Azulai et al. 2014; Campbell 1993; Mares and Queralt 2015; Peters 1979). A political conflict of interest could stem from one of the most readily understood sources—political promises and the electoral mandate. Where a government has been elected on specific platforms of tax reform, particularly those centering on lowering taxes for specific groups, political promises come into conflict with the state's objectives to finance itself. All states must balance this struggle (Christian Ebeke & Olcer, 2013; Peters, 1979; Slemrod, 1999; B. S. Steinmo, 1989a; Swank, 2016; Toye, 2000), particularly those of the democratic persuasion, but not exclusively (Kjær & Therkildsen, 2013; Kjær &

Ulriksen, 2014; Osei, 2000; Wilson Prichard, 2010d, 2015; Ross, 2004). However, there is an array of policy and election dynamics that are unique to the least developed states.

In a poor state, political conflicts of interest can stem from less conventional sources, including loan conditionalities established by the state's development partners (e.g. the World Bank, IMF, African Development Bank, or other bilateral country donors). Some scholars assert that such dependency on grant facilities and loans undermines state autonomy (Deborah Bräutigam et al., 2008; Culpeper & Bhushan, 2008; Kjær & Ulriksen, 2014). I discuss donors as constituents further in the next section. The extent of donor influence on fiscal policy formation is debatable, but some argue that as dependence on donor revenue declines across the continent, institutionalized voter-driven election policy platforms are on the rise (Bratton, 2013; Bratton, Mattes, & Gyimah-Boadi, 2005; Bratton & Van de Walle, 1997; Chauveau et al., 2006; Hickey, 2006; Kjær & Therkildsen, 2013; Kjær & Ulriksen, 2014; Lindberg, 2006).

When aid declines as a proportion of revenue, states gain autonomy and their priorities shift (including fiscal policy and domestic revenue mobilization strategies), sometimes appealing to populist politics. Populist policy positions across sub-Saharan Africa generally center around education and healthcare, as well as the "delivery of development" and lowering taxes (Bratton et al., 2005; Kjær & Therkildsen, 2013). A number of case studies have cited instances where politicians have suppressed revenue mobilization efforts and informally protected elite allies from the imposition of taxes (see, e.g., Hassan & Prichard, 2013; Jibao & Prichard, 2015). As in the rest of the world, political interests and electoral mandates established on promises to cut taxes present a key conflict of interest between the political agenda and the revenue imperative.

A third perspective argues that in many developing countries, state autonomy is driven less by voters or donors than by the politics of patronage (Chabal & Daloz, 1999; Labonte, 2012; Mkandawire, 2015; Mwenda & Tangri, 2005; Therkildsen, 2010). By supporting the interests of their key patrons, regimes are less dependent on political pressure from the general population and donor agendas. This perspective echoes de Mesquita's theories of minimal winning coalitions (De Mesquita, Morrow, Siverson, & Smith, 2002) adapted to the informal nature of political order in the poorest states. Ironically, some have suggested that donor revenues can sustain patterns of patronage politics (Mwenda & Tangri, 2005). The legitimacy factor also plays a role. Where local elites and traditional authorities hold the power to mobilize local votes, election and policy agendas are commonly engineered to secure the patronage of local leaders who command greater legitimacy (Kjær & Therkildsen, 2013;

Whitfield & Therkildsen, 2011b). While the political economy of a given state will shift the balance of these factors, we can assume that fiscal policy formation and formal revenue mobilization priorities in the poorest states are driven by a mix of development partner priorities, electoral promises, and patronage politics. Furthermore, we can also assume that electoral mandates and political agendas will frequently present a conflict of interest between the revenue imperative and regime survival (Ardant, 1975; Levi, 1981, 1988; M. Moore, 2004; Nugent, 2010; Olson, 1991, 2000; J. Schumpeter, 1954; Snyder & Bhavnani, 2005; Tilly, 1975; Wantchekon, 2016; Weber, 1922). Politicians individually, and politics in general, frequently present conflicts of interest to revenue mobilization efforts; conflicts that produce friction for agents carrying out their mandate: raising state revenue.

1.2.ii Donors Conditionalities and Development Partners as Constituents

In the poorest states, policy formation and election policy parameters are commonly influenced by (or even driven by) donor priorities (Ayuk & Marouani, 2007; Chabal & Daloz, 1999; Cowen & Laakso, 1997; Mkandawire, 1999; Rakner & Van de Walle, 2009; Whitfield, 2009). As discussed above, development partners represent one of the largest sources of revenue for poor states. Accordingly, their conditionalities and priorities assume the form of a political constituency which the state must appease (see relevant discussions in Brett 2016; Brown 2013; Degnbol Martinussen 1999; Forsberg and Kokko 2007; Kjær and Ulriksen 2014; UNDP 2014).

In Chapter II we reviewed the evolution of development priorities and their influence on fiscal policy throughout the developing world. These priorities shift between an emphasis on growth-stimulation policies, motivating reductions in trade, and corporate income tax rates; structural adjustment, motivating the rationalization of fiscal codes along the lines of optimal tax models, and reducing dependency on inflationary taxes; and thirdly, reducing aid dependency by increasing domestic taxation. Donor agendas, then, can serve to undergird, undermine, or place pressure on existing revenue mobilization strategies.

When development partners establish priorities or conditionalities for the state, they become politically-relevant mandates. When these conditionalities or priorities are centered on revenue-relevant policies, such as reducing the corporate income tax rate to render the country more attractive to potential investors and multinational firms, they also come into conflict with revenue mobilization efforts. This creates a dimension of politically inefficiency. For instance, if lowering the corporate income tax rate is an established priority for development partners, then trying to maintain a higher corporate income tax rate will be met with political pushback coming from relevant donors, as well as stakeholders such as large firms with an interest in the state adhering to the donor priorities. While development partners have supported many governments in making tremendous strides in tax reforms, there is also evidence that some tax reform efforts supported, financed, and even spearheaded by development partners are sometimes short-lived (Andrews, 2013b, 2013a; Authors, 2016; Fjeldstad & Moore, 2009; Jacques et al., 2016; S. S. Jibao & Prichard, 2015; Ramphul & Nowbutsing, 2009; Therkildsen, 2000; von Haldenwang et al., 2014b). As I see it, stunted tax reforms indicate that states and revenue actors are navigating rather significant levels of political conflicts of interest between local constituencies and their revenue imperative, on one hand, and their secondary constituency—development partners—on the other.

1.2.iii Informal Political Order

The third source of political conflicts of interest is largely relevant only to developing countries and is likely most pronounced in the poorest of these: the informal political order. This includes political settlements and other informal arrangements among the powers that be in a poor state.

Theories of a political order in developing countries focus on narrow, exclusive arrangements of privilege (e.g. ad hoc tax exemptions and systemic tolerance of tax evasion) and privileged access to resources between the powers that be in a society and the regime (Chabal & Daloz, 1999; J Di John, 2006; Hyden, 2005; Kjær & Katusiimeh, 2012; Mkandawire, 2015; Mwenda & Tangri, 2005; North, Wallis, Webb, et al., 2013; North et al., 2007; Van de Walle, 2001). North et al.'s (2007, 2013) foundational work describes these arrangements as "limited access orders," where the formal rule of law does not encompass the real modes of power characterizing political order in non-industrialized, developing states. Real political power in the poorest states is derived from the de facto restriction in access to limited resources among a small coterie of elites, rather than through political processes, elections, and institutions. Many suggest that these tendencies, while often not formalized, are generally institutionalized in many African states (Bratton & Van de Walle, 1997; Golooba-mutebi & Hickey, 2013; Khan, 2010; Kjær, 2015a; North, Wallis, Webb, et al., 2013; North et al., 2007; Therkildsen, 2001) and create dualistic, informal parallel structures that may compete for control of political power or, in effect, hold the reins of power (Chimhowu & Woodhouse, 2006; Fukuyama, 2015, pp. 26–27; Hyden, 2005; Lemarchand, 1988). Most authors do not directly investigate the role of taxation in these political order dynamics, but a subset of such literature has emerged in the last decade (Jonathan Di John, 2010; Hassan & Prichard, 2013; Putzel & Di John, 2012; Therkildsen, 2018). As Therkildsen's work illustrates, however, identifying the nature and character of these informal arrangements is particularly challenging. Echoing Bachrach and Baratz (1962) and Lukes (2006), power which is most effective in the poorest states is likely to be the least observable.

Politically, if we assume from what we have learned from the literature on limited access orders that privileged access to resources becomes the currency of power with which to manipulate and organize political order, then political intervention in the fiscal system would be an expected behavior: redirecting resources to maintain political settlements. Thus, we might expect some types of corruption—in the form of tax exemptions or systemic non-enforcement of taxation—to serve structural, political purposes (corruption is discussed further in the next section). When and where this proves to be the case, it would greatly affect the political sensitivity of enforcement on relevant taxpayer groups and revenue sources. There is still very little literature discussing what the political order theory implications are for revenue systems in the poorest states and revenue actors developing strategies around these political realities. However, it would not be irrational to expect that the revenue system[66] might be a primary area of interest to the informal political order—with the state's revenues potentially controlled by elites and power brokers of a given political settlement.

While limited access order theories explore the variation in fragmentation or cohesion among the exclusive holders of powers, they provide us with little in the way of understanding how this power could influence, control, dictate, and manipulate revenue mobilization efforts. What dimensions of political inefficiency would it present for revenue sources? In general, we might expect the revenues important to maintaining the informal political order to be highly political sensitive, and revenue actors would likely have to reorganize strategies to adapt to these realities—leaving politically sensitive revenues untouched or informally redirected to politically important actors rather than state coffers.

The arrangements and constituents of this informal political order typically include powerful families who navigate between business and politics; powerful traditional authorities and chiefs who are important to the regime's longevity and legitimacy; and/or, as discussed above, those outside the revenue bargain, with whom the regime has established a devil's deal à la Tendler (Berry, 2009; Jonathan Di John & Putzel, 2009; Khan, 2010; North, Wallis, Webb, et al., 2013; North et al., 2007; Tendler, 2002). Political conflicts of interest—stemming from political promises, donor commitments, or informal power arrangements—can create significant friction for revenue mobilization

[66] For our purposes, a revenue system is the collective of institutions established to generate revenue on behalf of the state.

efforts. This is our second source of political inefficiency. We now turn to the revenue actor's strategic role: navigating these obstacles in an effort to fulfill their mandate.

Section 2 Revenue Agents as Rational, Strategic Actors

There is minimal emphasis in the literature on strategic action beyond tax policy formulation. While numerous authors have closely examined tax policy reforms, the evolution of tax policy, and how revenue bargains shape tax policy (Ardant, 1975; Bates & Lien, 1985; Deborah Bräutigam et al., 2008; Christian Ebeke, Mansour, & Rota, 2016; Fairfield, 2015; Fjeldstad, 2013; Fjeldstad et al., 2016, 2015; Gallagher, 2009; Genschel, Lierse, & Seelkopf, 2016; Kjær, 2015b; Kjær & Ulriksen, 2017; Korte, 2013a; M. Moore, 2004, 2013b; Peters, 1991; Wilson Prichard, 2010d, 2015; Wilson Prichard et al., 2017; Rakner & Gloppen, 2002; Ross, 2004; J. Schumpeter, 1954; Slack & Bird, 2014; B. S. Steinmo, 1989b; S. Steinmo, 1993a; Tilly, 1975; Toye, 1989, 2000), few have considered the implementation side of taxation from a political perspective (Fjeldstad, 2003; Fjeldstad & Katera, 2014; Goodfellow & Owen, 2018; Hassan & Prichard, 2013; S. S. Jibao & Prichard, 2015; Piracha & Moore, 2016). Here, political order theorists are the exception, and I present their perspectives in a moment. Particularly in a poor state, taxation is a primary area where administration and politics merge. The informal political maneuverings and state legitimacy issues must interface with the administrative limitations and capacity, which makes for a path-dependent (if volatile and incessantly adjusting) de facto revenue strategy.

Implementation theory tells us that politics do not stop at the level of policy formulation (Brehm & Gates, 1999; Lipsky, 1980; Peters & Pierre, 2003; Pressman & Wildavsky, 1984; J. W. Thomas & Grindle, 1990; Winter, 2003). There has been some recognition among development economists that, particularly with respect to taxation, "administration is policy" (Bird, 2014; Casanegra de Jantscher, 1990). But this idea is not well integrated into the state-building narrative—which focuses on explaining the evolution of tax policies over time (R. W. Boadway, 2012; D. A. Bräutigam et al., 2008; Fairfield, 2015; Isaac William Martin et al., 2009; North, 1981; B. S. Steinmo, 1989b; Tilly, 2003). Ethnographers and a few political scientists have delved into aspects of strategic choice by tax officials and agents in developing countries (Bierschenk & Olivier de Sardan, 2014; Blundo, 2007; Lund, 2007; Muñoz, 2014). Blundo (2007), for instance, investigates informal administrative brokers who facilitate decentralized revenue bargains through the negotiation and circumvention of state policies by its (tax) agents and citizens. Implementers, particularly in the arena of poor state revenue systems, are sometimes also political actors. Thus, we find empirical evidence of strategic action by revenue actors, albeit referenced in the literature in terms of discretion and informality. What is lacking still is a framework for understanding the motivation of revenue actors and their decision-making basis for strategic action.

2.1 Bureaucratic Dysfunction? Or Navigating an Informally Organized Political Logic?

Somewhat akin to the development economists' assessment of the failure to succeed in the structural adjustments of the 1990s, many scholars examining taxation and development see weak returns and partial enforcement of the fiscal mandate as the result of corruption, waste, and dysfunctional administrations—using power, position, and discretion for personal gain. For instance, from Fjeldstad: "[T]here is no doubt that weak and often corrupt revenue administration remains a fundamental barrier to effective and fair taxation and to building wider trust between government and citizens in many countries" (Fjeldstad, 2013, p. 6). In fact, "dysfunctional" is frequently used to describe the administration and revenue agencies in developing countries by all of our relevant bodies of literature—in the nexus of literature on state-building, development, and taxation (Börzel & Risse, 2016; P. Collier, 2006; Fjeldstad, 2013; Fjeldstad et al., 2016; Joshi et al., 2013; Levy & Fukuyama, 2010; Mallett, 2017; Sandbrook & Oelbaum, 1997; Woolcock et al., 2010); among development economists and World Bank reports (Acemoglu, Reed, et al., 2014; Enemark, Bell, Lemmen, & McLaren, 2016; Pritchett, 2013; A. Shah, 1997; UNDP, 2014; World Bank, 2015c; World Bank Group & PwC, 2015); and in the literature on political order and neopatrimonialism (Chabal, 2010; Chabal & Daloz, 1999; Hansen et al., 2016; Khan, 2010; Labonte, 2012; Mkandawire, 2001; North et al., 2007; Nugent, 2010; Rothchild & Chazan, 1988).

Political order theorists provide some rationale for corruption and dysfunction by explaining the political logic at work in developing countries, particularly on the African continent (Bratton & Van de Walle, 1997; Chabal & Daloz, 1999; Fukuyama, 2012, 2014; Khan, 2010; Kjær, 2015b, 2017; Levy, 2014; North, Wallis, Webb, et al., 2013; North et al., 2007; Therkildsen, 2010). Neopatrimonial politics often dictate a political order organized around creating exclusive control and access to resources in developing countries. To illustrate how this relates to revenue systems, we will look directly at corruption for a moment. "Corruption" lumps many different phenomena together under one overarching term, phenomena that may be linked to very different dynamics and serve different purposes (Aiko & Logan, 2014; Ajaz & Ahmad, 2010; Bird & Martinez-Vazquez, 2008; Fjeldstad, 2003; H. S. Gray, 2015; Uslaner, 2007). Fjeldstad's investigation into fiscal corruption in Tanzania found four main causal factors: 1) political intervention, 2) high taxes and complicated regulations, 3) poor pay and working conditions, and 4) low risk of detection and punishment for corruption. Each can be linked to environmental factors that are present in the poorest states. The first, political intervention, speaks highly to the political order element. For the purposes of this discussion, I focus only on the first form of corruption.

In Hassan and Prichard's (2013) investigation of tax reforms in Bangladesh, they find that what appears to be highly dysfunctional on the surface actually serves a purpose: the interests of political and economic elites, as well as administrative actors. Discretion allows revenue agents to impose an informally low but predictable rate of taxes on businesses and creates an environment where political elites can co-opt funding for patronage. Therkildsen (2018) examines the political motives of tax exemptions in Tanzania—where small circles of business and political elites find a mutually reinforcing tax exemption arrangement for election financing. Gray (2015) does not examine taxation directly, but suggests that reform initiatives in Tanzania have failed to address the underlying systemic drivers of corruption, which she attributed to elite politics.

Politically, drawing on the literature on limited access orders and political settlements, if we assume that privileged access to resources becomes the currency of power with which to manipulate and organize political order, then political intervention in the fiscal system would be an expected behavior to redirect resources to maintain informal political arrangements. Thus, we might expect some types of corruption—in the form of ad hoc tax exemptions or systemic non-enforcement of taxation—to frequently serve structural, political purposes.

This is a building block in my theory. The proposition here is that revenue actors must operate within this political logic if they are to succeed in their mandate of revenue mobilization without political disruption or personal punishment. Revenues that are important to maintaining the political order and political elites are politically sensitive, and revenue actors would likely have to reorganize strategies to adapt to these realities—leaving politically sensitive revenues untouched or supporting the (illegal or legal) co-optation and redirection of revenues to politically important actors.

2.2 Maximizing Rule or Revenue? Shifting the Burden to Revenue Actors ...

In their analysis of street-level bureaucrats in Pakistan's fairly inefficient property tax system, Piracha and Moore provide a counter assessment to the "dysfunctional" narrative: They argue that the formal system was functional, but "governments conspicuously and routinely refrain from collecting the tax revenue that is within their reach" (2016, p. 1). They go on to say:

> One possible explanation is that governments and tax collectors refrain from grabbing every potential tax penny because they know that aggressive collection undermines the "grudging compliance" that underpins any effective taxation system. But no such distinction between short-term and long-term approaches to revenue maximization can plausibly account for the extent to which contemporary governments—especially governments of low-income countries, which capture a relatively low proportion of GDP as tax revenue anyway (Wilson Prichard et al., 2014)—consistently refrain from maximizing their revenue.

Revenue agents fail to "use the functioning, legitimate tax collection systems they have available to actually collect much revenue" (Piracha & Moore, 2016, p. 1). Rather than sharing the "dysfunctional" assessment to explain this, Piracha and Moore conclude that governments and tax collectors sacrifice revenue to maximize rule, countering Levi's (1988) classical theory of the revenue-maximizing, revenue-hungry state.

I would like to propose a different perspective on "dysfunctional" tax administrations. From Piracha and Moore's case study, I find evidence of rational actors navigating scarcity and political-order realities (administrative and political inefficiencies), and developing strategies to address the issues at hand to generate sustainable revenue: 1) At the street-level, in the face of a highly illegible tax base, physical assessments for property taxes were still a necessity, and the staff provisions from government were insufficient to achieve this mandate. The government left 215 of the 483 street-level posts unfilled. Revenue agents found their own means to hire additional informal staff and finance their salaries through (illegal, informal) taxes. 2) At the middle-management level, enforcement-monitoring departments were allowed to atrophy, ensuring that the tax agents were not pressed for tax collections beyond what taxpayers were willing to pay—which I would interpret as taxing at a politically efficient level without arousing resistance and upheaval (which is what Piracha and Moore were pointing towards with their "rule maximization" motive). Both of these behaviors are actions that could generally be labeled as corruption—using discretion to exploit their position, impose illegal taxes, and under-enforce formal taxes—but were done in the interest of achieving their bureaucratic mandate to the extent politically and administratively feasible. Piracha and Moore's study is largely focused on street-level bureaucrats in one arena of taxation, property taxes, and lacks the systemic perspective of revenue actors to frame these discretionary actions. I argue that we can recognize these tax agents as rational actors, developing creative strategies to account for the potential political resistance to taxation and to overcome administrative resource deficiencies.

Additionally in the Pakistan case study, 3) at the policy level, as this property tax had not yielded much revenue, policymakers created five other property-transfer-related taxes to capture more revenue from this source, and 4) again at the policy level, the government did not want to remove the property tax for fear of losing donor support (who were likely a much more important source of revenue)—donors who had a keen interest in maintaining the property tax instrument[67] despite its failure to yield much revenue. I also see evidence of strategic behavior in these policy-level actions, creating new revenue instruments in the attempt to overcome the political and administrative inefficiencies surrounding the existing property tax. Revenue actors in poor states maximize revenue by allocating resources where they have greatest impact, partly by limiting conflicts with politically sensitive elements; as such, we could say that they are maximizing revenue, in a sense, by maximizing rule.

Levi (1988) viewed the state as a monolithic entity—the ruler. Her proposition was the following: Rulers are revenue-maximizers; their coercive nature is mediated by constraints ("transaction costs"), including agents and middlemen, non-compliance, and the "measurement" of revenue sources. Levi (1988, p. 23) argued that fiscal policies would be unviable if transaction costs were too high. To address transaction costs, she referred to "pseudo-voluntary compliance," a delicate balance between reward and punishment (this perspective coalesces well with the ideas emerging from the state-building narrative, where the state is increasingly pressed into a contract with its citizens, providing goods and services in exchange for ever more direct forms of taxation (Besley & Persson, 2009; Boucoyannis, 2015; Deborah Bräutigam et al., 2008; Campbell, 1993; Fjeldstad, 2013; Fjeldstad & Moore, 2007; Lieberman, 2002; M. Moore, 2004, 2008; M. Moore & Fjeldstad, 2008; Wilson Prichard, 2015; Timmons, 2005; William Martin & Prasad, 2014)). Rulers are interested in maximizing revenue, but they must appeal to citizen's demands in the interest of lowering transaction costs.

I theorize that the fiscal policies deemed viable at the policy level in the poorest states are frequently developed without sufficient consideration for the feasibility and constraints facing the revenue actors tasked with implementation. This is particularly relevant where tax policies are shaped by non-locally developed models, such as optimal tax theories and development economics, adapted from wealthier states' tax policies. Where such tax policy diverges from the poor-state reality, the burden of "viability" of the fiscal policies shifts from the "ruler" to the implementing body: revenue actors. And while

[67] Likely motivated by state-building and development economics theories.

unable to affect the delivery of public goods and services, revenue actors are still motivated by revenue maximization (which is, after all, their mandate). Where they find transaction costs and political constraints to be excessive, without the power to provide the "carrots" of public goods and services to entice pseudo-voluntary compliance, revenue actors aim for the least politically conflictual, least resource-exacting sources of revenue. This echoes Frankema's (2011) perspective of colonial administrators, who, he argued, minimized tax effort rather than maximizing revenue.

What Frankema terms "minimized tax effort" or Piracha and Moore call "rule maximization," I consider to be evidence of revenue actors operating with an implicit revenue efficiency perspective. They must make strategic choices about which types of revenue are most politically and administratively efficient and worth the dedication of their limited resources to mobilize. Expending all of their resources on implementing the most politically contentious or administratively burdensome parts of the fiscal mandate implies extensive effort with limited returns. These actors risk potentially stirring up many different political issues in the process, which obstruct their efforts further.

This behavior among revenue agents is not dysfunctional, but revenue maximizing within a different political logic, operating on their own set of constraints—maximizing revenue at the implementation level given these constraints. In an environment characterized by scarcity, where a revenue system is under-resourced to carry out its mandate and navigating weak state legitimacy, and where the fiscal code has not considered these constraints adequately, the burden of maximizing revenue shifts from the "ruler" to revenue actors.

Adopting this perspective changes our understanding of the behavior. Where there is certainly corruption, dysfunction, and administrative waste, there is also an operation that must navigate a messy reality of informal political logic. To mobilize revenue, revenue actors must develop their own strategies to achieve their mandate, sometimes employing revenue instruments and strategies falling outside the fiscal code and legal provisions. By navigating around politically sensitive arenas, revenue actors are essentially maximizing revenue by maximizing rule.

2.3 The Scarcity Mindset

Resource scarcity changes behavior. Koberg, Shah, and others have examined how individuals and organizations adapt to scarcity and environmental constraints (Koberg, 1987; A. K. Shah, Mullainathan, & Shafir, 2012; Tushman & Romanelli, 1985). Organizations, they find, adapt to such constraints, developing strategies to fit the resources at their disposal. Shah et al. explain that poverty creates a sense of urgency and changes how people allocate attention, leading them to engage in some problems more deeply while neglecting others. The poor often engage in excessive borrowing, for instance, which exacerbates their situation. Important for our research, resource scarcity generates "its own mindset" (A. K. Shah et al., 2012, p. 682). As I argued above, what many bodies of literature describe as the dysfunctional administration of revenue mobilization in developing countries might be less "dysfunction" and more "functioning along different parameters." In the previous chapter, we discussed scarcity along the administrative dimension—of administrative resources and scarcity of information about taxpayers and economic activity. In the previous sections of this chapter, we discussed weak state legitimacy and the "political logic" element: How revenue actors must adapt to a political logic centered on the informal use and control of scarce resources in a poor state. Behavioral adaptions motivated by reacting to and accounting for scarcity on many levels has an important implication: They weaken the capacity of a revenue system to optimize its revenue instruments for economic efficiency. Instead, the economic objectives motivating optimal tax models must take a back seat to the more practical and urgent matter of finding revenue to mobilize from somewhere—anywhere—regardless of the impact on economic growth, social welfare, and vertical equities. This, then, is the urgency and short-term orientation that scarcity elicits in poor state revenue systems.

Economists see consumers and producers as rational actors making shrewd use of available resources (Elster, 1986, 2009; Ermakoff, 2010). Revenue actors in a poor state are also often rational actors—making shrewd use of the public resources at their disposal. But the aspect of scarcity—scarcity of administrative resources, of information about taxpayers, of legitimacy, and political support—in a poor state changes their behavior and creates a new mindset: an implicit decision-framework of where and how to mobilize revenue.

Our background research question, which we set out to answer at the beginning of this volume was: What shapes the strategies of revenue mobilization in a poor state? The answer I propose is this: The need to navigate administrative and political inefficiencies created by scarcity on many levels (e.g. weak legitimacy as an ever-present challenge to a poor state) motivates their strategies. The research question we will employ moving forward is as follows: ***How do poor states mobilize revenue in the face of administrative and political constraints?*** We could imagine revenue actors on all levels almost subconsciously asking themselves, "What is the most efficient route to revenue mobilization that minimizes political sensitivity while not overly straining our limited administrative resources?"

Section 3 Building a Model of Revenue Efficiency

In a revenue system, the means available are administrative and political resources; the ends are revenue production: finding revenue and income for the state. The revenue efficiency model (Figure 8) I propose assumes that revenue actors (consciously or subconsciously) place potential revenue sources into an efficiency category and treat revenue according to its efficiency along these two dimensions.

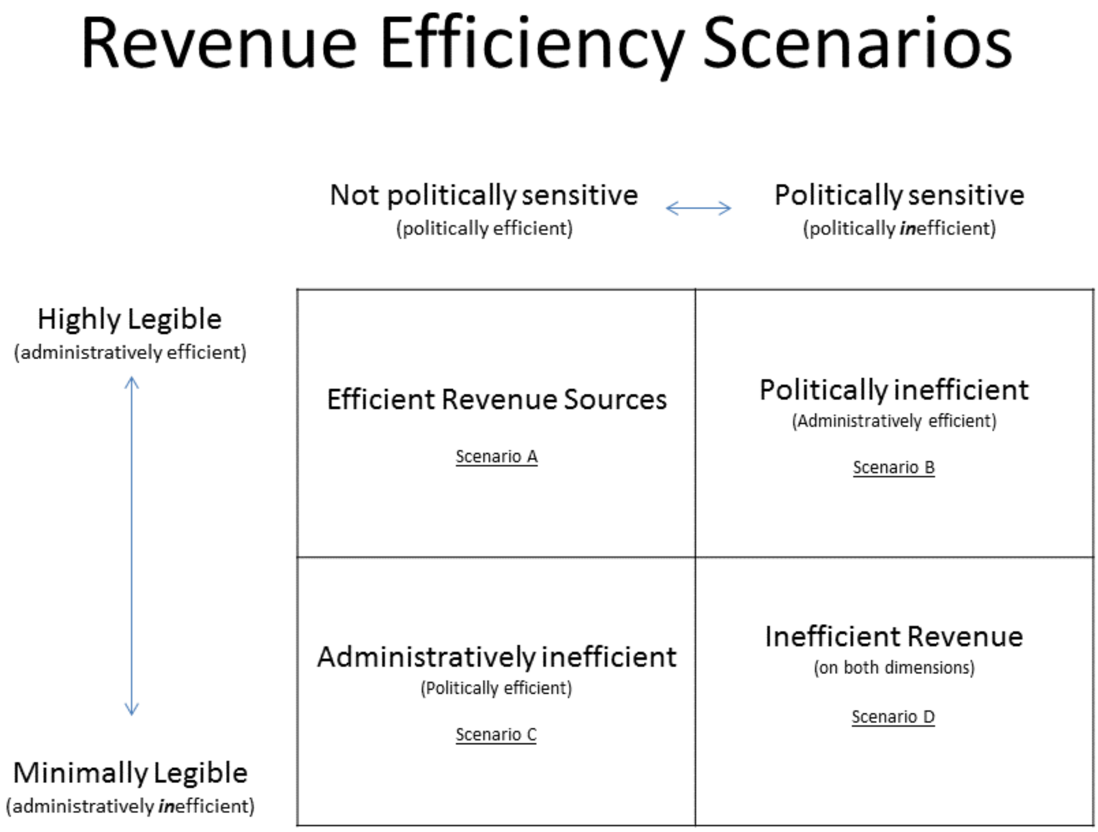
3.1 Model of Revenue Efficiency

Inefficiencies, both in the politically sensitive arena and administratively, may be localized, regional, broad-reaching or stratified by ethnic group, income group, etc. For instance, one type of revenue source could be politically sensitive (Scenario B, as depicted in the revenue efficiency model below, Figure 8) across the entire country, whereas others could be politically sensitive in some regions, such as an ethnic group that the ruling party deems unimportant or among elites significant to the political settlement. A revenue might be inefficient administratively (Scenario C) to mobilize among a specific subset of the tax base (e.g. informal economic actors, the lowest-income groups). Thus, when we begin investigating revenue actors' strategies and treatment of potential sources of revenue, we cannot assume that property taxes on the entire tax base, for instance, fall into a single category. Property taxation in rural areas would likely fall into an entirely different category (i.e. Scenario C or D) than property taxes of wealthy, urban residents in the president's home town (i.e. Scenario B). Additionally, that which street-level revenue actors perceive to be politically and administratively inefficient in their daily work might not be the same set of inefficiencies perceived by middle managers or directors. As such, revenue actors at each level within the system and dispersed across the country will develop different strategies to adapt to the inefficiencies they confront in an effort to achieve their mandate. From the revenue actor's perspective, our hunt for revenue therefore represents a burden shifted from Levi's revenue-maximizing ruler to the revenue-maximizing bureaucrat; a bureaucrat making the most efficient use of his constrained, scarce political and administrative resources.

As developed in Chapter III, I define revenue as administratively efficient if it requires minimal administrative resources to secure and, more specifically, poses a high degree of legibility (i.e. transactions that are formally recorded, registered, standardized, and accessible to revenue actors). In my theory, legibility is the primary attribute of administrative efficiency.

As developed in this chapter, I define revenue as politically efficient if targeting the revenue does not elicit or exacerbate some politically sensitive arena. In the following, I outline the theoretical treatment of the various revenue efficiency scenarios (depicted in Figure 8) and specify how far this theory can take our expectations for how revenue actors would strategically perceive and treat potential sources of revenue. But first, let us examine the model.

Figure 8. A Model of Revenue Efficiency



3.2 Revenue Efficiency Scenarios and Theoretical Propositions

3.2.i Efficient Revenue (Scenario A)

Potential revenue that is efficient on both dimensions is an efficient revenue source. On the administrative dimension, it exhibits highly recorded, standardized, formalized, and digitized information about the flow or stock of money serving as the potential revenue base. On the political dimension, it is revenue that is less politically sensitive: It does not evoke strong resistance or political ire, such as revenue that is relatively less "felt" by taxpayers; revenue which avoids arenas that elicit or exacerbate citizen frustrations with their government; and is less important to supporting informal political order or exclusionary revenue bargains than other revenue sources.

I expect efficient revenues (efficient on both dimensions) to serve as the main sources of income and that the strategies of revenue actors and entire revenue system resources are organized around and dedicated to mobilizing funds from these sources (in a low-income state). This is the static strategy. The dynamic strategy entails advocating for changes to the fiscal code to allow for increased avenues and levels of taxation of these sources. The dynamic strategy would be particularly relevant where potential yields were high. If the revenue source was efficient but delivered little in the way of actual revenue, revenue actors would be unlikely to place too much emphasis on revising fiscal code provisions to capture more income from this source.

3.2.ii Politically Inefficient Revenue (Scenario B)

These are sources of revenue that present some factor(s) of political sensitivity but administratively exact a relatively small burden on the revenue system. I expect politically inefficient sources of revenue to be only partially targeted. As the inefficiency is political in nature, we could see a great variety of static strategies developed, depending on the nature of the political inefficiency. Strategies would likely involve some form of non-enforcement or under-enforcement on the most politically sensitive elements. For example, if the political sensitivity largely stemmed from the "felt" nature of the tax, then I expect revenue actors to calibrate enforcement to an acceptable level of imposition among taxpayers as we see in Piracha and Moore's (2016, pp. 3–4) Pakistan case study, where a street-level bureaucrat "negotiates" a "fair" rate with a local resident.

In the interest of increasing yields where the state faced higher revenue pressure (defined in the next section), dynamic strategies could assume numerous forms, likely involving some means of paying off politically sensitive elements. This might frequently involve corrupt behavior: side payments, systemic bribes with shared proceeds, or even allowing the co-optation of revenues by relevant powers that be to minimize resistance. However, where potential revenue yields are low, I expect revenue actors to disregard the politically sensitive elements altogether.

3.2.iii Administratively Inefficient Revenue (Scenario C)

Administratively Inefficient revenues are sources that require extensive administrative efforts to identify, record, track, and target; as discussed above, they are minimally legible. On the political dimension, they pose little risk, with minimal political sensitivities attached to the source of revenue. I expect static strategies to involve low levels of enforcement, likely involving taxpayers who proactively make an effort to carry out the necessary paperwork and submit tax declarations. For revenues that are administratively inefficient and exhibit very low potential yields, I would expect the revenue source to be largely ignored despite the fiscal mandate.

When the state is pressed for greater revenues, however, dynamic strategies surrounding administratively inefficient revenues are a key area where the state invests resources to improve the revenue source legibility (this theoretical element draws on the revenue imperative element in Joshi & Ayee, 2008, Table 8.1, p. 194). In other words, this is where the revenue agency and revenue actors invest in state-building type activities. This would be particularly true when and where the source of revenue exhibited a high potential for revenue yields and could generate substantial income for the state if illegibility constraints could be mediated.

3.2.iv Inefficient Revenue (Scenario D)

Under this scenario, revenue mobilization entails both heavy political costs and is exacting on administrative resources. Inefficient revenues (on both dimensions) are largely disregarded. This is the static strategy.

If the revenue exhibited high potential yields, I would expect to possibly see frequent exhibitions of corrupt behavior (for personal gain), with revenue agents at all levels of the system exploiting political sensitivities and administrative inefficiencies to siphon off revenue for their personal gain, with little revenue making its way to the state coffers. I might also expect other politically important factions, elites, or traditional authorities who can claim greater legitimacy in their efforts to tax this source of revenue, to take advantage of the state's weak position and capture some portion of the revenue stream.

Where the state was pressed to deliver higher revenue yields, revenue actors would likely attempt to generate revenue from this source but generally expend resources without delivering much in the way of state income in the process. This is the expected dynamic strategy for inefficient revenues.

3.3 Static and Dynamic Strategies: The Role of Increasing Revenue Pressures in the Theory

Revenue pressure is a key mechanism in my theory. Several theorists have emphasized revenue pressure, scarcity of easy revenues, or the "revenue imperative" as a key factor driving government action in the arena of taxation (Burgess & Stern, 1993b; Doner et al., 2005; Pöschl, 2015; Wilson Prichard, 2010b, 2015). Most of these models develop the general expectation that governments that have less access to non-tax revenue sources (e.g. extractive natural resources or donor aid) face greater generalized levels of revenue pressure. I accept this premise but employ the concept for investigation within states that generally have limited access to extractive resource revenues. Accordingly, their revenue pressure rises and falls primarily with fluctuations in tax revenues and donor-grant and loan-financing contributions. I define revenue pressure as a relatively higher level of pressure than a government faces on average, over time. (This includes both greater deficits and greater needs.) This would be most likely when governments face shortfalls in revenue projections, periods of severe revenue instability, or unexpected, rapid increases in expenditure categories.

As revenue pressure increases, so does the willingness to push into politically and administratively inefficient sources of revenue; and accordingly, the interest in addressing and overcoming some sources of inefficiency. As such, I theorize that some dynamic strategies would involve improving the efficiency of a revenue source. When not facing severe revenue pressure, revenue actors will develop "static," reactive strategies, largely based on navigating around facets of inefficiency, trying to capture revenues from some portion of a tax base that is relatively efficient and disregarding the inefficient portions. However, when revenue pressures increase, as in times of economic shock from external or internal events, and the government is pressed to find new sources of revenue or to increase yields from existing sources, then I would expect strategic behavior to change. Revenue actors facing higher revenue pressure will develop dynamic strategies, likely expending extensive resources as an investment in improving revenue efficiencies on both dimensions, when and where they can.

It might not be possible to address inefficiencies or to dedicate expendable resources, but theoretically and when and where feasible, higher revenue pressure invites investment in revenue sources which present higher constraints. This could include state-building efforts to overcome the illegibility of a tax base by carrying out census and registration efforts, digitizing or standardizing records to make access more efficient. It could include fragmented, pragmatic approaches to address local-level political sensitivities—engaging whichever authority figures could render their efforts legitimate or lobbying the Ministry of Finance or politicians to improve the practical feasibility and relevance of fiscal codes and regulations, better adapting them to contextual constraints. This aspect of the theory harmonizes well with the state-building narratives of Tilly, Ardant, Schumpeter and others—where war and other pressing revenue demands forced the state into negotiations with citizens and into building the state administration (Ardant, 1975; J. Schumpeter, 1954; Tilly, 1975). The contribution here is creating a revenue actor's perspective and understanding when they would organize a specific type of strategic action, and the tacit grouping and treatment of potential sources by their revenue efficiency.

3.4 Political Institutional Factors

Regime type and the degree of decentralized authority are two political institutional factors that function as interaction variables in the political efficiency dimension. I introduce each in turn. The political efficiency dynamics described in the sections above operate through the political institutional factors such as regime type and degree of decentralized authority.

3.4.i Regime Type

The motivations and constraints facing a regime and its bureaucratic organs change when the means of accessing and maintaining power vary (i.e. regime type). What the particular impacts are and which regime type generally holds a stronger hand in revenue mobilization efforts is unsettled in the literature (Bastiaens & Rudra, 2016; Cheibub, 1998; D'Arcy, 2011; Genschel & Seelkopf, 2016; Levi, 1988; Li, 2015; Olson, 1991; Przeworski & Limongi, 1993; Snyder & Bhavnani, 2005; Swank, 2016; Therkildsen, 2001).

Piracha and Moore's (2016) Pakistan case study illustrates the impact of needing to prioritize political survival over revenue. As theorized by Olson (1991, 2000) and Levi (1981, 1988), the time horizon of a ruler (general empirical tendencies suggest longer time horizons for autocratic rulers, shorter horizons for democratic regimes) greatly affects their revenue mobilization strategies. Those with greater security of tenure as rulers are likely to take greater liberties with coercive strategies. Consequently, a democratic regime is more likely to be rule-maximizing, whereas an autocratic ruler is more likely to be revenue-maximizing. I subscribe to Levi and Olson's perspectives in general. We can assume, then, that where the outcomes of elections are genuinely unknown and the election process represents true competition among various political factions (i.e. democratic regimes), then whomever you target with taxes may affect whether they are willing to vote for you. Conversely, where election outcomes are generally a given and there is no real competition evident in the political landscape, regardless the lip service paid to free and fair elections and democratic values (i.e. hybrid and autocratic regimes), the state's hand to tax whom and what they want is strengthened in one political aspect: they would not fear repercussions for their revenue mobilization efforts at the voting booths. See Juul's (2006) case study in Senegal, for example, where almost no local taxes were collected in local election years.

While democratic rule can render taxation efforts politically inefficient, as politicians fear repercussions at the voting booth, it can also lend political legitimacy to a mandate, including the fiscal mandate (D. A. Bräutigam et al., 2008; Cheibub, 1998; Levi, 1988; Ross, 2004). As such, it can also empower revenue mobilization where there is strong political legitimacy backing the efforts, as Piccolino (2015) explores in a case study of Bénin.

Conversely, under autocratic rule, the degree of fragmentation of the ruling coalition impacts the political efficiency of taxing various groups. Where an autocrat is able to secure power with a small, ruling coalition, both political order and autocracy theorists would generally predict political inefficiencies of targeting the ruling coalition. For instance, de Mesquita's work on minimal winning coalitions predicts that a ruler will specifically protect the coalition that keeps him in power by cushioning them from the imposition of taxes, while channeling as much as possible to them in the form of public sinecures, goods, and services (De Mesquita et al., 2002). But the nature of elite revenue bargains matters—depending on whether they are structured as a narrow "spoils system" or a divide-and-conquer power arrangement among regional and ethnic groups (Jonathan Di John, 2009). However, while these predictions resonate with political settlement theories, they somewhat contradict the theoretical expectations stemming from fiscal contract theory, as discussed above. In summary, we can understand that regime type is relevant and likely impacts which groups in society are politically inefficient to target for revenue mobilization but depends on the interaction of regime type with other factors. In general, where a strong, democratic fiscal contract is present and honored by the government, taxing the group that put you in power would be politically efficient. But the more likely scenario in the poorest, least developed states is a political order featuring a hybrid autocratic regime characterized by informal, exclusionary political arrangements (Jonathan Di John, 2007, 2010; Khan, 2010; Kjær & Katusiimeh, 2012; North, Wallis, Webb, et al., 2013; North et al., 2007). The powers that be within such a political order are likely to be the "untouchables"—protected from all sincere efforts of taxation—and as such, highly politically inefficient sources of revenue.

These, then, are the dynamics at play in the factor of regime type, which affects the set of politically efficient revenue sources available to the regime (both positively and negatively). While we cannot arrive at a conclusive and clear pattern, autocracy would generally suggest the political inefficiency of targeting those important to the ruling coalition, and democracy in a poor state would generally suggest a weak and frequently violated, albeit existing, fiscal contract allowing for some moderate level of taxation across the general population and sensitive to election cycles. The regime type affects the political efficiency of targeting potential populations of revenue providers. Interacting regime type political institutional factors gives us some sense of whom within a society perceives revenue actors' efforts to tax them as legitimate (i.e. less politically sensitive). This is the first political institutional factor. The degree of decentralized authority is the second. We turn to this briefly before concluding this section.

3.4.ii Degree of Decentralized Authority

In poor states, the second political institutional factor—the degree of decentralized authority—has a particular impact on political efficiency, typically diminishing the availability of politically efficient sources. We might generally expect the state's legitimate claims to tax the population to weaken or to be exacerbated the further one moves from the state capital and economic hubs, although there are contrasting perspectives, such as Boone (relevant literature: Boone explores political topographies, 2003; Herbst outlines the "broadcasting of power," 2000; Scott emphasizes the reliance of the state on local knowledge in weakly developed states, 1998). The central state's ability to monitor, control, and administer their territory also typically weakens the further one moves from the center(s) of power.

Boone (2003) explores the dimensions of rural autonomy, focusing on rural elites. She suggests that where elites appropriate their own "surpluses" or revenues from the local population, they have little interest in supporting the center. Instead, they could become competition—a credible threat or rivals to the center. If, conversely, they were unable to extract their own surpluses, they would be more reliant on state intermediation (Boone, 2003b, pp. 20–38). Boone does not speak directly to the expected effects on the state's tax efforts, nor does she differentiate between local governments, traditional authorities, and economic elites in the rural social landscape. But we can extract from her model the notion that these local powers that be in rural areas impact revenue mobilization strategies. Depending on their effectiveness in terms of extracting revenues from the population and depending on the degrees of cohesiveness in the local community political order, elites could either be the most important asset in the strategies developed by the state's revenue actors or competition for the same pool of potential revenues. If local power-holders presented competition, we would expect that finding out how to co-opt rural authority figures would be an essential element in revenue mobilization strategies. Labonte (2012) finds evidence of this strategy of co-opting of local elites in Sierra Leone, where government reforms have brought the chieftaincy elites into the legal administrative structure, giving them a shared role together with the local councils supporting and participating in revenue mobilization.

If a poor state has agreed to decentralize authority to regional and municipal levels but lacks the ability to monitor and ensure the coherence of local and central state policies, they are often, in effect, simply giving away power. Without oversight, autonomy becomes independence. And with that, a poor state with a decentralized regime starts to resemble a lot of little enclaves of authority, each only minimally answerable to the center. The sources of revenue in this scenario that are politically efficient for the largely absent and authority-weak state (and its revenue authority) shrink. Conversely, local revenue authorities in a situation of decentralized authority have a much freer hand to seek revenue where it might be found, regardless of the legality of it and regardless of coherence with the center. Local authorities in low-income states with decentralized institutions of authority are also more likely to use the revenues they mobilize as they see fit, regardless of the state's political promises and mandates tied to the use of those resources.

The degree of decentralized authority generally tends to reduce the supply of politically efficient revenues for the central state's revenue system, the further one moves from centers of power and into the rural expanse. It has the tendency to strengthen the political efficiency of revenues for local authorities.

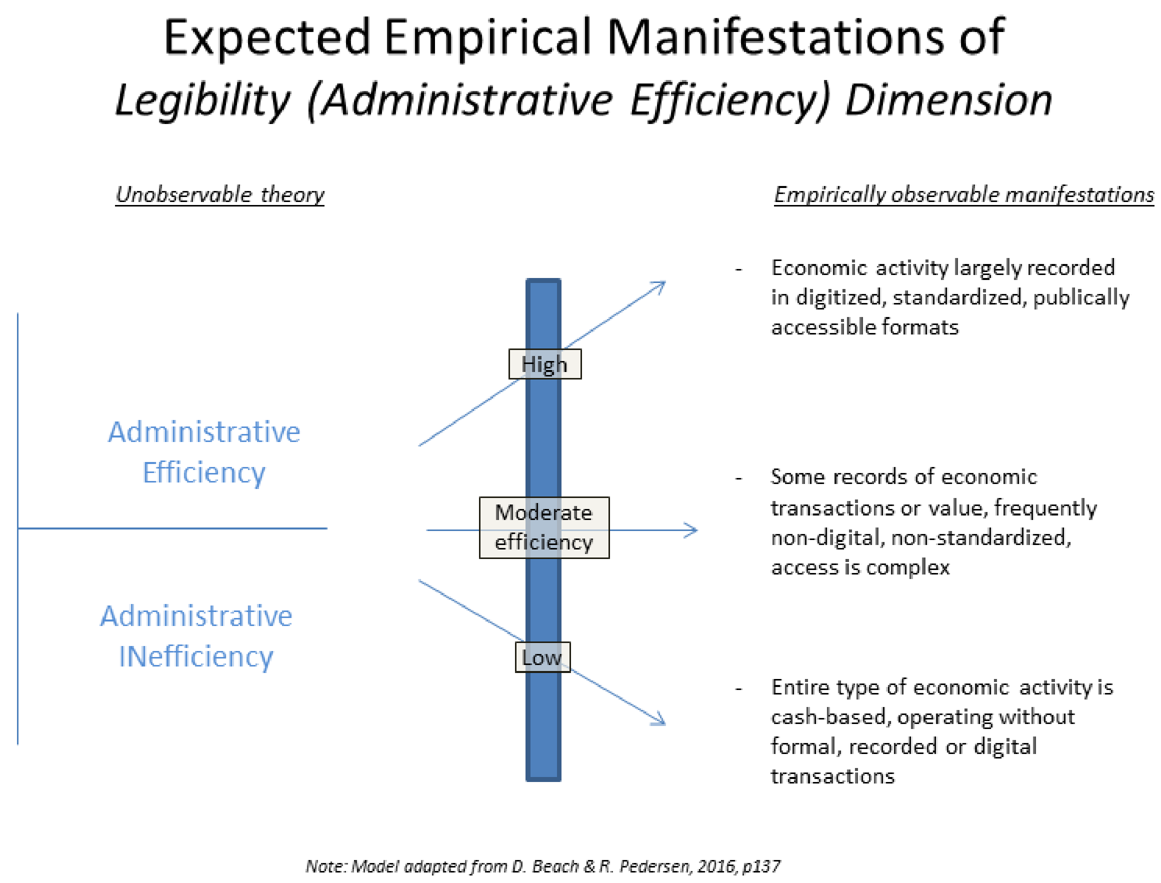
In this discussion, I have analyzed how both these political institutional factors (which guided my country case selection for this research) might change the set of legitimate claims to potential sources of revenue for the state and its revenue actors. The same source of revenue in a centralized, authoritarian state might be a politically efficient source of revenue while presenting political inefficiencies for a decentralized, democratic state, and vice versa. The decentralization of authority in the context of weak state legitimacy together with weak monitoring and control capacities (all of which are generally relevant to poor states) often represents a surrender of political control and state revenues.

Section 4 Measurement: Empirical Manifestations of Efficiency Dimensions

4.1 Empirical Manifestations of the Administrative Efficiency Concept

Administrative inefficiency expresses itself in a fairly straightforward manner. As this dimension is defined primarily by legibility or the availability of the tax handles of a potential revenue source, a cursory investigation provides a general sense of the administrative efficiency of mobilizing a certain revenue source for the state. Measuring administrative efficiency generally reflects a basic assessment of the administrative resources (i.e. manpower, technology, time, effort, skills, and infrastructure) required to mobilize revenue from a source. Empirical manifestations include the degree to which the taxable object is registered, recorded, standardized, possesses an easily identifiable taxable value, is digitized, and accessible to revenue agents (see Figure 9 below).

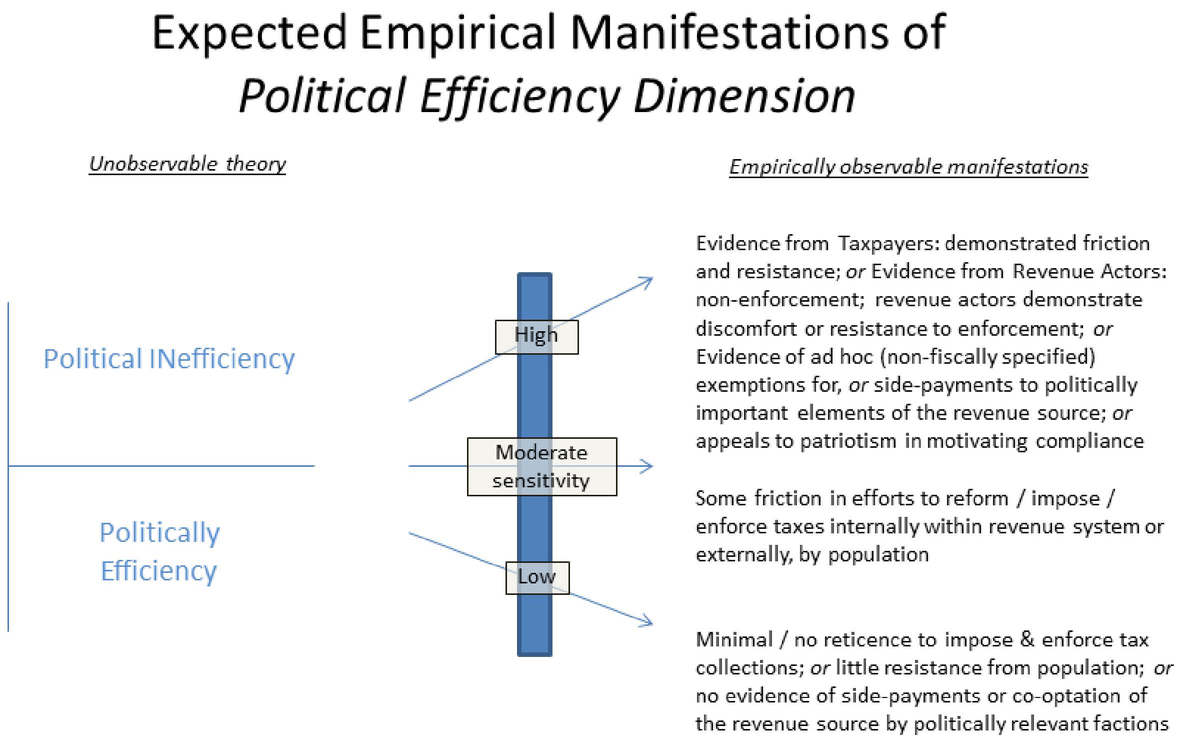
Figure 9. Expected empirical manifestations of the administrative efficiency dimension



4.2 Empirical Manifestations of the Political Efficiency Concept

How, then, to measure the degree of political efficiency of a revenue source? Even more than conceptualizing it, measuring political inefficiency is certainly more difficult than measuring administrative inefficiency. As sources of political inefficiency can be related to the informal arrangements of power, of tacit devil's deals, of socio-institutionalized norms surrounding a resource that the state attempts to tax, or general citizen perceptions of the state's legitimate rights to tax something—all of these are often intangible, implicitly and socially understood perspectives, or norms to navigate. As discussed briefly above, the most effective modes of power are often the least observable, operating "undetected" and behind the scenes (Bachrach & Baratz, 1962; Lukes, 2005). This is likely to be particularly true in the poorest states, where Khan, North et al., and others characterize political order as being primarily defined by informal, behind-the-scenes maneuvering among de facto powers that be (Bierschenk & Olivier de Sardan, 2014; Blundo et al., 2006; Khan, 2010; Lund, 2006; North, Wallis, Webb, et al., 2013; North et al., 2007). As such, being able to identify where and how points of political friction confront revenue mobilization efforts is not always a straightforward matter. While we may be unable to directly observe many of the theoretically derived sources of political inefficiency, there are likely to be clues hinting at these maneuverings and sources of political friction and sensitivity simmering below the surface (see Figure 10 below).

Figure 10. Expected empirical manifestations of the political efficiency dimension



Note: Model adapted from D. Beach & R. Pedersen, 2016, p137

The types of clues we might expect to see of political inefficiency include demonstrated friction and resistance from taxpayers; revenue actors demonstrating discomfort or resistance to enforcement; evidence of ad hoc (non-fiscally specified) exemptions for, or side payments to, politically important elements of the revenue source; or appeals to patriotism in motivating compliance. While some of these empirical clues can serve as a direct confirmation of political inefficiency, others merely suggest it and require further investigation to determine the meaning behind the observable manifestations. I will walk through each briefly, discussing what we can understand from what we can see and where further investigation is necessary.

For the first, I take demonstrated friction and taxpayer resistance to be direct evidence of political inefficiency. For any sort of revenue mobilization efforts, demonstrated friction and taxpayer resistance is political. I welcome my readers to challenge this, and while there obviously may be motivations of which I am not cognizant of at present, I will treat this as direct evidence for the time being.

For the second clue—revenue actors demonstrating discomfort or resistance to enforcement—this discomfort or resistance to enforcement by revenue actors could stem from a variety of different motivations. It could simply imply a laziness to carry out one's responsibilities. It could imply a type of corruption which serves only personal gain. These are not sources of political inefficiency. They are human factors. They are irrelevant to my primary line of inquiry into what motivates and shapes revenue mobilization strategies. If there is no strategy involved in the reticence, resistance, or discomfort in a revenue actor's decision not to enforce the fiscal code, then this is not strategic behavior; it is simply a display of negative human behavior. On the other hand, when revenue actors demonstrate discomfort or resistance to enforcement and one can attribute that behavior to any other motivation besides personal laziness or personal, corrupt gain, these would be strategic motives. If the revenue actor has nothing personal to gain from resistance, reluctance, and reticence to enforce the fiscal code, then they must be navigating some other constraint or environmental factor at play. Again, this may not be a political factor, but it is likely so. And here, one needs to dig deep enough to understand what is motivating this behavior to determine if political friction or other political dynamics are potentially in play.

The third potential empirical manifestation of the political inefficiency of mobilizing a particular source of revenue is ad hoc (non-fiscally specified) exemptions for, or side payments to, politically important elements of the revenue source. Here, I refer to exemptions and side payments that are not part of the fiscal mandate. Where the political importance of the taxpayers or tax groups receiving these exemptions can be established in some fashion, this would present fairly strong evidence for a political motivation, an effort to smooth political friction. Fiscally-specified exemptions (i.e. in the fiscal code) might also be politically motivated, but those included in the code are more likely to stem from economic motivations (e.g. exemptions intended to attract foreign investors and multinationals promoting economic growth). Either way, further investigation into the political importance of the groups in question that are receiving exemptions or side payments would be necessary to ascertain whether political inefficiency motivated the strategic behavior.

The fourth and final type of empirical manifestation that I expect could be identified is an appeal to patriotism to motivate compliance. Where the revenue authority or revenue actors individually must appeal to patriotism to motivate compliance, then they are asking citizens to rise above personal interests and economic interests. They are asking citizens to consider their pride in their country and their willingness to support it. As such, using patriotism to motivate is likely to be a strategy to combat political vulnerability, political resistance, or political weakness, which the government is trying to correct for or overcome. I would consider this empirical manifestation to be direct evidence of political inefficiencies of the revenue source. I certainly welcome my readers to challenge this as well.

Section 5 Theoretical Expectations for Specific Revenue Sources

In this section, I briefly interact our basic empirical knowledge of the structure and nature of key revenue sources in developing countries with the theoretical expectations developed in the revenue efficiency model above. The purpose here is to illustrate the expected variation in revenue efficiency within key types of revenue. These revenue sources include the sources recommended by optimal tax theory, such as Value Added Taxes (the VAT) and Personal Income Taxes (PIT), as well as a number of taxes either ignored by or stigmatized in models of optimal tax design, including seigniorage, property taxes, and trade (customs) taxes. Each type of tax presents a variety of features that helps us nuance the arguments presented above. Each type of revenue is investigated and discussed in the case study findings below.

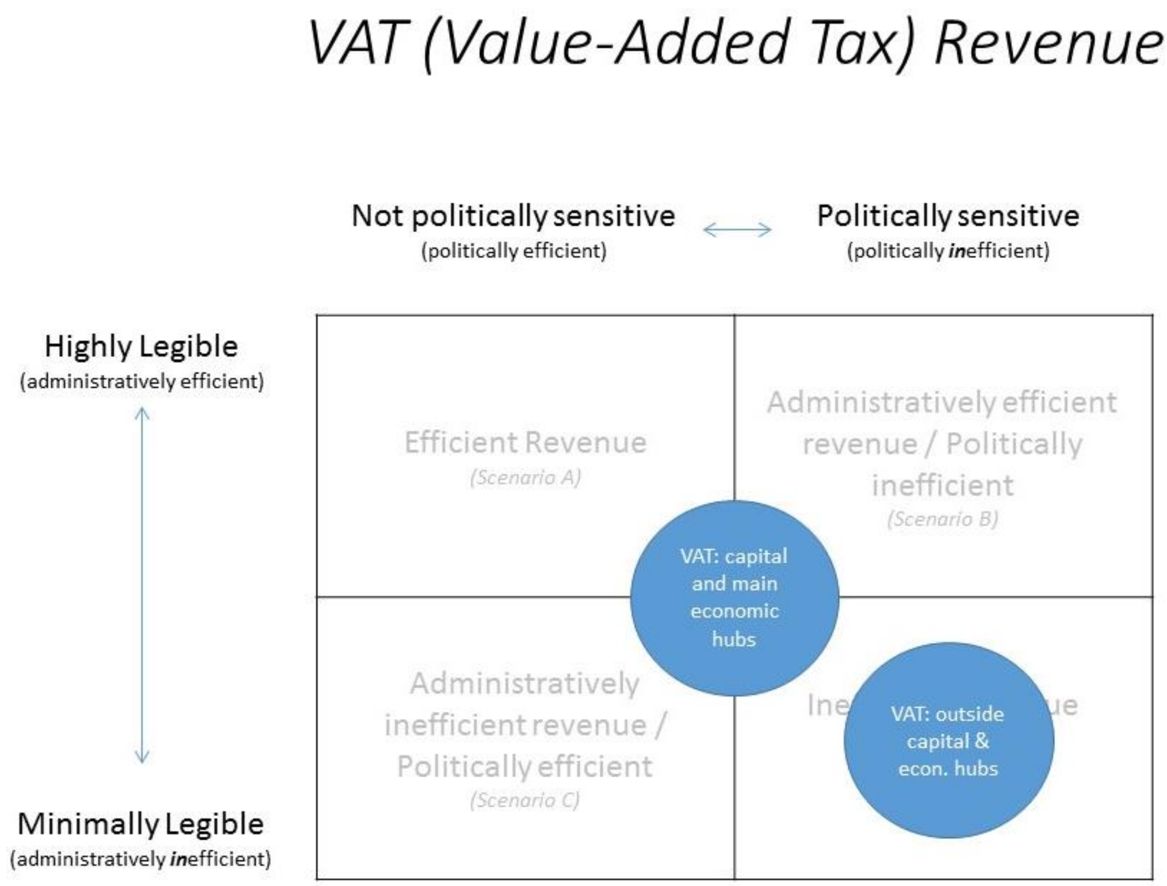
5.1 VAT—Value Added Taxes, General Sales Taxes

VATs are the newest kid on the block and a rising star in many of these countries, as they have become one of the big breadwinners in most low-income states. I wanted to see if the VAT in practice functioned and was enforced as a VAT in theory should be, or if we could differentiate this neoclassic instrument of taxation by income group, region, and economic activity. I expect this to be an efficient tax on both dimensions, particularly among larger, formal firms in the capital and economic hubs. For smaller and informal firms, and particularly those beyond capital cities and economic hubs, I expect that this source of revenue is revenue-inefficient, particularly on the administrative dimension.

VAT, in the capital and economic hubs: I expect that VAT revenues are fairly efficient sources of revenue in the capital and in the main economic hubs in poor states. On the administrative dimension, however, the state would still find mobilizing this revenue semi-inefficient. As a standard VAT is supposed to be structured as an integrative system with all of the economic actors in a value chain tracking and reporting their revenues and expenditures, and filing for credits or reimbursements for VATs on inputs, the system requires a fairly sophisticated level of accounting. Urban small business actors generally still have fairly weak bookkeeping—including invoicing and receipts—standards and capacity, which would make them a weak link in value production chains that span large and small businesses. On the political front, I expect VATs not to be too politically sensitive (although some recent case studies have demonstrated that VATs, even if not a very "felt" tax, being an indirect tax, are still politically salient). I leave it semi-politically efficient and semi-administratively efficient.

VAT, outside the capital and economic hubs: Outside the main urban centers, I expect VAT to be an inefficient source of revenue. Neither the state nor economic actors have the capacity to track and report as necessary and efficiently enough for the system to function properly. On the side of the economic actors, there is a lack of formal business activity, technology, know-how, and accounting literacy, while on the revenue system side there is a lack of administrative capacity to verify and manage the system.

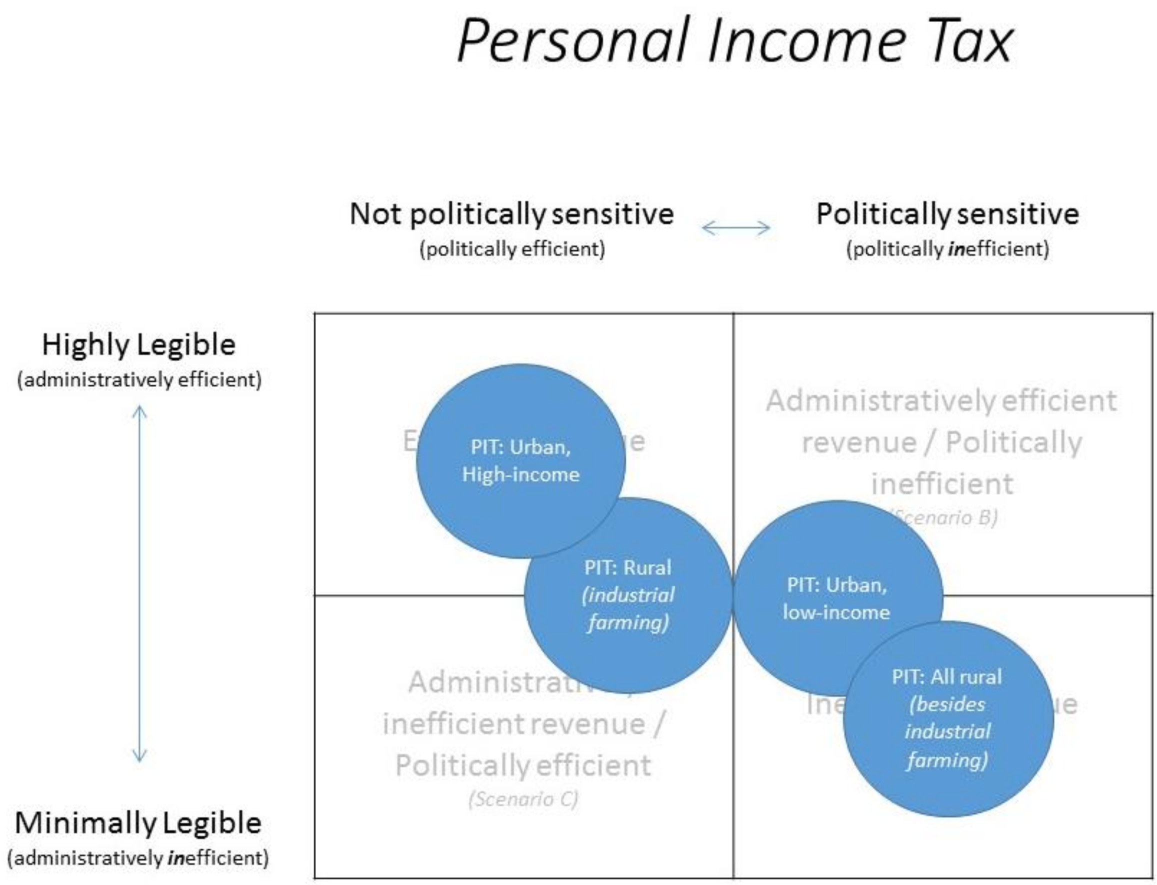
Figure 11. The expected revenue efficiency of value-added taxes



5.2 Income Taxes

Personal income taxes (PIT) are a category of revenue where we expect to find a high degree of differentiation in the strategies between PIT collected as a withholding tax for the employees of large, formal businesses and represent an efficient revenue source on both dimensions, while for the remainder of the economy, PIT should be a highly inefficient tax on both dimensions. This tax also represents one of the key taxes prescribed by both optimal tax theory and development economics thinking.

Figure 12. The expected revenue efficiency of personal income taxes



Urban, high-income PIT: this group is probably one of the most efficient sources of revenue on both dimensions. High income earners will generally work for large companies (foreign or domestic), who must adhere to international accounting standards to be competitive in their industries. As such, it would be standard procedure for financial accounts to be reported to the government and taxes withheld from salaries.

Urban, low-income PIT: all groups outside of the urban, high-income earners in large corporations will be inefficient sources of revenue. In urban areas, I expect there to be at least slightly less administrative inefficiency, as the urban population is likely more educated than in rural areas, on average, and therefore ought to have greater knowledge of bookkeeping and have some records and transaction information available for governments to review and base a tax assessment on. Politically, however, I would expect income taxes to be rather inefficient, as the taxes are mobilized after the income hits their pockets and in that sense is very "felt." Moreover, the urban poor probably have mixed feelings about the public goods and services to which they have access; while they might have greater access to goods and services than rural areas, they may also feel excluded from the services of paved streets, electricity, running water, and security offered to wealthier neighborhoods.

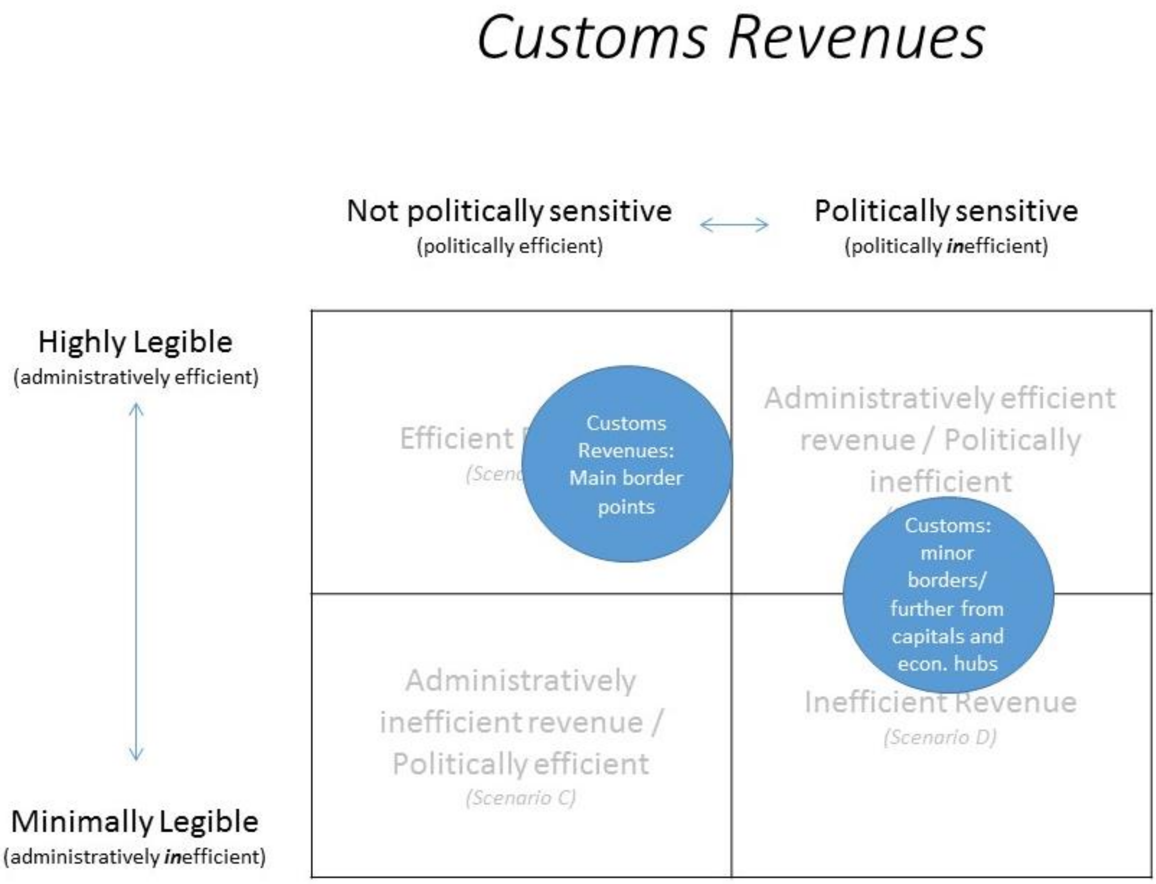
Rural, all besides industrial farming: In rural areas, I expect that all income taxes are inefficient on both dimensions. Administratively, even for the wealthy groups, the sources of income and wealth in rural regions are rarely internationally competitive corporations (outside industrial farming). Sources of wealth are more likely related to their own sources of legitimacy, position in the community, and power. As such, their wealth is probably derived from informal or traditionally managed communal practices related to their roles in local society; albeit large land owners, religious leaders, and traditional and customary authorities. These sources of wealth are likely rarely recorded in any registered, standardized, documented format of formal bookkeeping, and their wealth would often not be attributed to normal economic transactions. This would make any effort at determining a taxable personal income very complicated for revenue authorities. Politically speaking, these wealthy, rural individuals would also likely be powerful and, as such, possibly represent sources of competition; for political legitimacy as well as revenue. Trying to make claims on the incomes of these local power players would normally be a very delicate and politically charged matter. For the rural poor, PIT would be highly inefficient as well, but for a slightly different set of reasons. Administratively, much of the rural population in many of the poorest states are still illiterate. As such, they would have very little ability to maintain accounts for their small business and market activities. As such, there is likely non-existent record keeping on personal incomes for the majority of the rural poor. Politically, of any group of citizens, the rural poor probably feel the reach of the state the least and would therefore likely be very resentful of a central state making efforts to extract taxes from them when the state could point to very little that it had delivered or offered to the rural poor in terms of public goods and services.

Rural, industrial farming: Rural, industrial farming would be fairly efficient revenue for the same reasons listed for this group regarding property taxes. Industrial farmers, whether local or foreign-based, with large-scale operations, are generally well known to the government and well-known economic actors in the economy. As such, it is rarely easy for them to hide from the taxman. As such, formal wage earners working for these industrial complexes would probably have PITs withheld just like other large, urban corporate entities. Given their distance from the capital (i.e. where I expect the bulk of the revenue system's resources to be centered), however, it would still be easier for industrial farmers to hide some sources of income or only partially report their earnings. They likely face a lower risk of auditing and enforcement and might be located in regions where the coercive capacity of the state is weak.

5.3 Customs

Customs revenues were chosen because they are the prototypical example of the most feasible form of revenue mobilization, and statistically there is still a heavy reliance on this source of revenue in low-income states.

Figure 13. The expected revenue efficiency of customs revenues



I expect customs revenues to be largely grouped into two categories: firstly, key customs border points near the capital and economic hubs, and secondly, minor customs points, specifically those furthest from the capital and major economic hubs in the capital.

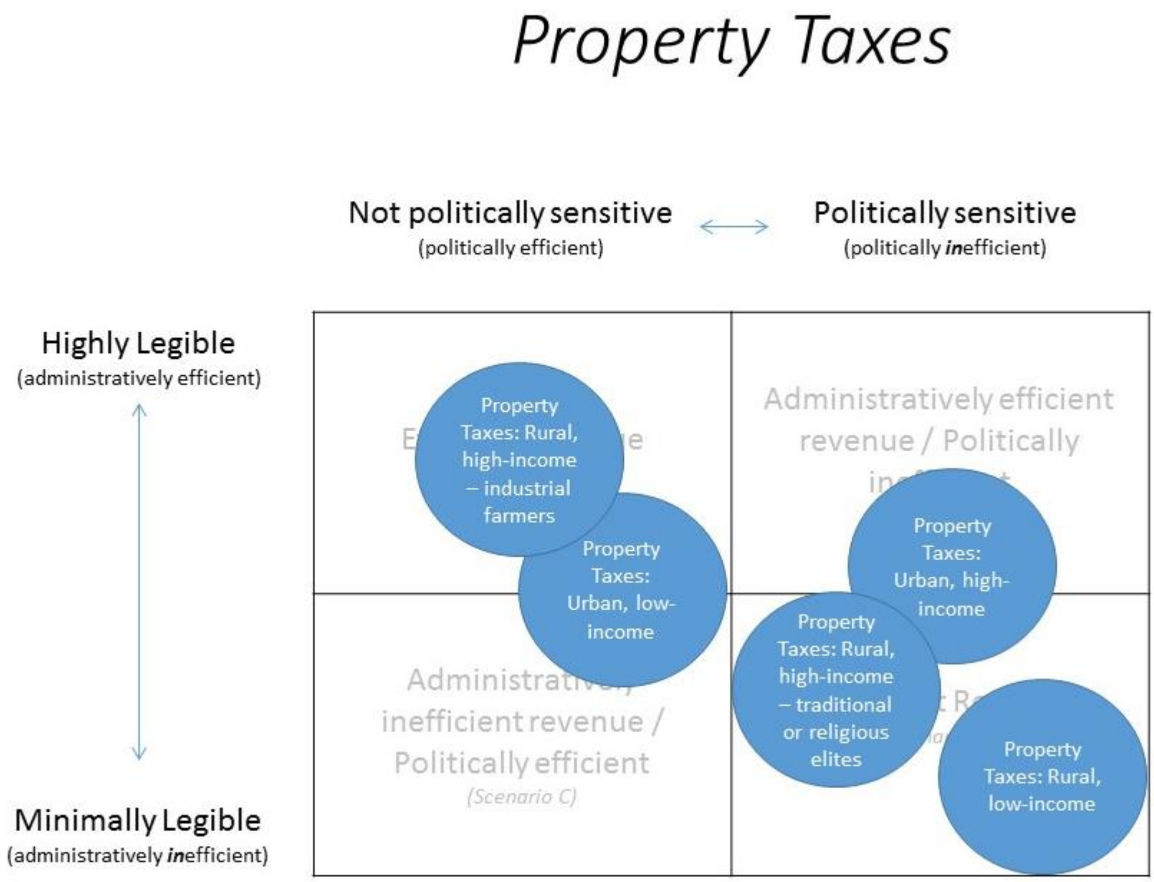
Major border points: I would expect this to be a highly administratively efficient source of revenue, since it provides a key point to collect revenues and allows the revenue system to concentrate resources where they expect to be able to mobilize significant revenues. As commercial vehicles require at least somewhat paved roads, especially those trading in high-demand goods, the most efficient trading would likely require vehicles (and ships in port) to pass through formal, major border points and submit themselves to inspection in order to get their goods delivered in time to points of destination. Politically, these would be fairly efficient sources of revenue, as the government could likely claim high degrees of legitimacy, coercive capacity, and the power to tax at these points, likely facing little resistance. Conversely, given the lucrative nature of these points, they would also likely be very attractive to the informal political order and likely be subject to pressure for the diversion of revenues to support the powers that be.

Minor border points—further from capital and economic hubs: I would expect that minor border points throughout poor states, particularly those far from the capital, would be rather politically inefficient and semi-administratively inefficient. Politically speaking, whatever revenues could be mobilized would probably be attractive to local elites and powers that be, and thus face revenue competition and demands for revenue sharing or force revenue actors to co-opt the powers that be in the interest of mobilizing some revenue for the state. Administratively, minor border points would be semi-efficient, as they still present a fixed point where the state could collect revenue. However, given the lower traffic levels at such points and the probability that there might be a much greater tendency for transiters (goods transporters) to find ways around the minor border points, only the portion that passed through the formal border points would be efficient. Secondly, those transiting through these points would also likely be smaller economic actors with less tendency to maintain formal, standardized records of goods and economic activities, which would require a higher degree of physical inspection to confirm goods requiring customs payment.

5.4 Property Taxes

I chose property taxes because they are notoriously linked to customary practices, local knowledge and social values, and the treatment of land in different cultures. Here is how I expected differentiated groups of property taxpayers to fall on the spectrum of political and administrative efficiency dimensions.

Figure 14. The expected resource efficiency of property taxes



Urban, high-income: politically sensitive because they are likely connected to politically important persons, semi-administratively inefficient because they are probably also keen to conceal their ownership data.

Urban, low-income: somewhat politically efficient because urban households probably benefit more from public goods and services than do rural households; and as they are lower income, they are probably less relevant to political order sensitivities. They would probably be semi-administratively efficient, as the state knows more about residences in urban areas than in rural areas, and it is more likely that the state has carried out cadastre and urban mapping exercises, created addresses, and has formal records of property transactions.

Rural, low-income: I would expect this group to be both politically and administratively inefficient to mobilize. Politically, these property taxes would be inefficient on two counts. In many rural areas, citizens have limited access to public goods and services and are therefore resentful to government efforts to mobilize property taxes where the justification is tied to the property's access to goods and services. Imposing this tax to any extent would therefore be much felt. Something in exchange for nothing that they could see. Conversely, if the property tax was justified on the basis of a store of wealth, it would also be resented and rejected by citizens, as the value of property in most rural areas (i.e. low population-density areas) is probably negligible. And property transactions often run contrary to the customary practices dominating in the rural areas in most African communities, meaning that there would be little information on the value or sale of the property, and citizens would very much feel the imposition of a tax on a store of wealth where they had no intention of selling the land and therefore saw no capital value in it (instead, they see a social right and familial heritage, where the state has no business or place to lay a claim). On the administrative efficiency dimension, as already suggested, there would likely be very minimal information about ownership or any formal documentation regarding ownership or features of the property itself on which to base a property tax assessment. It would be very administratively inefficient.

Rural, high-income: I expect this group to be slightly more complicated. Wealthy and rural taxpayers owning property would probably either be part of a religious or traditional elite or be industrial-scale (and potentially foreign-owned) farming entities.

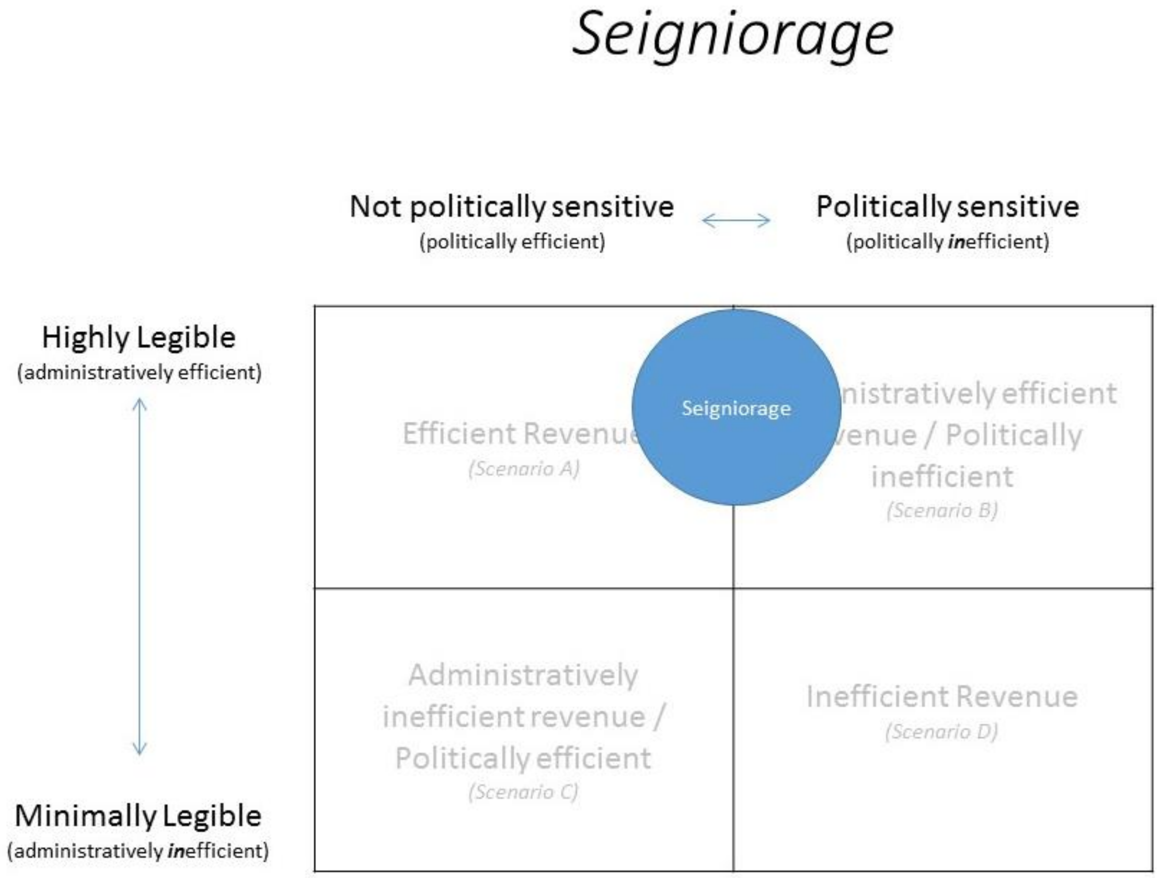
Rural, high-income, industrial farming: The taxation of industrial-scale farming activities would probably be straightforward, as the entities probably have to gain specific access to the property from the state (potentially including the expulsion of its traditional residents), and likely adhere to international accounting standards. Taxing this group would likely be very administratively and politically efficient (excepting any tax holidays offered as part of the specific incentive scheme for foreign investors).

Rural, high-income, traditional or religious elites: Conversely, taxing other wealthy, rural property owners would likely represent traditional and religious elites who could claim some extra-state form of legitimacy for their elite (i.e. privileged, wealthy) status. As such, taxing this group could either be highly politically sensitive if they are locally able to compete with the state's claims for legitimacy, especially if this then suggests that they represent revenue competition for the state. On the other hand, they might be a politically efficient group if they were political supporters in informal or formal aspects of political order. Administratively speaking, the state should have more information about wealthy property owners in rural areas than the general public, but the state might also be highly dependent on local authorities to provide such information. And where these traditional and religious elites were either the local authorities or closely aligned with local authorities in opposition to the central state, the state would likely be unable to confirm much information.

5.5 Seigniorage

I expected a continued degree of dependence on seigniorage to stabilize cash flows in the face of economic and political instability, and simply in the face of revenues cash flow gaps.

Figure 15. The expected revenue efficiency of seigniorage



I expected seigniorage to be as administratively efficient as revenue comes, given that it is the state that prints money and does not have to engage in any collection or enforcement activities. For the same reason, I expected seigniorage to be politically efficient in the general sense that taxpayers do not "feel" it. However, given the long-term effects of seigniorage and its inevitable tendencies (if relied upon for any length of time) to create so-called "inflation taxes" and undermine the value of the currency, I expect the continued reliance on them to eventually raise the ire of the general public. More importantly, the general consensus and historical evidence of the dangers of the use of seigniorage beyond the 1% of GDP advised by Friedman (1971) and optimal tax theorists would be frowned upon by the international development community in general. As such, revenue actors would face a very high degree of political sensitivity along the conflict-of-interest dimension, where international expectations and pressure presented direct opposition to the other efficiency characteristics of the revenue source.

Section 6 Conclusion

What shapes the strategies of revenue mobilization in a poor state? My theoretical proposition is that the need to navigate scarcity on many levels motivates revenue actors' strategies. Poor states face scarcity of legitimacy and legibility (tax handles). In a revenue system, the means are administrative and political resources at the disposal of the bureaucracy; the ends are revenue production. Revenue actors, particularly in an environment characterized by scarcity, are rational, strategic actors who must make shrewd use of the limited political and administrative resources at their disposal. That which development economists and state-building and development theorists perceive as a lack of political will, dysfunctional administration, and rampant corruption is, in fact, testimony to the many dimensions of political and administrative constraints confronting bureaucrats in their efforts to generate state revenue.

Political sensitivities emerge in light of the state's legitimacy deficits and the political conflicts of interest particular to a poor state. Poor states have a legitimacy problem with respect to taxing citizens to whom they offer little in return. On top of that, the claims made by poor states to resources often come in conflict with traditional centers of power. These authorities can at times claim greater legitimate prerogatives over the management and use of resources, such as land. Revenue bargains with politically powerful contingents in society are often premised on de facto exclusion from tax obligations. These arrangements weaken a revenue actor's authority to impose taxes, regardless of the fiscal mandate. Corruption serves both to undermine and support the legitimacy of revenue mobilization efforts in different ways. Mismanagement and the poor use of state funding undermine the fiscal contract. However, the co-optation of state resources is often the very deliverable expected from the state to maintain factions important to an informal political order premised on restricted access to scarce resources. Revenue actors are caught between these two sources of political inefficiency. Conflicts of interest in the revenue imperative also stem from electoral mandates and development partners, who, as major revenue contributors, become another constituency to conciliate.

The question then becomes, how do poor states mobilize revenue in the face of administrative and political constraints? I propose a model of revenue efficiency, a decision-making framework that I expect revenue actors to employ implicitly or explicitly when assessing where and among whom (within their fiscal mandate) they can most efficiently generate state income, while carefully conserving the limited political and administrative resources at their disposal. I expect that the revenue sources posing the least strain on administrative resources and involving the fewest political sensitivities attract the bulk of the revenue system's strategic efforts and attention. I expect revenue actors to generally avoid highly revenue-inefficient sources, navigating around political landmines and partially enforcing the least administratively exacting portions of a tax base. During periods of higher revenue pressure, I expect revenue actors to employ dynamic strategies in the interest of mitigating political sensitivities or administrative drain. Where inefficiencies stem largely from political sources, I would expect to find patterns of corruption intended to lessen political resistance—paying off or co-opting politically sensitive elements; or systemic bribes and shared proceeds with politically powerful contenders, for instance. Where inefficiencies stem largely from high degrees of illegibility and the revenue sources offer high revenue yields, I would expect to find the greatest tendencies for state-building activities and legibility creation under periods of higher revenue pressure.

Two political institutional factors influence the topography of politically inefficient revenue sources: regime type and degree of decentralization. Democratic regimes will render tax imposition sensitive to election cycles and regions of key political supporters. However, strong democratic mandates for taxation can strengthen the legitimacy of revenue mobilization efforts. Autocratic regimes strengthen the tax collectors' hand (vis-à-vis political pressure from politicians fearful of the voting booth) except in one sense: the legitimacy of their efforts. Most poor states are generally likely to exist as a type of hybrid autocratic regime characterized by informal, exclusionary political arrangements, where the powers that be are untouchables, protected from taxation in practice. Higher degrees of decentralization in a poor state generally diminish the availability of politically efficient revenue sources for the central state, but are nuanced by the degree of cohesion of local elites. Elites (whether state or non-state actors) within decentralized systems potentially represent the greatest threat or strongest ally in revenue mobilization efforts; they can rarely be disregarded. In the poorest states, decentralization generally represents a loss of power and revenues for the central state.

Based on my theoretical expectations, the most efficient sources of revenue (on both dimensions) are likely to be VATs imposed on large firms in major economic centers; PITs imposed on high-income urban individuals and rural industrial farmers; customs revenues from key border stations; property taxes from rural industrial farmers and urban middle-income families; and the use of seigniorage as a short-term, stop-gap strategy. Each of these expectations is then nuanced by the political institutional factors. Weak enforcement among many taxpayer groups is understood as an outcome of rational, strategic action by revenue actors to overcome resource limitations.

Chapter V
Research Design & Methodology

The theory of revenue efficiency is my effort to frame potential revenue sources through the lens of a revenue actor with limited resources at his disposal to carry out his mandate. The four revenue efficiency scenarios provide opportunity to distinguish between attractive revenue sources and those that would likely deplete the limited resources of the revenue system (and the state). The revenue efficiency model helps us to identify patterns in revenue actors' strategies by identifying the sources in their environment that are considered efficient revenues to mobilize. It allows us to take the perspective of the bureaucrats themselves who are tasked with enforcing the fiscal mandate and to understand how resource scarcity changes their behavior, their mindset, and priorities.

In order to investigate the relevance of my theory, I needed to construct a research methodology capable of testing this framework and assess whether this lens resonated with the decision-making frameworks applied by revenue actors. The question guiding the deductive component of the field research was as follows: Does the revenue efficiency model frame how revenue actors (in a poor state) perceive potential revenue sources and serve as the basis for developing their strategies?

To survive and sustain revenue production at some level, revenue actors must facilitate these informal but powerful forces of the political order, they must navigate the political inefficiencies presented by the weak legitimacy of the state, and they must achieve all of this with minimal administrative resources and less-than-optimal revenue instruments (where there are few efficient ways to secure revenue from the informal, cash-based operators that dominate their economies). My objective in this investigation was essentially to find a way to insert myself into the minds of the revenue actors in a poor state. I wanted to see the obstacles they faced and sense the opportunities that presented themselves to bureaucrats tasked with revenue mobilization. Through the observations of revenue actors and scrutiny of their decision frameworks and resultant emerging strategies in several low-income states, I hoped to illustrate, deepen, and refine my theory of what shapes the revenue mobilization strategies in the poorest states. As a result, my empirical investigation has components of both theory-testing and theory-building.

The theory-testing element informed the second objective of my empirical research: the theory-building aspect. As the research objectives were partly inductive-exploratory and partly deductive, I needed to design a research strategy capable of testing the theoretical expectations but also cast a wide enough net to capture strategic thinking, whether or not it fell within the parameters of my theory. As such, my fieldwork, in part, needed to apply a very broad and open approach. The question guiding the inductive, theory-building part of the investigation was as follows: What are the primary dimensions shaping the revenue mobilization strategies (in a poor state)?

The best way to investigate these matters, then, was to embed myself within revenue authorities and to spend many months observing revenue agents at various levels and across the geographical expanse of the state, observe them interacting with each other, discussing priorities, challenges, constraints, and the strategies they developed to work around the issues they encountered in their efforts to carry out their mandate. To understand how they perceived the efficiency of various sources, I needed to observe the constraints and strategies they developed related to specific potential revenues. To tease out strategic patterns, I somehow needed to be able to compare how different revenue agencies reacted to the same types of challenges. To identify how the political order factor changed the landscape of politically efficient revenue sources, I needed to create some "variation" in this factor across countries.

The goal was ambitious. To calibrate my purpose in terms of the limited time and resources available to me, I recognized that I could not hope to categorically confirm my theoretical propositions, aiming instead to illustrate the theory by applying it while simultaneously improving and adjusting the theory to the realities I uncovered in my observations.

This chapter is organized as follows. I begin by walking through the elements of operationalization and discussing how the various elements are related and build on each other. This section focuses on what I aimed to uncover. Here, we also explore the country selection criteria and I provide a rationale for the choice of Togo and Bénin. In the latter part, I also explain how cases operate at different levels in my research. In the second section, I examine how I investigated these questions and employed the empirical manifestation probes. Here, I develop my methodology, which includes identifying, profiling, and classifying strategic and non-strategic cases. In the third section, I discuss the strengths and challenges of this research design. The final section provides some reflections on what it was like to carry out this research in practice.

Section 1 Research Design

While this research design was theoretically driven, theory could only take us so far. In Chapter IV, I developed a number of theoretical propositions; expectations of how revenue actors react to particular types of constraints and inefficiencies when working to mobilize revenue. I also proposed a number of theoretical propositions of how they categorize and treat revenue sources according to their efficiency attributes. But these theoretical developments were largely the "bones" upon which we could add some flesh in terms of observing the decision-making processes in which the revenue actors were involved and how they handle revenue sources.

The research design balanced these elements by providing structure in terms of where and what to look at while at the same time granting enough freedom to dig into particular strategic behavior and patterns once they were uncovered. As such, my work was a process of interpolation; one of refining a theory, progressively deepening it with insights from empirical material and observation (P. H. Andersen & Kragh, 2010, p. 50; Weick, 1989).

To accomplish this, guided deductively by theory, the research design employed cross-country, within-country, and within-case elements: achieving variation across countries (revenue systems), across tax or resource types, and within resource types. Variation in this design, then, was as high as one could hope to achieve. It was inspired by a most-similar systems design (D. Collier, 1993; Mill, 1872). Comparative case study methods lent strength to the unique case studies by allowing for greater possibilities regarding the systematic evaluation of hypotheses across cases than could be achieved within an individual case study (D. Collier, 1993, p. 106; Lijphart, 1971, pp. 691–93).

Once I began digging into the implementation of revenue mobilization mandates (within-case research), the objective shifted to a more open exploratory investigation. Within cases, I used interpretive methods to explore the theoretical links in my causal model. The objective here was almost ethnographic in nature, similar to what Schumpeter and Weber called "methodological individualism;" connecting individual attitudes and motivations of revenue actors with behavior (Denis, 2015; Joseph; Schumpeter, 1909; Weber, 1922). In this phase I delved into specific bureaucratic administrative processes to establish some understanding of the specific challenges and constraints facing a revenue actor from their perspective, and related to the revenue sources they were mandated to mobilize. In so doing, I could gain a sense of the motivations behind their actions and identify when and where these actions could be interpreted as "strategic;" a process of inference and interpolation.

It was not possible to arrive at conclusive theory confirmation with this approach. Rather, I hoped to find instances that illustrated my hypotheses and gave some sense of whether the theoretical framework held a degree of validity; and, if so, how far it could take us in explaining the behavior and strategic treatment of revenues by revenue actors in a poor state. In summary, I was inductive in my theory-building, and wove between deductive (from my theory) and inductive (from observation) approaches during my fieldwork and thereafter in the analysis of my findings, deepening the theory based on my discoveries.

1.1 Inductive Aspects of Theory-Building

The inductive theory-building elements began much prior to the fieldwork for this research endeavor. I relied on access to first or second-hand accounts of revenue actors (tax collectors and revenue authorities) that I could acquire to find evidence of the perspectives of revenue actors on the challenges they face in these contexts. Beyond reviewing the literature, this effort included participation in workshops organized by the International Centre for Tax and Development. These workshops included participation and presentations by revenue authorities from across sub-Saharan Africa. I attended the first in Arusha, Tanzania, in December 2014 as well as the following workshops in Addis Ababa, Ethiopia (2015), and Kampala, Uganda (2017). In each workshop, I took copious notes on the presentations and discussions. I also had opportunity to observe discussions between revenue actors who participated in a masters degree course on sub-national taxation that I took at the Africa Tax Institute in Pretoria, South Africa in 2015 (some of whom I was also able to interview), and I participated in a similar workshop in Ljubljana, Slovenia, where the Eastern and Central European states discussed their experiences and challenges in trying to implement Western-style property tax systems.

From these accounts and the literature discussed in Chapters II, III, and IV, I fleshed out the theoretical expectations presented in Chapter IV. However, for many theoretical elements, the empirical evidence that I could draw on was limited, and I was therefore only able to take these expectations so far before heading into the field. As such, the research design was intended to allow to refine and expand these ideas. As Wildavsky and Pressman wrote of their studies on bureaucracy in Oakland, “a start must be made somewhere” (Pressman & Wildavsky, 1984, p. xxi).

1.2 What Is a “Case” in My Research?

In my research, cases operate on multiple levels. This plurality of “cases” reflects a research design that balances inductive and deductive elements of the investigation, as discussed above. Revenue system and revenue source case selections served to position the research within my theoretical universe. These elements were chosen prior to commencing my fieldwork, informed by my theory, and served as the basis of the comparative, across-case and within-case research design. The first-order level of cases in my research design was revenue systems. This is the country-level perspective, examining the revenue systems in two countries: Togo and Bénin. The second-order level of cases in the research design was revenue sources. In Chapter IV, we discussed the theoretical expectations for five different sources of revenue: 1) value-added taxes, 2) income taxes (incl. direct taxes on the informal economy), 3) customs revenues, 4) property-related taxes, and 5) seigniorage.[68] Each of these revenue sources was used instrumentally in the fieldwork, chosen as point-of-entry cases for investigations within the revenue agencies. I expected each revenue source case to illuminate specific elements of the theory; that is, I expected these revenue sources (or groupings of taxpayers within them) to be positioned in different quadrants of the revenue efficiency typology (as perceived by revenue actors), allowing us to explore a variety of strategic treatments of potential revenues.

1.3 A Deductive Approach to Case Selection and the Cross-Case Design Element

As explained above, the country (revenue system) case selection for this research was driven by the deductive elements of the theory. In this section, I quickly walk through several selection criteria for these country cases. My theory of revenue efficiency makes assumptions related to the challenges and constraints specific to the poorest states or most likely to be relevant in the poorest states. Twenty-seven of the world's thirty low-income states (as of 2016) are found on the African subcontinent.[69] States that have no substantial extractive, mineral resources to fall back on are forced to confront limitations and scarcity, political order realities, and repercussions of weak legitimacy, as they have no readily accessible sources of income to turn to. In other words, where there are few obvious pots of gold, revenue agents must hunt for revenue wherever it can be found. This is where we should be best able to "see" revenue agents grappling with political and administrative inefficiencies. The country (revenue system) case selection, then, had to capture this reality as precisely as possible. To do so, the best course of action was to identify two countries that fit the profile of being 1) low-income states (poor states), 2) located on the African continent (in keeping with the location of most poor states), and 3) lacking substantial extractive, mineral resources (resource-poor states). Identifying two countries located in the same region, featuring a

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[68] While seigniorage is not formally possible for member states of a monetary union, such as the West African Monetary Union (UEMOA), by selecting states within a monetary union, I could investigate whether they developed strategies to work around this constraint on alleviating short-term revenue instability.
[69] Source: http://data.worldbank.org/about/country-and-lending-groups#Low_income.

similar colonial legacy, and facing similar geographical features would also lend itself to strong comparison, allowing most comparative factors to be generally “held constant” across the two states. Only in one pertinent, theory-driven sense did I introduce variation: the political dimension. I will walk through the country case selection aspects for a moment before discussing the variation on the political dimension and presenting a few relevant details about the selected countries.

1.3.i Low-Income States on the African Continent

I use the World Bank criteria to establish the low-income country bracket. For the fiscal year 2016, low-income economies were defined as those with a GNI (gross national income) per capita of $1,045 or less[70] (based on the reference year: 2014). These countries include Bénin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Eritrea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Tanzania, Togo, Uganda, and Zimbabwe.[71] These states are highlighted in the map in Figure 16, below.

1.3.ii Colonial Legacy: Focusing on Francophone States

Chapters I and II briefly discussed the colonial legacy in the fiscal codes of the poorest states in our modern world. Identifying two cases sharing a similar colonial history allowed us to minimize the variation in fiscal codes between countries, ensuring a fairly similar “starting point” after the turn of the century (i.e. around the time of the Monterey Consensus of 2002). By keeping this factor “constant,” some general assumptions could be made about their fiscal codes being built on the same colonial heritage.

Another ambition was to conduct field research in countries that have received less research attention in this field (tax regimes in developing countries), particularly within anglophone academia. Focusing on francophone countries (and taking advantage of my French proficiency) was one way to accomplish this. As such, I was able to offer a greater empirical contribution to the literature. There are twelve francophone low-income states.

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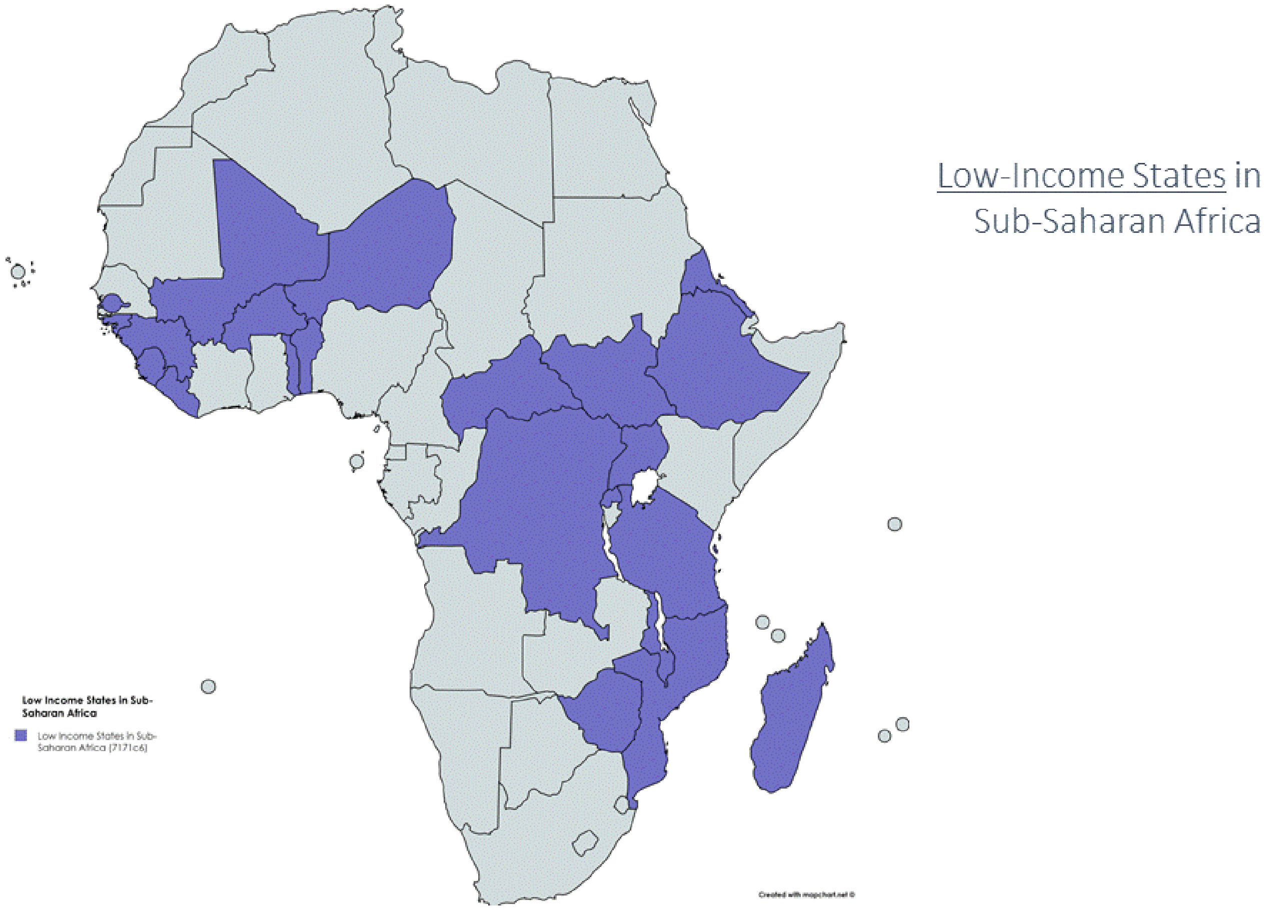
[70] Calculated using the World Bank Atlas method.

[71] Ibid.

Figure 16. Low-income states on the African Continent



1.3.iii Extractive-Resource-Poor States (francophone and anglophone)

Some of the low-income country economies are dominated by extractive industries, while the balance are primarily agriculture-based with some early developments in the industrial and service sectors. As discussed above, the potential for revenues from extractive industries presents a very different dynamic within the revenue mobilization strategies. I expect that the revenue pressure is particularly stark for the poorest of states, which are also extractive-resource poor. Where states have no substantial extractive industries to finance their development, revenue mobilization strategies must be oriented around economic activity generated by their citizens and other local economic actors.

Of the twenty-seven sub-Saharan African states falling in the low-income bracket,[72] the extractive-resource-poor countries are Bénin, Burkina Faso, Burundi, Chad, Eritrea, The Gambia, Guinea, Guinea-Bissau, Madagascar, Mali, Niger, Somalia, South Sudan, Togo, and Zimbabwe.[73] My research results could easily be generalized to this group of fifteen countries (Figure 17).

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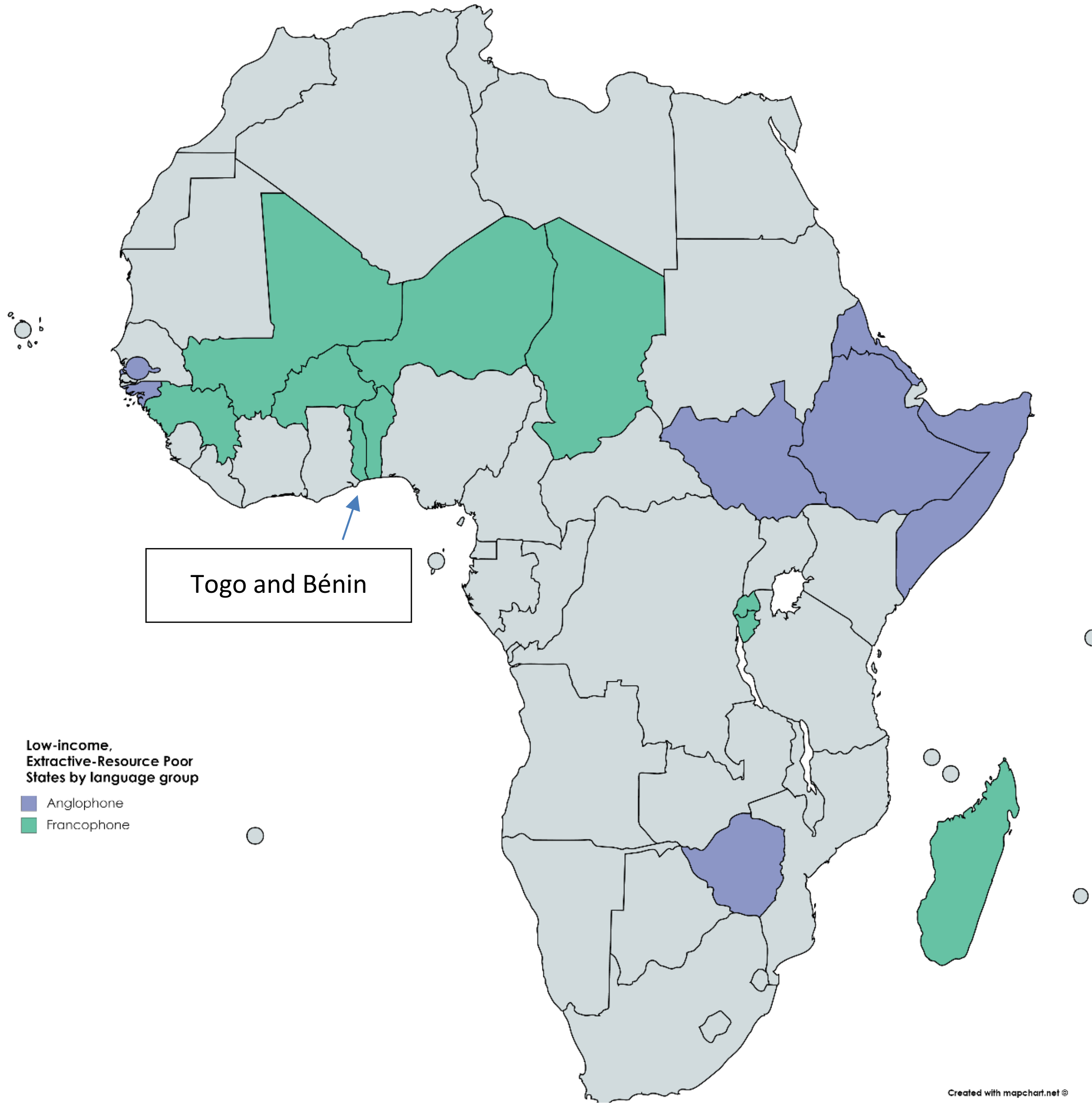
[72] I exclude Comoros, as it is a small, island economy and therefore faces a substantially different set of challenges and contextual factors.

[73] The low-income countries generally considered *resource-rich* are Central African Republic, Democratic Republic of Congo, Ethiopia, Liberia, Malawi, Mozambique, South Sudan, and Sierra Leone. Tanzania and Uganda have recently discovered extractive resource reserves and are shifting into this category. Togo, with its deposits of phosphates and limestone as well as iron, chromite, manganese and bauxite, is sometimes included in this group, depending on how "resource-rich" is defined. However, resource rents in recent years are generally not high enough to consider the country resource-rich according to several criteria. Based on the World Bank indicator, resource rents fell below the 25% threshold included in definitions below. While there is no clear definition of resource-poor and resource-rich countries, I primarily relied on the Resource Governance Index definition of resource-rich countries, where: "fuels, ores and metal exports represented on average more than half of total exports in 2006–2011" (*The 2013 Resource Governance Index: Sub-Saharan Africa*, 2013) Source URL: https://resourcegovernance.org/sites/default/files/country_pdfs/Index-Africa.pdf. Secondary definition: IMF, Guide on Resource Revenue Transparency: "A country is considered rich in hydrocarbons and/or mineral resources if it meets either of the following criteria: (1) an average share of hydrocarbon and/or mineral fiscal revenues in total fiscal revenue of at least 25 percent during [a 5-year period] 2) an average share of hydrocarbon and/or mineral export proceeds in total export proceeds of at least 25 percent during [a period of 5 years, was listed as 2000–2005 in this report] (Imf, 2007, p. 2, Footnote 8). According to the World Bank indicator "Total natural resources rents (% of GDP)," neither Togo nor Benin would be considered resource-rich countries if a threshold of 25% of fiscal revenues was employed. Source URL: https://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS?view=chart

Figure 17. Extractive-resource-poor, low-income states, distinguished as francophone or non-francophone



1.4 Country Case Selection

Bénin and Togo were chosen as the case study countries for this research. Togo is a highly centralized state, which had been held until recently under a tight fist by a dictator for thirty-eight years. His son came to power in a tenuous, undemocratic transition, and has won all elections since then (Kohnert, 2017a; Seely, 2005, 2006). The country ranks at the bottom of most corruption and governance indexes, albeit improving on some fronts in recent years (Afrobarometer & Transparency International, 2015; BTI, 2016a; Freedom House, 2016a; IIAG, 2016; The Heritage Foundation, 2018; "Transparency International Corruption Perceptions Index 2016," 2016). Bénin has been praised for its democratic transition during and following the National Convention of 1991 (Allen, 1992; BTI, 2003; Clément, 1995; Magnusson, 1997; Nationale, 1996; Seely, 2005; Widner, 1994). This process included later efforts at decentralizing the state apparatus. More recently, the country has come under pressure from a number of fraud scandals and issues of corruption (Bako Arifari, 2005; Bensassi, Jarreau, & Mitaritonna, 2017; Blundo et al., 2006; Couronne, 2015; Kakai, 2012; Ministry of Foreign Affairs, 2015; USAID, 2007). Some indicators suggest that governance in Togo has been steadily improving—with the second best gains on the continent in the last decade according to one index—while Bénin has stagnated (IIAG, 2016). In many ways, they seem to be trading places. In the course of my fieldwork, I discovered that Bénin seems to be recentralizing, whereas Togo is slowly exploring decentralization but trying to rationalize the process in alignment with local-level capacity. We explore the political economy of the two revenue systems in greater depth in the next chapter. Suffice to say that the choice of Bénin and Togo for this comparative case study design allows for real variation on both of the political institutional factors: regime type and degree of decentralized authority (Figure 18).

Figure 18. Comparative country (revenue system) case selection

Country Case Selection

					Political Institutional Factors *at macro level*		
Country (*Revenue System*)	Low-Income Country	Resource-Poor State	African continent	Francophone	**Decentralized Authority?**	**Democratic Regime?**	**(Y) Revenue Mobilization Strategies?**
Benin	+	+	+	+	**+**	**+**	?
Togo	+	+	+	+	**–**	**–**	?

1.4.i Togo and Bénin: Geographical and Economic similarities

Togo and Bénin share a number of other striking similarities, which further lend them to comparison. Geographically, these are long, narrow countries with a short coast line, existing side-by-side in the same climate. They also face similar regional economic pressures and support. They are both part of the UEMOA (Union Economique et Monetaire de l'Ouest Afrique aka the West

African Economic and Monetary Union), as well as the larger, more encompassing CEDEAO (Communauté économique des États de l'Afrique de l'Ouest aka the Economic Community of West African States). UEMOA is one of a few functioning monetary unions in the entire world.[74] As such, member states lose the formal capacity for money creation (seigniorage), which is one of the initial case comparisons I targeted. Investigating countries within a formal monetary union enables us to assess whether they have developed strategies to re-create a seigniorage, money-creation effect by other means. These two small states are sandwiched between the larger (anglophone) economies of Ghana to the west and oil-rich Nigeria to the east (see Figure 17).

1.5 Across-Case Variation and Comparative Case Design

The specific revenue sources that were selected as points of entry for cross-case comparisons are the revenue sources for which we developed theoretical expectations in Section 6 of Chapter IV, including 1) value-added taxes, 2) income taxes (including direct taxes on the informal economy), 3) customs (trade) revenues, 4) property-related taxes, and 5) seigniorage (Figure 19).

While the cross-country, cross-case comparisons were in principle designed to be comparative across all countries, in practice I had to adjust the case studies to what was feasible in-field. As discussed below in Section 4, I was able to achieve a real level of "embeddedness" in the Togolese revenue system. In Benin, however, rather than being embedded, I was granted some access to interview at various levels of the revenue authority and achieved a few interviews in the customs authority and municipal level revenue systems, as well as the main thrust of interviewing in the headquarters and a few branch offices of the Direction Générale des Impôts. This effort was complimented by interviews with large taxpayers, a few small taxpayers, a journalist, civil society organizations, diplomats, and development partner representatives to gain some outside perspective to balance the more limited scope of empirical material that I was able to glean from within the agencies. In effect, the Benin cases serve more as shadow cases to the Togolese ones. There are a few strategic cases, however, which draw primarily on my empirical material from Benin, particularly in Chapter XI.

[74] Source: https://eh.net/encyclopedia/monetary-unions/.

Figure 19. Cross-country and cross-case comparisons

Across-Country and Across-case comparisons

(Potential) Revenue Source	Togo	Benin
Value-Added Taxes (VAT)	X	X
Income Taxes *(including direct taxes on informal economy)*	X	X
Customs Revenues	X	X
Property (related) Taxes	X	X
Seigniorage	X	X

1.6 Within-Case Variation and Comparison

The within-case variation was achieved by probing for strategies at all levels within the revenue system—from senior levels of the revenue agencies, mid-level managers, and among street-level bureaucrats. In addition, by varying geographical locations—in rural and urban areas, in the capital, and other politically relevant cities—I was able to assess how a revenue source which might be politically efficient for the implementation tasks of a mid-level manager or senior directors in the capital could be politically inefficient for a street-level bureaucrat in a remote, rural area (or vice versa). Moreover, digging into each type of revenue source case, I could begin to identify strategic behavior and the treatment of revenue sources. At this point, the deductive approach transitioned to the inductive probing of the motivations and strategies associated with strategic cases as they were identified. The analytical strategy I employed for this inductive work is the subject of the next section.

Section 2 Research Method and Analytical Approach

My fieldwork involved embedding myself within the Togolese Revenue Authority for five months, sitting in their strategic planning unit; interviewing widely across the agency; following a fiscal control unit on a two-week mission, observing multiple meetings every day in field offices across the entire country; and frequently carrying out follow-up interviews with agents after meeting observations. In Bénin, while not embedded, I was able to interview fairly widely within and outside the agency, both in the capital and rural outposts. I interviewed traditional authorities (e.g. chieftains), officials from the American Embassy (Cotonou), as well as regional and local World Bank and IMF representatives. In both countries, I also interviewed some taxpayers, municipal officers, and Ministry of Finance officials. I recorded field observation memos throughout my time in both countries.

The qualitative analytical instruments I employed (and quantities collected of each) include: semi-structured interviews (133), embedded participatory observations (of specific meetings or workshops) (17), and the collection of primary documentation, including: the reading and analysis of the fiscal codes and many finance acts from Togo and Bénin, relevant internal memos and documentation, strategic planning documents from the revenue agencies, and statistics related both to operational costs and revenues mobilized by types of tax and administrative units (when and where this was possible from both revenue agencies and some municipal authorities). I also collected a variety of secondary empirical material: media and newspaper articles covering relevant political developments, reports from donor agencies and civil society and watchdog agencies, and reports and data from other relevant government institutions.

In Section 2 of the Annex, I have provided an anonymized list of primary empirical material, including 133 interviews, 17 participatory observations, and 37 observation memos. Participatory observations included events where I was invited to sit in on a meeting between revenue agents (and on occasion was invited to engage in the conversation), as well as a few workshops or roundtable events. The observation memos include my own notes following interactions, informal interviews, pertinent discussions, or other relevant visual observations while in the field. Almost all of the interviews were recorded (110 transcripts, including 161 recorded hours) for a total of 1,486 pages of transcribed data, as well as written summaries and notes from meetings and observations. Some excerpts from interviews, from the fiscal codes, news reports, and other relevant data are presented in subsequent sections of the Annex, corresponding with the strategic cases presented in Chapters VII–X. A few pertinent details related to the semi-structured interviews will be briefly presented below.

Following the collection of empirical material, I employed a qualitative-content analysis approach (Bazerley & Jackson, 2013; Elman, 2005; Miles, Huberman, & Saldana, 2014; Saldana, 2009) using NVIVO software. I used coding to classify groupings of 1) revenue sources—by income group, location, revenue type, etc.; 2) revenue actors: policy level, senior director level, mid-level managers, and street-level bureaucrats; 3) constraints and obstacles confronted by revenue agents, categorized by the administrative or political efficiency dimensions if they were relevant and added additional elements where these factors did not embody the types of constraints at hand. I then coded the strategic behavior according to the approach developed in Section 2.3.i below and exported a list of identified types of strategies, strategic adaptions, and strategic treatment of revenue into Excel. From Excel I then analyzed these strategies, classifying them as specific types of strategic action (Table 2 below; full list is in Table 3 and Annex Section 2.4). For each type of strategic action, I noted the relevant dimension of inefficiency which prompted the strategic action, and classified the motivations by the Revenue Efficiency Scenarios, where relevant. For example, revenue agents being fearful of imposing or collecting taxes in certain villages for fear of physical attacks was classified as politically inefficient given the risk of taxpayer resistance. I would then probe the empirical material to assess what further clues were available from the interview or observation and to determine the source of political inefficiency (e.g. the weak legitimacy of the state's perceived rights to tax by citizens).

2.1 Approach to Semi-Structured Interviews

The semi-structured interviews were loosely constructed and split between two purposes. The first was the more structured component, probing and theory-testing: the deductive component of interviews. Most interviews would begin with a fairly standard line of questioning. A select sample of interview questions and interview guides is included in Annex Section 2.4. Some interviews were organized almost entirely around deductive components of the investigation, while others were almost completely exploratory; most balanced both elements. I did not find including the term "strategy" in my line of questioning to be a very productive approach, as it often elicited banal, macro-level operational plans. Much more effective was an interview approach centered on the "challenges" (*les défis*) facing revenue agents when carrying out their specific mandate (i.e. their performance objectives) as they were referenced in the semi-autonomous structure of the Togolese revenue authority (I will discuss some of the implications of the two different agency structures in the next chapter, and its impact both on motivations and subsequent strategies developed).

The initial, semi-standardized lines of questioning regarding "challenges" frequently opened avenues of specific interest to my research: highlighting where they focused their efforts or where they faced the greatest obstacles in fulfilling their mandate. For these areas of interest, I allowed their decision-making narratives and rationales to guide my questions in the hopes of uncovering strategic cases. I probed very specific operational and strategic aspects for specific taxes and specific taxpayer groups: geographically varied, income-based, or process-based (the person I interviewed, particularly among street-level and lower mid-level managers, was generally a means of targeted interviewing, as many agents were organized by regional focus along with a taxpayer income group or tax-type grouping specialization). Once I discovered strategic adaptions and the strategic treatment of revenues, I probed the motivations and actions taken by revenue actors in a very exploratory fashion. This was the inductive element, focused on my theory-building objectives.

2.2 Analytical Strategy

My field research objectives involved the identification of "illustrations" or evidence that would speak to my theoretical propositions (supporting or contradicting), and building or providing material to adjust the theoretical framework. The effort here was not to establish a conclusive behavioral guide to the processes of implementation for revenue actors, but rather to capture strategic behavior in their efforts, if and where it existed, and then probe these actions for motivations and obstacles that prompted the strategic actions. I re-summarize some of the key points here and the subset of relevant questions that the research was intended to answer, outlining an operationalization of the "strategic" element in the process.

The theory makes a number of assumptions and develops a number of expectations at different levels of the framework. At a minimum I hoped to find some evidence for my primary theoretical expectation that revenue actors make strategic choices about which parts of the fiscal code to implement. The theoretical rationale is this: Revenue actors in a poor state have limited resources at their disposal to mobilize revenue and, as such, cannot enforce the full fiscal code. Consequently, they must make choices regarding which parts of the fiscal code to implement rather than simply how to implement the fiscal code. This assumption is the basis for the subsequent expectations regarding the categorization and treatment of potential revenue sources in strategies of revenue mobilization. The question guiding this important element was as follows: do we find evidence that revenue actors are making strategic choices about which parts of the fiscal code to implement? This theoretical assumption would be disconfirmed if I found no instances where revenue actors were making these choices, whether explicitly or evidenced in their planning and dedication of resources, and instead in all instances, revenue actors simply enforced all elements of the fiscal code as mandated without discretion.

2.2.i Operationalization of "Strategy" and "Strategic Treatment"

For the investigation, I used "strategy" and "strategic" in a much more specific sense than the overarching strategies of revenue mobilization discussed in the literature review of optimal tax and development economic theories. To investigate this element, I operationalized the "strategic" element of revenue actors' treatment of potential revenue sources as follows: the first step was to identify any aberrations or abnormal applications of the fiscal code. Where revenue actors at some level of the system acknowledged implicitly or explicitly that they were not enforcing the fiscal code as mandated, I would pose further questions in the current interview, follow-up and other interviews, observations of revenue agents discussing the issues with each other, and in investigations into primary research materials, such as the relevant fiscal codes and inter-office or inter-agency memos. The objective of this effort was to get a sense of 1) the clear mandate as designated in the fiscal code, 2) the issues and motivations surrounding the non-adherent behavior, and 3) then identify and classify what type of strategic action was being taken, a type of aberrance of some form or non-enforcement of the fiscal mandate. If I identified that the issues or motivations for the aberrant treatment could be classified as a "human factor"—such as a simple lack of willingness to do the job properly or corrupt behavior specifically for the purpose of personal gain—then I would disregard the case. This I would designate as an aberration due to human factors and, accordingly, irrelevant to my investigation. However, when I was able to identify or confirm some strategic adaption motivated by constraints facing the revenue actor, I would designate it as a strategic case (Figure 20). This is the first step depicted in Figure 21 below.

The non-strategic cases (see Figures 20 and 21) in my research are instances and arenas of revenue mobilization efforts where, firstly, revenue is imposed as structured in the fiscal code; secondly, there is no evidence of efforts to work around the constraints present in the revenue instruments as structured or emanating from the revenue source, regardless of the revenue instrument employed; and thirdly, there are no identified fiscal code revisions to adjust the tax instrument (or other revenue source) motivated by a poor contextual fit (i.e. stemming from factors of political and administrative inefficiency) of the previous tax instrument design. These are findings in themselves, identifying cases where revenue agents were able to impose the fiscal code as specified, suggesting that the source was revenue-efficient: in other words, administrative and political constraints were sufficiently limited or irrelevant as to allow for unadulterated imposition.

Figure 20. Universe of Cases

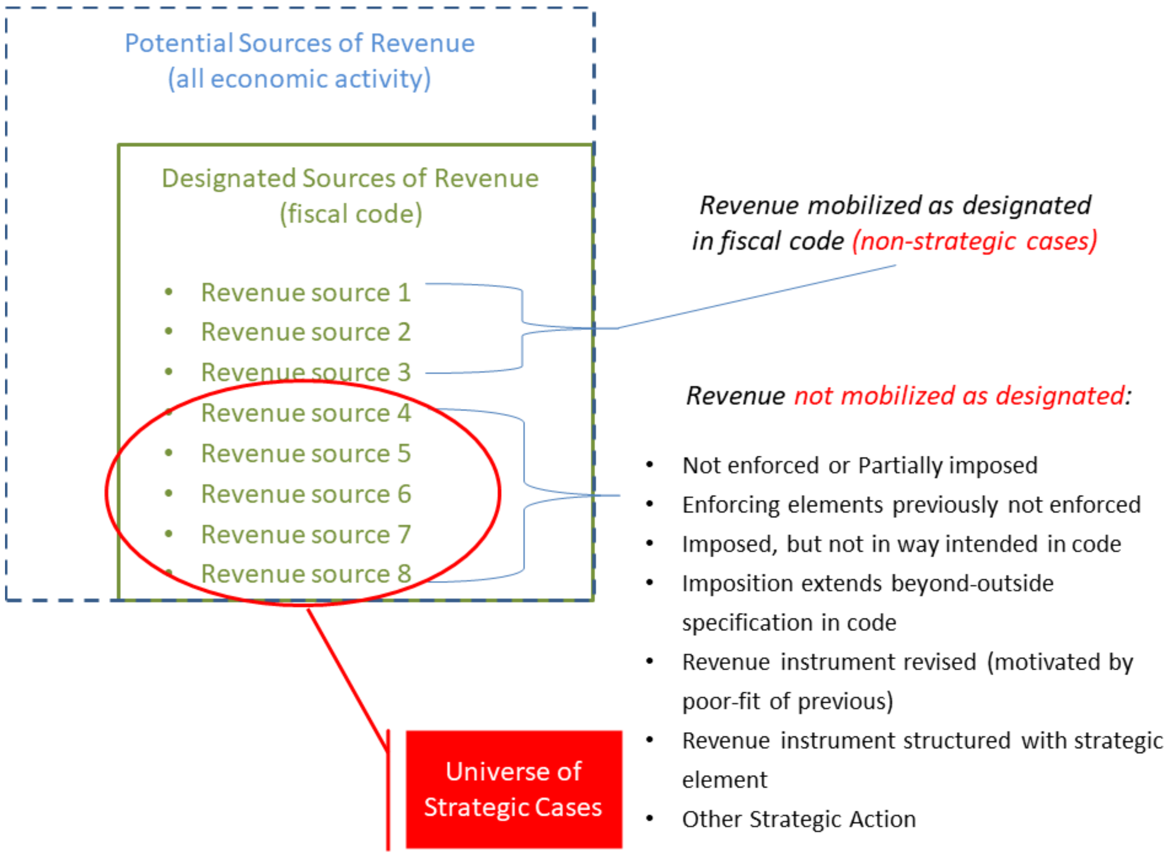
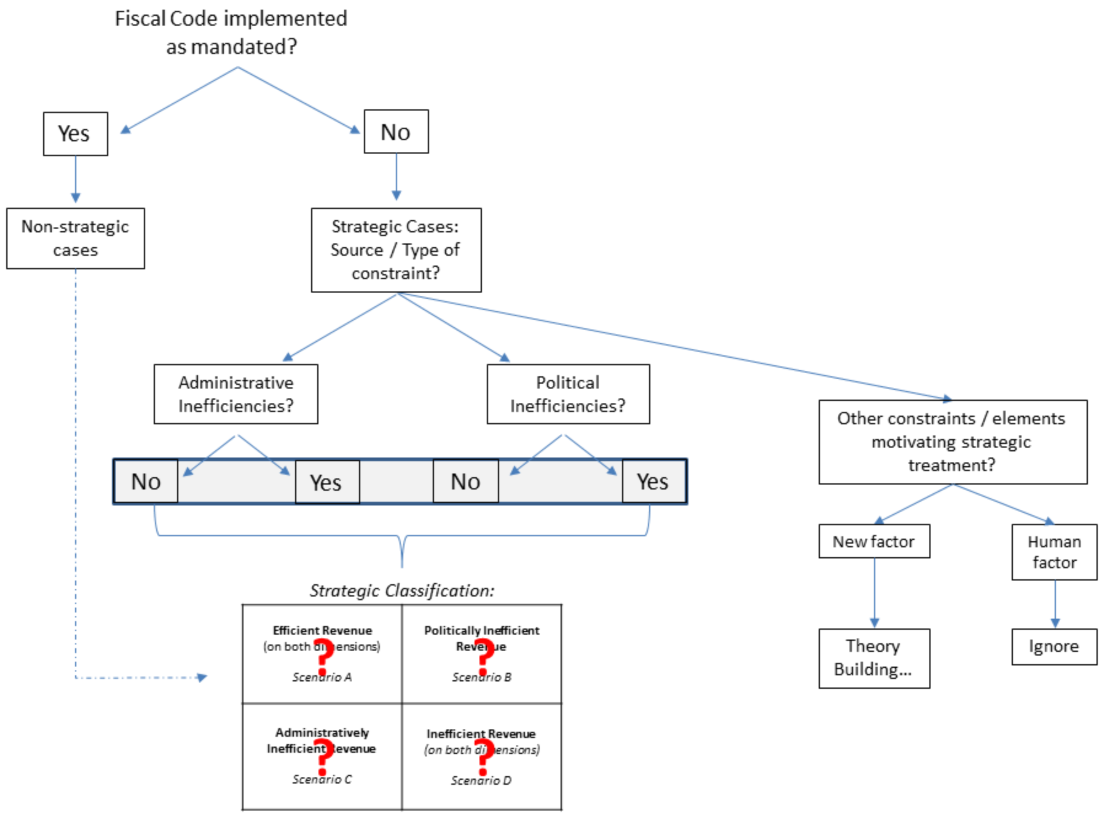


Figure 21. Model of Analysis: Identifying Strategic Treatment of Potential Revenue Sources



2.2.ii Evidence of Strategic Adaptions of the Fiscal Code?

If the first-order element (i.e. strategic adaptions, including the non-enforcement or aberrant enforcement of the fiscal mandate) failed to be confirmed in any instance, the following expectations surrounding the dimensions of administrative and political efficiency could only be identified when and where I found evidence of the fiscal code being adjusted over time to better fit these specific contextual constraints (i.e. of illegibility, weak legitimacy, and informal political order factors). This second expectation—of fiscal code adjustments—is based on the central conclusion emerging from Chapter II. The original fiscal codes in these countries are not the product of local historical, political negotiation processes between state and citizen, but were likely adopted piecemeal from a mix of colonial fiscal constructs, copy-pasted from former colonial powers, and the corpus of new fiscal codes developed across states in sub-Saharan during the wave of new nation-building, independence, and state-creation in the 1960s and 1970s (African Development Bank, 2011a; Albers & Suesse, n.d.; Frankema & van Waijenburg, 2014; Kjær, 2009b; Mamdani, 1996; Wilson Prichard, 2010b). Those fiscal codes were then modified considerably during the period of structural reforms in the 1980s and

1990s and continue across the continent, with substantial input from the development community and optimal tax theories (R. Bahl & Cyan, 2011; R. Bahl, Martinez-Vazquez, & Youngman, 2008; R. W. Bahl & Bird, 2008; Baunsgaard & Keen, 2005; Bird & Zolt, 2004; Burgess & Stern, 1993b; Christian Ebeke et al., 2016; Gordon & Li, 2005; Hadler, 2000; M. Keen et al., 2015). This input came in the form of advice from international financial institutions—primarily the IMF and World Bank—as well as direct imposition via conditionalities on new loans and grants from these institutions for economies reeling from debt and inflation. I expect that the more interesting evolution of the fiscal codes in these states has taken place since the Monterrey Consensus of 2002, as states progressively face pressure to finance their own development; and consequently must increasingly negotiate where and from whom among their citizens and economic activities they mobilize these funds (Bhushan et al., 2013; "Monterrey Consensus on Financing for Development," 2002). I expect that there has been some divergence during this recent period (i.e. from the year 2002 to the present) as states struggle to find their own paths forward, but also convergence along the way, with states learning from international best practice and borrowing from the revenue mobilization successes of fellow states facing the same constraints. I therefore limit the collection of relevant (primary and secondary) empirical material[75] for the case studies to the past fifteen years, with a main focus on recent developments (2012–2017). The interest here is in discovering if and how states modify fiscal codes over time to fit their own context and their particular constraints, including the realities of types of economic activity occurring between and across their borders. My investigation into this arena was framed by the question: Do we find evidence that fiscal codes have been or are currently being modified to develop more context-specific fiscal instruments?

To some extent, all states are constantly modifying and adopting fiscal codes to current political pressures and dynamics. In this sense, I cannot claim to be uncovering something new. That which is interesting and somewhat unique is the idea that, in recent years, these states have been sifting through the relevance of—and in some instances moving away from—the advice of optimal tax theory and international consensus surrounding appropriate tax instruments. I would expect that they are moving more toward fiscal instruments that might even run contrary to consensus but fit their own parameters of efficient revenue. Thus, I expect that recent modifications are shaped by the

[75] I subscribe to Alvesson and Kärreman's (2007, p. 1268) use of the term "empirical material" rather than data to refer to the corpus of information collected in the course of my qualitative field research.

two primary dimensions of political and administrative efficiency considerations. The secondary question framing this aspect of the research was: Do we see evidence that administrative and political efficiency dimensions shaped recent modifications in the fiscal codes?

2.3 Identifying, Profiling, and Classifying Strategic Cases

Assuming that I could identify strategic cases—instances of strategic treatment of revenue and strategic revenue mobilization—I probed to determine which constraints were motivating these strategic adaptions. This was the second step depicted in Figure 21 above: the profiling effort. If the motivation (having already ruled out human factors) did not fall within the conceptualized constraints on the administrative and/or political dimensions, then this would point to a new factor that had not been theorized.[76] Part of the inductive, theory-building element of the investigation, then, was to remain open to and explore whatever types of constraints motivated their behavior.

The deductive, theory-testing element was to use interpretive methods to delve into a causal model—to assess whether there was some validity to my claim that administrative and political inefficiencies did and do shape strategies of revenue mobilization. Doing so involved investigating whether revenue actors treated revenue as I expect them to: first, in the sense of categorizing revenue into the efficiency scenarios, explicitly or implicitly (this is the last step depicted in Figure 21). And secondly, if they did in fact roughly classify potential revenues according to their efficiency along political and administrative dimensions, did they also treat these revenues as I theoretically expect? This latter step involved classifying the strategic treatment (Table 2 below); that is, what was the general strategic treatment of the revenue source and the types of strategies that fell under this class of strategic treatment?

In the course of my research, I identified the following classifications of the strategic treatment of revenue sources: 1) enforcing elements previously not enforced, 2) imposing, but not in the way intended in the fiscal code, 3) imposition extending beyond-outside specification in the code, 4) not enforcing or partially enforcing the fiscal code, 5) resource rationalization, 6) revenue bargaining, 7) revenue instrument revised—motivated by poor-fit of previous design, 8) revenue instruments being structured by strategic elements, 9) strategic capture and finally, 10) strengthening legitimate claim. This list—

[76] Indeed, there will always be other considerations and aspects at play—harkening to the words of Piracha and Moore in discussing Levi's analysis of the revenue-maximizing ruler: "[she] is too good a social scientist to believe or claim that any social actor actually attempts to maximize a single objective to the exclusion of all other considerations" (2016, 1).

classifying strategic treatments, and the count of the types of strategies that fell into each of these strategic treatment groups—is outlined below in Table 2. For each type of strategy, I found, at minimum, one instance. For some types, I found many instances. For example, while I found three types of strategic cases involving non-enforced or partially imposed elements of the fiscal code, I identified a wide variety of strategic cases involving a treatment of "non-enforced or partially imposed" across the board in both countries.

Table 2. Classification of Strategic Treatment

Classifying Strategic Treatments
Enforcing elements previously not enforced
Imposed, but not in way intended in code
Imposition extends beyond-outside specification in code
Not enforced or partially imposed
Resource rationalization
Revenue bargaining
Revenue instrument revised (motivated by poor-fit of previous)
Revenue instrument structured with strategic element
Strategic capture
Strengthening legitimate claim

The investigation essentially needed to provide evidence of whether or not my theory serves as a useful guide to understanding how revenue actors organize their strategies. The overarching questions guiding this element of the research were as follows: Do we see evidence that revenue actors implicitly or explicitly classify revenue into the four revenue efficiency scenarios? And secondly, do they treat them according to my expectations surrounding strategies of revenue mobilization? In general, can we identify patterns of strategic treatment of revenue based on its revenue efficiency scenario? Answering these questions required a process of inference in my analysis.

2.4 Probing for/Operationalization of the Administrative Inefficiency Dimension

The questions guiding this element of the research are as follows: First, do I see evidence of revenue actors implicitly or explicitly recognizing or categorizing revenues by their degree of legibility? If I find evidence of categorization by legibility, then how do they strategically treat highly legible sources compared to minimally legible sources? And does this dimension play a key role in shaping their revenue mobilization strategies? To investigate these questions, I developed questions in the semi-structured interviews to probe what revenue actors knew about revenue sources and tried to engage these same lines of questioning across various taxpayer income groups and in geographically diverse outposts of the revenue system.

As this research is oriented around the perspectives of revenue actors, theirs are the perspectives on legibility in which I am interested. Thus, I was searching not so much for an objective assessment of whether a revenue source is highly legible or not, but whether a revenue actor identified and treated revenue on this basis. That said, for this dimension, I did not expect much disconnect between a revenue actors' perception and what can be assessed from a basic inquiry into the data elements required to employ specific tax instruments. The empirical manifestation of this dimension was therefore fairly straightforward. I simply sought out what revenue actors knew about a revenue source. If the revenue source was largely recorded in digitized, standardized, and publicly (internally) accessible formats, then this was clearly a legible (read: administratively efficient) revenue to mobilize (Figure 9).

Here, according to my theory, I expected variation in legibility (within a specific type of revenue source, such as personal income taxes or VAT) across taxpayer income groups, as well as significant variation between rural and urban tax bases (see theoretical expectations for sub-groups of specific revenue sources in Section 6 of Chapter IV). Failure to examine the legibility of revenue sources across the entire tax base, from my perspective, is where we have missed the full sense of the obstacles facing the bureaucracy. While there are exceptions, I generally expect that a small portion of the tax base for many revenue sources (e.g. corporate income tax) is administratively efficient among the wealthiest taxpayer groups based in capital cities and economic hubs (who maintain internationally standardized bookkeeping), whereas the remainder of the tax base is likely almost completely illegible, with cash-based transactions and non-standardized bookkeeping records (if any at all).

I also expected to find a "legibility threshold" below which it was simply unfeasible and impractical to target the revenue stream. This would be a circumstance under which not even the most fundamental "tax handles" of identification were available. If this threshold was identified in a case, then I expected that no strategy was simplified and basic enough to ensure any return on the efforts to mobilize the revenue in its current state. I therefore expected these portions of the revenue source to be abandoned wholesale.

These expectations touch on a sensitive but important element in my theory. Theoretically, there is an aspect of relativity here in which a revenue system considers the legibility limitations of one potential revenue stream relative to all of the other potential streams. In a poor state, the most legible objects of taxation are likely still less legible than the least legible revenue streams in a wealthier state, particularly in the modern world, where the economies of wealthy states are growing increasingly sophisticated in the digitalization of all economic activity and can therefore operate with much more readily accessible tax handles. Thus, legibility is in some ways both relative and of a scale order, where each factor of information related to a potential revenue stream (e.g. property tax) can be rated regarding the available information that one would expect in any revenue system to have available regarding this revenue stream. This is the scale aspect. But relative to other potential revenue streams within the country, it may be more or less "legible" than other sources and require more or less effort to secure. Thus, the research design had to account for (and identify) potential minimum thresholds of tax handles, addressing both the relativity aspect and the scaled comparatives in classifying revenues.

2.5 Operationalization of Political Inefficiency Dimension

The political efficiency dimension of the model is the aspect that is less straightforward, more complicated to detect, and more involved in its relevant attributes. As we discussed in the last chapter, there are many potential sources of political sensitivity for revenue sources. While identifying them is an effort in itself, detecting where they enter the calculations of a revenue actor in practice is much more problematic. That does not mean that these factors are not very present in the minds and strategies of revenue actors, but finding ways to get a tax collector or middle-manager in the revenue system to acknowledge when and how they felt limited or pressed by political sensitivities in their work was neither likely nor always realistic. What could we expect to see?

Political sensitivities connected to taxing a specific economic activity or resource might often be unobservable to the naked eye (if managed in quiet corners, backroom deals, and in exclusive political arenas), but expressed in sometimes-observable empirical manifestations. In general, if a revenue source is expected to be politically sensitive, how a revenue actor would discuss, handle, and otherwise treat this source of revenue should manifest itself in their reticence, and any rationale provided for this reticence serves as a clue to the nature of the sensitivity. I would expect this behavior to be rather different in practice than how a revenue actor would discuss, handle, and treat an administratively inefficient, illegible revenue source. There, it would not be so much reticence, hesitancy, or some implied delicacy of an undisclosed nature that would manifest itself. Other types of manifestations were discussed in the previous chapter and are represented in Figure 10.

Depending on the source and nature of the political inefficiency, we might find a different breed of reticence and hesitancy; as well as discrete and tacit practices organized to minimize imposition and enforcement on the most sensitive elements. I break this down in terms of the two factors below.

2.5.i *Observable Manifestations of Political Sensitivity Factors*

Where political inefficiency is derived from weak legitimacy in the right to tax, observable manifestations would center on the justification of these rights. Here, if the revenue authorities had to invest significant efforts simply to justify their right to impose these taxes or in defending the legitimacy and credibility of the state in the process of trying to mobilize this tax, I would tie this to weak legitimacy. While subtle, there are differences in empirical manifestations between weak coercive capacities versus weakened legitimate powers to tax; the former focuses on the ability to tax and control over violence capacities and coercive capacities used to enforce taxation. The latter focuses on state rights with respect to using these coercive capacities toward resource mobilization. It is the latter that is of interest in this element.

Where political inefficiency is derived from political conflicts of interest faced by revenue actors—the conflict could involve a revenue agent (or department) caught between their fiscal mandate and pressure from politicians and politically important figures, or of expectations coming from international financial institutions and the development community (e.g. surrounding the use, or lack thereof, of international best practices in taxation and tax instruments employed by the agency). Observable manifestations include dissonance between the public face and objectives of the agency presented to the public; to development partners or international financial institutions; or to the media and communication campaigns vis-à-vis actual enforcement practices among revenue actors. Evidence also takes the shape of lip service to particular sources of revenue or the focus of attention in public reports and strategy papers on specific sources of revenue while simultaneously dedicating the bulk of system resources to other sources of revenue.

Section 3 Strengths and Challenges of Design

3.1 Strengths

The primary strength of this research design is how it allows the observation of de facto revenue mobilization, as this is where pragmatic strategies are formed. In this sense, both empirical and theoretical contributions are possible. Much of the qualitative research in taxation in developing countries focuses on taxpayer perceptions, political debates, and policy formulation. Little of it brings out the narrative of bureaucrats. In a context where (I theorize) much of the strategic actions are taken at the implementation phase, we lose a lot of the actual revenue mobilization dynamics and policy results if we fail to "peek under the hood," so to speak.

I expect revenue actors throughout the chain of implementation to persistently maintain the official policy line in reports (for policy makers and the donors in tax-capacity building projects alike) regardless of what they do in practice. Should this be the case, exclusively analyzing donor and government reports on revenue mobilization (which might be the most obvious alternative to my approach) would tend to blur rather than illuminate the realities and therefore offer little guidance to understanding what shapes actual strategies of revenue mobilization. They might even tend to mislead an inquiry into the factors shaping their revenue mobilization strategies (I do not suggest this would be intentional, merely a possibility). This could be true for two reasons. First, where revenue actors are keen to affirm their effectiveness as bureaucrats, they would have an incentive to portray revenue mobilization activities as adhering to their fiscal code and mandate, even when and where the objectives were unmanageable, unrealistic, irrelevant, risked political instability, or were simply a waste of resources from their perspective. Secondly, where donors are engaged in capacity-building activities and supporting tax (administrative) reform agendas with budget support and other expert assistance, revenue actors would have an incentive to affirm that the reforms and capacity building are achieving the objectives established in agreements with the relevant donors. Under such circumstances, signaling that these reforms were not relevant or effective could present a potential loss of already limited resources for the revenue system to carry out its mandate. I assume that no rational actor would want to risk a further loss of institutional resources and would do whatever possible to keep resources and support intact. These points reflect some of the arguments discussed in the last chapter in my presentation of the "political conflict of interest" factor creating political sensitivities.

With an approach centered around government, donor, and project reports, we would lose any chance at gaining this insider perspective without conducting interviews throughout the levels of administration in hopes of capturing some glimpse into this behavior and expression of a revenue actor's actual rationale for their behavior and choices. I expected this to be very challenging to identify, as it is a rather sensitive topic. I will discuss this further in the next section on the challenges of my research design. Comparatively, a research approach focused exclusively on reports developed by revenue authorities, on the evolution of fiscal policy, or on the political debates surrounding taxation would each fail to deliver much in the way of identifiable (de facto) revenue mobilization strategies. Much less, we would lose a grasp of the actual motivations, constraints, and realities leading to a specific set of strategy formations, where those strategies were shaped post-policy. It is in the hopes of getting at the why and how that this research design has its greatest merit. Understanding this could take us a long way in knowing what fiscal policy formulations would best fit the context and why many reforms have ended in failure.

As just discussed, where a lot of these strategies are informal, even site- or revenue-actor specific, formal written accounts can only take us so far. This also pertains to statistics. Interpreting statistics cannot speak to the motive behind the decisions of where they concentrated efforts; they only show us the outcome or results of those strategies. While statistical analysis plays a role in my research, it is a secondary role and serves as supporting material to the expressed (implicit or explicit) behavior of revenue actors.

In the first chapter I addressed how we have learned much more in recent years about where revenues come from in a poor state, thanks largely to the work of ICTD and UN-WIDER's Government Revenue database (ICTD/UNU-WIDER, 2017; Prichard et al., 2014). Some of these revenue sources align with best practice, namely the recent adoption and substantial revenue generation from VATs. Some, such as property and income taxes, have been paid much more lip service than what is mobilized by these instruments in practice by poor states. The fact is that knowing what is generated by poor states does not always illuminate why this is the case. Understanding why the revenue mix is structured as it is can give us much more insight into the relevance of advice coming from the development community, can assist revenue actors in articulating their challenges, and offer the academic community perspective on strategic action at the bureaucratic level, given the distinct set of dynamics and structural constraints in poor states. But this is not the place to justify or motivate my research. I raise this point only to lend some perspective on why the focus is on the voice of the revenue actor, not the outcomes of their strategies. The primary interest here was to uncover the rationales, reasons, motivations, interests, and everything behind the de facto strategy formation.

This presents another strength of the research design, both in terms of the hierarchy of the two revenue systems as well as diversification in the revenue types that I probe. By sampling widely, I could say something regarding the cross-comparison of treatment at many levels. First, for the same types of revenue sources across different regions within the same country; then for the same types of revenue across revenue actors at varying levels within the hierarchy; and thirdly, across the same types of revenue between the two country case studies. This approach allowed some opportunity for the identification of patterns, or at least recognition of resonation between how revenue actors treat and perceive revenue sources across these various levels.

3.2 Challenges

The challenges of this research design center largely around objectivity and the reliability of the collected data.

3.2.i Objectivity and Influence on Findings

My embedded observation research method obviously raises questions of objectivity. This is a real consideration worth considering: how to manage the problem of getting so close to my research subjects, even being perceived as part of an organization, and developing collegial friendships with them. There was a real possibility of adopting so many of the perspectives, motives, and interests of my subjects—and feeling myself to be a part of the respective organizations myself—that I could lose objective perspective on their actions.

While this is a real element worth considering, I believe the risk of skewing the findings to be minimal, which I credit to the particular interest and analytical approach I have chosen. The goal of this research was to identify revenue mobilization strategies and what shaped these strategies from the actors' perspectives. The analytical approach is that of third-order interpretation—giving meaning to revenue actors' efforts based on their own (implicitly or explicitly) defined set of constraints and objectives. Getting close to the subjects only lends to the improved interpretation of these constraints and objectives. I am not intending to then take these motives and rebrand them under another paradigm of normativity in strategic design. As such, I would even go so far as to suggest that the closer I could get to the subjects, the better I was able to give justice to the constraints and objectives they faced, through their eyes.

Conversely, I think my methodological approach does present some real challenges in another area of concern: reliability. Regardless of how close I was (not) able to get to revenue actors within and throughout the two revenue agencies, we can assume that these actors and their managing directors certainly had an interest in presenting themselves in the best light to me and in my research. The issues discussed were delicate at times, sometimes involving the acknowledgement of violating legal regulations or the fiscal code. I would expect that there were likely many instances where many aspects of their daily practice and behavior were "glossed over" to provide a much more presentable, acceptable (not to mention legal) perspective. This problem was likely exacerbated by my use of a recording device, and as I illustrate in Section 4, I sometimes witnessed very different explanations for behavior and descriptions of their daily work and behavior, depending on whether the recording device was active or not.

3.2.ii Reliability

As my research—particularly in Togo—was gained largely via internal perspective, there will always be some degree of questionability surrounding the results. Bureaucrats—from high directorship levels down to street-level bureaucrats in far-flung field offices—all have an incentive to present the best version of themselves, their efforts, and intentions in the work. What is happening might in actually be the exact opposite of what was described to me in [coached?] interviews, [doctored?] statistics, formal reports, and feedback from the revenue actors I encountered. The institution as a whole obviously had an incentive to demonstrate that they were carrying out very impressive work. This was especially true in Togo, where the Office Togolais de Recettes was a shiny new semi-autonomous entity with a five-year probationary contract, which had to prove its worth to the government and Togolese people. I expect there might have been extensive efforts to cover up the real "dealings" and informal practices and organizational activities that were not necessarily legal or acceptable, much less desirable as something for which to go on record, in a close-up examination of the entity's efforts (as my research would inevitably become an element of the documented historical record of the organization).

I had to accept that there would always remain a rather sizeable risk of reliability of information I was gaining, and even the likely expectation that staff might be coached as to what to reveal to me and what to exclude, deflect, or obscure. In the Togolese case, I will recall one fairly obvious effort to do so while in country.

The first obvious effort to deflect my attention unfolded on one particularly memorable day. I was trying to contact IMF representatives working in the region and engaged with the OTR. One of my colleagues in the economic planning unit confirmed that an IMF representative was in town that day. A meeting was planned, and I could tag along with him and get an introduction to the gentleman from the IMF. I followed along, assuming that this meant I could sit in on the meeting. I walked into a room full of people I did not recognize. I sat down but felt very conspicuous and out of place. There were about twenty people in the room, all in suits and looking rather serious and waiting for a little presentation or discussion to begin. My colleague called a few persons out of the room to confer with them, and then leaned in and whispered to me to join him in the hallway with someone. I picked up my things and exited. I was introduced to the IMF representative, and we quickly determined a time to meet afterwards. Following the introduction, my colleague from the planning unit said that my point of contact was waiting to speak with me at reception on the first floor and I needed to go right away to find him. Confused why this would be the case, as he did not even work in that building, I frowned, we parted ways, and I descended to the first floor. There was no one waiting for me and the receptionist had no idea what I was talking about. I quickly realized that this was their way of creating a diversion to ensure that I did not follow them back into the meeting. I went back to my office and found my point of contact. "Ah yes," he said, "you wanted to discuss ... […and raised a topic that I had mentioned to him two days earlier that I wanted to discuss at some point]? We can talk about it now." I smiled, knowing that I had just experienced a rather concerted effort to get me out of that room. When I asked what the purpose of the meeting had been, he explained that it was a meeting to discuss investments in the concrete industry. There were persons, particularly from Russia if my information was correct, to discuss the industry investments. Concrete was one of the few major industries that was evident in the free economic zone next to the port. One of the major concrete companies had been implicated in the Panama papers, which had recently been made public. It became clear to me that this was likely a very delicate area, where a lot of political and economic interests intersected and dealings were likely to be carried out in a rather secretive manner. Their motive for ensuring that I was not present to witness these discussions seemed plain, at least from what I could surmise from the little information I received.[77]

The fact remains that it was hard to determine what I was not being told and the story they did not want to tell me. This remains a weakness in this methodological approach. Accordingly, these findings must be understood as a perspective on the activities and strategies of revenue mobilization (I discuss triangulation in the next paragraph). Regardless, to the extent I was able to uncover some strategic adaptions in repetitive interviewing across various offices and departments of the Togolese revenue agency (and to a lesser extent in the Béninois agency), patterns in rationale and behavior certainly emerged. As discussed in the summary below, it would have been difficult for directors

[77] Interview 002 ("Panama Papers: comment la fortune de magnats indiens du Togo finit dans les paradis fiscaux," 2016; "Evasion fiscale au Togo, silence inquiétant de la société civile et de la classe politique," 2016).

to orchestrate massive cover-ups, given the amount of time I spent with agents at many levels. In Bénin, conversely, where most external sources asserted the existence of extensive, hierarchical patterns of bribery and corruption, I was unable to gain much insider perspective or acknowledgement (and often avoided even trying to probe these areas to protect my access). As explained below, gaining access to the relevant agencies in Bénin was quite challenging and often a struggle, and what access I did achieve was often limited and elusive in coordination and conversation. In itself, this behavior suggested that there was much more to be wary of and much more behavior to obscure from a revenue agency and actor's perspective in the Béninois revenue system. I considered this unto itself as a contribution to my empirical material for the research in Bénin.

Another aspect of reliability that presents a challenge to my findings is the inability to triangulate strategic efforts. The public (i.e. taxpayers at large and taxpayer groups in particular as they related to a specific strategy of revenue mobilization) could not necessarily inform me about revenue actors' strategies, only the outcomes or visible efforts related to them. But the purpose behind the strategy, the motives, and the real objectives—the elements that primarily interested me—could rarely be identified or corroborated by the public. As such, I merely used external validation from the targets of some revenue mobilization efforts as a source of quick confirmation of whether the discussed strategies and related efforts were at least partly effectuated. Nor did time and resources allow for much more than that. As I just mentioned, extensive interviewing external to the agencies could speak to the external materialization of those strategies and motivations, but not articulate them, themselves. Internal agency documents, reports, and statistics, as well as regulations, the fiscal code, and finance acts did provide some useful sources of triangulation for some strategic cases.

On both of the points I have raised here related to reliability, in particular for the Togolese case, the methodological weakness is also part of its strength. As I was granted access to revenue actors throughout the revenue system—across the hierarchy, laterally and vertically, and regionally, from the headquarters to the furthermost outpost—and was able to take advantage of this access to a great extent, my coverage of the organization in interviews and observations weakens the plausibility of an extensive cover-up across the institution. While extensive efforts to cover up or obscure some practices or activities certainly could have been possible, I presented my interest as inquiring into the challenges of revenue mobilization in a poor state. The line of inquiry was generally unthreatening; rather, it was more curious, benign and open-ended in nature. As such, it would not likely have motivated great effort to conceal the real goings-on within the Togolese revenue agency. Secondly, they cannot have anticipated every type of activity that could come up in a conversation with every revenue agent, tax collector, and manager across the institution—where I was able to find some confirmation and patterns between conversations and other supporting documentation related to these activities. Therein lies the greater affirmation of strategies and other triangulation of evidence than does any external perspective.

3.2.iii Ethical Dilemmas, Participatory Observation, and "Role Dilemmas"

Confidentiality and the related ethical challenges also presented some real challenges in this research. Given that my key interest was detecting any aberrations and deviations from enforcing the formal fiscal code and legal mandate of the revenue agencies, many cases involved information that was confidential in the particulars, both in relation to taxpayers and the revenue actors involved. There were ethical challenges and risks for my research subjects if and when I was able to identify a gap between the fiscal code mandate and the de facto enforcement of that mandate; or of taxpayer efforts to evade or circumnavigate tax requirements and regulations. To address these issues, I repeatedly assured revenue actors and taxpayers that the recording of interviews was for my own use and would not be publicly disseminated. Names and sometimes even dates and locations, where even the date or location of an interview might put a revenue actor or taxpayer at risk, are withheld in the annexed interview list and citations. Some (generally anonymous) excerpts from interviews and discussions are shared where they lend credence to the case analysis.

In addition to a challenge related to confidentiality in a public sense, there was also a challenge maintaining the confidentiality of information between various departments of the same agency or another agency within the country (or another country pertinent to the discussions). This was also true of taxpayer experiences. Sometimes I gained accessed to privileged information, sometimes in real time, which had not been shared with other departments. And additionally, as discussed in the previous paragraph, the strategic decisions and adaptions of revenue actors sometimes meant deviating from their mandate. Sharing these pertinent details with superiors or among other members of the agency could put the official of interest at risk. This also meant that I had to be careful to avoid discussing information obtained from other sources from within or outside an agency that might be pertinent to a discussion at hand in a given interview. This required careful navigation and protective privacy over my research and interviews. There was one night when I felt some faint level of threat to my person for information shared in confidence with me, and I received some follow-up calls and texts from the interviewees who were seeking assurances that I would not put them at risk in some way. I share some "stories from the field" in the next section.

A final ethical challenge was a "role dilemma." This challenge was particularly relevant when I accompanied the Office Togolais des Recettes' Fiscal Control Unit on a two-week mission "to the interior," visiting each of their field offices. I was introduced in these meetings as a "colleague" or an "intern" for the revenue agency (*stagiaire*). During the course of the trip, I learned that the way that I had been allowed this "embedded" opportunity with the revenue agency was to enter as an intern—a justification provided to the leadership by my point of contact who facilitated my invitation to research at the Office Togolais des Recettes. As such, and in particular during the two-week mission, I was often treated as one of their colleagues, facilitating and assisting in their work as we sat together with field agents and discussed their challenges and enforcement practices. For instance, in one particular meeting where important records from this office had been recorded in a large, hand-written ledger, I turned out to be the fastest typist in the room and was recruited to type up dozens of pages of entries for the team. In other situations, revenue agents (often mid-level managers) and economists from the planning unit where I was stationed would present challenges to me and discuss strategies with me, at times soliciting my advice. It was here that embedded observation posed the greatest risk to impacting strategic action. However, the cases analyzed largely consider the actions and patterns of behavior of agents and revenue actors. It was very obvious to me when and where my perspective might actually bring to bear any impact on strategic action, and there was no significant impact on the strategic cases identified that are of concern. Probably the closest I came to impacting strategies under development was in an instance where I had returned to the Togolese revenue agency after one of my frequent trips across the border to carry out interviews within the Béninois agency. I had a number of Bénin brochures and pamphlets on my desk, which the Direction Generale des Impots in Bénin had developed. One, in particular, outlined a brand new "Tax Professionnele Synthetique" that Bénin had just implemented that year (2016). The secretary of one of the directors saw it and asked if I had another copy I could share with her (to give to the strategic planning directors). I discovered within the next week that an agency-wide effort of fiscal reform recommendations had been proposed to the Ministry of Finance. Included in their main recommendations was a major simplification of a tax which mirrored the simplification that Bénin had just undertaken. However, the recommendations and platforms recommended in their proposal to the ministry had to have been developed prior to this incident with the brochure. As such, while it might have lent some ideas as to how to present the new tax to the public if it were to come to fruition, it was unlikely that it influenced the recommendations they had developed in any way.

Section 4 Field Research in Practice

4.1 Challenges of Working in Francophone Countries

I chose to work in two francophone countries, partly to take advantage of the fact that I am a native English speaker (American) but speak French (fairly proficiently and even better by the end of the investigation). That said, having a degree of functionality in French for work is rather different than being well-versed in francophone fiscal codes. Digesting and deciphering Togo's fiscal code consumed the greater part of my first month in-country. It was in my very first introductory meetings and while explaining my purpose in country that I realized that the Togolese revenue authority staff members were referencing tax instruments and abbreviations that made no sense to me, and my vocabulary left my contacts rather befuddled. While some seemed to be surprised by my level of proficiency as I sat in the human resources offices discussing my plan of attack (I had gained approval and access to the institution prior to arrival, which I will explain below), I displayed an ignorance of terms that they viewed as necessary for even the most basic grasp of *les impôts and les recettes fiscales* (taxes and revenues). In delving into the fiscal code, I realized that French-inspired tax systems could not be approached simply with a "this equals that" strategy to compare tax instruments. The legal bases and structures of many tax instruments are not always comparable. This, it occurred to me, also has significance for how revenue actors employ these revenue instruments, how they are viewed by society, and how comparable they are to anglophone tax instruments. For instance, there is no direct comparative for the francophone Taxe d'Habitation, which is a tax imposed on a basis of residency as opposed to property rental or ownership status. It is roughly equivalent to Margaret Thatcher's poll tax, a tax also employed in some form in many British colonies and newly independent states (Besley, 2013; Daunton, 2002; Fjeldstad, 2016; Fjeldstad et al., 2014; Guyer, 1992; S. Jibao, Prichard, & Boogaard, 2017; Kjær, 2009a; G. Mankiw et al., 2009; Wilson; Prichard et al., 2018; Wilson Prichard, 2010b; B. S. Steinmo, 1989b).

The importance of some of these elements and terms will become clear in my case studies in the following chapters. As I am not an expert in French fiscal code, I cannot speak authoritatively to the legacies in this code that come directly from the French fiscal systems vis-à-vis adjustments and elements in the code that were inspired by local politics and realities, the international development community, or the fiscal codes of neighboring countries.

In practice, I used my first group of interviews (starting in Togo, and later in Bénin) to get a lay of the land: which units were dedicated to which tasks; to absorb the agencies' internal terminology, general structure and processes; and to gain a general sense of where the agency's efforts and resources were dedicated. My purpose here was also to get a sense of where, if it materialized, I might find evidence of strategic adjustments to the fiscal code to the realities of the local landscape.

4.2 Degree of Engagement: Embedded Observation and Interviews

As I had relatively open access to the entire Togolese revenue authorities' institutional structure from day one, I prioritized my time there to explore all facets of the institution and the Togolese revenue system. I did so by exploring documentation on their organization structure, reading through the fiscal code, doing some basic statistical analysis of their taxation trends, and reading their three-year strategic and operational plans. Simultaneously, I followed local political events in local newspapers to get a sense of where they might potentially intersect with, affect, or be affected by revenue mobilization efforts. These served as backdrops for my semi-structured interviews.

In the second phase of my field research, I began interviewing director-level managers throughout the organization to obtain an idea of the meta-language and implied assumptions and priorities in the various areas of activity. Discussing activities in terms of strategies was generally an unfruitful line of questioning, as referenced in the last section. In their minds, there was rarely a strategic choice to be made, but rather dutiful implementation per tax codes and regulations. In these discussions, I was often able to identify elements or efforts that fit well with my operationalized understanding of "strategies." As such, the strategic elements are generally extracted from the discussions and focus of their efforts and interpreted in my analysis. At higher levels—particularly with the director of the institution—I could flesh out some of these identified strategies to confirm, disconfirm, and gain direct insights. For this reason, I waited until very late in my research stay in each country to organize a meeting with the directors of the respective revenue agencies.

Once I had a sense of the overall system, I began digging into particular areas of interest, such as the taxes I decided to focus on: property taxes, informal sector taxes, and VAT. I also moved down the food chain to mid-level managers and street-level bureaucrats to identify how strategies were carried out in practice and, secondly, what kind of strategic decisions were made at these levels. I visited field offices in the capital, the port, and border postings, and, as explained above, followed the fiscal control unit on an operational tour and training to almost every field office throughout the country. Here, I was able to directly observe which topics were addressed and enforced with field staff and how the central office perceived and supported the activities of deconcentrated personnel. I was often able to conduct follow-up interviews with these field staff members and gain their perspectives, challenges, and strategies they developed to overcome challenges. In this, I could see which elements of the fiscal code were enforced, and which elements were de facto ignored or only paid lip service. I could also compare the reactions of the central revenue authorities to these strategic decisions at the lower level and see which elements were accepted as the de facto practice—and which ones were reprimanded or corrected. This provided further supportive evidence of implicit strategic trade-offs accepted within the institution, often providing a window of discussion as to why something was (not) important from their perspective.

As my research method was of a rather ethnographic nature—often depending on observation and building relationships enough to gain trust which allowed for some inner perspectives—certain challenges presented themselves (some of which have already been mentioned briefly in Section 4 above: objectivity, reliability, influence on my subjects, as well as ethical and role dilemmas). In practice, these challenges also included balancing safety and well-being with efficient research methods; navigating the realities of being a fairly young woman in a largely (older) man's world; the semi-symbolic power dynamics presented by my race and citizenship vis-à-vis the case study countries; gaining access to rather confidential operational elements; and navigating mismatched interests between those of my contacts and my own.

The U.S. Consulate security reports for Togo indicated a security situation that was less than reassuring prior to my arrival in the country, including recommendations such as traveling in convoys of at least two cars if leaving the capital. After arriving in country, I realized that these security reports were rather outdated, and Togo had reportedly become one of the safer countries in the region in which to travel, which was also my experience. At any rate it became evident that finding a good vehicle and trustworthy driver would be essential to successful and safe fieldwork. The family from whom I rented an apartment (the top floor of their family compound) offered to rent me their low-profile car for local travel and their SUV (which looked like the standard-issue government SUV) for trips outside the capital. They also arranged for a professional, trusted driver who had worked with the family for a long time. He became indispensable and knew almost every road and town in the entire country of Togo and had contacts in many cities. Having a driver I could trust and felt safe with made an important difference in my sense of safety and security, as a woman who was otherwise traveling alone in two unknown countries where I knew no-one and was poking around asking government officials and citizens about somewhat sensitive matters.

Another rather sensitive aspect was the fact that I was a (white, middle-class) American conducting research in two of the poorest sub-Saharan African countries. I wish neither to overplay nor disregard the implications of this dynamic, but it was certainly a factor. In one sense, these circumstances created a symbolic power dynamic, as I came from one of the most powerful and wealthiest countries on earth (and was doing my doctoral studies in Denmark, another very wealthy state) and was investigating the limitations of revenue mobilization due to the very fact that these were some of the poorest countries on the planet. I felt then as I do now, writing this dissertation, that it was slightly awkward to try to explain why I was specifically interested in investigating these issues in these countries because they are poor states. As I searched for ways to explain this and introduce my research to interviewees and organizations, I began to realize that this particular avenue of interest was appreciable. Many of my interview subjects felt quite strongly that the limitations and constraints of being a poor state and operating in an environment with very limited resources were very much aspects that were underappreciated and not well recognized or discussed by those outside this context. In a way, my research and interviews sometimes presented a welcome relief—the proverbial therapist's couch—to express some of the many everyday pressures and challenges they faced. So instead of needing to express my interest in euphemisms, it was the honesty of recognizing that operating in a poor state must be challenging and asking that they enlighten me on what that looked like in practice that opened doors and encouraged frank discussions.

As a person doing research in this context, however, first and foremost a foreigner, and secondly a foreigner hailing from the powerful United States, the leader of the Western world, I discovered over time that the dynamic played to my advantage in some circumstances while limiting my access in others. For instance, I realized rather quickly that if I was a Togolese citizen approaching one of its most prestigious and sought-after employers among government institutions, the new, shiny, intimidating Office Togolais de Recettes, which housed an enormous number of personnel, confidential information about citizens—their incomes, their possessions, their business, and residences—and how the government handled this information and organized revenue mobilization and enforcement strategies, the doors would not likely be open to me. The same goes for Bénin, if I were Béninois. I would suppose for any state, but maybe much more so in the poorest states, where there is a greater likelihood for informal practice to govern government operations that it would be rare for a state's own citizens to be welcomed with open arms to observe tax administration and collection, to discuss optimized taxation models and report on operations. As such, being a foreigner, but especially a foreigner very much removed from local and regional politics, was instrumental in opening doors.

Conversely, there were other circumstances in which I found that my skin color, citizenship, and my lack of understanding of local and regional politics and informal arrangements limited my access. At one point near the end of my stay, my main point of contact at the Office Togolais de Recettes had gone before parliamentary budgetary committees to present revenue yield forecasts and advocate for fiscal policy revisions. These discussions were of great interest to me, as I was keen to see exactly how and what type of advocating took place from revenue actors at the bureaucratic level to those on the policy level of the revenue system. My contact explained to me as diplomatically as he could that if I had darker skin and did not stick out so much, that he would have been happy to have me along without needing to explain my presence. But as I was very obviously a foreigner, my presence could raise issues and limit frank discussions in otherwise closed sessions. I was regretfully denied attendance.

My foreign-ness seemed to present greater challenges to access in Bénin than in Togo. In Togo, I rarely met (or saw) other obviously foreign persons (i.e. not from the region); and somehow I never really discovered "expat circles." From my temporary office in the Office Togolese des Recettes, I was able to see the U.S. Embassy across the street, but I never met a fellow American nor had any interaction with my own embassy while there. I was very kindly received and welcomed by the local population almost wherever I went; from the highest to the lowest levels, inside and outside the government. In contrast, my point of entry in Bénin was very much through foreign contacts. And indeed, my access to the revenue bureaucracy only (finally) came through a very official letter of introduction from the U.S. Ambassador herself. Many of my interviews only succeeded with foreign persons operating there as well, who could give me some outsider perspective into the system. This system and country seemed to present almost the opposite dynamic as Togo—I quickly found other expats and connected with them but felt resistance at almost all levels of the national and local revenue systems in trying to gain access and find persons who would speak frankly and transparently with me. On occasion, I even feared for my own safety and realized that the more I began to understand the system in Bénin, the more I, and the information I had obtained and sometimes recorded, became a liability for the persons involved, both on the citizen/business side and the government side.

Being a young female also presented the occasional challenge. Balancing my friendships and dealings with male contacts required care. Navigating these situations could be a challenge without losing access by shunning an important contact. One rather delicate situation involved a facilitator in the Bénin revenue authority. My research in the Direction Générale des Impôts was slightly rushed toward the end of my fieldwork, as gaining access in Bénin took much time. I explained that I would be leaving within two days and unfortunately not returning. Even though I had made my timeframe clear to my contact on multiple occasions, he still seemed completely taken aback and suggested we meet for a drink outside the office before I left. As I still had a few meetings remaining that depended on his facilitation, rejecting his offer felt awkward. I also wanted to avoid burning any bridges so as to be able to arrange follow-up interviews. Rather unsure of his intensions, I debated how best to signal that I was willing to meet in a more casual way and develop some level of friendship that could sustain the connection on a professional level. I proposed meeting on a Saturday afternoon—It seemed safe, given the hour, and I hoped the specified time would convey that I was not interested in a late-night rendezvous. It would also allow him to bow out and save face, if he understood my intention correctly, by referring to pre-existing plans if he had hoped for something more. It did the trick. He accepted, but later explained that something had come up and he was too busy—sorry that he could not make it. The contact was maintained without offending him.

Section 5 Conclusion

The research methods presented here were designed to gain an understanding (of motivations) to explain strategic behavior. The literature on taxation in developing countries suggests that weak enforcement and corruption is rife within revenue systems. Is there a strategic component behind the empirical reality, or should we simply attribute poor implementation to personally motivated interest—laziness, personal gain, and lack of incentives for good performance? If strategic, what motivates such behavior? Theoretically, I have proposed that there are behavior-altering constraints that are particular to the environment of the poorest states. The research question driving the empirical investigation was as follows: *How do poor states mobilize revenue in the face of administrative and political constraints?* The research design had to balance two elements: the deductive, theory-driven investigation and an open-ended inductive probe into strategic behavior. I therefore employed interpretive methods to delve into a causal model.

The question guiding the deductive component of the field research was as follows: Does the revenue efficiency model frame how revenue actors (in a poor state) perceive potential revenue sources and serve as the basis for developing their strategies? I employed an across-case and within-case qualitative structure to provide variation and potential for comparison in the strategic behavior of revenue actors on multiple levels. These included: across country (Togo and Benin), across revenue sources (VAT, income taxes, customs, property-related taxes and seigniorage) and within-revenue sources. I chose two countries that would lend themselves to comparison on a number of levels, with similar geography, colonial heritage, and GDP per capita, while introducing variation on the political dimension. While Bénin is a democratic, decentralized state, Togo is a centralized, hybrid, military-authoritarian state.[78] The revenue systems in these states could be generalized to fifteen low-income, extractive-resource-poor states across the African continent. I introduced variation in the treatment of these revenue sources by exploring how revenue actors at various levels of the agency treated revenue sources in various locations and among diverse income and socio-political groups. I employed qualitative and ethnographic methods, including semi-structured interviews, embedded participatory observation, and observation memos, along with an extensive collection of primary documents, including their fiscal codes, tax incidence and collection statistics, internal financial reports, and strategic planning documents of both revenue systems.

I used revenue sources as a deductive point of departure, after which I shifted to a more open, exploratory investigation using ethnographic, interpretive methods to ascribe motivation to how revenue actors behaved and treated revenue sources. The question guiding the inductive, theory-building part of the investigation was as follows: *What are the primary dimensions shaping revenue mobilization strategies (in a poor state)?* I identified strategic behavior through a process of inference and interpolation. The inductive analytical strategy largely centered on identifying circumstances in which revenue agents did not impose the fiscal code as mandated. Where I could establish these phenomena, I then probed revenue agents for the constraints and impetus which motivated their actions. Where only personal gain and human motivations explained the failure to enforce the fiscal mandate, I factored them out of the investigation. Where other constraints motivated behavior—either those falling in line with the theoretical expectations of administrative inefficiencies and political sensitivities or non-theorized elements—I worked to profile the motivation and classify the revenue efficiency of these sources when relevant. Based on revenue efficiency classification, I then analyzed the findings to identify patterns in the treatment of these revenue sources based on their revenue efficiency or other motivating constraint. These findings then served to inform, refine, and flesh out the theory in a process of interpolation.

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[78] See the rankings for both states in the BTI Transformation Index. While Togo holds elections, a father and son have maintained their grasp on the presidency for fifty years.

In the course of my research, I identified ten classifications of strategic treatment, including: 1) enforcing elements previously not enforced, 2) imposing, but not in the way intended in the fiscal code, 3) imposition extending beyond-outside specification in the code, 4) not enforcing or partially enforcing the fiscal code, 5) resource rationalization, 6) revenue bargaining, 7) revenue instrument revised—motivated by poor-fit of previous design, 8) revenue instruments being structured by strategic elements, 9) strategic capture and finally, 10) strengthening legitimate claims.

The strengths in this research design lie in the ability to capture the motivations driving behavior. Direct, participatory observation is the closest we are able to come to aligning our vision with that of a poor state's bureaucrats, allowing us to find a means of getting inside the minds of revenue actors, so to speak, to understand the landscape before them. The most obvious alternative research method might be to analyze how the development partners assess these agencies as well as the states' own reports regarding its revenue mobilization efforts. As our theoretical discussions suggest, however, this approach might actually serve to mislead our understanding rather than enlighten us as to why revenue agents fail to fully enforce their mandates. Political conflicts of interest often invite the concealment of the actual motivations and a misconstruction of justifications. The statistical analysis of revenues mobilized – another possible approach which could have been used as a stand-alone method – could only offer us evidence of outcomes, not the motivations and constraints that drove these outcomes in revenue mobilization. Accordingly, the contributions of this work are both theoretical and empirical.

The challenges involved in the approach centered largely on the objectivity and reliability of the findings together with related ethical dilemmas. However, where objectivity is an easy challenge to ethnographically-oriented, participatory observation methods, it also lends credence to the findings; the closer I was able to get to my subjects, the better I could understand their true motives, interests, and strategic behavior. Reliability, particularly in the Togolese case, while a reasonable challenge to the findings, was circumscribed by the extensive interviewing and observation I was granted throughout the agency at all levels of the hierarchy. Ethically, I had to make concerted efforts both to preserve the anonymity of my sources (where their decisions and actions could become a legal or professional risk to themselves or their agencies) and to conceal information when necessary between departments within agencies, between various agencies in each country, or between countries, where I was privy to semi-confidential internal knowledge or which might influence relevant behavior and strategic actions. Finally, being an outsider—a white, female researcher from a much wealthier state—endowed me with access in some circumstances that might otherwise have been restricted, and restricted access in other circumstances.

Chapter VI
Political Economy of Two Revenue Systems: Togo & Bénin

The case study countries of Togo and Bénin are introduced in this chapter. I employ a political economy approach to capture the political, economic, and social dynamics that have impacted the existing revenue system in both states over the past twenty-five years. In particular, I review major shifts that had consequences for the fiscal code, scarcity of and key sources of revenue, revenue pressure, and the political institutional factors of regime type and degree of decentralization. This chapter is intended to provide some depth and background for the case study chapters to follow and to provide perspective on the potential political efficiency of targeting various socio-economic groups and political elites.

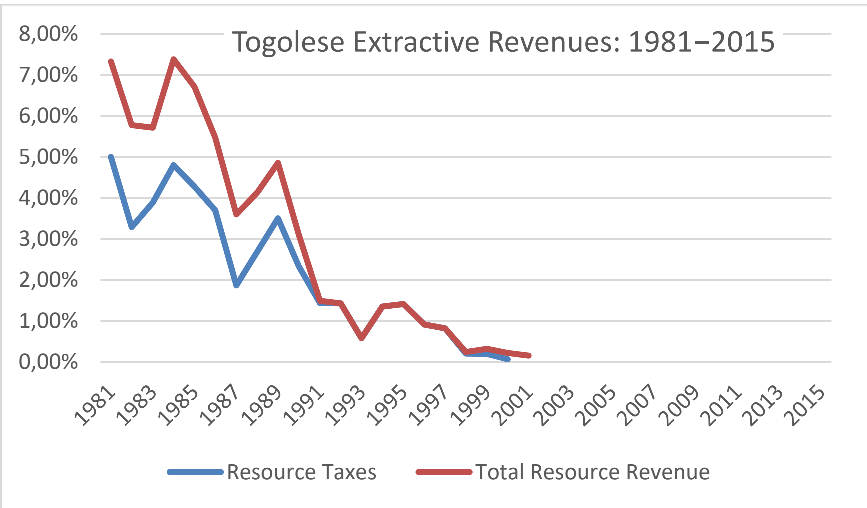
In both countries, the loss of significant sources of revenue in the 1980s contributed to increasing revenue pressure (extractive resource revenues in Togo and the patronage of the Soviet Union in Bénin). Together with other political economy factors, this pressure created impetus for the national conventions held in each country. They also motivated a shift towards international development partners and significant restructuring of fiscal policy in the advent of structural adjustment programs. However, the impacts in these shifts led to a reversion to dependence on trade revenues, a trend largely has continued until the present and which supports the theoretical expectations in this research. In recent years, Togo has become one of only two francophone countries on the continent to establish a semi-autonomous revenue agency with a foreign director (providing insultation from political interference, in line with the prescriptives of development economics and new public management theories). Togo's revenue agency, the Office Togolais des Recettes has endeavored to overcome the highly coercive, corrupt reputation of its predecessor. By the end of the case study period (in early 2017), however, the foreign director was dismissed and was replaced by the head of the custom's department – a persona with close political ties to the regime. The agency is already showing signs of becoming politicized again in recent months. This trend follows those in many other countries across the continent. Bénin's revenue agencies are structured as traditional line-ministry agencies housed within the Ministry of Finance. They are reputed to be some of the most corrupt of government agencies. The decentralized democratic structure of the regime suggests that in this poor state, the state has indeed lost capacity to control and monitor its agents and provide any meaningful oversight over the revenue mobilization strategies of local governments. These trends serve as evidence supporting the theoretical expectations surrounding political institutional factors, and the predominance of political over economic priorities in the revenue systems.

I begin with a brief presentation of both revenue systems, which serves as an introduction to the two political economy sections to follow.

Section 1 Introduction

Togo, the country featured most prominently in the case studies, is a centralized, hybrid, military-authoritarian state. I review the regime's legitimacy crisis of the early 1990s and the slight shift from violently oppressive dictatorship to the creation of illusory democratic institutions in recent years. Regardless, the state is still largely controlled by the son of the former dictator. We discuss the lip service paid to an agenda of decentralization and the main actors relevant to the political order: the military elite and the president's ethnic group (the Kabiyé). Other politically relevant groups are introduced, including the Ewe peoples, who monopolize the southern coastal regions of the country and commercial sector and who present a longstanding political challenge to the president's rule; as well as traditional leaders who weaken the regime's power and legitimacy in some regions.

Figure 22. Extractive Revenues in Togo



Statistics source: Government Revenue Dataset, UNU-WIDER, analyzed by author.

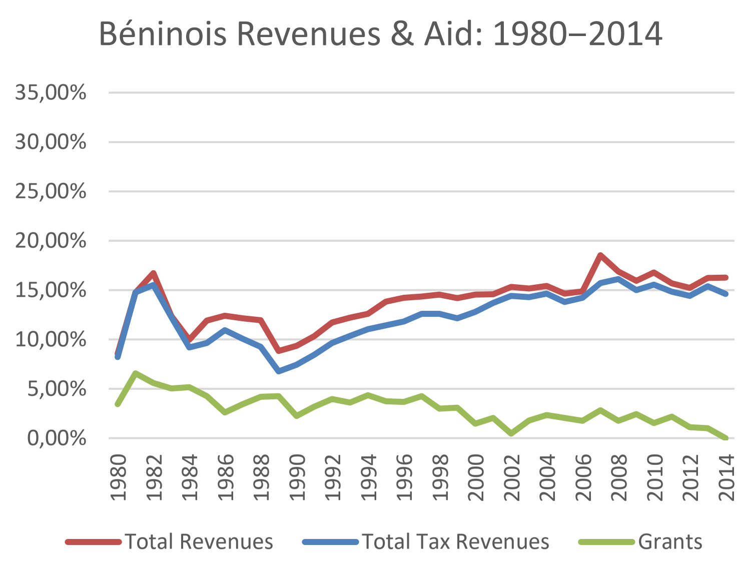
We review the engagement of key development partners over a quarter of a century, including the World Bank, IMF, EU, and African Development Bank. The World Bank and IMF remained dominant figures in Togo throughout the 1990s, while the EU was largely absent for a fifteen-year period. The scarcity of easy revenues played a role in these relationships. Revenue dynamics commenced with declining resource rents throughout the 1980s, followed by economic shocks ensuing from the political crisis of the early 1990s, which spurred deeper engagement with remaining development partners (see Figures 22, 23, and 25).

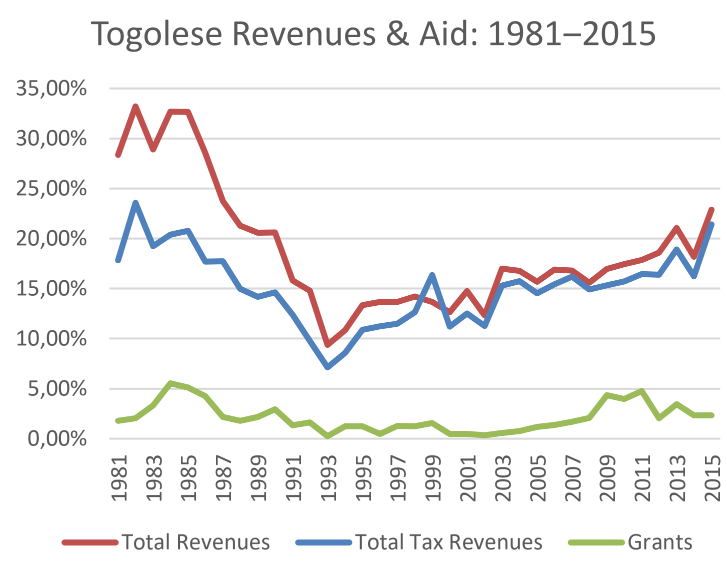
In Figure 17, I depict the contribution of extractive resource revenues to Togo's overall revenues from 1981-2015. As is evident from the graph, extractive resource revenues formed a substantial proportion of the state's income throughout the 1980s, with steep declines in the early 1990s. This source of revenue tapers off almost completely by the turn of the century. In Figure 18, I present the overall revenue envelope for both Togo and Bénin over the past thirty-five years (1980/81-2015), together with the proportion of revenues from taxes and contributions from donor funding (grants). Togo's revenues declined more steeply between 1980 and 1990, and then made a stronger recovery since the turn of the century. Bénin, by contrast, started with lower revenues, also suffered substantial shortfalls in the 1990s, and then has seen gradual increases since the turn of the century, but with yields consistently lower than Togo's. In Figure 19, I compare Togo and Bénin's GDP to revenues, demonstrating that while Bénin's GDP is higher than Togo's, they generate roughly the same yields in overall taxes. The insert of domestic and trade taxes in the box illuminates the proportion of total taxes from internal versus trade sources in each country.

The devaluation of the CFA currency in 1994 and loan facility conditionalities temporarily reshaped the main revenue sources during two periods, shifting the impetus from trade and customs to domestic sources. However, the macroeconomic shocks created in part by these reforms pushed the state back to depending on trade revenue—a position that has continued until the present (see Figure 22). The scarcity of easy revenues also prompted largely cosmetic political reforms to secure EU support.

In the past five years, the African Development Bank has provided substantial support to reform the revenue system. They have financially underwritten the creation of a semi-autonomous revenue agency, the Office Togolais des Recettes, which rebranded the poor reputations of the former tax and custom agencies. Until early 2017 (the end of our analysis), this agency was led by a foreigner, which largely served to insulate the agency from political interference until he was replaced with a political insider: the former head of the corrupt customs agency. Both his presence and dismissal as director of the revenue agency have implications for the political efficiency of mobilizing revenue from elites important to Togo's political order.

Figure 23. Tax and non-tax revenues as well as donor grants, as a % of GDP, Bénin and Togo (1980/1-2014/5)





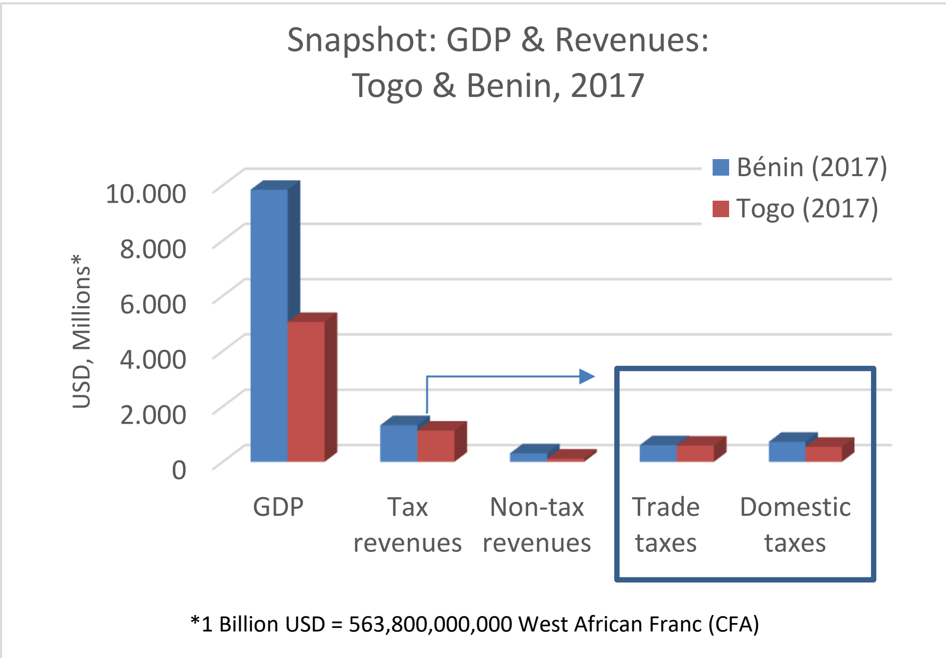
Data source: Government Revenue Dataset, UNU-WIDER, accessed May 2018, analyzed by author

In recent years, the devaluation of Nigeria's currency in 2016, together with economic disincentives created by port authority reform (i.e. stricter, higher fees), as well as an increasing burden of debt servicing from new loan facilities have all contributed to revenue shocks and increasing revenue pressure for the new agency.

The regime has also suffered additional legitimacy crises, including 2005 (following Faure Gnassingbé's unconstitutional transition to power and violent repression following protests) and 2017 (when fragmented opposition rallied under a new leader to call for the end to fifty years of rule of the Gnassingbé dynasty). Accordingly, Togo's regime wrestles with its enduring weak legitimacy.

Bénin, our shadow case, is the democratic, decentralized state neighboring Togo to the east. Bénin also faced significant revenue pressure in the early 1990s, in part due to the collapse of the communist regime's patron, the Soviet Union (Figure 20). The country embarked on an inclusive national constitutional process, which became a model for democratic transition on the continent.

Figure 24. Snapshot of GDP & Revenues in Bénin and Togo



Source: BCEAO, analyzed by author.

The ambitions regarding decentralization were embodied in the new constitution and "General Estate" of 1993, and further steps were taken at the turn of the century to further this objective. Legal provisions for local revenues in the form of a civil (head) tax were partly stripped in the advent of the CFA currency devaluation in 1994 to soften the impact on the average citizen. This prompted extensive informal taxation by local governments to cover the shortfall. In the late 1990s, as part of the financial provisions for decentralization, a new Local Development Tax was established without any specification of the tax base, instructing local governments to mobilize this revenue from main local resources. Once again, local governments were largely left to identify their own revenue strategies.

Bénin, like Togo, also underwent significant structural reforms with the assistance of the IMF, World Bank, and African Development Bank. These reforms included extensive hiring freezes in the civil service, an initiative which has been sustained in many ways until the time of writing, leaving much of the Direction General des Impôts, the revenue agency, and its deconcentrated offices understaffed.

The revenue system is organized along the lines of the traditional French system—with the internal revenue agency, the Direction General des Impôts and the Douanes, the customs agencies, both housed within the Ministry of Finance (it is not a semi-autonomous revenue agency, as tends to be the case in modern anglophone countries across the continent). The Douane is a paramilitary agency and regarded as one of the most corrupt government agencies.

Structural adjustments in the 1990s included a number of fiscal reforms targeting trade liberalization, instituting a VAT tax, enhancing tax exemption transparency, and the simplification of tax regimes (e.g. property and corporate income taxes). As in Togo, while domestic revenues rose in the 1990s, trade revenues again dominated as a source of state income after the turn of the century until very recently. The country remains partially dependent on revenue in the form of grants from development partners at both the central and decentralized levels of government.

Bénin's informal economy is one of the largest (as a portion of economic activity) in the world. Consequently, the revenue agencies struggle to identify potential sources of real revenue. This is evident in its much lower tax-to-GDP ratio than neighboring Togo (see Figure 19). While the same could generally be said of Togo, some have described the country as the "warehouse state" (*L'État-entrepôt*) given its propensity to serve as the informal warehouse and port for goods smuggled into the more protectionist neighboring state of Nigeria, north to the Sahel land-locked regions, or transiting east and west (Igue & Soule, 1992; Magnusson, 1997). Efforts to curb illegal trade and to capture a greater portion as revenue for the state, such as a 2004 campaign to limit the subsidized fuel smuggled into Bénin from Nigeria, have negatively impacted growth.

Bénin's democratic model appears to be deteriorating in recent years, with a political order described by many as a patronage democracy. While democratic transitions have largely been stable and presidents respect two-term limits, money and opaque political party maneuverings dictate political agendas much more than regional, ethnic, religious, or populist platforms. Corruption is rampant and systemic. The current head of state, President Patrice Talon, was accused of poisoning his predecessor, Thomas Boni Yayi, whose political campaigns he had largely underwritten. While stressing an agenda of reform and anti-corruption, Talon, described by some as a "kingmaker," appears to have entered the political fray to consolidate his business interests—with a majority stake in the port and cotton, among other business enterprises. His presidency does appear to represent a shift in the political settlement, where the southwest and southeast regions, traditionally not aligned with each other, both voted for Talon.

As in Togo, recent revenue pressure in Bénin has been driven in part by the devaluation of the naira in neighboring Nigeria, impacting both informal trade and revenue mobilization. Out-of-budget state spending on elections in 2015 and 2016 drained much of the state's funds, placing additional pressure on the revenue agency to seek new sources of state income.

Section 2 Political Economy of Togo's Revenue System

2.1 Brief Overview of Togo's Political Regime

Togo was turbulent in 1992. A new constitution had been written that year when the Togolese, inspired by the success of Bénin's National Conference of 1990–1991,[79] convened their own national convention. However, in retaking the reigns of the transitional government, President Eyadéma Gnassingbé unilaterally removed the critical two-term limit element in the new constitution and remained firmly in power as dictator of Togo (Kohnert, 2007; Nikabou, 2013; Seely, 2005). The national conference brought about one fundamental change: the end to one-party rule and space for political opposition and voice (Seely, 2005). Eyadéma had come to power in a coup in 1967, buttressed by the military and economic elites that would come to lead his new party. Following the coup, Eyadéma dissolved and banned all existing political parties and created his own, the RPT (Rassemblement du Peuple Togolais), to further solidify his power (Nikabou, 2013). He ultimately ruled for 38 years, one of the longest serving dictators in recent history and one of the most authoritarian regimes on the continent (Kohnert, 2017b; Macé, 2004).

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79 Bénin's national convention was a highly inclusive process and initiated a transition to democracy and the establishment of term limits on the presidency, which became a democratic model in the region; see Section 2.

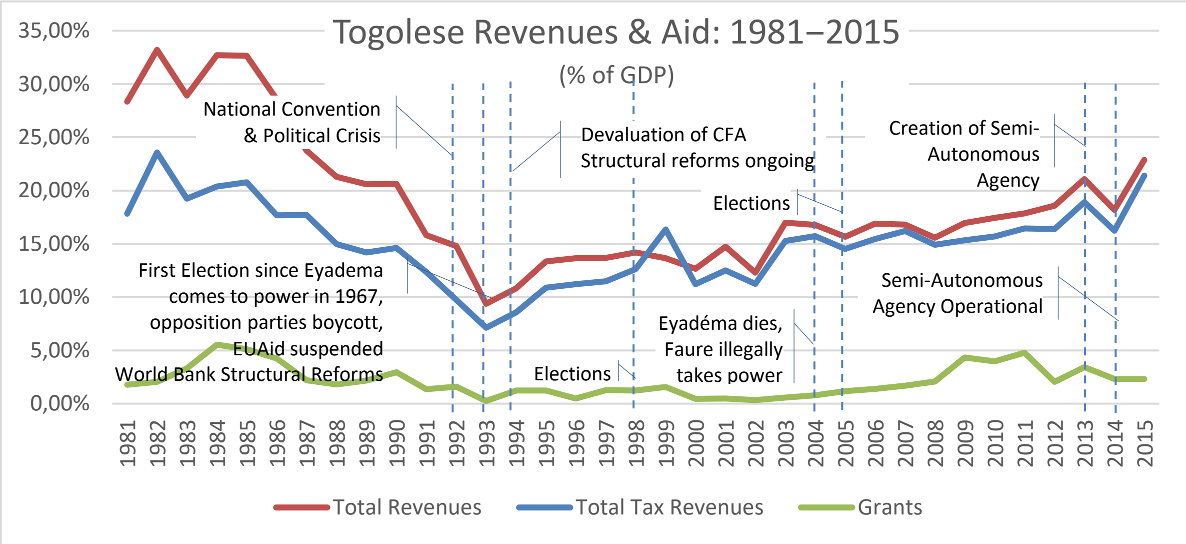
In the early 1990s, frustration with the failures of the national convention led to political unrest. Brutal military suppression led to a massive exodus, an estimated 300,000–400,000 citizens fleeing to neighboring Ghana and Bénin (Kodjo, 1999, p. 65; Kohnert, 2017b). Political turmoil led to a nine-month general strike and sent the economy into a tailspin. Growth plummeted from 5% in 1989 to –10.2% in 1992 (ADB, 2000, p. 5; Kossi et al., 2013; Macé, 2004; Nikabou, 2013).

Reeling from a legitimacy crisis affecting the regime and economic shock from extended strikes and social unrest, following also on the heels of export commodity price instabilities of the 1970s and the ensuing trade imbalances, unstable resource rents, and weak growth of the 1980s (see Figures 25-27), the government negotiated a series of structural adjustment programs with the World Bank and African Development Bank (ADB, 2000; Nikabou, 2013; Seely, 2005). However, structural adjustment funds soon stalled (sixteen months) due to the political turmoil and unrest in 1992–1993. In 1993, Eyadéma agreed to elections but controlled the regulatory bodies so tightly that opposition parties boycotted the elections; he won by a landslide (Kodjo, 1999; Macé, 2004; Seely, 2005). In response, the EU imposed economic sanctions on the regime and generally withdrew support for a fifteen-year period (Nikabou, 2013). The World Bank and African Development Bank structural adjustments proceeded, targeting inflation, reducing the size of the public sector which dominated the economy, pushing for the privatization of parastatal firms, removing protectionist import tariffs, and devaluating the CFA (currency) in 1994.

The structural adjustments included a number of fiscal reforms aimed at broadening and stabilizing the tax base. Largely inspired by optimal tax and current development economics thinking, these included the elimination of the import license fees, reducing tax exemptions, eradicating most excise taxes on specific commodities and replacing them with a uniform commodity tax (VAT), eliminating many customs duties (three remained), creating one trade tax applicable to the informal economy, and increasing land taxes (see ADB report excerpt in Annex Section 3). Most of the fiscal code revisions were carried out between 1993 and 1995.

In Figure 25, I provide a timeline of major political-economy events in Togo, against a backdrop of the revenue generation each year, including total grants from development partners and taxes as a proportion of total revenues.

Figure 25. Togolese revenues and major political events



Statistics source: Government Revenue Dataset, UNU-WIDER, accessed May, 2018, analyzed by author.

As a result of reforms aimed at economic growth and macroeconomic stabilization, together with the impacts of the currency devaluation, GDP growth was erratic throughout the decade: –15% in 1993, 16% in 1994, 9.7% in 1997, and –2.3% in 1998 (ADB, 2000; World Bank, 2015b).[80] In effect, government revenues, after plummeting from a high in the early 1980s of 35% of GDP (24% from tax revenues) to 10% of GDP in 1993, again began slowly climbing (see Figure 25). The decline in the 1980s and 1990s was largely due to the depletion of extractive resource revenues, phosphate in particular, which by 2001 contributed negligible amounts to government revenues (Figure 22). Revenues declined in part due to sharp increases in global commodity prices and subsequent pricing declines, restrictions on phosphate imports containing cadmium by the EU and other trading blocs, and partly due to the nationalization and subsequent partial privatization and poor investments in the phosphate mining industry (BTI, 2016a; Heilbrunn, 1993; Kohnert, 2015; World Bank, 2015a). The current structure is a joint-venture, the Société Nouvelle des Phosphates de Togo (SNPT), which is 60% state-owned and 40% privately held, and largely (opaquely) managed from the offices of the president of Togo (African, n.d.; Kohnert, 2015).

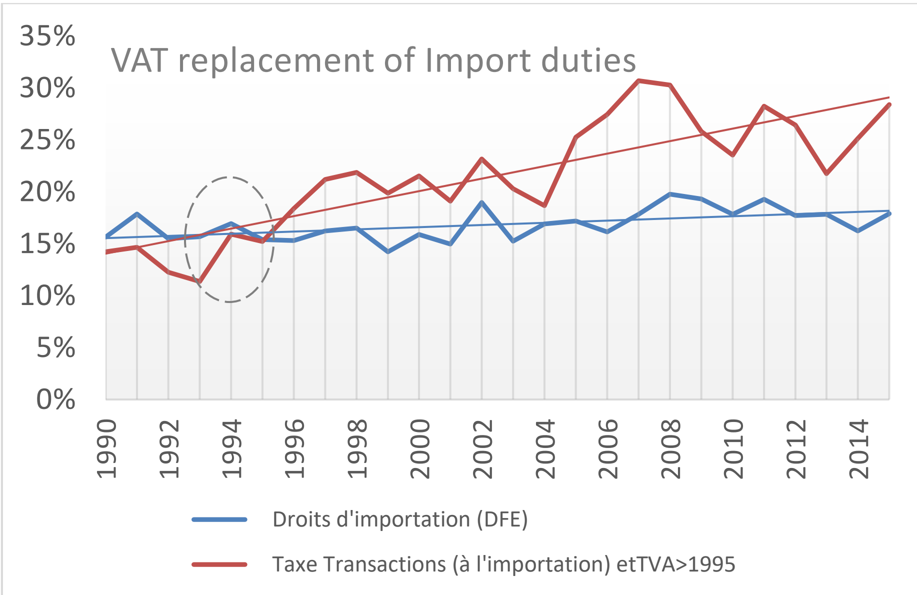
While only a part of the story, the regime, losing the sources of financing drawn from extractive resources, was further pressed to negotiate for support

[80] There are discrepancies between the figures reported in the African Development Bank reports and current World Bank Indicators for this period. Where there is variation, I have roughly averaged the figures.

from both the international financial institutions (structural adjustment programs) and to offer a conciliatory modicum of concessions to democratic values. With the loss of support from the EU following Eyadéma's handling of the 1993 elections, Togo had fallen further dependent on aid and financial support from its remaining donors—the World Bank and African Development Bank—to navigate the political and economic crisis. This led to further political concessions, and another election was held in 1998. While Eyadéma permitted his main opponent, Gilchrist Olympio, to run this time, the regime seized control of the ballot-counting process when election results seemed to suggest a possible win for Olympio. Eyadéma was declared the winner by the Ministry of the Interior (Seely, 2006). He failed to regain EU aid. Government financing had to be found wherever possible.

The VAT was implemented in 1995, and immediately overtook revenues from import duties. As seen in Figure 26, however, import duties remained fairly steady in contributions to government revenues, regardless of the fiscal reform stipulations of the structural adjustment program. In that sense, VAT served as a new, additional source of revenue (largely from trade[81]); not simply a replacement. In this graph, "Droits d'importation" represents import duties and Taxe Transactions et TVA represents consumption taxes on imported goods (with VAT taxes replacing the Taxe Transactions in 1995). These figures represent consumption taxes contribution to the overall tax take in Togo.

Figure 26. VAT and import duties contributions to revenues in Togo

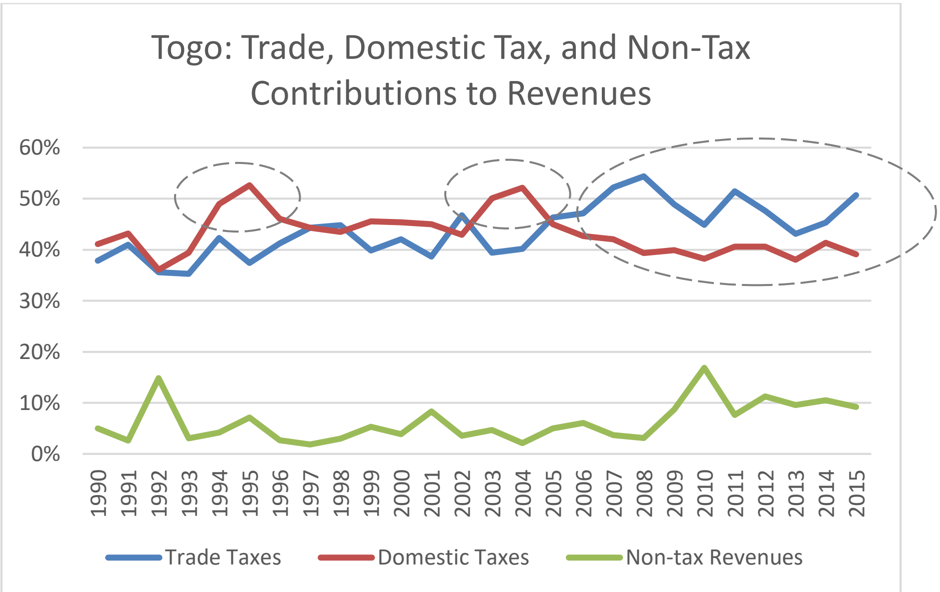


Sources: Office Togolais de Recettes (OTR), analyzed by author.

[81] The VAT revenues depicted in Figure 21 only include VAT revenues collected from imports, not internally.

Commitments to generalized trade liberalization were a key platform both in the structural adjustment platforms with the World Bank and African Development Bank in the early 1990s, and in the resumed negotiations with the EU in 2000, within the framework of the Cotonou Agreement (discussed in the next paragraph). Trade liberalization traditionally implies the removal of import and export duties, and besides the VAT portion of income collected on imports, intends for revenue mobilization efforts to be concentrated on internal or "domestic" revenue sources. However, domestic revenue mobilization was only pronounced (contributing a significantly greater portion of revenues) immediately following both of these negotiation periods (see Figure 27). The trend reversed again in both instances within four years, and trade revenues again dominated, particularly after the EU negotiations between 2000 and 2005. Since 2005, trade revenues have remained the primary source of income for the state (Figure 27). The graph presented in Figure 27 depicts the proportions of domestic (internal) and external (trade) tax revenue contributions to Togo's total revenues. I also include the non-tax proportion of revenue. The regime would appear to have prioritized strategies of domestic revenue mobilization following negotiations with foreign donors in an effort to secure their trust and financial support—an important source of revenues—nevertheless eventually reverting to more efficient sources of revenue (i.e. trade) once aid tranches were secured.

Figure 27. Main contributions to revenue in Togo



Sources: Office Togolais de Recettes (OTR), analyzed by author.

In 2000, the Cotonou Agreement, the framework for EU relations with the developing world (African, Caribbean, and Pacific regions) replaced the Lomé Convention of 1975 (European Commission, 2006, 2016; Udombana, 2004).

Compliance with the rules for international trade changed fundamentally, ushering in an end to non-reciprocity trade elements for developing countries together with commitment to a trade liberalization process. This agreement, unlike the one it replaced, included political (democratic) conditionalities as well as development and economic platforms. On the basis of Article 96 from this agreement, Eyadéma committed in 2004 to twenty-two platforms of inclusive democracy (Kossi et al., 2013, p. 2986; Nikabou, 2013). Upon his unexpected death early in 2005, his son, Faure Gnassingbé, came to power through a constitutionally illegal maneuver supported by the military. He stepped down following outcries from both the international and domestic communities and agreed to elections (Kohnert, 2007; Seely, 2006). The election results were disputed, with both Faure and Akitani, an opposition candidate, declaring themselves the winner. Despite international condemnation of the electoral process, Faure was ultimately declared the winner. Residents of the capital city of Lomé—dominated by the opposition-supporting Ewe peoples—took to the streets in protest. The military again suppressed protests violently, an estimated 4000 residents injured and 790 people killed, and thousands (38,000) fled as refugees to Bénin and Ghana (Seely, 2006).

While Faure enjoyed strong military support like his father before him, his approach and career path contrasted with those of his father and brothers—all of whom were military men. Faure studied business at the Sorbonne and George Washington University (Seely, 2006, p. 614). His influences, then, were much more Western-oriented in substance. As has become evident in the initiatives of the past thirteen years, his regime's priorities are focused much more on making Togo an attractive business hub in the region (Essosimma, 2011; Kohnert, 2017b). Re-elected in 2010 and 2015, all three elections were marred by election violence (Kohnert, 2007, 2015, 2017b; Seely, 2005, 2006). Faure, like his father before him, has often used a strategy of co-optation—fragmenting the opposition by inviting a party leader to join the government as prime minister or another prominent role, but holding little genuine power (e.g. Eyadema's invitation to one of two opposition leaders, Edem Kodjo in 1994, which effectively split an opposition coalition; see Seely, 2006). And while Faure maintains a close relationship with the military, he is not always able to control the major power players within it (Kohnert, 2015; Seely, 2005, 2006). Accordingly, we could perceive his political settlement to involve a minimal winning coalition largely supported by the military and employing what Levi and Di John might characterize as a "divide and conquer" approach, Di John & Putzel, 2009; Levi, 1981. with fragmented opposition and oppression of the Ewe in the south. At the time of writing, the Gnassingbé family's de facto patriarchal rule has lasted over fifty years (1967–2004 for the father; 2004-present for Faure).

Togo represents a classic case of the paradox of seemingly contradictory realities of being both a predatory, coercive state, and one which lacks material presence and legitimacy in many parts of its territory, particularly its rural areas and regions far from the capital. The president's clan, the Kabiyé people, hail from a center-northern province—Kara (the name of both the province and the district capital, which is Togo's second largest city and most politically important city outside of the capital). There are four main ethnic groupings. The first is the Ewe (together with Minas) in the southern provinces and along the coast, which also stretch into both Ghana and Bénin on either side. This group dominates commercial sectors and the civil service (Kohnert, 2017a; Seely, 2006; Tobolka, 2014). The second is the President's klan, the Kabiyé. This group has historically and contemporarily dominated the military and law enforcement forces (Kohnert, 2017a; Manley, 2003; Seely, 2006; Tobolka, 2014). The third main group, the Moba, hail from the northern-most province. The Kotokoli and Tem are the fourth largest group and have been less politically important until recently ("GlobalSecurity.org," n.d.; Kohnert, 2017a; Seely, 2006; Tobolka, 2014). Tikpi Atchadam, the recent opposition leader, hails from the Tem tribes, part of this center-northern group (AFP, 2017a; D'Almeida & Dougueli, 2017).

President Faure's party, UNIR (l'Union pour la République), like its precursor, the RPT (Rassemblement du Peuple Togolais, Rally of the Togolese People), is well organized and has held the majority in parliament since 2012 (Kohnert, 2015, p. 3). Part of his party's success in maintaining a parliamentary majority stems from the assignment of greater representation per capita for parliamentary members from the northern regions (which is dominated by his ethnic group, the Kabiyé, 30% of Togo's population), with an average 20,000 person per seat vis-à-vis representation in the southern regions, averaging 80,000 persons per seat, where the Ewe (44% of the population) dominate (Kohnert, 2015; Seely, 2006; Tobolka, 2014). Thus, while his father conceded to the creation of other parties to appease both a restless population who looked east to Bénin's democratic experiment as well as the international (donor) community, Faure manipulated the arrangements to ensure his continued dominance. His party offices are visible even in the smallest towns throughout Togo. There is also something of a personality cult surrounding the president, as was also the case with his father (Ellis, 1993; Kohnert, 2015), and one can see the president's face and UNIR paraphernalia plastered on billboards, buildings, t-shirts, and slung across the roads.[82]

In contrast, the opposition parties have been characterized by fragmentation and weak representative strength, at least until the fall of 2017. The main

[82] Direct observation by author, fieldwork in August–December 2016.

opposition parties, including the Alliance Nationale pour le Changement (ANC) and the Arc-en-Ciel (Rainbow) coalition, have until very recently been fractured and floundering in failures to coalesce around broad-reaching platforms and mobilize sufficient support to contend as a united body against the UNIR (Tobolka, 2014). Main party leaders, such as Jean-Pierre Fabre, are not well liked by the population due to their divisive politics (Tobolka, 2014). But real mobilization is also frequently brutally suppressed by the military, with violence surrounding each election, including the most recent unrest of 2017–2018 (AFP, 2017b; D'Almeida & Dougueli, 2017; Kodjo, 1999; Kohnert, 2017a). In 2006, President Faure, facing increasing pressure internally and from the international community, established a Global Political Accord with opposition parties, which led to the first open and free parliamentary elections in 2007. However, given the manipulation of per capita representation, the president's former party, the RPT, secured an overwhelming majority of seats (50 versus 31) (Kohnert, 2015). That dynamic has continued until the present.

There has been one very recent shift in the political arena, which bookends our period of interest (2012–2017) as the events are still unfolding in the autumn of 2018. A new political figure emerged, who has been more successful in uniting the opposition. Tikpi Atchadam formed a new political party in 2014: the PNP (Parti National Panafricain) (AFP, 2017a; D'Almeida & Dougueli, 2017). By the spring and summer of 2017, he was demonstrating an unprecedented capacity to mobilize fourteen opposition parties and the population around a common theme: the reinstatement of the two-term limit stipulated in the 1992 constitution, essentially calling for the resignation of Faure Gnassingbé and an end to the fifty-year Gnassingbé family dynasty (AFP, 2017a; D'Almeida & Dougueli, 2017; Matteo Fraschini Koffi, 2017). The international community had gingerly reinforced the idea that the people of Togo should determine the future of their country.[83] However, manifestations in the streets of Lomé, Sokodé, and many cities across the country persisted from August 2017 through early 2018. In early 2018, the African Union and Economic and Monetary Union of West Africa (ECOWAS) stepped in, sending Ghanaian President Akufo-Addo as mediator in February 2018 (GNA, 2018). Talks stalled and street demonstrations resumed intermittently in the spring of 2018 (Ansah & Wiafe, 2018; Mugabi, 2018; Ritzen, 2018). Faure is not expected to step down as a result of negotiations and will instead likely arrive at

[83] Discussions during the roundtable panel on "The Changing Role(s) of ECOWAS in the West African Region," African Studies Association 60th Annual Meeting, *Institutions: Creativity and Resilience in Africa*. Chicago, IL. November 16, 2017. Chair: Niklas Hultin, George Mason University. Panel Members: Ismael Rashid, Vassar College and Boubacar N'Diaye (see p. 89 of conference program).

an agreement similar to the 2006 Global Peace Accord, the stipulations of which were never fully implemented due to a lack of pressure on the regime (e.g., see Ritzen, 2018). It remains to be seen if a true political transition is underway or if the patterns of the past twenty-five years will continue.

2.2 Brief Overview of Togo's Political-Administrative Structure of Governance

The Togolese structure of governance can be described, briefly, as centralized and partially deconcentrated. While decentralization has been discussed for over a decade, since the formal program of decentralization was announced in 2004, little progress has been made (HI, 2008; Kohnert, 2017a; Loi n° 2008-10 du 27 Juin 2008 Portant Cooperation entre les Collectivites Territoriales, 2008; Tobolka, 2014, p. 394). In lieu of locally elected politicians, such as mayors, the cities and prefectures throughout the country are governed by special representatives appointed directly by Faure Gnassingbé (Ahonto-Noussouglo, 2012; Freedom House, 2016a; HI, 2008),[84] which enables the president to maintain fairly firm control over municipal and regional affairs throughout the country. The weakening strength of the regime's legitimacy has also slowed the long-promised decentralization process (Tobolka, 2014, p. 394). It is in light of the regime's diminishing power, resulting in part from concessions to democratic values, that giving away power through local elections is perceived as possibly threatening to dismantle the tenuous political settlement Faure has secured by co-opting the political and economic elites outside the urban centers of Lomé and Kara.

There is also evidence suggesting that traditional authorities in some areas of the country are aligned with the regime, exhibiting a symbiotic relationship whereby the president recognizes their traditional sources of legitimacy and authority in village and local affairs, and chieftains and kings, in turn, ensure that their inhabitants vote for UNIR (Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996; Nugent, 2010, pp. 47–48).[85] There would appear to be significant variation in who relies most on whom, depending on the degree to which a chieftain commands historical and social legitimacy. In at least one community, this relationship appears to lean firmly in the direction of the chief. In the northern-most tip of Togo, in the small city of Cinkassé, the Mossi chief Nagnango Abdoulaye is feared and respected, holding de facto power over local affairs and authority over other chieftains in the area, and de

[84] Interviews 45, 61, 78.

[85] Interviews 33, 34, 35, 55, 56, 57, 58, 59, 60, 61, 62, 66, 133; participatory observations 4, 12; observation memos 15, 35, 36.

facto power over some presidential appointees and revenue mobilization efforts (Decret n° 2014-139/PR du 1 julliet 2014, 2014; "Savanes / CAP 2015 et son candidat confrontés au diktat de plusieurs chefs cantons : Prémisses d ' une campagne électorale tumultueuse pour l ' opposition," 2016; Konkobo, 2015; McKenzie, 1998).[86] He is the dominant source and center of power in this region. I revisit this chief, the local power dynamics, and relevant revenue mobilization strategies in Chapter VIII (Section 2.2).

2.3 Pre-Office Togolais des Recettes (OTR): The Former Revenue Agencies

Prior to the creation of the *Office Togolais des Recettes*, the revenue system in Togo was by many accounts a veritable haven of corrupt behavior (Albertusak, 2014; Cartier, 2012; Togoinfos, 2014a; Zealand et al., 2018).[87] It comprised of two parts. The first, the Direction Générale des Impôts, was housed within the Ministry of Finance and was a standard line ministry department with a normal civil service bureaucratic structure. The second, the Douanes, was also housed under the Ministry of Finance. According to a number of reports, and drawing largely on my interview with the director of the anti-corruption unit at the new revenue agency, both agencies were seen as highly coercive and viewed as predatory policing entities.[88] Particularly in the customs agency, according to some accounts, corrupt behavior in the form of seeking bribes was not only accepted, it was condoned and expected. Those who were unwilling to engage in such activities were somehow removed from the agency or moved to smaller outposts, where potential revenues and/or bribes were few and far between. Corruption was the institutional norm, defining very the system of management. This behavior also stemmed from cultural traditions of expecting gifts in exchange for services.[89]

Prior to its dissolution, the Direction Générale des Impôts was headed by Ingrid Awadé, known colloquially as the "Iron Lady" (Afrika Express, 2015; Koffikan, 2017; Togoinfos, 2014a). From my understanding, this nickname was attributed to her approach to managing the department, treating it as a personal fiefdom. According to some local news sources, she is the richest woman in Togo, allegedly Faure's mistress, and listed often among those close to the president: the small group of "bandits", as referenced by at least one news outlet (Afrika Express, 2015; Albertusak, 2014; Biassi & Lynx, 2014;

[86] Interviews 55, 56, 57, 58, 59, 60, 61, 62, 66, 133; participatory observation 12; observation memos 15, 35, 36.
[87] Observation memos 6, 28, 29; interview 16.
[88] Interviews 2, 16; observation memos 2, 28.
[89] Interviews 2, 16; observation memos 2, 28.

Cartier, 2012; Koffikan, 2017; Lemask, 2017; Sow, 2014; Togoinfos, 2014a). The customs agency was headed by Kodjo Adédzé, who then replaced Gaperi as the head of the new Office Togolais des Recettes agency in the spring of 2017 (AP, 2014; JA, 2011; Kadoasso, 2017; Sonhaye-Napo-Koura, 2017; Togoinfos, 2014b). Under his direction, as under prior directors, the customs agency was regarded as being highly corrupt.[90] According to my internal sources and secondary sources alike, Adédzé is also very close to the President. I return to this in the discussions below of the evolution of the young agency, the OTR.

2.4 Office Togolais des Recettes

The Office Togolais des Recettes (OTR), was legally created in 2012 (Loi N°2012-016 du 14 décembre 2012 portant creation de l'Office Togolais des Recettes, 2012) and became operational in 2014. It is only the second semi-autonomous revenue agency to be established among the francophone West African states (Dom, 2017; Fjeldstad & Moore, 2009; Fossat & Bua, 2013a).[91] The IMF, World Bank, and African Development Bank all appear to have been strong influences in the formation and structuring of the new agency. In particular, the African Development Bank financed two new projects centered on the reform of the revenue system, including the Tax Governance Support Project (PAGFI: 2016–2019; UA 16.7m) and the Resource Mobilization and Institutional Capacity Building Support Project (PAMOCI: 2014–2018; UA 5m) (ADB, 2014, 2016), worth a total of US$30 million. The inspiration purportedly came from a visit by former Minister of Finance Adji Otèth Ayassor to Rwanda's semi-autonomous revenue agency ("Minister MUSHIKIWABO Received Ministerial Delegation from Togo," n.d.; "Togo L'office togolais des recettes (OTR), l'invention aux contours flou," 2013).[92] He allegedly proposed the creation of a semi-autonomous revenue agency in the image of the Rwandan Revenue Authority. The surprise decision to name a foreigner (Henri Gaperi is a Rwandan-Canadian who does not speak French) as head of the new autonomous agency seems to have significantly and positively, if only temporarily, ensured a shift in the trajectory and reform of Togo's highly corrupt revenue system (A.H., 2017; "Office togolais des recettes _ le Rwandais Henry

[90] Observation memos 6, 28, 29; interview 16.

[91] Burundi was the first country in francophone Africa to establish a semi-autonomous revenue agency; Rwanda is a cross-over between anglophone and francophone.

[92] Informal discussions with internal sources from Office Togolais des Recettes.

Gaperi laisse la place au commissaire des douanes Kodzo Adedze – JeuneAfrique.pdf," n.d.).[93]

From many accounts across the entire agency, the decision to place an outsider at the top of the agency also allowed the new entity to create distance between itself and political pressure and interventions.[94] An anti-corruption unit was created and headed throughout my five month tenure at the agency by a very energetic, motivated individual who was constantly accompanied by three bodyguards, both at home and at the office, for fear of his life from all corners of the country. He was very significantly empowered by Gaperi, the head of the OTR, and at least from his account (together with corroborating accounts from fellow middle and senior managers throughout the agency) did not fear political intervention and was protected and buffered so that he could carry out his work without obstruction. In our interview, he emphasized that his work would be impossible without political will and backing.[95]

While the predecessor to the OTR, the Direction Générale des Impôts (DGI), was a line ministry department with all of the standard related civil service protocols, the OTR was structured similarly to the semi-autonomous revenue agencies emerging across the continent, along the lines of New Public Management theories granting operational autonomy and structuring contracts based on performance objectives (Dom, 2017; O.-H. Fjeldstad & Moore, 2009; Kettl, 2005; Therkildsen, 2000, 2009; Volti, 2007; von Haldenwang et al., 2014; Wild & Denney, 2011). Like other semi-autonomous agencies, while still answerable to the Ministry of Economy and Finance, the OTR was granted independence in decision-making, hiring, resource allocation, strategic and operational planning, employment terms, and all other relevant aspects (Loi N°2012-016 du 14 décembre 2012 portant creation de l'Office Togolais des Recettes, 2012; "Strategie De Croissance Acceleree Et De Promotion De L'Emploi (SCAPE)," 2013; Ntagungira, 2015; Togolais, 2017). All of the staff from the former Direction Générale des Impôts were relieved of their positions and required to reapply for positions and undergo testing for the mid- and senior-level positions.[96] Those who were within two years of retirement were generally forced into early retirement, allowing the agency to bring in new

[93] Observation memos 2, 37.

[94] Interviews 2, 8, 10, 12, 16, 21, 33; participatory observation 17; observation memo 36.

[95] Interview 016.

[96] Interviews 10, 12; observation memo 37; informal discussions with staff from the Office Togolais des Recettes.

blood and break some of the links to former (read: corrupt and inefficient) practices.[97]

Throughout the agency, in almost every interview I conducted within the OTR, staff spoke of the performance objectives they had to reach to maintain their respective contracts.[98] The pay-scale was better than for line ministry civil servants, and a number of Togolese informed me that many aspired to an OTR agency job, given the opportunity and salaries associated with it.[99] It was, in fact, viewed as one of the most preferred employers in the capital. Accordingly, staff seemed very motivated to carry out their mandate, given the performance objectives tied to their contracts.[100] This is important for our work, as these motivational factors impacted their behavior and choices in the implementation of the fiscal code—and specifically, their mandate within this system. I observed individuals at all levels working very long hours, some who managed to be repositioned from the old agency into the new one, working for years without vacation.[101] Many departments were marked by an atmosphere of urgency and sincere effort. From observations and many discussions, agents at all levels within the Commissariat des Services Généraux (CSG), Commissariat Général (CG), and Commissariat des Impôts (CI) (somewhat less so in the customs Commission, but it varied by department and staff member), gave the impression of having to support the mission of generating as much revenue as possible.[102] There rarely seemed to be something to "hide," so to speak; and senior managers or mid-level managers sometimes even stated as much in interviews.[103] But the reputation of the former agency, the DGI (Direction Générale des Impôts)—in particular, its reputation for coerciveness and corruption, which greatly weakened the legitimacy of its efforts—cast shadows on their efforts.[104] As seen in some of the cases below, street-level agents in particular frequently faced fear and anger among citizens who resented their presence. Some were attacked or threatened.[105] Citizens expressed dismay at how the new agency often imposed taxes as mandated, as they were accustomed to being able to "make arrangements" (i.e. bribes, etc.)

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97 Observation memo 37.

98 E.g., interviews 10, 12, 17, 24; participatory observation 4; informal discussions with OTR staff.

99 Observation memo 2; informal discussions with Togolese citizens.

100 E.g., interviews 10, 12, 17, 24; participatory observation 4.

101 E.g., interviews 13, 33, 41.

102 Interviews 17, 25; participatory observations 4, 8.

103 E.g., interview 8.

104 Interviews 2, 10, 16, 24, 46; observation memo 2.

105 Interviews 24, 25, 26, 33, 39, 40, 49, 55, 60; participatory observations 4, 10, 12.

with tax agents.[106] The OTR was also attempting to impose taxes on much broader swaths of the population than it had until recently, but often left to their own devices.

Henri Gaperi was relieved of his position as agency head in early 2017, shortly after my departure. He was removed by president Faure without any reason given publicly. He was replaced by Kodjo Adédzé, the head of the customs agency, who had maintained that position since 2011, prior to the OTR being established (AP, 2014; Kadoasso, 2017; "Office togolais des recettes: le Rwandais Henry Gaperi laisse la place au commissaire des douanes Kodzo Adedze" n.d.). In the ceremony passing leadership from Gaperi to Adédzé, Minister of Finance Sani Yaya notably called on the new director to "loosen the vise on corporate taxes and in general be flexible in tax matters" (I.K., 2017).[107] According to a credible source, he immediately set a different tone in the agency.[108] Where Gaperi appeared to set a tone of no tolerance for corruption, revenue actors at middle and upper levels began to sense a shift in what was acceptable behavior when carrying out the mandate. And the agency, which had been shielded in principle from political interference under the semi-autonomous organizational structure, now found itself with a highly politicized figure, close to the President, now heading the agency. In the protests that were flooding the streets of Lomé, led by Tikpi Atchadam, senior directors were firmly pressed by Adédzé to accompany him in manifestations to support the president. Adédzé is the regional vice-president of Faure's political party, UNIR, and has organized demonstrations and given speeches in support of the president (Didier, 2016; Staff, 2018a; Tchako, 2018).[109] The revenue agency, which continued to struggle on organizational and individual levels to overcome the reputation and weak legitimacy of the former, corrupt agencies of customs and the DGI, has since been solidly re-immersed into the informal political order controlled by a coterie of elites close to the president.

2.5 Revenue Pressure in Togo (2012–2017)

In 2016, numerous factors coalesced to create pressure on the state to generate more revenue than in previous years. These included financing the government's debt, external economic shocks and related loss of revenues from trade

[106] Informal discussions with citizens during fieldwork, including neighborhood residents, guests at local social events, taxi drivers, etc.
[107] "Il a ensuite appelé le nouveau commissaire à desserrer l'étau des impôts qui pèse sur les entreprises et à être souple en matière de la fiscalité."
[108] Observation memo 37; interview 133.
[109] Observation memo 37; interview 133.

taxes, and general pressure from donor partners to improve domestic revenue mobilization.

While the government had finalized its debt forgiveness program with its development partners in 2010, reducing its total debt burden from 52% to 17% of GDP, that number increased again rapidly, largely in the interest of extensive infrastructure programs supported by development partners (i.e. roads and major port improvements). By 2016, total debt had far surpassed the forgiven debt of only a few years prior, reaching 80.8% of GDP (BTI, 2016a; IMF, 2017). Financing this debt now consumed an enormous part of the government budget—one-quarter to half of the entire budget—as reported by various sources (IMF, 2017, p. 8; Veille Economique, 2016, p. 10). And indeed, the very donors who provided the bulk of these funds also pressed the government to prioritize debt servicing over social spending, largely displacing public goods and services provision in 2016 (IMF, 2017, p. 7), a point which becomes relevant in our discussions of public protests over the right of the government to impose the Taxe d'Habitation (*weak legitimacy*).

Secondly, by early 2016, Togo was already feeling the effects of external shocks from its major trade partner, a neighboring[110] economic giant. Nigeria's economic woes would lead to a massive devaluation of their currency, accompanied by a major loss in purchasing power and the sharp decline in demand for goods (re-)exported from Togo (and Bénin). Revenues from regional trade (including transit and re-exports) were falling far below targets for the first time in many years (IMF, 2017).[111]

In addition, the state's development partners, extending significant funds to Togo, were including improvements to revenue mobilization efforts as part of the criteria for additional credit extensions (ADB, 2014; IMF, 2015; "Strategie De Croissance Acceleree Et De Promotion De L'Emploi (SCAPE)," 2013). A new revenue agency had been formed with extensive technical and financial support from the African Development Bank in 2014 (ADB, 2014). Part of the initiatives undertaken by the new semi-autonomous revenue agency, the Office Togolais des Recettes, was to streamline the customs process at the recently renovated Port of Lomé and reduce the potential for corruption and "leakage." The state's revenue budget target increased to 20% of GDP (Loi n° 2016-001 portant loi de finances gestion 2016; *Taxe d'Habitation ou l'Aggravation de l'Injustice Sociale au Togo*, 2016, p. 2). The domestic revenues target had been 17% of GDP the previous year. Between 2005 and 2012,

[110] Bénin sits between Togo and Nigeria, but Nigeria represents the major trade partner for both of the economies, which it dwarfs in both population and GDP. Nigeria has a population of 150m, Togo 8m.

[111] Participatory observation 08; interviews 25, 66.

the tax/GDP ratio had hovered between 15.3–16.6% of GDP.[112] Among the improvements aimed at improving revenue mobilization was support from development partners for the creation of the new agency and improved processes, along with the established goals of improved revenue mobilization targets and revenue system efficiency.

While these improved procedures meant that more of the collected customs revenues were actually making their way to the state's coffers, the reduced ability to bribe customs officials to avoid some customs fees had ironically also dis-incentivized the use of the port by regional traders, diverting some trade away from Togo (IMF, 2017, p. 10). In summary, some of these reforms meant that the government lost some customs revenues, one of its primary sources of income.[113] This produced further pressure on revenue yields.

Section 3 Political Economy of Bénin's Revenue System

Bénin also numbers among the poorest countries in the world (Bertelsmann Stiftung, 2018; BTI, 2003; Koter, 2017; World Bank, 2015b). An estimated 64% of the population spend less than $1 a day, most of the population living in absolute poverty. GDP per capita is $790, down from $944 in 2014.[114] While low, these figures are double what they were a decade ago—until 2005, GDP per capita remained under $400 (in current values).[115] Government revenue per capita is $170.[116]

Bénin has no significant extractive resources, and while its economic growth in recent decades has been respectable,[117] much of this was "artificial," largely dependent on international aid to finance public investment, together with international prices for its key agricultural commodity: cotton; at least until the mid-2000s (ADB, 1999; BTI, 2003, 2006; Gilbert et al., 2008). The informal economy is one of the largest in the world, with an estimated 90.4% of the "active population" engaged in informal, largely subsistence, agricultural economic activity (Benjamin & Mbaye, 2012; Bensassi et al., 2017;

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112 Tax revenue (% of GDP), International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates.

113 Interviews 17, 53, 66.

114 Source: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BJ, latest figures (2016), accessed May 2018; in 2014.

115 Source: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BJ

116 Population and Government Revenue statistics from: ("CIA World Factbook," n.d.), accessed February 2016, own analysis.

117 Averaging 4% over the last decade through 2017, (WB, 2017, p. 2).

BTI, 2018a; WB, 2017). A large portion of the national income is derived from the illegal smuggling of Nigerian oil through Bénin's porous eastern borders, as well as the illegal import and re-export of used vehicles and other merchandise to Nigeria, given Nigeria's high, protectionist trade barriers (Allen, 1992; Bozonnet, 2015; BTI, 2018; Cessou, 2016b; Corso, 2017; Golub, 2012; IMF, 2013; Ndoye, 2014).[118] Only 15% of the vehicles imported to Bénin are licensed *in* Bénin (Bolouvi, 2004; BTI, 2018; Golub, 2012; Walther et al., 2012). Contraband petrol accounts for 70-80% of the petrol industry (BTI, 2018; Cessou, 2016b; Golub, 2012; IMF, 2013; Ndoye, 2014). These informal traders, known as the Kpayo, are organized politically and negotiate with the government.

The government has made attempts at controlling the industry and cracking down on smuggling, but it has only served to undermine the government and weaken growth (BTI, 2006, p. 10). For instance, in 2004 growth declined to 3% from a high of 6% in 2002, largely due to government efforts to impose stronger controls on smuggled petrol and re-exports. Slow progress on privatization is also an issue—some of the economy remains in government hands as parastatal companies, a legacy from the communist/ marxist era of 1972–1990 (Allen, 1992; BTI, 2006). Former President Yayi initated the privatization of the telecomms industry (discussed in chapter VIII) and current President Talon has promised to push these efforts forward (BTI, 2006, 2018; Development & Group, 1999; T. Review et al., 2016). Directorships of these parastatal firms are often lucractive positions given to key political allies (BTI, 2003, p. 7, 2018, p. 4).

While there are no significant ethno-dominant groups, the country has been divided regionally between north and south, the southern part socially divided along historical lines: Ouémé Province to the west roughly encompasses the ancient kingdom of Porto-Novo, and the former Dahomey Kingdom now comprises the Zou and Atlantique provinces (the capital of Bénin is Porto-Novo, but the seat of government is in Cotonou, the country's largest city and economic capital) (BTI, 2003, 2018; Caldeira, 2011; Caldeira et al., 2015). Recent President Thomas Boni Yayi (2006–2016) was perceived to have privileged the northern provinces (Atakora, Alibori, Borgou, and Donga), while President, Patrice Talon (2016–present) appears to be favoring the southern region (BTI, 2018, p. 7).[119] Talon's presidency also appears to

[118] Interview 88.

[119] Also, interview 88. However, there are counter perspectives on which parts of the country supported Yayi. For instance, from Caldeira et al.: "When Boni Yayi was elected, he affirmed his desire for political openness. His fiefs are concentrated in the south of the country, in particular, Atlantic, Collines and Mono. Finally, over the

present a shift in that the southwest and southeastern departments are normally split, but both regions supported his regime.[120] Ultimately, while there are real trends of ethno-regional political cleavages, Bénin's politics are characterized by fragmentation (Basedau & Stroh, 2011; Jury, 2011; Magnusson, 1997).[121]

3.1 Brief Overview of Bénin's Political Regime

Bénin, hailed as a one of Africa's "most stable democracies"[122] and a model for democratic transition since 1991, appears to be stagnating in some ways and even regressing in terms of governance (Awoudo & Adoun, 2012; Banégas, 1998, 2014; BTI, 2003, 2018; Laleyè, 2014; Lassou, 2017; Messner et al., 2015, p. 11; MIF, 2016). While scoring fairly well in the Freedom House rankings for political rights and liberties, Benin has been falling in Fragile States and African Governance indexes over the past decade (Freedom House, 2017; IIAG, 2016; Messner et al., 2015), weakening in *Public Management* and *Corruption in Government and Public Officials* (see Figure 28), and has significantly declined in *Rule of Law and Safety* (ironically, Togo is one of the few countries on the continent to exhibit notable improvements in human development and governance over the past decade, albeit starting from a very low position). (Comparatively, from these rankings, we can see that Togo, while starting from a low or average position, depending on the ranking, has appeared to make slight improvements in recent years compared to Bénin and in some rankings, on the continent in general.)

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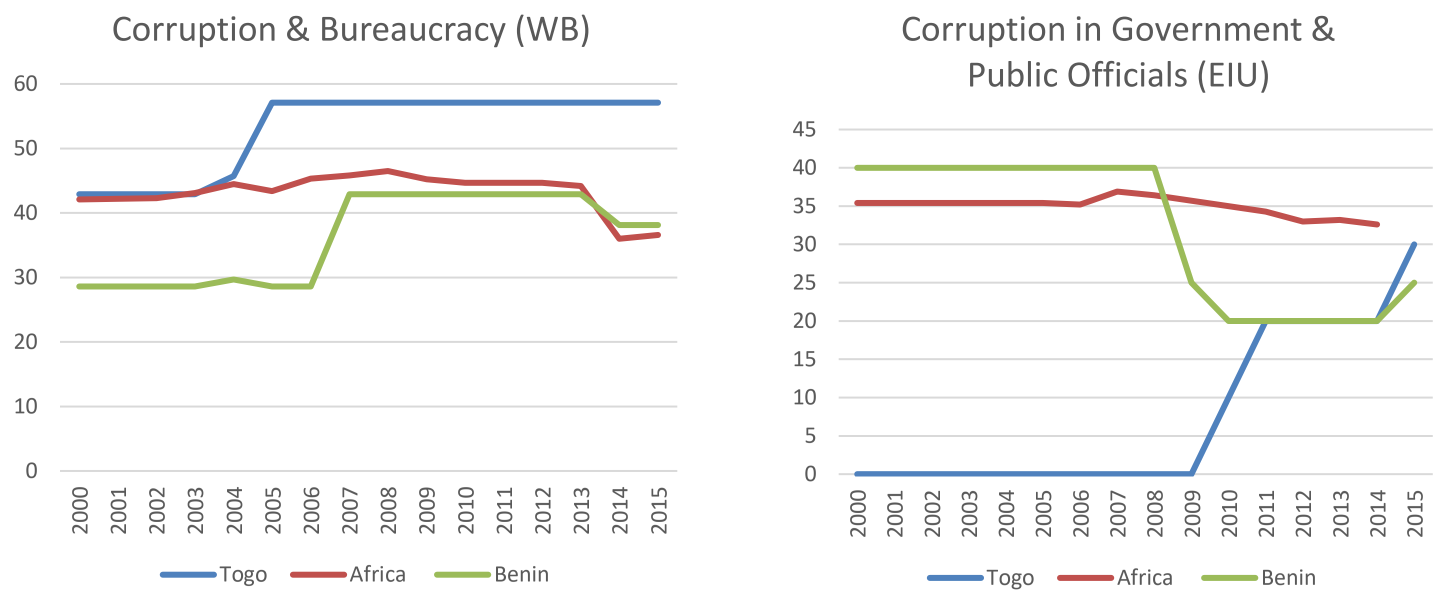
whole time period, about 40% of the departments have shared the same partisan affiliation as the President in office" (Caldeira et al., 2015, p. 50, Footnote 50).

[120] Also, interview 88. However, there are counter perspectives on which parts of the country supported Yayi. For instance, from Caldeira et al.: "When Boni Yayi was elected, he affirmed his desire for political openness. His fiefs are concentrated in the south of the country, in particular, Atlantic, Collines and Mono. Finally, over the whole time period, about 40% of the departments have shared the same partisan affiliation as the President in office" (Caldeira et al., 2015, p. 50, Footnote 50).

[121] Interview 88.

[122] BBC, "Bénin Country Profile," Accessed 22 November 2017. URL: http://www.bbc.com/news/world-africa-13037572. See also Freedom House Index, Bénin Profile 2017. URL: https://freedomhouse.org/report/freedom-world/2017/benin.

Figure 28. Corruption ranking trends for Bénin, Togo and African Continent (2000-2015)



Source: Composites from Ibrahim Index of African Governance, IIAG:
Figure A ranking from World Bank; Figure B ranking from the Economist Intelligence Unit. (The higher score signifies better performance).
Accessed May, 2018, analyzed by author.

President Mathieu Kérékou established a one-party Marxist-Leninist regime in 1972 (one of the few formally communist systems on the continent), and remained in power as dictator until 1990 (Awoudo & Adoun, 2012; BTI, 2003; Humphreys & Demangel, 2000; Magnusson, 1997; Seely, 2005; Wantchekon, 2003) (he later returned as a democratically elected president and served two terms). With the fall of the Berlin Wall and a collapsing communist bloc, Bénin lost its patron (the USSR) and found itself with empty coffers. To manage the massive revenue shortfall, the government stopped paying its bills. The civil service went on strike, protesting unpaid wages. In December 1989, Bénin's "clandestine" radical communist party led tens of thousands of protesters in calling on the president to resign. Within weeks, the regime was on the verge of collapse (BTI, 2003; Seely, 2005). To diffuse the political crisis and attract desperately needed Western aid, the president provided a forum for national debate regarding the future of the country. The National Convention, unprecedented in francophone Africa, convened in early 1990 (BTI, 2003; Heilbrunn, 2018; Hyden, 2005; Laleyè, 2014; Magnusson, 1997; Seely, 2005). The communist party refused to participate, meaning that more moderate and pro-democratic leaders—union leaders, regional elites, the heads of newly minted political parties, students and local development oreganizations—emerged to shape the political future of the country. The body declared themselves sovereign as the transitional government and wrote a new constitution, including two-term limits for the presidency. President Kérékou, who had expected the forum to earn him credibility with the Bretton Woods institutions, instead found himself disposed. He grudgingly accepted the decisions of the National Conference and the new constitution. One year later, in the first presidential election, unexpected to many, he participated in the presidential election but lost to Nicéphore Soglo. After a six-day disappearance, Kérékou secured a promise for future immunity from the transitional government and ceded victory to Soglo.

Relevant to our analysis of the political efficiency of potential revenues and revenue pressures, Kérékou's priorities during this crisis of the regime's legitimacy were largely motivated by an urgent need to fill massive revenue shortfalls. Corrupt agents had siphoned off much of the state's remaining resources from the collapsed soviet bloc. With the loss of his political patron, Kérékou recognized that his communist regime was objectionable to Western financial institutions, such as the IMF, World Bank, and EU (Heilbrunn, 1993; Magnusson, 1997; Seely, 2005). In order for any Béninois government to survive, external financing was essential. There was nowhere else for Kérékou to turn to secure revenue for the state. Thus, even when the national convention insisted on sovereignty, and then on term limits for the presidency, and then on his resignation, at each turn he conceded to their demands. The country gained the infusion of aid from the IMF and World Bank which it so desperately needed to function (Heilbrunn, 1993; Magnusson, 1997; Seely, 2005), but the president ultimately lost his power.

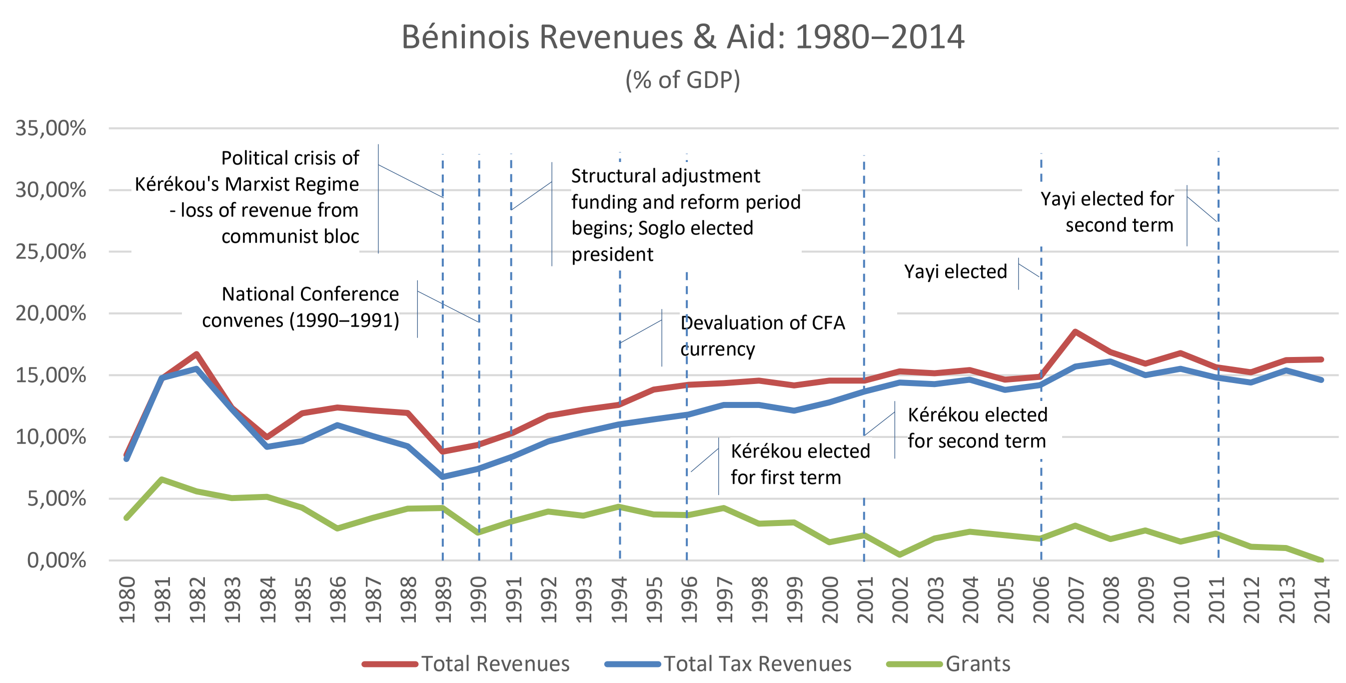
President Soglo was ill-fated to preside over the period of economic shock in the early 1990s, navigating a largely essential but painful structural reform program (Heilbrunn, 1993; Piccolino, 2015a; Seely, 2005). The political and economic transitions of the country were parallel and simultaneous, the economic element depending partly on the outcomes of the political. Reforms were wide-reaching and in keeping with structural adjustment programs, which the IMF was implementing as highly concessional lending across the developing world.

In Figure 29, I provide a timeline of major political-economy events in Benin, against a backdrop of the revenue generation each year, including total grants from development partners and taxes as a proportion of total revenues.

Structural adjustments were focused on promoting economic growth and, more urgently, managing major budget shortfalls and debt. The program included fiscal reforms, trade liberalization programs, restoration of the balance of payments, infrastructure development, devaluation of the CFA currency (in 1994), along with inflation stabilization, the privatization of state enterprises, and reducing the civil service by 7000 (from 37,200 in 1989) over the decade (AFD, 2003; BTI, 2003; Development & Group, 1999; Heilbrunn, 1993). Fiscal reforms included the abolition of export taxes; creation of a VAT (1991); instituting more controls for imports; reviving, capping, and simplifying other import taxes; simplifying property taxes; simplifying income taxes and capping rates; unifying corporate income taxes into one; enhancing transparency in the application of tax exemptions; and adjusting exchange rates with the devaluation of the CFA currency in 1994 (AFD, 2003, pp. 8–9). Most of the fiscal reforms focused on lowering and simplifying rate structures. Trade, property, and income taxes were the focus of most of these reforms. While trade revenues, as a result of the structural adjustment program, dropped off sharply, revenue yields overall slowly grew over the course of the decade, from a low of 9.4% (of GDP) in 1989 (Figure 29) to 15% (AFD, 2003, p. 9). By the late 1990s, trade revenues again overtook domestic (internal) taxes (see Figure 30[123]). The government received financial aid on the order of 2.25–4.35% of GDP throughout the decade.

[123] In Figure 30 I present the breakdown of domestic (internal) versus external (trade) revenues in Bénin's total revenue envelope. I also present their non-tax revenues, which is negligible.

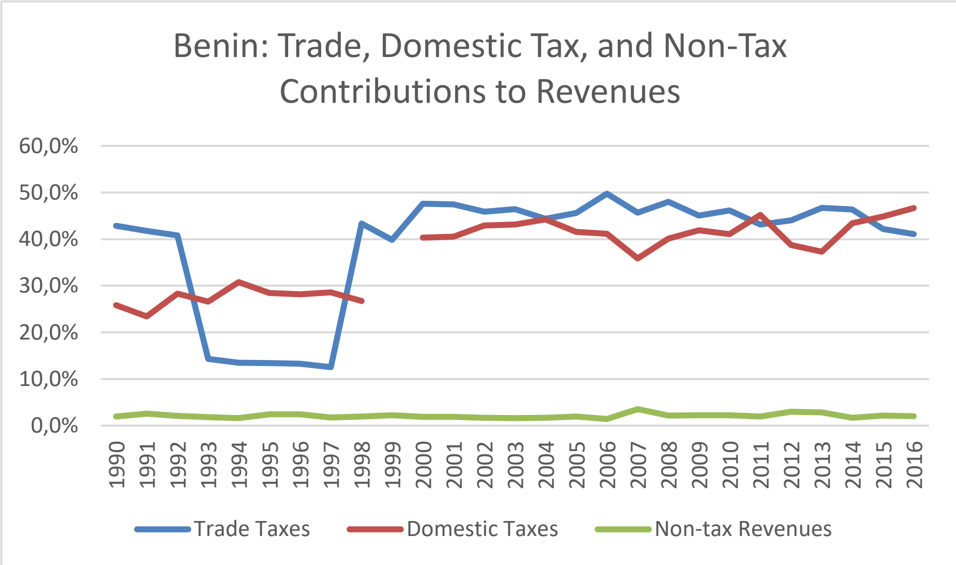
Figure 29. Bénin’s revenues and major political events



Revenues statistics source: Government Revenue Dataset, UNU-WIDER. Accessed May, 2018, analyzed by author.

President Soglo, in an effort to curb the far-reaching impact of the massive currency devaluation, abolished the civic tax, a head tax abhored by the Béninois. Local governments which had been financed by this tax suffered, often resorting to informal revenue mobilization strategies to make up substantial revenue shortfalls (Magnusson, 1997).

Figure 30. Bénin's non-tax, internal (domestic tax) and external (trade tax) sources of revenue



Sources: BCEAO Statistics: Trade = Commerce sur le Exterieur as a % of Recettes Fiscales; Domestic = Direct and 'Autres'; Non-Tax = Recettes Non Fiscales; all figures as a percentage of Recettes Totales hors Dons (Revenues besides grants. Calculations were necessary to arrive at base figure for the years 2005–2016 – Recettes Totales et Dons less Dons Total). Also, as cautioned by BTI and others, all statistics for Benin should be treated with even greater precaution than for many other low-income states. Within these statistics, it is evident that data is missing for 1999.

During the first decade in the new millenium, many of the structural adjustment reforms stagnated (BTI, 2003). While growth was positive throughout the 1990s and since 2000, little progress was made on a number of of structural reforms, including the privatization of public entreprises and civil service reforms. However, in the arena of tax reforms and trade liberalization, a number of successes were achieved in the aftermath of the currency devaluation and painful structural adjustments. The VAT was implemented in a top-down technocratic fashion under Soglo, and was extended to additional products between 1994–1997. Property taxes, corporate income taxes, and import taxes were simplified, import taxes were re-imposed, export taxes abolished, and tax exemptions were restricted. Revenues between 1989 and 1999 increased from 9.4% to 16.1% of GDP (Development & Group, 1999, pp. 8–9; Piccolino, 2015a). Tax reforms since this period, and in some ways continuing until the present, have been driven by external and internal experts and technocrats (Piccolino, 2015a, pp. 567–568). In addition, the process of decentralization, a committment from the days of the national convention, was first being implemented at the turn of the century (more on this in the next section).

In 1996, Soglo lost the presidency to the former dictator, Kérékou, who campaigned on a platform of anti-corruption (BTI, 2003; Magnusson, 1997; N'Zué, Olayiwola, & Jalloh, 2012; Songwe, 2016; Wantchekon, 2003). The country, reeling from economic shock, particuarly resulting from the currency devaluation in 1994, and appreciating the new democratic credentials of their former dictator given his handling of the National Convention, elected him president (BTI, 2003; Seely, 2005). Corruption had already become a major problem in the young democracy—and despite a number of initiatives and forums created under Kérékou's first term and many others since, it is a problem that persists until this day (Allen, 1992; Atcha & Talon, 2017; Awoudo & Adoun, 2012; Bako Arifari, 2005; Bensassi et al., 2017; Blundo et al., 2006; BTI, 2003, 2018; CERTI, 2007; Couronne, 2015; Eyébiyi, 2010; Messner et al., 2015; MIF, 2016; USAID, 2007). Kérékou won a second term in 2001. In 2006, he respected constitutional term and age-limits and stepped down. Thomas Boni Yayi won the 2006 election. The election reaffirmed the generally fractured irrelevance of political parties in Bénin's political arena. Instead, as continues to be the case to the present day, regional political strongmen and economic elites maneuver through and among political parties in informal, non-transparent coalition processes (in 2003 there were 160 registered political parties, and unstable alliances frequently shift) (Awoudo & Adoun, 2012; Bierschenk, 2006; BTI, 2003; Laleyè, 2014). Yayi won a second term in 2011, but by such wide margins that many suspected fraud. Patrice Talon, the cotton king of Bénin (and president succeeding Yayi in 2016) largely underwrote both the 2006 and 2011 election campaigns for Yayi, reportedly receiving preferential treatment and lucrative contracts in exchange (BTI, 2018; Koter, 2017, pp. 585–586). Issues of corruption took a marked turn for the worse under his tenure (see Figure 28), and the IMF was vocal about their concerns for Yayi's lack of transparency in the government's fiscal affairs in the last year of his presidency (BTI, 2018, p. 3).

In 2016, one of the wealthiest businessmen in Bénin became president: Patrice Talon (BTI, 2018; Freedom House, 2017; Koter, 2017). Talon is the dominant figure in Bénin's primary agricultural export: cotton. His companies also played a major role in the management of the Port of Cotonou. These business interests likely motivated his presidential aspirations. During Yayi's second term, the "Talon affair" had embroiled the media: Talon, Yayi's most prominent advocate and financial supporter, was accused of plotting against and poisoning the president. The president, in turn, canceled Talon's contracts with the Port of Cotonou (Banégas, 2014; BTI, 2018; Koter, 2017). By gaining the presidency, Talon secured his own complete control over the cotton industry: his private company (Societe pour le developpement du Coton, SODECO) owns the 51% controlling stake in an equity-shared contract with the government. As president, he now also holds the other 49% SODECO company shares, as the country's head of state (BTI, 2018, p16).

President Talon campaigned on a major reform and anti-corruption platform. To demonstrate his sincerity concerning reform and improved governance, he promised to serve only one term and expressed an ambition to change the presidential term limits to a single term (BTI 2018). He expressed his desire to reform the practice of clientelistic-motivated appointments to key positions—particularly the lucrative parastatal firms. However, the initial evidence stands somewhat to the contrary: in his first year as president, many key posts and directorships were filled by his political allies (BTI 2018).

3.2 Brief Overview of Bénin's Political–Administrative Structure of Governance

In 1998, Benin's decentralization process began (Bako Arifari, 2005; Bierschenk & Olivier de Sardan, 2003; Caldeira et al., 2015; Development & Group, 1999; Jury, 2011; Magnusson, 1997; Seely, 2005) (albeit currently re-centralizing in some ways[124]). The question of decentralization, "enshrined" in the constitution, had been raised as a specific national issue by the convening of an "estates general" in 1993 in keeping with the precedent set by the National Convention (Bierschenk, 2006, p. 547; BTI, 2006; Seely, 2005, p. 370). Since the beginning of the structural adjustment program, donors had been heavily pressing the state to devolve power and initiate local elections (Bierschenk, 2006). In January, 1999 the legal basis for local government financing was provided (Loi n° 98-007 du 15 Janvier 1999 Portant Régime Financier Des Communes, 1999). A key provision for local government revenues was a local development tax (Article 10), which was established without any specification of the tax base or modality of imposition. Instead, as discussed further in Chapter XI (Section 2.1), the levy would be mobilized from the "main resources of the municipality," leaving local governments to develop their own revenue generation strategies (OCS, 2009a).

Prior to local elections, local politics very much fit the classical political settlement and limited access order descriptions of an informal political order dominated by local elites presiding over clientelist networks. Bierschenk described the dynamic as a "negotiated political order" (2006, p. 550). Lacking coercive and administrative power to control much of its territory beyond

[124] Interviews 95, 105.

basic administrative apparatus and infrastructure, the central government was simply able to exert little control beyond the capital (Bierschenk, 2006). The first local elections of 2002 involved some violence (see Bertelsmann Stiftung, 2003, p. 3), and voter participation levels were high or low, depending on perspective—Bierschenk (2006) cites very high levels of participation among registered voters, but the BTI (2003, p. 5) calibrates this perspective given that only 20% of eligible voters registered to vote. The enthusiasm of the early 1990s would appear to have dampened somewhat a decade later. Some attribute the shift to the undemocratic, non-transparent management of political parties (Bierschenk, 2006) and corruption (Banégas, 1998, 2014; Koter, 2017). While Benin is praised for its leadership in the formal democratic system, political parties are not themselves democratic institutions (this is important for our analysis, as it speaks to the political order dynamics that revenue actors must navigate). Most of the plethora of political parties are dormant groups, erected to secure a government position for the party leader following elections. Only a few key parties and party alliances dominate the actual representation in parliament and election results. These alliances are controlled by key regional political strongmen. And in local elections, much of the north was won by the party associated with Kérékou, where his regional allegiances lie. Former President Soglo's party would dominate in Cotonou, while in the south-west, in Porto-Novo, another major opposition leader's (Houngbedji) party would win (Bierschenk, 2006, p. 552). Elections and political party management are largely a story of symbiosis between political and economic elites—where a few prominent businessmen are largely responsible for financing campaigns but are highly dependent on government contracts. This has created a feedback loop between business and politics which has perpetuated the cycles of corruption since the early days of the new democracy (Bierschenk, 2006, pp. 558, 549). Local politics, then, are dominated by political strongmen and "intermediate organizations," including strong trade unions, traditional chiefs and kings, and prominent businesses. These "intermediate organizations" often carry out their own modes and means of taxation, often coercively, of their own accord and for their own purposes (Bierschenk, 2006, p. 550). The central government, then, while never fully able to control local power and revenue mobilization prior to local elections, has certainly lost or at least remains the weaker power vis-à-vis local political elites and many non-state actors in the process of decentralization.

According to recent case studies, the main sources of local revenues for municipalities have been property taxes and licenses—the *patente*—a tax formulated on the basis of the French *patente* (Caldeira et al., 2015, p. 11;

Chambas et al., 2008).[125] These represent an average of 90% of local revenues, and local finances supported 70% of local budgets on average. According to these same case studies, local revenues represent 4.5% of the country's total tax revenues and 0.7% of GDP (Caldeira et al., 2015). But in absolute terms, for small and particularly rural communes, this financing is meager—for four small, rural, northern communes in the Caldeira et al. report, local government revenues per capita ranged from $0.31 to $1.58.[126] But there is another important facet to local revenue systems—the same aspect that is critical to the national government's survival: donor aid. Millions of dollars flow into local communities via Non-Governmental Organizations (NGOs), bilateral, and even multilateral donors (Bierschenk, 2006; Caldeira et al., 2015).

3.3 Bénin's Revenue System

Benin's revenue system is housed within the Ministry of Finance and divided according to a traditional administrative structure as the Direction Générale des Impôts (General Directorate of Taxation, DGI) and the Douanes. There has yet to be any discussion regarding a shift to a semi-autonomous revenue agency. Both agencies, but particularly the customs authority, are reported to be some of the hotbeds of corruption in a country rife with systemic, endemic, corrupt practices (Bako Arifari, 2005; Golub, 2012; Piccolino, 2015a; USAID, 2007). An estimated 10% of taxpayers in Benin contribute 80% of revenues ("Bénin: les réformes et innovations de l ' administration fiscale portent leurs premiers fruits," 2018; Piccolino, 2015b).

3.3.i Direction Générale des Impôts

According to a number of internal sources, the DGI has been understaffed for many years. In fact, many of my sources stated that there had been no hiring in many DGI departments in the past 10–15 years.[127] Accordingly, many persons are found to be filling multiple roles simultaneously. One man represents the entire statistics department. The agency is piled high with stacks of paper documentation along corridors and hallways, computers are frequently very old and plagued by viruses, and internet connections are often non-existent.

[125] Interviews 95, 195, 124.
[126] Communes: Bassilia, Cobly, Kandi, and Kari-Mama; see Caldeira et al. (2015, p. 4).
[127] For instance, interview 120; observation memo 34.

3.3.ii Douanes (Customs Authority)

The agency is reputed to be highly corrupt. In the two interviews conducted inside the agency, mid-level managers explained how the agency was a paramilitary force and often used its coercive privileges for personal gain. For a number of reasons, including time and a lack of willing contacts, I was unable to obtain full access to the customs agency. Consequently, I only managed to conduct three interviews with personnel from the headquarters and obtained the rest of my empirical material from interviews outside the agency and online reports, as was possible.

3.4 Revenue Pressure (2012–2017)

By mid-2016, there were several factors that were placing significant fiscal pressure on Bénin's available revenues. The first was two national elections in 2015 and 2016, and the second was the devaluation of the *naira* in neighboring Nigeria. Each likely contributed to the revenue actors' opportunistic behavior towards the multinationals in the telecom industry.

In the fall of 2015, when the telecom firms faced significant and unexpected tax increases, the Béninois government was preparing for the second round of elections in March, 2016 (Creppy, 2013; "MTN has a new headache: Benin," 2017; T. Review et al., 2016; WB, 2017). In a poor state, elections can consume much of the state's annual budget, upwards of 10% of the budget (Rohwerder, 2014). These costs can vary dramatically. For instance, recent regional elections in Sierra Leone and Cote D'Ivoire were estimated at $25m and $380m, respectively (Gelb & Diofasi, 2016). While I was unable to determine the total estimated cost of the 2015 or 2016 elections in Bénin, just the cost of voter registration for the 2011 elections was estimated at $52m (Laleyè, 2014). Donors refused to finance the registration, and it had to be supported entirely from Bénin's domestic budget (Creppy, 2013) (Bénin's annual internal revenues for 2011 were equal to $1.56bn[128]). In fact, in 2013, to finance another round of voter census and registration, the president of the COS-LEPI voter commission suggested that the government negotiate on an ad hoc basis with telecom firms and temporarily adjust cellular regulatory fees (Christian Ebeke & Olcer, 2013; Songwe, 2016).

In addition to formally budgeted allocations for the election cycle, a 2013 IMF report found that government spending in low-income states tends to increase significantly in election years due to incumbents using the "public purse" for their campaigns (Couronne, 2015; Koter, 2017). In a country such

[128] Bénin's 2011 annual budget was 824,691 million FCFA, equal to US$1,566m. Statistics from Bénin's Finance Act of 2011 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016).

as Bénin, which has notoriously high levels of corruption and vote-buying among politicians (Aziken et al., 2017), there were rather high levels of public purse-raiding and uncontrolled expenditures (WB, 2017, p. 1). In the 2016 presidential elections, one candidate alone was estimated to have spent $32m on his campaign (Muhammadu, 2018; Ohuocha & Mayowa, 2018; Staff, 2018b). Given that Bénin held parliamentary elections in 2015 and presidential elections in 2016, election cycles in both years placed significant formal and informal fiscal pressure on the national budget and, accordingly, on revenue mobilization (WB, 2017, p. 1).[129]

Secondly, by mid-summer 2016, the Nigerian economy was imploding due to falling oil prices. The decline was already impacting Nigeria in mid-2015 (Bousquet, 2016; FT View, 2016; Ohuocha & Mayowa, 2018; Onigbinde, 2016; WB, 2017), they officially de-pegged their currency in June 2016, which fell by more than 30% on the first day and upwards of 60% in annual terms (Bousquet, 2016; Kersting, 2016; Ohuocha & Mayowa, 2018).[130] The devaluation and weakened trade capacity negatively impacted their small, economically-dependent neighbor, Bénin (Bousquet, 2016; FT View, 2016; Ohuocha & Mayowa, 2018; Onigbinde, 2016; WB, 2017).[131] Trade with Nigeria (in particular, re-exports and commodity transit) traditionally represents a significant portion of the country's revenue yields (Bousquet, 2016; BTI, 2003; Humphreys & Demangel, 2000; T. Review et al., 2016; Walther et al., 2012). For example, Nigeria has placed substantial fees on the import of many products, such as second-hand vehicles, at their port in Lagos. Instead, Béninois entrepreneurs import a high volume of used vehicles from Europe and the US, many of which are re-exported to wealthier Nigerians via the land-border (rather than their costly port) at the rate of 15,000 vehicles per month. The Bénin customs authority generates significant revenues from this re-export economy. After the devaluation of the Nigerian currency in the autumn of 2016, however, the rate of used-vehicle re-exports fell from 15,000 to 2–3,000 per month ("Monterrey Consensus on Financing for Development," 2002). Bénin's revenue authorities felt a corresponding impact.

Section 4 Summary and Comparison of the Two Revenue Systems

In this brief political economic overview for our two country case studies of interest, we can identify patterns of similarity as well as divergences in politi-

[129] Interview 87.
[130] Interview 66.
[131] Interview 87.

cal elements and revenue systems. A few noteworthy aspects are worth mentioning: first, dictatorships that lasted several decades in each country were buffeted by extractive resources in one (Togo) and a political patron (the USSR) in the other (Benin). In Togo, extractive resources had contributed upwards of 7% of GDP to government coffers, but they were providing less than 2% of GDP in revenues by 1990 and tapered to virtually nothing by the turn of the millennium. In Benin, the loss of communist bloc financial support bankrupted the regime. This urgency for new sources of revenue, together with a variety of other factors that impacted most developing countries (commodity shocks of the 1970s which led to stagnation, inflation, and debt in the 1980s) pushed dictators into a more conciliatory mode. Kérékou, in particular, in the advent of the National Conference, was primarily concerned with the approval of its international constituency, the international financial institutions and development partners. Without their stamp of approval on the processes and political transition taking place in the national conference, no regime could rule in Benin. As has often been written, both countries conceded to this international constituency's demands for trade liberalization (and the removal or lowering of many trade revenues in the process), but only for a time. By the late 1990s, trade revenues again became the greatest single source of revenue in both states (including the VAT, an optimal tax-motivated reform measure that was a key platform of structural adjustment reforms in both countries, contributing also to the rise in trade revenues, so the trade-related reforms should not be understood to be entirely reversed and rejected.) The dynamic repeated itself in Togo in the early 2000s.

The Togolese political system is centralized, featuring a multi-party system that remains dominated and manipulated by President Faure's UNIR Party to its own benefit. Like his father before him, Faure has sometimes engaged in a strategy of co-opting political leaders from opposition parties to divide and fragment the opposition. On occasion, he has also relied on the political support of traditional leaders in some regions of the country (as we will see in Chapter VIII). In summary, the political system is competitive but not inclusive, and election outcomes are largely taken as a given. Decentralization has been promised for many years but remains a commitment on paper only. President Faure maintains a fairly firm grip on local politics through his *délégations spéciales*: the representatives appointed to serve as prefects, in lieu of mayors and other key local and regional political positions. The President's most important ally is the military—who continue to resort to violence to suppress the opposition. They should be considered his most important constituency, dominating the political order, outside the international donor community. Along with the military strongmen (whom he does not always manage to control), Faure is surrounded by a small coterie of powerful elites who have a presence in both the major business and political entities, often being granted ministries and major departments as their own fiefdoms from which to enrich themselves and their patronage networks. It has first been in 2018 that there seems to be some unification of the opposition under the new Tikpi Atchadam party, which has brought the president to the negotiating table. But this story is still unfolding and will be considered the story following the end of our case analysis time period (2012–2017). It may result in an agreement similar to the Global Political Accord of 2006, which did little to deliver real political change and to open the system. Main industries include cement, the Port de Lomé, which is the deepest (water) port in West Africa, and transit trade (commercial traffic flowing from the port to land-locked neighbors to the north, along with traffic flowing east and west between Ghana, Togo, Benin, Nigeria, and beyond). The government generates some revenue from each of these industries.

Benin's political system, by contrast, is decentralized. It also features a multi-party system, but election outcomes are not a given and there has not been the same "regime continuity" as in Togo (fifty years between Faure and his father's regime). However, the political parties themselves are not democratic and are largely controlled by regional political strongmen. There are also close ties between economic and political elites in a mutual dependent relationship: politicians depend on the few major business players active in the economy for electoral financing, and these businesses depend almost exclusively on lucrative government contracts to keep them in business. A very large majority of the population lives in poverty, many in absolute poverty, subsisting largely on informal agricultural production.

The informal economy in Benin is one of the largest in the world. The few key industries contributing to the paltry national income (GDP, but not necessarily revenues for the state) include cotton, the Port of Cotonou, smuggled petrol from (and subsidized by) Nigeria, and used car imports and re-exportation to Nigeria. Most of this economic activity, particularly at the port, in smuggled petrol and automotive re-exports, is informal, which leaves the government with little formal maneuverability in terms of economic sectors capable of generating sufficient revenue to finance the state.

The revenue systems themselves, until 2014, were both housed within the Ministry of Finance and split in customary fashion between the customs authority and Direction General des Impôts. Both were marked by high levels of endemic, systemic corruption, particularly regarding customs and the main ports in both countries. This situation remains largely unchanged in Benin, although the new president Patrice Talon has made recent promises to reform the agency. In Togo, by contrast, a new semi-autonomous revenue agency was created in 2012 and became operational in 2014. It has been very active and remained fairly well insulated from political interference until early 2017 (which was common practice before) and highly motivated to eradicate the corrupt behavior of the last organization. These achievements can be credited to the very strong political support given to the agency by President Faure and his appointment of an outsider (M. Gaperi, a foreigner who does not speak French) to manage the agency. In early 2017, this situation seemed to shift again as Gaperi was deposed and a political insider, the head of the customs agency, was appointed as the new Commissaire Générale. He has already begun to re-submerge the agency into the political milieu, according to some accounts.[132]

In the next (very brief) chapter, I introduce my reader to the case studies and provide both a classification of strategic treatment of revenue sources, as well as presenting a list of the types of strategic actions identified in the course of the research. This chapter is followed by five case study chapters, exploring revenue mobilization strategies by revenue efficiency, with a final case study chapter analyzing recent fiscal code adjustments which speaks to the broader theoretical expectations.

[132] This tale becomes strikingly familiar; see, e.g., O. Fjeldstad, 2003.

Chapter VII
Case Studies Introduction

In the course of this investigation, I was able to identify an array of theoretically expected strategic efforts employed by revenue actors in the revenue systems of Bénin and Togo.[133] Thus, we find that revenue actors in a poor state are often strategic and rational actors. In Table 3, I present a list of strategic actions I identified throughout the research, organized by the revenue efficiency scenario motivating the strategic action. Some strategic actions are repeated under different revenue efficiency scenarios. As my reader will discover, the same actions can sometimes be motivated by a number of different constraints (political or administrative inefficiencies).

These strategies, as theoretically expected, include static strategies of non-enforcement or the partial enforcement of many politically and administratively inefficient sources of revenue as well as the disregard for some of the most revenue-inefficient sources. I was also able to identify a number of dynamic strategies whereby revenue actors (at all levels throughout the system) engaged in efforts to find or engineer more efficient ways of mobilizing at least some portion of revenue source.

The macro concept of strategy employed in this thesis was defined as an adaption or complex of adaptions (to a given environment). Theoretically, we expected to find a recent spate of policy revisions of the fiscal code, as the poorest states are increasingly pressed to finance their own development. These are fiscal policy revisions directly linked to the poor fit of the revenue instruments they replaced. I was able to identify a number of recent fiscal code revisions motivated by the poor fit and revenue-inefficient structures of the previous tax instruments. Thus, in the final analytical chapter, Chapter XII: Recalibrating the Fiscal Code, we discuss a number of policy revisions for which revenue actors advocated to better shape the fiscal mandate to their environment. Strategic adaptions of the fiscal code included 1) revenue instrument revised (motivated by the poor fit of the previous one) and 2) revenue instrument structured with a strategic element.

However, the focus of the research was centered on implementation, rather than adaptions to fiscal policy, identifying when and where revenue agents failed to fully implement the fiscal code given a variety of constraints. Operationally, for my research, I defined a strategy as aberrations from the fiscal mandate motivated by a constraint (this was the operational definition

[133] See the analytical approach presented in Section 2 of Chapter V.

of strategy employed for the investigation—excluding only the aberrations motivated by personal gain or other human factors, such as the laziness of civil servants). In many circumstances, I identified strategic behavior centered around revenue agents who found their fiscal mandate simply not feasible given a variety of constraints; who proactively worked to carry out their mandate as closely as possible, making informal adaptions of the fiscal code specifications as needed to better fit it to the environmental constraints.

The strategic actions identified include the following main classifications: 1) imposing taxes, but not in the manner intended in the fiscal code, 2) extending imposition beyond or outside the parameters specified in the fiscal code, and 3) not enforcing or partially imposing taxes. For each of these classes of strategic action, there were a number of relevant types of strategies that fit within each category, and each type of strategy might be applied widely across many parts of the revenue system and many levels or might be very specific to one level (i.e. field level) or one type of revenue instrument. For instance, senior directors and managers within the revenue system might be motivated by a different set of constraints than street-level agents who interact directly with taxpayers. For a senior director, a constraint might be macro in nature, such as budget constraints or pressure from the president, high level politicians, and business elites, whereas for a street-level agent, the constraints might be more immediate resistance from a single taxpayer or lack of administrative means to carry out their mandate. We explore a variety of each class of strategic action in Chapters VIII-XI. These are the key activities of strategic implementation.

As the research was also exploratory in nature, a number of other relevant strategic actions emerged that did not fit well within the operational definition of aberrations from the fiscal mandate. These generally involved a strategic shift in the course of action from previous strategic treatment; for instance, if administrative resources or political dynamics shifted, we find cases with revenue agents enforcing previously unenforced elements.

I also identified a number of procedural adaptions, including static strategies to navigate through political sensitivities or administrative inefficiencies, as well as dynamic strategies designed to improve the efficiency on one dimension or another, orchestrated by implementing agencies. This group involved strategies that did not necessarily reflect a violation or aberration of the fiscal mandate but can still be recognized as strategic adaptions to the environment. These include: 1) resource rationalization, 2) revenue bargaining, 3) strategic capture, and 4) enhancing legitimate claims. In Chapter IX, for instance, we examine a case of indirect strategic capture of property taxes. This case also offers an example of revenue instruments structured with strategic elements.

Where scarcity prevails, we find evidence that revenue actors take up the burden of revenue maximization—now becoming shrewd stewards of limited resources and assessing in real time which sources of revenue within their fiscal code can be most efficiently mobilized without draining limited public resources at unsustainable levels. This can be understood as revenue maximization by other means: strategic conservation and use of limited political capital or administrative capacities.

I include the list of strategically motivated actions in Table 3 for my reader to review. For the rest of the analysis, we proceed directly to the case study chapters.

Table 3. Strategy case list

Strategically motivated actions
Efficient Revenues
Dynamic Strategies
Institutionalizing taxes on illegal activity
Timing revenue mobilization to coincide with periods of highest potential yield (e.g. harvest, market days)
Reactive Strategies
Adding—Piling—excessive taxation-gouging profits with new taxes
Taking advantage of taxpayer ignorance (e.g. not clarifying when tax refunds are due for complex taxes)
Violating, ignoring, or not enforcing regional or global trade-customs regulation (e.g. allowing Nigerians to import goods in Bénin which are import-restricted or protected in their country, knowing they will smuggle them across the border)
Politically Inefficient Revenue
Dynamic Strategies
Anti-corruption unit established
Centralizing local revenue collection with transfers back to local authorities (sometimes neglecting to transfer…)
Centralizing revenue case management
Creating revenue mobilization committee (e.g. CSOs, politicians, local authorities, ministry of agriculture)
Engaging traditional chiefs (rural authorities) to advocate for taxpayer compliance
Placing emphases on the small-micro-petit enterprises
Reactive Strategies
Centralizing case control in capital, allowing for no control of their property and assets in the interior, and no authority for field offices to tax them
Failing to transfer locally designated revenues to the communes, as specified by law
Revenue bargaining with big taxpayers
Withholding transparency to local authorities about how much (locally designated) revenues are collected by central state
Administratively Inefficient Revenue
Dynamic Strategies
Advocating fiscal mandate revisions—simplification
Anti-corruption unit established

Assigning taxpayer identification cards to everyone
Restricting access to taxpayer identification cards
Gradually providing resources over time to different revenue system departments
Positioning staff at revenue source
Providing regime bracket flexibility
Restricting taxpayers’ ability to participate in specific tax regimes, incl. raising thresholds or designating officially approved subsets of tax base
Self-financing revenue mobilization
Simplifying fiscal code, regulations, procedures
Taxing at roadblocks for agricultural products and merchandise between cities, towns, districts with tolls, fees, etc.
Reactive Strategies
Adjust or non-imposition
Adjusting staff provision (according to revenues mobilized by department) not according to staffing needs
Engaging in discovery activities and door-to-door census and immediate tax collection
GPS Tracking of transiters
Limiting administrative resources according to revenues mobilized by department rather than administrative need
Inefficient Sources of Revenue
Dynamic Strategies
Adjusting fiscal regimes (e.g. drop VAT invoice and tax requirements for small businesses due to accounting complexity)
Adjusting formal procedure requirements
Building partnerships with other social-taxpayer stakeholders
Closing land borders and routing everyone through the port
Creating an informal network of informants
Inviting taxpayers to self-declare all other sources of income together with salary declarations
Placing emphasis on small-micro-petit enterprises
Teaching, grooming, nurturing taxpayers and encouraging taxpaying habits
Reactive Strategies
Adjusting **or** non-imposition
Assess ability to pay via discussion with taxpayer
Assess ability to pay via visual inspection

Auctioning seized assets
Considering exemptions and subsidizations as revenue
Engaging in discovery activities and door-to-door census
Filling out tax forms for taxpayers
Informal use of provisional accounts—allowing taxpayers to pay lump-sum in tranches throughout the year
Mobilizing revenue from penalties and fees for non-adherence to regulations and fiscal code
Inefficient Sources of Revenue, Accounting for Human Factor
Dynamic Strategies
Creating bureaucratic hurdles for lucrative economic opportunities (e.g. to export, import, and bid on government contracts) including updated tax compliance documentation and identification documents (e.g. Carte Operateur Econ., Identification Fiscal Unique or Quitus Fiscal)
Creating more stringent requirements for obtaining tax compliance documentation and identification documents (e.g. Carte Operateur Econ., Identification Fiscal Unique or Quitus Fiscal) to export, import, and bid on government contracts
Structuring rental income to secure revenues from property owners
Reactive Strategies
Instituting a requirement to pay a portion of taxes imposed before disputing original imposition

Chapter VIII
Grappling with Revenue-Inefficient Sources

"Le terrain guide."
State revenue agent in rural outpost, northern Benin[134]

Section 1 Introduction

This case study examines how revenue actors strategically treat a highly inefficient source of revenue: *direct taxation of rural economic activity*. This is a source of revenue involving political sensitivities, particularly in the centralized hybrid autocracy of Togo, and significant administrative constraints in both states.

The majority of all rural economic actors across the Togolese and Béninois landscapes are small, informal entities. Only a minority of medium-sized enterprises and a handful of larger firms (generally industrial agriculture, some mining, and a few hotels) operate in the rural space. My method of case identification—classifying empirical material into revenue source clusters—was based on an interpretation of how actors in the country's revenue system (formally or informally) classified and treated potential revenue sources. The deductive aspect of this investigation was to assess whether the dimensions of revenue efficiency—political and administrative efficiencies-of-mobilization—generally guided the strategic treatment of this revenue source. Where this was not the case, I aimed to discover what motivated their actions and how they treated potential revenue sources in practice (i.e. the inductive aspect of my research). As such, the identification of rural economic actors as one revenue cluster was done in the analysis phase, not prior to my investigations.

In the case of Togo, almost the entirety of direct taxation on rural economic activity was treated similarly, and I have therefore identified it as a case (of potential revenue sources available to the state). I have much less empirical material from Bénin for this case, but strong parallels appear to exist in the treatment of this group, largely on the administrative dimension. In that sense, Bénin's rural economy serves as a shadow case in this chapter.

In the analysis, this direct taxation of rural economic actors has emerged as a highly inefficient source of revenue on both dimensions—administratively and

134 Interview 123.

politically. This is hardly surprising. The literature of the past decade has debated the logic of (and raises some concerns regarding) efforts to tax small, informal actors (Bird & Zolt, 2004; Boadway & Sato, 2008; Joshi et al., 2014; Katzenstein & Waller, 2015; Kenyon & Kapaz, 2005; Pimhidzai & Fox, 2012; Torgler & Schneider, 2007). Among the identified administrative constraints are the illegibility, fiscal illiteracy, and the costly nature of taxing rural (informal) economic actors. Politically, the Togolese state's legitimacy is demonstrably weak among rural inhabitants, and revenue actors often face significant resistance.

On a case-by-case basis, we do find revenue actors systematically reinterpreting the tax base to specifically target the most efficient sources among rural residents. On the macro-level, however, the fact remains that both states were making efforts to mobilize revenue from this highly inefficient source of income. Theoretically, we would expect this source of revenue to be largely disregarded by the state, excepting the fact that both states faced fairly high levels of revenue pressure at the time of investigation. This might add to the motivation to pursue a revenue-inefficient source, but the degree to which both states, particularly Togo, pursued revenues among rural inhabitants cannot be justified by the extant revenue pressure. Particularly striking is evidence that, in the Togolese case, these efforts appear to have resulted in lost revenue for the agency at a time when they were already facing shortfalls.

We begin by profiling the revenue source in both countries and then examining the relevant dimensions of administrative and political inefficiency. This is followed by an outline of eight strategies developed by revenue actors to tackle their mandate of direct taxation among rural inhabitants. As their behavior does not always follow the expected pattern, we analyze a number of strategic objectives at various levels of the agency which motivate their behavior before summarizing the findings and concluding the chapter.

Section 2 Profiling Rural Economic Activity

2.1 Togo

Togo has a population of 7.8 million people, 60% (4.7 million people) of whom live in rural areas. An estimated one-third of all persons over age 15 are estimated to be illiterate (highly relevant for the administrative efficiency dimension).[135] An estimated 41% of all economic activity is informal,[136] and 68.9% of

[135] All statistics on population, urbanization, and literacy reference the CIA World Factbook.
[136] Statistics from Stat-Togo.com.

the rural population lives in extreme poverty.[137] As such, rural and substantially illiterate economic actors make up a significant portion of Togo's formal tax base.

2.2 Bénin

In Bénin, the population distribution and literacy rates are similar, only more exaggerated. Of a population of 10.7 million, 66% of the population is rural and a full two-thirds are illiterate.[138] Fully 90.4% of the economy is informal.[139] The most recent estimates suggest that a majority of Bénin's population lives in poverty, with half the population making less than $1.9 per day.[140] Poverty rates are higher in rural areas, albeit not as high as in Togo.BTI, 2018; IMF, 2011. Though some mid-sized and large enterprises do exist outside the urban centers of Bénin (Cotonou, Abomey, and Parakou), they present a tiny minority of the rural economic landscape.

Section 3 Dimensions of Administrative Inefficiency (Bénin & Togo)

The rural landscape of these low-income states is dominated by subsistence farming and small, informal market traders, peddling both locally grown produce and imported goods bought from distributors transiting through West Africa.[141] The economic actors are a fairly homogenous group—small businesses, generally informal in practice and trade, displaying high degrees of illiteracy (both reading and writing). Even more common among the functionally literate is financial and, ultimately, fiscal illiteracy (which is important for our purposes). The population density in the rural space is low, often with large tracts of land separating small, clustered villages.

3.1 Illegibility

Most of the economic activity—transactions, expenditures, revenues, profits, and the very establishment of business enterprises themselves—in the rural space in both countries goes unwritten, unrecorded, and unregistered in any

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[137] Kohnert, 2017a, p. 19.

[138] All statistics on population, urbanization, and literacy reference the CIA World Factbook.

[139] BTI, 2018, p. 14; Benjamin & Mbaye, 2012; Bensassi et al., 2017; BTI, 2018; WB, 2017.

[140] Statistics from www.worldbank.org/poverty.

[141] Transiters ship goods from the capital and ports on trucks piled so high they look like they will topple over at any moment, or illegally imported goods via the *pistes*; i.e., small backroads, out of the view of customs officials.

sense.[142] The key exceptions are bank branches and gas stations, which are illiberally distributed throughout the larger economic hubs and mid-sized towns connecting the rural countryside. These types of businesses generally have headquarters based in the capital and major economic hubs near the coast.[143] For instance, in Kara, the second largest city, situated in the north of Togo, there are only five large businesses and 47 medium-sized enterprises registered.[144] Even formal petrol distributors (gas stations) are a rarity in the case of Bénin. As was mentioned in many of my interviews, 80–85% of the petrol industry in Bénin is also informal (Cessou, 2016b; IMF, 2013).[145] This will feature in Chapter XI.

Where formal firms claim a headquarters in the capital city, rural franchises (i.e. gas stations or bank branches) rarely present a (legal) source of revenue for deconcentrated and decentralized tax agencies posted throughout the rural landscape.[146] Their operations are generally taxed based on the headquarters. Accordingly, revenue sources in the rural space are largely informal, micro to medium-sized enterprises. If dismal potential yields reduce any motivation to tax rural economic actors, the administrative aspect of illegibility is the number one constraint in attempting to tax them. Even considering the simplified tax regimes in both countries, which require only a daily (handwritten) ledger of revenues and expenditures for small businesses, many businesses have not even this most basic form of documentation for their transactions and business activities to reference when queried by the tax collector.[147] Even in Togo, which has a higher literacy rate than Bénin, basic literacy does not translate into accounting literacy.[148] What it does translate into is very high levels of informal economic operators who have no business license, and even higher levels of small business operators with no idea of what taxes they owe, on what basis, and what they must do to pay them.[149] This resonates with discussions of asymmetric information, illiteracy, and lack of knowledge of tax obligations in the literature on taxing the informal economy (Blimpo & Casta, 2017; Bonjean & Chambas, 2004; Emran & Stiglitz, 2005; Faso et al., 2018; Gordon & Li, 2009; Iversen et al., 2006; Joshi et al., 2013; Kenyon & Kapaz,

142 PLAN STRATEGIQUE 2015-2017, Office Togolais de Recettes, August 2014, Section 2.1.b, p. 7; interviews 1, 5, 7, 14, 26, 36, 38, 40, 41; participatory observations 2, 4, 5, 12.

143 Interviews 8, 9, 39, 122; participatory observation 10.

144 Interview 81.

145 Interviews 88, 102, 122, 124.

146 Interviews 8, 39; participatory observation 10.

147 Interviews 1, 5, 7, 14, 26, 36, 38, 40, 41, 123; participatory observations 2, 4, 5, 12.

148 Interviews 26, 38, 78, 87, 97, 123, 124.

149 Interviews 26, 38, 78, 97, 123, 124.

2005; Piggott & Whalley, 2001; Pimhidzai & Fox, 2012; La Porta & Shleifer, 2014; Radian, 1980a; S. Terkper, 2003; Zinnes, 2009).

Written and financial illiteracy then translates into fiscal illiteracy. Most taxpayers in the rural landscape generally understand very little of their fiscal responsibilities and, as such, are prey to predatory and coercive revenue mobilization strategies. Rural inhabitants in Togo rarely proactively seeking out a tax agent or go to the tax office to get tax forms, fill out tax declarations, or pay taxes owed.[150] This resonates with Bonjean and Chambas's arguments that non-compliance is often due less to a lack of willingness to pay and more to a lack of awareness of what they are supposed to pay or about taxes in general (2004).[151] The attribute of illegibility of economic activity in the rural landscape renders this potential source of revenue highly inefficient (administratively speaking).

3.2 A Paradox: The High Cost of Taxing the Poorest

Where the legibility of economic activity is at a minimum and fiscal illiteracy features prominently, we find a paradox in the costs of revenue mobilization: Those presenting the least potential revenue generally cost the state the most to generate revenue. Joshi et al. (2014) and Keen (2012) discuss the high costs of taxing the informal economy, while Piracha and Moore (2016) discuss these issues in the context of property taxation; both resonate well with my findings.[152] Radian speaks of the negative cycle of compliance and enforcement in poor states, where enforcement is only effective when a majority of taxpayers are already compliant. In an environment where almost no one complies, the administrative capacity to effectively manage enforcement is stretched thin. In the most severe situations, particularly in the poorest states where compliance rates are generally the lowest, enforcement becomes unmanageable (Radian, 1980b, pp. 175–197). This was very much a reality in both Togo and Bénin where, for each CFA franc (the local currency[153]) mobilized among small, informal businesses and farmers (particularly in the most remote districts), the costs of mobilization often consume large portions of the amounts

[150] Interviews 26, 124.
[151] Cited in Joshi et al. (2014).
[152] For instance, the typical annual individual property tax assessment in Pakistan (which is a lower-middle income state, not even a low-income state) is equivalent to around $20. Field agents take multiple visits to each property tax owner throughout the year to mobilize this small sum of money.
[153] CFA stands for *Communauté Financière d'Afrique*, also referred to as XOF for international exchange rates.

collected.[154] I discuss this below under strategies of rationalizing field office placements and discussion of the agency's long-term strategic objectives. In summary, administrative inefficiencies of direct taxation in the rural space feature prominently.

Section 4 Dimensions of Political Inefficiency

Administrative inefficiencies are not the only constraints revenue actors face when attempting to mobilize rural revenues. There are very real political sensitivities, which sometimes completely obstruct the ability of revenue actors to collect taxes, particularly in Togo. Theoretically, sources of political inefficiency are weak legitimacy (of the state's claims of its rights to tax its citizens) and political conflicts of interest. In the Togolese case, political inefficiencies are largely centered on weak legitimacy and regime-type political institutional factors (an autocratic, somewhat coercive, oppressive regime) and the degree of decentralization (a centralized structure with deconcentrated bureaus staffed by "foreigners" from the capital).[155]

In the centralized but partially deconcentrated bureaucratic structure of Togo, the state's revenue actors are perceived as somewhat disconnected, predatory actors imposing levies on rural entrepreneurs and farmers.[156] This perception has much to do with the highly coercive and corrupt reputation of the previous line ministry agency, which the new semi-autonomous revenue agency replaces—a reputation it must overcome in order to make any gains in the political efficiency of its efforts.[157] Negative perceptions and antagonistic responses to the state's revenue actors were particularly strong in rural areas.[158] However, these reactions were also related to a lack of positive state engagement throughout the territory. While President Faure's political party (UNIR) offices were ubiquitous throughout the countryside, throughout the countryside, they were not matched by public service provision in most rural areas. For many rural inhabitants, the only interactions they experienced with

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[154] Interviews 7, 9, 39, 53, 120, 124, 133; participatory observations 04, 08; observation memo 10.

[155] The regime-type political institutional factors and degree of decentralization were introduced in Chapter V.

[156] "We are strangers here": interview 60; participatory observation 05; Re: agents being attacked: interviews 24, 25, 26, 33, 39, 40, 49, 55, 60; participatory observations 4, 10, 12. This dynamic reflects Boone's depictions of state institutions "suspended above localities" with the regime's position oscillating between her typological institutional configurations of usurpation and administrative occupation, depending on the region (Boone, 2003b, p. 33).

[157] Interviews 2, 10, 16, 24, 46; observation memo 2.

[158] Interviews 24, 33, 39, 40, 55, 60; participatory observations 4, 12.

the state were likely encounters with tax collection agents, taxes about which many citizens were ignorant. When these interactions involved agents of the former corrupt, predatory, coercive policing agencies of customs and the Direction Générale des Impôts, then it is appreciable that rural inhabitants reacted negatively to their rare and unexpected presence in villages and their demands for immediate tax payments. However, it seemed as though the first encounters with "the state" for many rural inhabitants were interactions with agents from the new semi-autonomous agency.[159]

Despite some field agents specifically being careful to avoid appearing aggressive and coercive,[160] they were nevertheless representatives of a regime which was strongly backed by the military and able to employ coercive force if necessary,[161] and for whom opposition parties posed only a weak, fragmented, even laughable non-threat.[162] In other words, rural inhabitants had limited options for legal or political recourse. Consequently, many inhabitants apparently took defensive measures upon themselves to protect their communities from an ostensibly predatory taxing agency. Many field agents and regional office managers cited instances where their tax collection agents faced attacks and threats from rural inhabitants and sometimes entire villages.[163] The political inefficiency of revenue mobilization in rural Togo, the centralized semi-autocratic state, was considerable, particularly the more remote the location and in regions inhabited by ethnic groups other than President Kabiyé's own people, although there were also reports of attacks and violent resistance from taxpayers also existed in Kara, the Kabiyé stronghold.

In this case, the political inefficiencies stemmed less from the type of revenue being mobilized and more from the fact that they were being taxed *at all* by the state; this was a case of weak legitimacy in the state's rights to tax citizens. Centralized, remote authority and an oppressive, semi-autocratic regime both negatively impacted the political dimension. In this tension, we can identify Boucoyannis' preconditions for a representative democratic shift: demonstrated state capacities eliciting demands for recourse and representation by resistant, frustrated populations. Whether the regime continues to evolve toward more credible representative democratic institutions remains to be seen, but the intentional restraint shown by the new agency, together with its shift in tone and treatment of taxpayers, demonstrates an intention to improve the

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159 My perspective is drawn largely from the perspective of field agents, not rural villagers (who might offer a very different perspective).

160 Interviews 05, 24, 33, 39, 40, 55, 60; participatory observations 4, 12.

161 Interviews 49, 55, 58, 72; participatory observations 4, 13.

162 Interview 33.

163 Interviews 24, 33, 39, 40, 55, 60; participatory observations 4, 12.

credibility and legitimacy of the regime and the revenue agency's mandate to tax the population.

In partial contrast, Bénin is a more decentralized state. While both Togo and Bénin have geographically devolved portions of the state's revenue system, Bénin's system has granted more fiscal and political autonomy to local governments. In practice, "decentralization" in Bénin translated into a much weaker means of control of bureaucratic apparatus and a fragmented command structure.[164] The perceptions I gathered from rural economic actors were something akin to distant or irrelevant state agents who had little to do with their daily lives but who posed little threat or concern to them.[165]

Here, Bénin serves as a shadow case. I also classify direct taxation of rural economic activity as fairly politically inefficient for Béninois revenue agencies. But as to the basis for this, there are significant differences in the relevant attributes for each country, as discussed above. I attribute Togo's political inefficiency to weak legitimacy combined with the fairly strong, sometimes overly coercive if weakly present nature of the state in the rural space. For Bénin, in contrast, I attribute the political inefficiency to weak coercive capacity combined with somewhat weakened legitimacy, given rampant corruption throughout the state and its revenue system, which amounted to overall reduced powers to tax and minimal relevance of the central state to economic actors in rural Bénin. The relationship in Bénin generally appeared to be less antagonistic and every interaction more of an opportunity for negotiations in which everyone had some slight potential for gain, with little oversight of any parties involved.

Corruption—particularly in reference to the reputation of the former revenue agency in Togo and the existing revenue agencies in Bénin—undermined the legitimacy of the tax efforts in both countries. In Bénin, our decentralized democratic state, there appeared to be at least marginally stronger social norms of compliance among active taxpayers in rural areas, qualified by the fact that over 90% of the economic activity remains informal. Regardless, in this case study, political inefficiencies were more evident in the Togolese case.

One final point is important to highlight: the very poverty of the residents themselves also strongly impacted the political efficiency of mobilizing revenue from rural inhabitants. Throughout the interviews and participatory observations, agents frequently referred to how they informally assess an inhabitant's ability to pay. This behavior resonates with agents' behavior in the Piracha and Moore case study of property taxation in Pakistan, where "even a

[164] Interviews 23, 71, 72, 76, 86.
[165] Interviews 122, 123.

rupee more in assessment than the 'fair' assessment in the mind of the assessee raise[d] the risk of non-payment multiple times" (2016, 4). These verbal and visual assessments were done to ensure that they arrived at a politically efficient level of compliance, lowering the risks of resistance and aggression toward their persons and the agency in general.

Section 5 Strategic Treatment of the Rural Economy

Field agents were greatly constrained in achieving their fiscal mandate due to political and administrative inefficiencies. They adapted strategies which, while sometimes contradicting the specifications of the fiscal mandate, were nevertheless employed to overcome inefficiencies and were motivated by these constraints in an effort to achieve their fiscal mandate. In Togo, mid-level managers in the fiscal control unit (in charge of ensuring appropriate application and enforcement of the fiscal mandate throughout the country) accepted many of these approaches as standard procedure and could not understand why the rationale behind strategies was not always self-evident to the outside observer (i.e. myself). This became particularly evident in one discussion during a follow-up interview with staff from a rural field office after observing the meeting between the fiscal control unit (from the headquarters) and the field staff from this office.

In my interview, I asked them to show me the spreadsheets of the amounts collected by each team. Examining the tax collections and rates together, I probed them on several different spreadsheets, where the amounts imposed appeared lower than the bottom thresholds for that particular type of tax (from my knowledge and understanding of the fiscal code and particular tax regimes relevant to these taxpayers). They explained that for some taxpayers, even the lowest thresholds seemed excessive. In such circumstances, they imposed an amount they thought the individual could manage. I reiterated that some of these amounts did not appear to align with the fiscal code, and a member of the fiscal control unit (the entire fiscal control unit was still in the room during my group interview with field staff) looked at me in disbelief. Here is the subsequent conversation:

Table 4. Excerpts from a participatory observation with a field team and mid-level managers from headquarters, rural Togo[166]

(Translated to English by author. Relevant taxes spelled out for clarification.)
Field agents: They are rural—it is difficult to increase the amount [of taxes] for them… … If [residents are] very poor, [we] charge only TPU [Taxe Professionnelle Unique, a bracketed, flat-rate tax on businesses with revenues below a certain threshold], nothing more, imposed as low as 2000 … If they seem like they have some means, impose more, add the TCS [Taxe Complémentaire sur le Salaire, an additional tax on salary]. Often [we] only [impose] TPU and TCS. If they're well situated … we will also impose the R/L [Retenue sur le Loyer, i.e. rental tax]…
Field Agent: TH [Taxe d'Habitation]—is for those who do commercial activities, not for those who built for themselves …
…
Field Agent: …in little villages very far… they do not pay TF [TF is the *taxe foncier*, the property tax] nor the R/L … [Everyone was laughing at me for even suggesting that they should ask villagers to pay the property tax.]
Rachel: But they're owners, why don't they pay for their house?[167]
Field Agent: We evaluate. If they just sell a few things, we just ask for TPU.[168] [We] don't impose the TF or R/L.

[166] Interview 33.
[167] Here, I had incorrectly interpreted the fiscal code, where the property tax is only imposed on income generated by the home (i.e. rental income), not simply on the merit of possessing the home (or hut, of any sort) (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, Art. 250-8).
[168] TPU is the Taxe Professionnelle Unique, which is the tax regime designed for small business owners and requiring only very basic accounting.

Fiscal Control Staff Member: If they are in misery, in their little mud house [*casque ronde*] … [and] barely have anything… just a little table and few things [to sell], who is going to ask them to pay the *taxe foncier*?

Rachel: I understand their situation, but I wanted to understand your criteria for determining who pays or not…?

Mid-Level Manager from Headquarters: They see when they're in the field…

Field Agents: It is as the _____ [Mid-Level Manager from Headquarters] said. We look and see what they can pay, considering their situation … [for some we determine that they] cannot pay the TF nor the R/L … if he already paid the TPU and TCS. But maybe notice the person next door is a bit further on their way [as in, generating a bit more income] … They already have their own house … and they built a little boutique to sell things [as a part of or next to their house] then, we impose the [TF or R/L] taxes on them …

Rachel: Even if the fiscal code specifies all residents, you, look and see who has some little business next to their house [and] if they don't have a bit of money. And if they do, then you target them?

Field Agent: Mm-hmm… (Agreement).

Rachel: And in little villages, you disregard all of them? [*On laisse-tomber tous*]?

Field Agent: Often … often.

Mid-Level Manager from Headquarters: [laughing] You are going to kill them! [i.e. if you try to impose so many taxes on them]

This conversation was probably the most revealing in relation to street-level adaptions of the fiscal code mandate of any of my observations, interviews, and discussions throughout the two-week field mission with the Fiscal Control Unit. It was not dissimilar from other interviews and, in fact, was rather representative of the general approach taken by many of the field offices for collecting these taxes, in the interviews I conducted and observations of the fiscal control unit meetings collected throughout the trip. The above conversation points out a number of strategic adaptions and hints at the motivations shaping these behaviors. I will break down the specific strategies they adapted, below. For these strategic treatments, Bénin again represents a shadow case. I did discover some similar behavior and rationales among field Béninois field agents to the extent that I was exposed to their field offices (and able to observe or interview) in a few locations across the country. I will reference these contrasts below, where relevant.

5.1 Strategy 1: Street-Level Systematic Reinterpretation of Tax Base

Like the conversation above, numerous interviews and participatory observations confirmed how field agents systematically reinterpret the relevant tax base. This they do on the basis of systematized, rapid, visual, and verbal assessments (discussed in more depth below), in determining which groups actually demonstrate some means sufficient to pay their taxes (among taxpayers who would be legally liable). I will dissect this conversation, noting a few relevant points comparing how field agents interpreted and applied the fiscal code[169] to illustrate this strategic treatment. I will also provide a note of clarification about my understanding (and misunderstanding of one relevant aspect) of the code at the time of the interview.

The field agents in this interview stated that the Taxe d'Habitation (aka TH, a residence tax, discussed further in Chapter IX) is only relevant for those engaged in commercial activity. This is in direct contradiction to the Togolese fiscal code, where Article 1440 makes clear that the Taxe d'Habitation (TH) is legally imposable upon and relevant to all residents of Togo.[170] This tax is similar to the poll or hut tax, as it is based on residents of any abode and under

[169] Code General des Impôts, Togo, 2016.

[170] "Art. 1440 - II est institué au profit des budgets des collectivités locales, une taxe dénommée taxe d'habitation (TH). La taxe d'habitation est due par toute personne physique ayant au Togo sa résidence habituelle au 1er janvier de l'année d'imposition. Elle est libératoire de la taxe d'enlèvement des ordures ménagères (TOM). Art. 1441 - La taxe d'habitation est due par tout ménage ayant en République Togolaise, la disposition ou la jouissance d'une habitation. Est considéré comme habitation, au

any ownership or rental arrangement. Income types and levels are irrelevant, except for the element related to "indigent persons" (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, Art. 1444). Its purpose, ostensibly, is to recoup the costs of public services provided to the residence in question. Tellingly, the introduction of this tax relieved taxpayers of the trash pick-up tax (*la taxe d'enlèvement des ordures ménagères*, TOM). The Taxe d'Habitation in Togo carries a political significance that Western economies and the international development community normally attribute to property taxes.

Understanding the fiscal mandate, one would expect to find field agents across the country imposing the Taxe d'Habitation on the head of all households. Students and persons over age 55 are exempt, as well as those deemed "indigent" by the relevant authorities.[171] The latter exemption gives the authorities some fairly wide latitude for flexible application. If we leave aside the "indigent" category and assume there to be persons in most families between the ages 18 and 55 who are not students, then we would expect to see approximately 1.3 million payments (the estimated number of households in Togo) of the Taxe d'Habitation if it was fully imposed.[172] If we consider poverty level as the qualification for indigent, then fully one-third to half of the rural population should be excluded. The 2015 average imposition rate, if we make the over-simplified assumption that it was spread across all households, is XOF

sens des présentes dispositions, tout local occupé à des fins personnelles ou familiales, soit à titre de résidence principale, soit à titre de résidence secondaire, y compris les dépendances de toute nature non affectées à un usage exclusivement professionnel. Art. 1442 – Dans le cas d'habitation formant un ensemble unique occupé par plusieurs ménages, l'imposition est due par chaque chef de ménage." Legal application also confirmed in interview 133.

[171] (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, Art. 1444).

[172] There are an estimated 1.3 million households in Togo, according to the Togo Data Portal, URL: http://togo.opendataforafrica.org/szyifed/households-by-household-size. I calculated this figure by dividing the total of 2015 revenues mobilized with the Taxe d'Habitation by 1.3 million to arrive at XOF 305/household. The lowest possible payment bracket is XOF 2000 for a one-room apartment or studio, with amounts increasing to XOF 100,000 for houses with more than two levels. I calculated XOF 305 as a percentage of XOF 2000 (the lowest possible rate) to arrive at an average imposition rate of 15% if only the lowest possible imposition rate is assumed for all households (which is an overly conservative estimate but serves my purposes sufficiently).

305 ($0.54).[173] The lowest legal possible imposition rate for this Taxe d'Habitation is XOF 2000 ($3.5). If we assume the very conservative estimate that all households live in a one-room apartment, hut, or studio (the bracketed rates rise rapidly from XOF 2,000 for a one-room studio to XOF 100,000 ($177), for all houses with more than two stories), then the estimated imposition vis-à-vis the relevant tax base for the Taxe d'Habitation is 15%. If we applied the reality of residents living in a variety of housing options from one-room abodes to multi-story buildings, the average rate of imposition-to-legal tax base would decline further (this would have to be balanced with adjusting the tax base from 1.3 million households to those who are actually eligible, where some households will have no members between ages 15–55 who are not students, as well as those deemed "indigent" by the relevant authorities. Given the expected increases in applicable rates balanced against expected negative adjustments for household eligibility, I will (for now) keep 15% of the tax base as the estimated average incidence of imposition. At this rate, the imposition incidence of the Taxe d'Habitation is far below the intended tax base, which suggests a dramatic (and potentially systemic?) practice of non- or partial imposition on Togolese inhabitants who comprise this tax base. In fact, total incidence outside the capital in 2016 was 8,564 households (compared to 27,188 in the capital and surrounding region).

Based on the interview excerpt above and other interviews in field offices across the country, the field agents in rural areas would appear to have developed systematic approaches (with slight nuances unique to each field office) regarding the imposition of the Taxe d'Habitation. Some, like this office, based their de facto imposition on the "evidence of commercial activity" criteria (visual evidence of income generated from the property). If there was no such evidence, they did not impose this tax and almost never on residents of small villages, only in towns.[174] Such behaviors also speak to the motivation for how they chose which taxes and what amounts to impose. There was frequently an implicit (and sometimes explicit) recognition that the taxes imposed had to correspond to an ability to pay. The implicitly accepted premise suggests a real political sensitivity attached to trying to impose more than a taxpayer could manage to pay. This strategic adaption—assessing ability to pay regardless of amount legally imposable—is attributed largely to the political dimension.

[173] Data source: internal financial reports from the Office Togolais des Recettes, Department of Statistics and Strategic Planning.

[174] I discuss the de facto application of the Taxe D'Habitation in the urban setting in Chapters IX and XI.

5.1.i Verbal Assessments and Visual Inspections (Bénin and Togo)

In both Bénin and Togo, I found evidence that these street-level, informally systematized reinterpretations of the tax base were based largely on visual inspection.[175]

In Bénin, one tax official in a small northern district confirmed that as regards property taxes, his agents would only target the largest villages, and then only a subset of the largest houses in these villages, as they assumed they would be most likely to have the means to pay the property tax. They would then conduct a largely visual assessment—examining the size of homes from the outside, the types of construction materials, and on this basis arrive at a cost estimate, which they used to apply the property tax. Then, after determining a visual and verbal estimate of what they could expect to impose, they would talk with the taxpayer and adjust the imposed rate to what they deemed them able to pay. They used similar methods for their new, simplified Taxe Professionnelle Synthétique (TPS). After visually identifying those they thought might be able to pay some taxes, they would develop assessments of the relevant flat-tax rate per the simple bracketed schedule of gross turnover for the small enterprise based on discussions with the taxpayer. Based on this assessment, they would determine what they believed the taxpayer could actually pay and revise the officially imposed rates. One tax official in northern Bénin gave an example of a formally imposable rate of XOF 10–20,000 ($17–35) and a reduced revision of XOF 3–5,000 ($5–9) as the actual rate imposed based on perceived ability to pay.[176] To quote him directly: “le terrain guide.” Roughly translated: the reality on the ground guides where you look for revenue. To some extent, this behavior can be considered negotiated settlements or revenue bargaining on a case-by-case basis.

There were five types of taxation referenced in this excerpt: The Taxe Professionnelle Unique (TPU), the Taxe Complémentaire sur le Salaire (TCS), the Taxe d’Habitation (TH), the Taxe Foncier (TF), and the Retenue sur le Loyer (R/L). I will analyze the field agents’ de facto imposition of the Taxe Professionnelle Unique (TPU) and Taxe Foncier (TF) briefly to provide a better understanding of how small economic actors in the rural space were generally treated.

The Taxe Professionnelle Unique (TPU) is a tax designed specifically for small economic actors who have minimal, basic records of their business activities (highly simplified accounting) (I discuss the creation and strategic el-

[175] Interviews 52, 55, 120, 123; participatory observations 4, 6.
[176] Interview 123.

ements of this tax regime design in Chapter XII). This tax is applicable to persons generating annual business revenues of or less than XOF 30,000 ($53,000) who are engaged in commercial or industrial activities of any kind.[177] Formally excluded are business activities engaged in agricultural, export/import, bakeries, and a category entitled *bénéfices non commerciaux* (BNC), which, from Article 62 of the same code, we understand to be income from activities such as stockbrokers, industrial and profit-generating farms (i.e. not subsistence), patent royalties, as well as instances where an individual receives support from a third party[178] (remittances or patronage in a family network could easily fall into this category). The rates are set up as a percentage of gross turnover from commercial activities, not profits.[179] There is a higher tax rate for service industry activities (8.5%) than production activities (2.5%), with a minimal threshold flat rate of XOF 12,000 for service industry and XOF 6,000 for production. I mention these minimum thresholds for a specific reason.[180] It is evident from the conversation above that field agents

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177 Art. 1422 - Sont assujetties à la Taxe Professionnelle Unique, les personnes physiques dont le chiffre d'affaires annuel tel que défini en matière de bénéfices industriels et commerciaux est inférieur ou égal à trente millions (30 000 000) de francs CFA quelle que soit la nature de l'activité. (Suite abrogée)

178 This is the definition of "personnes physiques relevant des bénéfices non commerciaux (BNC)."

Art. 62 – (Translated) The professions of the liberal professions, offices and offices whose holders do not have the status of merchants and all occupations are considered as coming from the exercise of a non-commercial profession or as income assimilated to non-commercial profits, profit-making farms and sources of profit not related to another category of profits or income. It also mentions other categories such as financial stock market brokers, inventors, non-specific and occasional income… such as subsidies regularly paid by third parties… that they use to live on… (I would think we could expect that this would include remittances and patronage).

179 Art. 1425 – La TPU ne s'applique pas: aux personnes physiques relevant des bénéfices non commerciaux (BNC), aux personnes physiques relevant des bénéfices agricoles (BA), aux panificateurs industriels (boulangerie pâtisserie), aux personnes physiques qui effectuent des importations et ou des exportations.

180 Art. 1429 – L'impôt est établi: a) pour les professions exercées à demeure, à un taux de:

- 2,5% du chiffre d'affaires pour les activités de production et/ou de commerce;
- 8,5% du chiffre d'affaires pour les activités de prestation de services.

En tout état de cause, le montant annuel dudit impôt ne peut être inférieur à six mille (6 000) francs CFA pour les entreprises ayant une activité de production et/ou de commerce et à douze mille (12 000) francs CFA pour les entreprises de prestations de services. Note: section b) of Art 1429 relates only to professional activities "en ambulance" … if this can be interpreted as *any* activities carried out on foot, on moto, specified that they imposed the TPU as low as XOF 2000 for the poorest citizens (XOF 2,000 is approximately US$3.6). If my interpretation of the fiscal code is correct, they were imposing a rate in these instances that amounted to a third of the lowest possible rate. It appears as though imposing even a very modest level of tax was a priority, even if the amount was more symbolic than significant in terms of a contribution to government revenues. These rates underscore the very high cost of mobilization, as a revenue actor would probably have to sit with the taxpayer for at least 10–30 minutes to arrive at these estimates of incomes versus expenses for the year to arrive at their estimated turnover of informal economic activity.

The property tax, or Taxe Foncier, as it is called in French and abbreviated colloquially as "TF" among the Togolese revenue actors, is imposed on the *incomes* from property (in contrast to the Taxe d'Habitation). This property tax design contrasts with the anglophone tradition, whereby the tax is structured on one of two elements (or some combination of the two): Either structured as a tax on the underlying wealth (the market value or cost-basis worth of the building and/or land beneath it) or as a type of service fee imposed on residents and property owners, which is tied to the provision of goods and services by the state that this property benefits from (e.g. access to paved roads, electricity, and waterlines) (R. Bahl & Bird, 2008; Fjeldstad & Heggstad, 2012a; Riel; Franzsen & McCluskey, 2005; R. Kelly, 2000; McCluskey & Connellan, 2002; Oates, 2005; Rao, 2008). In contrast, the Togolese property tax structure (Art. 17, Code Générale des Impôts, Edition 2016) is based on the income generated by the property in question and imposed on the profits as the tax base. As such, it is not a tax on ownership of land or buildings, per say, but rather a tax on any business (rental) income generated by these properties. The law does not require that the tax be imposed on all residents (and in this, the observant reader will realize from my line of questioning in the interview that I did not yet understand the object of taxation and was querying why they were not imposing the tax on all property owners). However, their approach to imposing taxes on rural residents and the strategy regarding the Taxe Foncier also reveals the field agents' categorization and strategic treatment of the taxpayers in their jurisdiction.

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etc., then the lowest possible rate for "*a pied*," or on foot, is XOF 2000. As such, these field agents were possibly imposing rates that were still applicable within the code, not adjusting downward for this category. Regardless, as they were still working on estimates based on discussions with the taxpayer together with a preliminary visual assessment of which households they would target for any tax imposition, they were still making judgements about whose income was sufficient to levy taxes on and only imposing one of the numerous applicable taxes on those they deemed the poorest.

The street-level bureaucrats approached their work was as follows: those living in mud huts in small villages and those displaying no evidence of commercial activity connected to their house were completely disregarded by most agents (and most offices, both in Togo with similar treatments in Bénin[181]). This pertained to all of the applicable direct taxes. This represents evidence of systemic reinterpretation, a type of strategic adaption of the fiscal code. This interview also provides some evidence of the motivation for their strategic application of the fiscal code's mandate for the residence tax (TH)—fear that they would economically devastate the rural inhabitants by imposing a residence tax on persons who did not appear to have some source of income to cover it. And that fear, I would argue, was motivated by the risk of political resistance to taxation if they began imposing taxes at rates beyond what citizens felt they could financially support (there is certainly evidence to support this argument, with tales of villages threatening and attacking field agents).[182] Their strategic adaptions navigated around the most politically sensitive elements of the tax base. This supports my theoretical expectations. This strategic treatment and the motivating factor were not focused solely on the Taxe d'Habitation. These revenue actors' classified rural economic actors roughly as one group—differentiated only by those with evidence of some small economic activity vis-à-vis those with no apparent income of any kind. On this basis, they imposed only some of the relevant taxes (rather than on the basis of a strict application of the fiscal code in differentiating which taxes applied to whom).

This can be considered strong evidence of my theory: revenue actors adapt the fiscal code to the environment, and there are thresholds below which they do not impose any relevant taxes when they deem citizens to be too financially vulnerable (and fear repercussions for themselves). There was clear evidence of aberrations from the fiscal mandate, motivated by a constraint—my operational definition of strategic adaption. As such, I consider this behavior a reaction to political inefficiencies—an expectation that the imposition of taxes that do not correspond sufficiently with a taxpayer's perceived ability to pay might incur resistance together with fear that they might devastate the rural inhabitants financially.

From an outside perspective, the failure to fully enforce the fiscal code could be interpreted as laziness or sloppiness, possibly combined with a poor work ethic; possibly identification of a weak management structure wherein managers failed to clarify and ensure that staff were carrying out fiscal duties as expected; or a poor understanding of the fiscal code by field agents whose grasp of the fiscal mandate might be at odds with the actual specifications.

[181] Interview 123.

[182] Interviews 24, 33, 39, 40, 55, 60; participatory observations 4, 12.

Finally, it could appear as though they were simply following the application used by other regional district offices or their peers in other sub-districts. However, there was clear evidence to corroborate the idea that most agents had a fairly good idea of whom they were expected to impose it upon, but systematically reinterpreted imposition to meet the politically and administratively efficient portion of the tax base. There is some evidence for lack of support from a somewhat disconnected, non-engaged, unsupportive headquarters in Lomé.[183] But there is weaker evidence for the other possible explanation of a lazy staff with a poor work ethic. In contrast, there is substantial evidence that field agents and street-level bureaucrats were hard-working and often employed considerable amounts of personal resources—financial, physical, and time-commitments—to ensure that they mobilized as much revenue as possible.[184,185] Most of these field agents demonstrated a sincere effort to collect what was possible from citizens on behalf of the state. Some teams reported working seven days a week and often late in the evening to fulfill their mandate.[186] Others said they did not work weekends but lunches and stayed out in the field all day every day to mobilize as much as they could.[187] Many also used their own computers, phones, internet keys to manage their field work, as well as their own motorcycles, cars, and gasoline (and feet) to reach taxpayers.[188] The behavior of the Togolese agents supports a somewhat controversial perspective of bureaucrats; that of civil servants making every effort to carry out their mandate as best they know how (rather than rent-seeking)[189] while navigating a variety of complexities which implied that they could not implement and enforce their mandate as it was legally and operationally specified. These agents, it seems, were revenue maximizers given the constraints before them. This also underscores the reality that even in a revenue system significantly financed by development partners, resources sufficient to carry out their mandate were scarce.

The mid-level managers in charge of overseeing the activities and assuring standard treatment implementation and enforcement of the fiscal mandate among field offices were themselves very quick to support the implicit system

[183] Interviews 24, 33, 41, 46, 48; participatory observations 2, 4, 5, 7, 12.

[184] Interviews 13, 24, 33, 41, 46, 48, 58; participatory observations 2, 4, 6, 7.

[185] There were a couple glaring exceptions. In particular, one field office we visited had so little activity that the chairs at desks were covered in dust and the fiscal control unit could glean little insight into their actual daily activities; participatory observation 2.

[186] Interviews 13, 33, 58; participatory observations 4, 7.

[187] Interview 58.

[188] Interviews 24, 33, 41, 46, 48; participatory observations 2, 4, 6, 7.

[189] For a counter perspective, see Besley and Persson 2014; Buur et al. 2013.

of reinterpreting the tax base (among rural villagers).[190] Thus, we can see that there was a reinforcement and somewhat institutionalized acceptance of the grouping and strategies developed by field teams (which often contradicted their formal fiscal mandate), coming from the units mandated with ensuring the enforcement of the fiscal code. Mid-level field-exposed managers[191] were the gateway between fiscal mandate and strategic adjustments.

Acceptance and recognition of this strategic behavior was not always evident among other mid-level managers, especially those who were neither exposed to street-level realities, faced with their contextual constraints, nor tasked with managing, advising, critiquing, and adjusting their performance to align with the fiscal mandate, strategic objectives, and operational plans. When I interviewed the legal department and middle and senior management, specifically inquiring as to whether adjustments were made to the fiscal mandate to fit the ability of taxpayers throughout the country to pay, and in particular, the poorest of the poor in rural areas, I was informed that this was not the case and there was no basis for this impression.[192] This was true both in Bénin and Togo. Middle and senior levels of management in the headquarters who held the specific mandates for legal expertise of operations vis-à-vis the fiscal code were evidently not exposed to street-level realities (and particularly, the realities outside the capital) and were therefore able to maintain their impressions and approaches to the tasks of revenue mobilization that aligned to the fiscal code. Here, again, I should point out that conversations (on record and sometimes recorded) with legal experts within the revenue agencies, would be very specific instances where I might expect the responses to be tailored to be legally correct in substance. These individuals were possibly entirely aware that in districts throughout the country, each field team was adapting the fiscal code to what and where they thought they had a chance of mobilizing something without risking a political backlash from local residents or administrative strain. But I did not get the impression that they were exerting effort at these levels to present a proper and legally-appropriate image to me specifically.

I also made note of specific instances in which there was a discernible disconnect between street-level actions and the explanations they gave, depending on whether they thought their answers were being recorded. I discovered that in some meetings I was getting hesitant responses, and even obvious contradictions from some field agents, compared to what they had just informed the Fiscal Control unit. These contradictions always had a similar pattern.

[190] For example, Interview 33; participatory observation 4.
[191] I.e. mid-level management who were exposed to or managing field teams.
[192] E.g. interviews 80 and 119.

Where non-recorded discussions with the fiscal control unit revealed that field teams were adjusting and creating their own criteria for whom they imposed taxes on, or the assessed amounts to lower the total imposition (specifically for types of taxpayers which they estimated had a limited ability to pay the correct rates), I was given different, banal explanations when the recording device was turned on. Some of these agents succinctly stated that they were imposing what they were supposed to and gave no indication that they were adjusting rates to their visual and verbal estimates of what a particular taxpayer could pay.[193]

5.1.ii Political Inefficiency Motivations

Politically, these tax collectors recognize they stand on rather weak ground in rural Togo. First, field agents were assigned to these posts from the capital. They commonly have neither relationship, familiarity, nor intrinsic understanding of the local community dynamics or politics. Nor can they claim to have spent years investing in revenue mobilization efforts in the locality. Most were posted to these regions for a year or two and very much regarded as outsiders.[194] For many, the taxes they are trying to impose are the first genuine round of efforts to impose such taxes on rural inhabitants. As such, they enjoyed very little political legitimacy in the eyes of the local populations and had no local social capital or credibility to fall back on. Moreover, they were sometimes not privy to coercive reinforcements from the central government or had to share limited security detail from regional district offices in rotation with other district outposts. As such, they appeared to have limited coercive strength. This is a reality that does not go unrecognized by these revenue actors. I heard tales in several districts of incidents where tax collectors were run out of villages by angry residents shouting and wielding whatever they could get their hands on. Some had been hit or attacked on occasion by very agitated groups.[195] However, there was also strategic reason for restricting the coercive capacity made available to field offices; field agents approaching inhabitants with coercive reinforcements presented its own set of problems, the subject of the next paragraph.

The OTR had a significant reputational correction to undertake. The former Direction General des Impôts, which had been housed as a line department under the Ministry of Finance prior to the inception of the OTR, was generally thought of as a police outfit.[196] The behavior of the agency was seen

[193] Interviews 51, 52, 55; participatory observations 5, 11, 12.
[194] Interviews 33, 60; participatory observations 4, 5.
[195] Interviews 24, 25, 26, 33, 39, 40, 49, 55, 60; participatory observations 4, 10, 12.
[196] Interviews 2, 10, 16, 24, 46; observation memo 2.

as aggressive, predatory, and coercive in nature as well as highly corrupt, and therefore commanded very weak legitimacy. State coercive capacity, without the complement of other aspects of political legitimacy, and particularly when state coercion is paired with corrupt behavior, appears to have the opposite (negative) effect on political efficiency as coercive capacity paired with legitimate (and non-corrupt behavior of) state actors (Aiko & Logan, 2014; Ali et al., 2013; Isbell, 2017; Moore, 2013a). Coercive taxation unconstrained by fiscal rules is intuitively understood to be beyond the limits of the legitimate exercise of state authority (Brennan & Buchanan, 1980, 194; Moore, 2008; Olson, 2000; Therkildsen, 2001; Tilly, 1990). In the presence of weak political and organizational legitimacy, coercive capacity further undermines the legitimacy of the revenue system. It perpetuates an image of the revenue system being the state's muscle, simply forcing citizens into compliance without any justification or evidence of transparency in the use or even good intentions in the use of revenues mobilized. In this case, street-level revenue agents found themselves engaging with poor, rural, and often illiterate citizens whose only experience with the revenue system was possibly by reputation—which was one of thuggish policing. The expected (and frequently demonstrated) reaction was one of fear and sometimes of defiance and defensiveness against the outside aggressor appearing in their midst. Drawing on Levi's theories of pseudo-voluntary compliance, this behavior in itself illustrates the illegitimacy of the system from the perspective of Togo's citizens (Brennan & Buchanan, 1980; Levi, 1988). Some agents explained that in such an environment, they very deliberately tried to limit any use of (visible) coercive back-up support or security detail, even if and when available to them, as it served only to illicit fear and defensive behavior among rural inhabitants.[197]

The OTR was embracing a new strategy designed to reduce the political inefficiencies created by the past behavior of their personnel. Instead of coercion, at least in their rhetoric and in the words of many actors throughout the system from high to low, the goal was to education, train, sensitize, and inform citizens of their fiscal civism—their civic duties of contributing to the development of their country.[198] In essence, they were trying to create a dynamic of pseudo-voluntary compliance that was fairly non-existent in rural Togo. Thus, their taxpayer education campaign was motivated by political inefficiencies ingrained in the system, and in some ways created by the revenue system they were replacing. To this end, many had begun to employ an alternative strategy

[197] Interviews 05, 24, 33, 39, 40, 55, 60; participatory observations 4, 12.

[198] Interviews 9, 12, 16, 73, 75; observation memos 7, 17, 18, 19; participatory observation 4.

that was both new and old, in its significance. This strategy was the recruitment of the traditional local authorities, the chefferie, to support their efforts and advocate for them. This strategy will be discussed further below.

5.2 Strategy 2: Tax Instruments as a Toolkit

Related to the previous strategy, on numerous occasions I observed field agents using the fiscal code as menu of options at their disposal, each instrument a potential tool for generating revenue from taxpayers. They wielded those they thought to be most effective or efficient for the taxpayer in question. This treatment of the fiscal code is not what anyone would consider—nor could interpret as—a straightforward implementation of the fiscal code. Instead, it appeared that field agents used the code as a toolkit that could support their revenue mobilization efforts. They selected the (fiscal) tools that appeared to be most useful and readily applicable for each effort to extract income for the state from citizens. To be clear, they generally seemed to be careful to impose a subset drawn from the taxes that were relevant to a given taxpayer (although their interpretation of the fiscal code did not always correspond with my reading of it), even if they were not imposing all of the legally relevant taxes for that taxpayer. In one quote from a field team, the agent explained: "often we are very pressed [i.e. for time], and so we will only impose the TPU and TCS."[199] To me, this statement was very telling of how they understood what was expected of them. One could gather from this statement the impression that they felt very pressed to make as many rounds and reach as many taxpayers as possible, and that it was more efficient to move quickly and impose the simplest, standard rate taxes with which they could generate some income (the TPS and TCS are (bracketed) flat-rate taxes.[200] This pressure stemmed from several sources, which I will briefly discuss in a moment.

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[199] Interview 033; Taxe Professionnelle Unique (Art. 1420) and the Taxe Complémentaire sur le Salaire (Art. 219).

[200] (Code Général Des Impôts Edition 2016 du République Togolaise, 2016) ; TCS Art. 220 : « La taxe complémentaire à l'impôt sur le revenu est annexée au calcul de ce dernier impôt et représente 25% du total de l'impôt dû à ce titre. Le produit de la taxe comporte un minimum fixé à 6 000 francs par redevable et un plafond de 200 000 francs par cote d'impôt sur le revenu. Toutefois, pour les contribuables bénéficiant exclusivement ou à titre principal de traitements, salaires, retraites et rentes viagères, le montant de la taxe complémentaire est fixé à 1 500 francs lorsque le produit de l'impôt sur le revenu est égal ou supérieur à 1 500 francs. Lorsque ce même produit est inférieur à 1 500 francs ou nul c'est uniformément une taxe complémentaire de 3 000 francs qui est retenue par contribuable à titre de minimum d'impôt. » TPU Art. 1429 : a) pour les professions exercées à demeure, à un taux de: - 2,5% du chiffre d'affaires pour les activités de production et/ou de commerce; - 8,5%

Part of the challenge was that for every tax a field agent wished to impose, they had to verbally construct an assessment of that particular type of economic activity with taxpayers (when and where documentation was lacking, as was often the case). This strategy of employing tax instruments as a toolkit and using the most efficient ones (i.e. those they could assess most efficiently), was a workaround to deal with the administrative inefficiencies of illegibility and fiscal illiteracy of the taxpayers. The imposition of taxes on each of these economic actors was very time consuming. They had to be strategic about selecting a few of the most relevant taxes, efficiently assessing taxes before moving on. We can draw the conclusion that they rationalized their energies and efforts, employing the most productive and expedient tools in their toolkit to mobilize what they could. Again, we see an example of maximizing revenue given constraints.

The pressure to deliver high revenue yields, to which Togolese agents often referred, stemmed from two sources. The first was the contractual performance objectives to which each agent was legally obligated. This was a dimension related to the organizational structure of the new semi-autonomous agency. In interviews throughout the country, staff members referenced their performance objectives as motivation for trying to deliver the highest results possible. This was evidence of the successful restructuring of the revenue agency along the lines of New Public Management principles, motivating staff with performance objectives to gain results.[201] Second, as we have already discussed, Togo was facing considerable revenue pressure in 2016, and the fiscal control unit impressed this urgency upon most field offices in the course of the visit.[202]

While revenue pressure was also fairly high in Bénin in 2016, revenue agents were employed as traditional civil servants and had no obligation to fulfill performance objectives to maintain their employment. Regardless, I found some similar approaches in Benin, where the new composite tax for informal businesses, the Taxe Professionnelle Synthétique (TPS)Code Général Des Impôts du Bénin 2017, les articles 1084-18 à 1084-48; Loi n°2014-25 du 23 décembre 2014 portant loi de finances pour la gestion 2015, 2014. was a

du chiffre d'affaires pour les activités de prestation de services. En tout état de cause, le montant annuel dudit impôt ne peut être inférieur à six mille (6 000) francs CFA pour les entreprises ayant une activité de production et/ou de commerce et à douze mille (12 000) francs CFA pour les entreprises de prestations de services.

[201] For relevant discussions of NPM principles and semi-autonomous revenue agencies in the developing world, see (Dom, 2017; Fjeldstad & Moore, 2009; Kettl, 2005; L. Review et al., 2011; Therkildsen, 2000, 2009; Volti, 2007; von Haldenwang et al., 2014b).

[202] E.g. participatory observations 4, 8.

much simpler revenue collection tool than the complex mix and range of taxes it had replaced. However, it seemed that while some officers in some field offices were implementing the new tax, others continued to impose obsolete taxes, such as the *patente*[203] (which was a type of license fee for the right to operate a business locally; see Caldeira et al., 2015, p. 11; Cottarelli, 2011, p. 41.) From what I could assess from my observations and interviews, some agents appeared to continue to employ the old tax instrument because the taxpayers were familiar with them, so they decided to keep with what worked, what was familiar, and, as such, would be more efficient for their purposes, rather than spending their time and energies explaining that the *patente* was legally obsolete for those prepared to pay it.[204]

In addition, as discussed in the last section, Béninois agents selectively employed the *taxe foncier* instrument in the wealthiest villages and targeted the largest houses in their districts for imposition. The rest were generally disregarded.

Recognizing that this behavior was not unique to Togo, we see that the strategic use of fiscal instruments as optional tools of revenue mobilization (rather than a mandate to be fully enforced) cannot be attributed only to pressure placed on agents under new contractual performance objectives. Accordingly, there is evidence to suggest that revenue pressure and the general mandate of these civil servants was sometimes sufficient to induce this strategic behavior. Particularly in the Béninois case, however, it is unclear if agents also employed a targeted selection of revenue instruments as opportunity for personal gain. In other words, it is possible that agents specifically targeted the wealthiest residents and shopkeepers in the hopes of gaining larger bribes for themselves. This factor likely plays a role in the Béninois case, but I have little direct evidence to support it; only second-hand accounts discussing rampant and systemic, hierarchical structures of bribes and related corrupt behavior. While largely conjecture, in Bénin it is possible that hierarchical informal pressure to secure bribes and pass on a share of the proceedings to superiors engendered similar motivations for high revenue yields, only with the effect of siphoning off a large portion of these into personal hands rather than state coffers. The differential in tax-to-GDP ratios between the Togolese (16–20% of GDP) and Béninois case (11–13% of GDP) support this perspective. But we also have macro-level evidence that weakens this argument. My rough cost

[203] Interviews 101, 123; observation memo 31.

[204] The new TPS was a national tax, whereas the *patente*, which it replaced, was generally mobilized as a local tax. In effect, while the TPS created a much simpler tax replacing a number of other taxes, it also meant a shift in some responsibilities and revenues from local to central governments.

estimates of revenue generation (see Annex 4) suggest that the direct taxation of the informal economy in Togo was *more* expensive than in Bénin, a state that seems less inclined to systemic bribe collections within the new revenue system. Other factors are also relevant here. The Togolese revenue mobilization efforts among the rural population are much more recent, where investments in building the tax base and instilling taxpaying habits remain a work in progress, so to speak. In Bénin, the decentralized state, there was more of an established (albeit still weak) pattern of taxpayers coming to tax offices to pay their obligations, which would greatly improve the efficiency and lower the cost of administering the Béninois system in rural areas. We turn to this topic now.

5.3 Strategy 3: Door-to-Door Censuses and Tax Declaration (Cumulating in a Formally Self-Declarative System) (Bénin & Togo)

In Togo, as in Bénin, tax collectors from the capital were assigned by the central office to serve for years at a time in rural outposts, often without consulting the agents themselves. To these street-level bureaucrats, almost their entire constituency was comprised of small, informal economic actors. Their formal mandate was to sit in district offices and wait for the taxpayers to come to them. This is referred to as *auto-déclaration* or *déclaration spontanée*.[205] The existence of this de jure structure was mentioned by the Togolese director of the Fiscal Control unit in almost every meeting I observed between the touring fiscal control unit and each of the field offices we visited.[206] However, almost no one comes voluntarily to the regional OTR outposts. This reality was frequently mentioned by field staff and the fiscal control unit alike[207] (this was also somewhat relevant in Bénin[208]). In reaction to this reality, their operational mandate was *recensement fiscal* (fiscal census) aimed at increasing the number of taxpayer dossiers.[209]

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[205] See, e.g., Code General des Impôts Edition 2016, Office Togolais des Recettes: Art1432 bis (for Taxe Professional Unique), Art. 165 (for l'Impôt Minimum Forfaitaire: "liquidée spontanément"), and Art. 129, paragraph 3 (for Impôt sur le revenu des personnes physiques, or personal income taxes).
[206] Participatory observations 2, 4, 5, 9; observation memo 26.
[207] Interviews 9, 10, 39, 115; participatory observations 4, 6; observation memo 20.
[208] Interviews 120, 123.
[209] See points 5 and 7 under Action 1 in the OTR - PLAN OPERATIONNEL 2016 OTR _FINAL_04 MARS 2016, p. 10.

Field agents and the entire hierarchy of the revenue system systematically developed operational strategies to work around administrative-political constraints where taxpayers simply do not "auto-declare." They organized door-to-door, street-by-street, village-by-village censuses throughout the year (in Togo, and at the beginning of the year in Bénin) to discover, identify, and register taxpayers and assist them in developing their tax declarations, largely based on verbal estimates. This strategy was accepted by the mid-level managers who are most closely involved in field operations, and it was institutionally systematized in both countries.[210] In Togo, it is outlined in the operational plans for 2015–2017.[211] This strategy represents an institutionalized adaption to work around the political and administrative realities in both countries—where rural, largely small, informal taxpayers are neither aware of tax obligations nor feel any particular necessity to come to the tax bureaus and submit tax declarations. The operational plan in Togo states that resources should be made available to broaden the tax base (without specifying which resources). In practice, however, this often implies traveling on foot or (frequently self-financed) travel by moto or car to rural villages throughout a designated territory, and then walking door-to-door in a process of daily discovery, identification, and registration of inhabitants as taxpayers.

The presence of an institutionalized system of "discovery" of economic actors is a very clear example of operational level adaptions of the fiscal mandate to fit the context. The phrase *recensement fiscal* is nowhere to be found in the Togolese Code General des Impôts, Edition 2016 or the Strategic Plan, 2015–2017.[212] More than a simple modification of the fiscal mandate but, if my understanding is correct, this adaption is a direct contradiction of the formal *déclaration spontanée* or *auto-déclaration* system, which the law has established (there are provisions in the law for simultaneous identification of taxpayers and tax collections, but they do not cover many of the circumstances under which revenue actors engage in these efforts).

The relevant motivations for this strategic adaption are primarily due to two dimensions: first, the administrative inefficiencies—the simple non-feasibility of the fiscally mandated self-declaration system; and secondly, the political inefficiencies—including the refusal of taxpayers to come to tax offices

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210 OTR - PLAN OPERATIONNEL 2016 OTR _FINAL_04 MARS 2016, p. 10; interviews 23, 38, 55; participatory observations 2, 4, 5, 9; observation memo 26.
211 PLAN OPERATIONNEL 2016, Office Togolais de Recettes, December 2015.
212 Code General des Impôts Edition 2016, Office Togolais des Recettes; PLAN STRATEGIQUE 2015-2017, Office Togolais de Recettes; Code General des Impôts: Livre des Procédures Fiscales, 2016, Ministère de L'économie et des Finances, République du Bénin.

and the political sensitivities involved in trying to mobilize taxes from small, rural economic actors. In Togo, almost no one came to pay taxes, regardless of their legal obligations. The situation in Bénin was better, but not significantly so. This behavior stemmed from fiscal illiteracy (administrative inefficiency), high compliance costs for taxpayers to come to the tax office, as well as social norms of disregarding fiscal obligations compounded by the weak legitimacy of the state's claims to taxes from rural residents (political inefficiencies). Agents in Togo explained that for some taxpayers, simply traveling to the regional OTR office to pay the tax might be as much as five times the tax they were obliged to pay. Many simply refused on this account if no other. This burden then fell on the budgets of the regional agency's bureau, greatly increasing the collection expense. At times, revenue agents themselves might personally cover the travel cost to these distant villages, where the agency did not have sufficient resources to provide transportation and lodging for their travels.

5.4 Strategy 4: Recouvrement Itinérant (Togo)

While I found evidence of door-to-door census activities and the cumulation of tax *declarations* during the daily, itinerant process in both countries, the two systems differed in terms of *collection* methods. In Togo, not only did field agents spend almost every day outside the office in a process of discovery of eligible taxpayers and businesses (from whom they secured registration with the tax system as well as tax declarations), but the Togolese teams also engaged in *recouvrement itinérant*[213] (roughly translating as itinerant, door-to-door tax collection), which refers to the discovery of taxpayers door-to-door and immediate collection of those taxes. This is also specified in the 2016 operational plan.[214]

5.5 Strategy 5: Verbal Assessments and Filling Declarations for Illiterate (Bénin & Togo)

A revenue actor frequently has no means of affirmatively or formally assessing the actual income of a resident in a small village. Many inhabitants are illiterate or at least accounting-illiterate, meaning that they have had no training or understanding of how to keep records of their annual micro-businesses revenues, expenditures, and profits. According to field agents, rural residents are often only conscious of goods they have bought as well as the finances necessary to secure and transport these goods to markets or their boutiques (inputs

[213] Interviews 1, 13, 24, 25, 38, 39, 45, 46, 49, 55; participatory observations 2, 4, 5, 7, 9; observation memo 26.
[214] OTR - PLAN OPERATIONNEL 2016 (04 MARS 2016), p. 11.

as expenditures) and sold (revenues) in a given week. Revenue actors spend significant amounts of time with potential taxpayers, verbally walking the taxpayer through a week's expenses and income sources, discussing sales volume as well as larger expenses and incomes that might come at different points during a given week, month, or year. By this means, they arrive at an estimate of the types of taxes owed.[215] This is an aspect of the extreme illegibility of almost all economic activity taking place throughout rural Togo. This practice was confirmed in at least one interview with field agents in rural Bénin.[216]

The second aspect of administrative inefficiency that motivates this strategic adaption comes in the form of another source of illegibility. Given the illiteracy of many rural economic actors, many are unable to fill out a tax declaration. Revenue actors often fill out the taxpayer declarations on behalf of taxpayers based on discussions of their various economic activities throughout the year and with reference to any documentation or evidence the taxpayer can produce. When middle-managers insist that it is illegal for revenue actors to fill out tax declarations, often a literate child is called in to help (who is now benefiting from the schooling that most of their parents and grandparents never had). As such, most tax declarations are filled out illegally one way or another—either by revenue actors themselves on behalf of the taxpayer, simply in an effort to carry out their job, or by minors, who have no legal authority to fill out such a form on behalf of their parents or grandparents.[217] These two elements of strategic adaption—verbal assessments and filling out taxpayer declarations—greatly weaken the administrative inefficiency of mobilizing this source of revenue.

5.6 Strategy 6: Timing Collections to Coincide with Greatest Potential Yield

Some field agents, facing the challenges of trying to assess and collect revenues from rural inhabitants who rarely had any funds at their disposal, tried to strategically time their efforts. This is another form of systematically reinterpreting the fiscal mandate. Most taxes have specific deadlines during the year when tax declarations and tax payments are supposed to be made. These were often disregarded altogether, along with the recognition that taxpayers would simply not come to tax offices at all, and any tax collections would have to be done at marketplaces, shops, or in fields during harvest. I classify this as a dynamic strategy to improve yields and render their effort more efficient.

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[215] Participatory Observation 4; Interview 33, 46.
[216] Interview 123.
[217] Interview 46; participatory observations 4, 7.

Agents harmonized their revenue mobilization efforts with the economic activity in their districts. For instance, for revenues mobilized from farmers, they would pay visits immediately after harvest, when they knew that inhabitants would be most likely to have cash on hand. Part of these activities were in opposition to another part of the fiscal code, which protected the agricultural sector—this sector was formally exempt from most taxes. Rural field offices, with the full awareness of operational managers in the capital, would target agricultural production regardless, as it presented one of the only minimally accessible sources of revenue in some regions.[218] In other instances, they collected taxes on market days among vendors.[219] Both examples provide further evidence of field agents adapting revenue mobilization requirements (regardless of fiscally mandated specifications of mode and deadlines) to the most efficient approaches. These are cases of enforcement beyond and outside the legal specifications as well as other instances of partial enforcement of the mandate.

5.7 Strategy 7: Recruiting the Support of Chieftains

As I accompanied the Fiscal Control Unit on their tour of field offices throughout Togo over a two-week period and observed their meetings with field units, I was able to witness the emergence of a new de facto strategy. By mid-tour, this strategy became one of the principle recommendations provided by the mid-level managers visiting from the capital to field units. The strategy was to engage the *Chefs du Village* (village chiefs) and *Chefs du Canton* (canton chiefs) in the state's revenue mobilization efforts. Chiefs in Togo function in a semi-formalized role as the local, lowest levels of the state apparatus. Those chosen by their village or canton constituents for these roles (or by inheritance) are then formally recognized by state decree (HI, 2008; Loi n°2007-002 du 8 janvier 2007 relative à la chefferie traditionnelle, 2007; Nieuwaal, 1996). Some are elected on merit, others referencing a source of traditional authority and legitimacy stretching back centuries. Still others were designated as chiefs during the colonial period in regions where chieftaincy systems did not exist (Amenumey, 1969; Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996).[220] While local chiefs and traditional authorities have no formal role in the state's fiscal mandate, it appears as though chiefs (not unlike colonial times) generally enjoy much greater degrees of (political) legitimacy among their constituents than most of the state's formal apparatus above these semi-formal tiers of chieftaincy.

[218] Interviews 24, 81.
[219] Interview 24.
[220] Interviews 59 and 62.

In one of our meetings with a field team, part-way through the first week of the fiscal control unit's mission, the field team had just been praised for their exceptional efforts to complete tax collection arrears from three previous years (2012–2014; our tour was taking place in late autumn, 2016).[221] The director from Lomé in charge of the mission queried the field teams on how they had achieved such remarkable success in mobilizing revenues that were years overdue (a common pattern across rural districts). The reply was that they had begun to engage the local and traditional authorities in their work, and to solicit and recruit them to advocate on behalf of the OTR agents who were now trying to impose taxes in their villages.

Chiefs in the Togolese context (and West Africa more generally), have managed to demonstrate a high degree of maneuverability in trying to maintain their relevance in the legal pluralism characterizing these states. State authorities are often expected to obtain permission from local chiefs before entering their village, canton, or "quartier" to carry out work on behalf of the state. Chieftains are still the most relevant local authority for most citizens, active in resolving conflicts and serving as interlocuters between the state and (rural) citizens (Amenumey, 1969; Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996). This appears to be the case with the new agency's tax collectors, trying to establish rapport and legitimacy in their efforts to tax local (rural) populations. Revenue agents explained how extremely effective and helpful the strategy had been. Often, in villages where they had previously been chased away or found most occupants dispersing upon their arrival, they now enjoyed the attention and compliance of entire villages. Chieftains would intervene when there was a dispute regarding amounts, advocating for the villager where he saw evidence of an unjust amount, but he would always reinforce and press for compliance by his constituency for the final agreed payments.[222] For the chiefs themselves, this role likely served to reinforce their authority among the villagers.

The director from the capital remarked at what an excellent and resourceful strategy this was, praising the team we met for their creative initiative. He explained, encouraged, and recommended this strategy at each following visit with field units that had not already happened upon the strategy themselves. This strategy was obviously targeted at enhancing the state's weak levels of legitimacy in the rural landscape by engaging more legitimate local authorities, the chieftains, to carry out work that was otherwise often highly politically inefficient.

[221] Participatory observation 4.

[222] Interviews 33, 34, 35, 59, 60, 62, 125, 126; participatory observations 4, 12.

5.8 Strategy 8: Rationalization of Field Office Placements (Togo)

A final strategy worth presenting stems from management and strategic planning at headquarters. During informal discussions, one mid-level official at the headquarters in Lomé informed me that they were assessing which field offices were productive enough (i.e. generating sufficient revenues) to justify keeping them open. They said they had already closed several field offices because they simply could not rationalize their activities (regardless of the fiscal mandate, although I only assumed this last part was implied; it was not explicitly stated). He informed me that another department was in the process of analyzing several other field offices to determine whether they also would need to be shut if unable to deliver sufficient revenue.[223]

I was able to corroborate the rationalization of budgetary allocations (vis-à-vis revenues mobilized), from several indirect angles. First, in field offices, when I queried agents about the resources at their disposal, most field offices explained that they did not have the resources necessary to carry out their work. Most had a single vehicle or shared one with other field offices, and it was commonplace not to have enough fuel for only this single vehicle. Most had no internet connection, although some offices were being connected with the internal closed network even as we traveled (in fact, we ran into the information technology team on multiple occasions during our two-week tour to several field offices).[224] These were the resources they were provided, despite the fact that the only way to carry out their work was obviously to go out daily to the villages and towns on foot, moto or car, and go door-to-door to collect taxes. As discussed earlier, most used their own internet keys, their own motorcycles, cell phones, their own money for gas, some even used their own computers. When I asked why they had not been provided with more resources, they explained that when they ask for further resources and support, they are told that they cannot spend more than they collect.[225] In other words, their resources appear to be rationalized according to how much they can mobilize, not according to their fiscal mandate. This statement is very significant in several respects. Best practice ratios for the costs of revenue production in OECD states is 1–1.5% of revenues mobilized, while an average of 2.5–3.5% in developing countries is generally acceptable (African Development Bank, 2011; Bird & Zolt, 2004; Wallace et al., 2004). One senior OTR director admitted that the agency and donors would "have his head" if he surpassed the

[223] Observation memo 25: Evidence qualification: I was unable to obtain any confirmation of this information from the relevant department.

[224] Interviews 24, 33, 41, 46, 48; participatory observations 2, 4, 6, 7.

[225] Interview 46.

3% threshold in costs of revenue mobilization, and was very confident their operational expenditures did not exceed this ratio (outside capital expenditures, e.g. building major new infrastructure and networks for the revenue system).[226] However, according to field interviews and discussions with at least two middle management officers from the headquarters, their ceiling for costs-of-production in rural areas appear to have been potentially 100% of revenues mobilized.[227] This is obviously an interpretation of what was explained to me, but if they in fact meant that this was their limit—"resources no greater than the revenues they mobilized"—then the de facto strategy would be to ensure that field offices at least managed to cover the expenses of their efforts, even if the final outcome of all the field units efforts was a net zero effect (i.e. on the bottom line of revenues generated for the state).

In support of this argument is the evidence that some of these rural field offices have substantial revenue production costs, with 22% (of revenues generated) in estimated costs-of-production (averaging 26%, by region, with some regional estimates of revenue production costs as high as 37%). In 2015 the Office Togolais des Recettes (OTR) mobilized $6.9m in revenue from the entire countryside outside the greater metropolis of Lomé (see my breakdown and compiled sources of estimates in Annex 4.2).[228] To generate this revenue, I estimate that the agency spent $713,422 in personnel assigned to deconcentrated bureaus, $319,419 in non-personnel operational costs, and $492,988 in equipment and investment expenditures. Subtracting these sums from the revenues mobilized, we arrive at a net total revenue of $5.4m. This statistic suggests that revenue production costs present a much starker picture when differentiated by taxpayer groups and revenue sources. For the direct taxation of rural economic actors, we can expect the cost ratio of 3% to potentially increase by a factor of 5 to 10, at least in the short term. However, even in Bénin, while the statistics I obtained were specific to one small municipality, my estimates for revenue production costs (personnel only) fall in the range of 50–70% of revenues mobilized. These estimates align fairly well with the findings in another research project in which I was engaged, analyzing local costs of revenue mobilization in Sierra Leone, see Prichard et al., 2017. Even if we halved these estimates, we can still conclude that these revenue mobilization efforts are administratively inefficient. The strategy of rationalizing field office placements, while not acknowledged formally by the agency at-large, appears to exist operationally in Togo.

[226] Interview 131.

[227] Interviews 46, 133; observation memo 25.

[228] This excludes medium and large taxpayers who report directly to the headquarters instead of the regional bureaus

Section 6 Strategic Objectives in Togo

Facing these administrative and political constraints, Togolese field agents struggle to enforce their direct tax mandates among rural economic actors. At least on the administrative dimension, we find similar inefficiencies in Bénin as well. According to my theoretical expectations, this group of taxpayers should have been largely disregarded.[229] In Togo in particular, we find evidence to qualify this expectation. While agents systematically reinterpreted the rural tax base to target the more efficient sources of revenue within it, the fact remains that they sometimes took canoes to villages 150 kilometers away to mobilize less than $100 in state revenue. They risked physical attack and often invested their own money in these efforts. Middle managers overseeing their efforts, moreover, reinforced the idea that they must continue this work to broaden the tax base, regardless of risk. However, these same managers accepted much of the systematic street-level reinterpretations of the tax base to avoid the extremes of political and administrative inefficiency. At the micro level, we can conclude that agents and field managers employed strategies of revenue maximization given constraints (non-enforcement and partial enforcement of resource-exacting sources; enforcement beyond-outside the scope of the fiscal mandate in other cases which presented slightly higher yields). Conversely, on the macro level, the agents were pressed to continue the work regardless of weak or even negative yields. These efforts, then, require explanation.

Probing the rationales offered by agents, middle and senior managers within the revenue agency, we find a number of relevant strategic objectives. The first is that the new semi-autonomous revenue agency was making a good faith effort to enforce their fiscal mandate—but generally only to the point that they would have to take a loss for further revenue mobilization efforts.[230] The agency was answerable not only to its own government for performance, but also to development partners. The agency overhaul was supported financially by the African Development Bank and the IMF (ADB, 2014, 2016; Capacity, Support, & Report, 2005; IMF, 2017, 2018c; Ollame et al., 2010). The strategic objectives of these domestic resource mobilization projects included broadening the tax base.[231] If we consider development partners as a type of constituency (as important revenue providers to the revenue system and Togolese state in general), carrying out one portion of the fiscal mandate at a high cost represents a good faith effort to remain in the good graces of a more important

[229] See the model of revenue efficiency in Chapter IV.
[230] To clarify, that is up to the point where they actually would have to spend more than they generate to mobilize revenue, as discussed above.
[231] PLAN STRATEGIQUE 2015–2017, Office Togolais de Recettes.

revenue contributor: development partners. I discuss other major revenue contributors in a moment.

A second possible rationale is the symbolism involved in the act of paying taxes, where tax contributions, while negligible in terms of actual state revenue, represented citizens' civic participation in the state. There is precedence for the hope and expectation that this civic duty binds citizens to the state and gives them a sense of ownership in its development (Juul, 2006; Wilson Prichard, 2010c). And there is certainly evidence to support this motivation. In many interviews, at all levels of the agency, revenue actors discussed the lack of (fiscal) civic duty of citizens and the lack of a tax-paying culture.[232] Managers and field agents alike explained the need to continue the work to educate and cultivate taxpayers.[233] This speaks to another potential rationale: a long-term strategy to identify and develop taxpayer habits in anticipation of compliance when companies started generating real revenues. A fourth is the motivation to enhance the agency's legitimacy among its largest domestic taxpayers. I will elaborate these final two points.

6.1 The Shotgun Method

After spending months observing the efforts of revenue agents and managers throughout the OTR, I recognized that the agency was placing a rather significant emphasis on "recruiting" rural economic actors. This involved assistance to taxpayers, teaching them how to track business incomes and expenditures, educating them to become more accounting-literate and informed taxpayers, and explaining how to fill out taxpayer forms. Between 2015 and 2016 Togo increased the number of registered small taxpayers by 31,000 on top of the estimated 52,000 small taxpayers previously registered for the entire country. Within one year of the creation of the new semi-autonomous revenue agency, they had increased registered small taxpayers by 60%. Of these, roughly two-thirds paid taxes in 2016.[234] The return on these efforts was paltry. In fact, according to my estimates, they were losing almost $240,000 in the endeavor.[235] When I queried Henri Gaperi, the director of the Togo's semi-autonomous revenue authority, regarding the rationale for these expensive, resource-consuming efforts, he articulated the "shotgun method," which was a

[232] Interviews 7, 9, 12, 16, 40, 73, 75; observation memos 7, 17, 18, 19; participatory observation 4.

[233] Interviews 9, 12, 16, 73, 75; observation memos 7, 17, 18, 19; participatory observation 4.

[234] Interview 133.

[235] According to my estimates, the revenue authority spent up to 37% of yields in 2015 in their efforts to mobilize revenues from rural (small) economic actors. See Section 5.8 of this chapter and Annex Section 4.2.

long-term strategy emerging from the senior and middle-management levels of the revenue system:

> Yes, this is a strategy… it is in a way, a "shotgun method" … because maybe out of the 2000, maybe we will get 150 of them that actually become medium-sized enterprises, but we don't know which ones these are, so we need to treat all of them and nurture all of them.[236]

In other words, from the director's perspective, these extensive efforts to find, identify, track, train, nurture, and groom the citizens of Togo into taxpayers did not necessarily carry expectations that they would be generating revenues of any current significance; rather, he considered this work to make taxpayers and their economic activity legible as an investment in the future. He was essentially talking about state-building. If they worked now to train them, to instill habits of paying taxes when contributions were fairly insignificant, the hope was that taxpayers would remain in the formal system and continue to report their incomes and profits as they grew.[237] Some small percentage of all of these informal actors, maybe 5%, would one day become medium-sized enterprises that contributed real income to the state coffers. The revenue authority was uninterested in gambling on picking the winners and could not predict which of these investments in taxpayers would generate a profitable return in the future. Instead, they chose to nurture and groom as many as possible in the hope that they had managed to gather a few "winners" in the process.

This strategic objective was reiterated in similar terms by the fiscal control unit, as I observed their meetings with field staff offices. The director of this unit spoke in terms of "recruiting taxpayers."[238] From his perspective, even if the field agents "broke even" on the expenditures used to travel to and collect revenues from rural economic actors, they would have succeeded. Their primary mission was no longer *recettes* (revenues) to contribute to the budget goals, but rather, bringing more taxpayers into the tax net.[239] They accepted that enlarging the tax base would likely not increase the current revenues mobilized, but should be expected to increase future revenues once they grew and were passed onto the department charged with managing medium-sized enterprises.

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[236] Interview 90 (this interview was conducted in English, his native language). As this interview was not recorded, the quote is reproduced as closely as possible based on my interview field notes.

[237] This rationale reflects similar perspectives expressed by revenue agents in Tanzania (Joshi et al., 2013, 10, footnote 8).

[238] Participatory observation 4.

[239] Ibid.

Expanding the tax base is a common strategy in most countries. The unusual aspect here was the idea that, in this low-income country, the goal was not bringing in immediate revenues, but recruiting taxpayers in the hopes of a future return. As such, the entire department's efforts could be seen as an investment in future returns. Expanding the tax base among rural small taxpayers would likely create a similar scenario in any country falling within my universe of country cases (low-income states). In such states, mobilizing revenue from rural, informal, smalltime economic operators (which make up a large portion of many states) is relatively costly. The greater distances revenue actors must cover to reach rural economic actors exponentially increase the tax production costs (Herbst, 2000; Joshi et al., 2014). Paltry revenues generated in this fashion would not likely relieve much of the fiscal burden from other segments of the population after factoring in the high costs of mobilizing them. In fact, as seemed to be the case in Togo, the effort might require cross-subsidization from other departments simply to finance the mobilization of these taxes.

In summary, from the perspective of senior and mid-level directors in the Togolese revenue agency, expanding the rural economy tax base in Togo might result in the creation of a potential pool for future state earnings. This would only be the case if it was able to maintain the tax base over time as small-time producers grew. On this basis, it becomes apparent that the strategic motivation for the recruitment of rural, small economic actors in Togo were not necessarily serious expectations about augmenting revenues in the short term (only hoping to fill some portion of an unexpected revenue gap); rather, this work was largely intended for the generation of revenues in possibly five, ten, even thirty years in the future.

These strategic objectives and related activities are exercises in state-building—creating legibility among wide swaths of the rural landscape. I would argue that their strategic long-term objective provides some qualifiers for the firm-like behavior of rulers depicted in Levi's work (1988, pp. 10–36). This case study identifies behaviors that do not reflect an interest in short-term revenue maximization, nor of direct fiscal exchange. Instead, it is firm-like behavior in the sense that the revenue agency is investing in future returns. As such, it is not a fiscal exchange, but the recruitment of new potential "customers" through identification, sensitization, education, and training of citizens on their fiscal responsibilities with the idea that these investments will begin to pay off in the medium term.

Our findings resonate with Olson's (2000) depiction of rulers as stationary bandits who work to ensure the potential for future returns in the territories they monopolize(Olson, 2000)(Olson, 2000). In our discussions of the rationalization of field office placements in Togo, we reviewed cost estimates for the direct taxation of the rural economy. I estimated that the revenue agency mobilized less than seven million dollars in revenue from this source in 2015 and spent roughly 14-37% of the revenues generated to accomplish this. These low returns demand another rationale beyond the current revenue mobilization commitments. The low yields could instead be perceived as an investment in future returns. It was certainly in this sense that the mid-level and senior management at the revenue authority treated the entire endeavor.

This strategy was a long game. In Togo at least, the effort was subsidized by development partners. The revenue agency and its actors were investing significant resources in a highly inefficient revenue source—rural, informal economic actors—in the hopes of structuring more administratively and politically efficient sources for future returns. The administrative dimensions have been well-covered. Politically, the strategic objectives in this long game included effort to articulate the civic duties and obligations of the citizenry, instilling in them a sense of ownership and belonging within the state fold. Negligible tax contributions represented more of a symbolic than substantial contribution to the state's development. Agents employed a variety of strategies to arrive at these nominal sums for many of the poorest citizens and often recruited traditional chiefs to enhance the legitimacy of their efforts, embarking upon civic-fiscal duties ("fiscal civism" in French) campaigns throughout the territory.

This shotgun method presents a twist on the fiscal exchange models of taxation. In poor states, revenue actors (and rulers by means of extension) demonstrate firm-like behaviors by investing in efforts to reduce the costs of *future* returns rather than promoting a direct exchange of current taxes for current public goods provision. This rationale also helps explain why the revenue agency did not behave according to my theoretical expectations regarding a highly efficient source of revenue.

6.2 An Overture to Major Revenue Contributors

The aforementioned "shotgun method" was not the only strategic rationale presented to me by the director. In this interview, one of the last conversations I held with representatives from the Togolese revenue agency, I gained another perspective on the extensive OTR efforts undertaken to enforce the fiscal mandate in rural areas.[240] This strategic objective was a form of posturing in relation to the real revenue system breadwinners, the *grandes entreprises*. The costly efforts to identify, educate, coach, assist, and coerce the poorest citizens into paying taxes, from the perspective of the director, also served a second purpose; by investing heavily in this administratively and politically

[240] Interview 90.

inefficient source of revenue, with little current returns expected, they hoped to gain something besides future returns: enhancing the political efficiency of taxing the biggest economic players.

As the director[241] explained to me, the strategic objective was to demonstrate their good faith efforts to the biggest taxpayers to broaden the tax net to include all citizens, regardless of the revenues actually mobilized. Taxing rural economic actors a small pittance was symbolic for the larger taxpayers as well as the small taxpayers themselves. The expectation was that the tax system would be viewed as a fairer system in which everyone contributed their part, even if that amount was relatively miniscule. In particular, the hope was that the system would be perceived as fair by the 672 *grandes entreprises* which contributed 90% of internal revenues.[242] The revenue agency was gambling the low yields in their mobilization efforts in the rural economy, in exchange for the continued compliance, and potentially even reduced tax evasion from biggest revenue providers. This rationale resonates with the theoretical and empirical perspectives from a number of recent scholars (e.g. Jibao & Prichard, 2015; Joshi et al., 2014; Kjær & Ulriksen, 2017; Wallace et al., 2004).

Thus, the second strategic objective, at the highest level of the agency, was an overture that could be classified as posturing by the state, in the nature of Moore's indirect, strategic revenue bargaining, directed at those with the broadest shoulders in their system (D. A. Bräutigam et al., 2008, pp. 37–38).[243] It was an effort intended to leverage a highly revenue-inefficient source of income to maintain the political efficiency of their most lucrative revenue provider: *les grandes entreprises*.

6.3 Revenue Pressure: Offsetting Hemorrhaging in Customs

There was also a pressing revenue gap motivating the revenue mobilization efforts when I was there in the fall of 2016. As discussed briefly in the previous chapter, the Togolese revenue agencies were facing significant revenue shortfalls in the customs departments, which they generally relied upon to deliver over half of the entire state income.[244] Customs revenues were declining unexpectedly and rapidly (IMF, 2017). Trade and transit tariffs (together with

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[241] H. Gaperi, the Commissaire Générale, who was replaced four months later for undisclosed reasons.

[242] Statistics from the OTR internal financial reports, 2016.

[243] Moore's definition of revenue bargaining: "There are many variants of revenue bargaining. The revenues are taxes. Bargaining ranges from (a) direct and explicit haggling and agreement ('I'll show you mine if you'll show me yours') to (b) indirect strategic interaction and mutual behaviour adjustment without direct negotiation"(D. A. Bräutigam et al., 2008, pp. 37–38).

[244] For instance, participatory observations 4, 8; Interviews 25, 66.

corporate income taxes and VAT generated from the largest corporations operating in the country) had been the primary sources of income for years, even decades (Figure 31). However, due to a complex set of issues, such as economic shock in their very large and economically-significant regional neighbor, Nigeria, where declining oil prices had led to a massive devaluation of the currency and curtailed Nigeria's purchasing power parity by roughly 50% (Bousquet, 2016; FT, 2016; Ohuocha & Mayowa, 2016; Onigbinde, 2016; WB, 2017). for the first time in 10–15 years, customs revenues were failing to meet their revenue targets for the second and third quarters of 2016.[245] The management unit tasked with fiscal control and reinforcing operational standards across the institution embarked on a mission to visit all field offices, inspect their operations, and express the severity of the revenue situation that the country now found itself in, with this unexpected drop-off in customs revenue targets. All departments of the institutions were asked to push forward with all the resources, energies, and manpower they could to mobilize whatever possible from all corners of the state to make up for the customs revenue gap. The fiscal control unit manager expressed this urgency throughout the two-week field mission.[246] Thus, regardless of the costs of production there was a revenue imperative driving these efforts of inefficient revenue mobilization. However, even in the space of the same conversations, managers discussing the need for field offices to increase revenue yields would vaguely express concern for the rising "production" costs.[247] These mid-level managers were caught between two major constraints: While they were tasked with pressing field units to deliver much greater yields to make up for the customs revenue deficit, they were directly confronted by the realities of the "costs of production" in taxing the informal economy vastly exceeding the costs associated with generating customs revenue. At times they were cost-prohibitive (discussions regarding the high production costs were kept very discreet, and my key sources of empirical material illuminating these costs requested confidentiality). The revenue imperative increasingly confronted complex administrative and political inefficiencies of directly taxing rural economic activity.

Section 7 Main Findings and Conclusions

We can classify the direct taxation of the rural economy as highly inefficient on both dimensions. Politically, revenue actors in Togo can claim very weak legitimacy regarding the state's right to tax its rural inhabitants, and they often lean on more legitimate local authorities—traditional chieftains—to support

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[245] Participatory observation 08; interview 25.

[246] E.g. participatory observations 4, 8.

[247] Interviews 46, 53, 64, 133; observation memo 25.

them in getting the community to fulfill their civic duty to pay taxes. Revenue actors have been attacked, beaten, and chased away on occasion by citizens throughout the country. Their case-by-case practice of assessing a taxpayer's ability to pay was motivated by the risks of increasing political inefficiencies in their efforts—of eliciting anger and resistance from inhabitants. Thus, we find that surpassing a citizen's own perceived ability to pay taxes increases the political inefficiency of these efforts. This element was not theorized and can be considered an additional element relevant to the political dimension. A number authors have explored tax compliance, including the perceived ability to pay taxes from the taxpayer perspective (Dodge, 2013; O.-H. Fjeldstad & Semboja, 2001; M. Keen et al., 2015; Kornhauser, 2005; Mascagni et al., 2017; Mukama et al., 2017; OECD/FIIAPP, 2015; Piracha & Moore, 2016, 4; Wilson Prichard, 2010a). Fjeldstad and Semboja, for instance, found that tax compliance, unsurprisingly, is positively related to the ability to pay and negatively related to the coercive harassment of taxpayers. The findings in this research illuminate the revenue agents' perspectives and related strategic behavior—a systematic practice of assessing the ability of taxpayers to pay to reduce resistance and improve the political efficiency of their efforts. This behavior resonates with Piracha and Moore's findings in Pakistan (2016, 4).

Administratively, this is a highly illegible revenue source. Revenue agents elaborated a wide range of practical strategies to avoid the most inefficient portions of the tax base and improve the efficiency of their efforts as much as possible.

Strategies to address or work around inefficiencies in both states included: 1) systematic field-office-level reinterpretation of the tax base and adjusting imposition to perceived ability to pay, using verbal assessments and visual inspections; 2) using available tax instruments as a menu of options, employing only the most efficient; 3) door-to-door fiscal censuses and discovery of eligible taxpayers; 4) filling declarations for illiterate taxpayers; and 5) timing collections to coincide with periods of higher potential revenue yields. In Togo, additionally, I identified the following strategies: 6) *recouvrement itinérant* (collecting taxes in person, door-to-door); 7) recruiting the support of village and canton chiefs, including both elected and traditional authorities, to sensitize inhabitants and encourage compliance, and 8) an ongoing process of analysis and rationalization of field office placements. Each of these strategies represents an adaption where the formal fiscal mandate was not feasible (these are not presented in the order discussed, as I divided them here between strategies that existed in both cases, and strategies only relevant to Togo.)

This is where the model of revenue efficiency scenarios qualifies and is able to explain strategic behavior at the micro level, where field agents systematically reinterpreted the tax base, often only partially enforcing or not enforcing on the most politically and administratively inefficient portions of the tax base. Many of these behaviors—both strategies and motivations—sit uneasy with a Weberian notion of bureaucrats, whose function is to simply carry out his policy mandate—the enforcement of the fiscal code—not to *adapt* policy (Weber, 1922). In stating this, I echo Yanow's analysis of bureaucratic functions, and similar pragmatic criticisms of the Weberian ideal (Pressman & Wildavsky, 1984; Yanow, 2013, pp. 3–6). This empirical work also serves as a case of Lipsky's (1980) "bureaucrats as strategic actors." What is interesting and in focus here is the aspects of their environment (a low-income, resource-poor state) which rendered their mandate unfeasible, and the strategic adaptions these bureaucrats developed to deal with these inefficiencies.

Ultimately, we see that the direct taxation of rural economic activity is a source of revenue which falls into the inefficient category—on both dimensions and in both countries. From the perspective of revenue yields, the government gains little. The question then begs, why are they taxing them at all? Our macro factor of revenue pressure provides a partial answer in both countries. However, the limited revenue stemming from these efforts (particularly in Togo) undermine this factor as the primary driver. While contractual performance objectives in the semi-autonomous agency also motivated the Togolese agents, they cannot explain the similar patterns found in Bénin. Thus, we are still left with doubt as to what drove the revenue mobilization strategies among the highly revenue inefficient sources.

In Togo, several medium-term and long-term strategic objectives come into play. Firstly, we can understand these actions as effort to maintain the good faith of several major revenue contributors, development partners, and the largest domestic taxpayers. Togo's development partners in particular have placed emphasis on increasing domestic resource mobilization, including broadening the tax base. Among the largest domestic taxpayers, this behavior can also be understood in part as a strategic overture aimed at enhancing the system's legitimacy, or as one side of a revenue bargain: leveraging the treatment of one taxpayer group to maintain the goodwill of another, more important source of revenue. Secondly, we see the state behaving as a firm: in circumstances where external partners financed the efforts, the Togolese state could afford to accept low short-term yields in revenue production in some departments as a form of investment in future returns. These efforts included taxpayer "recruitment" and state-building efforts of legibility creation. These can be understood as dynamic strategies to improve the political and administrative efficiency of mobilizing this base in the long-term. Revenue agents also employed other strategic actions aimed at enhancing the legitimacy of their efforts among rural inhabitants: securing the political backing from more legitimate spheres of power (traditional chiefs) in the rural space, as well as conducting campaigns to improve social norms and perceptions of civic duty and obligation (Table 5). These efforts can be understood as dynamic strategies to improve the political efficiency of their efforts in the medium term.

7.1 Strategic Action—Summary of Inefficient Revenues

In Table 5 below, I present a list of strategic treatments I identified in the course of researching this case. These are strategies employed by revenue agents in Togo (and Bénin) to enforce their mandate of direct taxation on the rural economy.

Table 5. Strategic treatment of inefficient revenues

Strategic Treatment of Inefficient Revenues
Enforcing elements previously not enforced
Creating legibility
Imposed, but not in way intended in code
(Formally) adjusting formal mandate to fit context
(Informally) adapting formal mandate to fit context
Engaging local knowledge and power centers to support revenue mobilization
Not enforced or partially imposed
(Informally) adapting formal mandate to fit context
Other strategic action
Engaging local knowledge and power centers to support revenue mobilization
Turning a constraint into a revenue opportunity
Revenue instrument revised (motivated by previous poor fit)
(Formally) adjusting formal mandate to fit context
Revenue instrument structured with strategic element
Creating legibility
Turning a constraint into a revenue opportunity

Chapter IX
Tackling Administratively Inefficient Revenues

"We profit from their ignorance."
Regional manager, Office Togolais des Recettes[248]

In this chapter, we examine efforts to mobilize a number of revenue sources which are administratively inefficient in nature, including attempts to "universally" enforce the Taxe d'Habitation in the capital city of Togo; the strategic capture of a portion of property taxes throughout Togo's urban areas; and an imported-fuel tax exemption. The fuel tax exemption is imposed when global prices pass a certain threshold. This arrangement is considered a more efficient means of providing a "negative tax" (i.e. subsidy) for the most vulnerable than administratively complex direct redistributions. For the first two cases, a political inefficiency dimension also exists, but it is the administrative inefficiency of each that renders the resource inefficient for capture.

In the first case, it is only after the Office Togolais des Recettes (OTR) and the City of Lomé develop a plan to address the illegibility of this tax base that residents perceive a "threat" of imposition, and politically mobilize to resist. The second part of this case, pertaining to the agencies' strategic efforts (and ultimate failure) to countermand the political resistance, is presented in the next chapter. Here, we focus largely on the administrative dimension. The illegibility of this tax served as a "safety net" for residents, protecting them from imposition until the state secured funding from donors to underwrite the census.

Section 1 Efforts to "Universally" Enforce the Taxe d'Habitation in Lomé

In this first case, we explore the Togolese government efforts to impose a residence tax in the capital. This is a case of enforcing a fiscal mandate which was previously not enforced (or, rather, it is an unsuccessful attempt to enforce the tax). In this case, we will examine the first of two dynamic strategies developed by the state revenue agency and City of Lomé to mobilize this revenue. The first action, examined in this chapter, is the preparations the state undertook,

[248] Interview 26.

with financing from France and the EU, to improve the legibility of the residence tax. As the agencies embarked on their plan to address administrative inefficiencies, they exposed a raw political sensitivity. Census plans were halted and a new plan was formed to address the political obstacles instead. The dynamic strategy designed to address the political sensitivities is discussed in the next chapter. Here, we focus on the underlying illegibility of the Taxe d'Habitation, which created a safety net for residents in the capital, protecting them from this tax obligation, and the subsequent impetus which motivated a change in strategy.

The Togolese Taxe d'Habitation, a residence tax, was formally created in 1999.[249] The rates were increased slightly in 2002, and rate structures simplified in 2006 (Loi n° 2001-18 portant loi de gestion 2002; Loi n° 2006-001 du 03 janvier 2006 Portant Loi de finance gestion 2006).[250] However, there were minimal attempts to impose the tax until 2016. Short-lived preparation to expand the imposition of this revenue in the capital city of Lomé in 2016 triggered a public outcry. The revenue authority and the Ville de Lomé had to completely retract their efforts and strategize how to proceed, as narrated in the next chapter. This is the strategic case which we will examine.

The first part of our analysis briefly revisits the revenue pressure facing the government and donor priorities which served as the impetus to secure revenue from this administratively inefficient source. I then explore the legal structure of the Taxe d'Habitation and discuss how the existing structure of the tax instrument, structured as a flat tax, made it relatively more administratively efficient than other potential designs of this tax instrument. I then outline the state plan to address the source of (administrative) inefficiency that they were aware of: the illegibility of the tax. The third part of our analysis explores the dynamics that unfold as the state attempts to impose a tax that they now thought to be efficient (on both dimensions), only to expose a raw, unforeseen political sensitivity.

1.1 Revenue Pressure

Facing significant fiscal pressure in late 2016, Togo's new revenue agency was searching for sources of revenue to cover fiscal gaps and reach new, higher revenue mobilization goals. The shortfalls of 2016 followed several years of significant improvements in revenue generation (see Figure 31), thanks largely to reforms and the creation of the new, semi-autonomous revenue agency.

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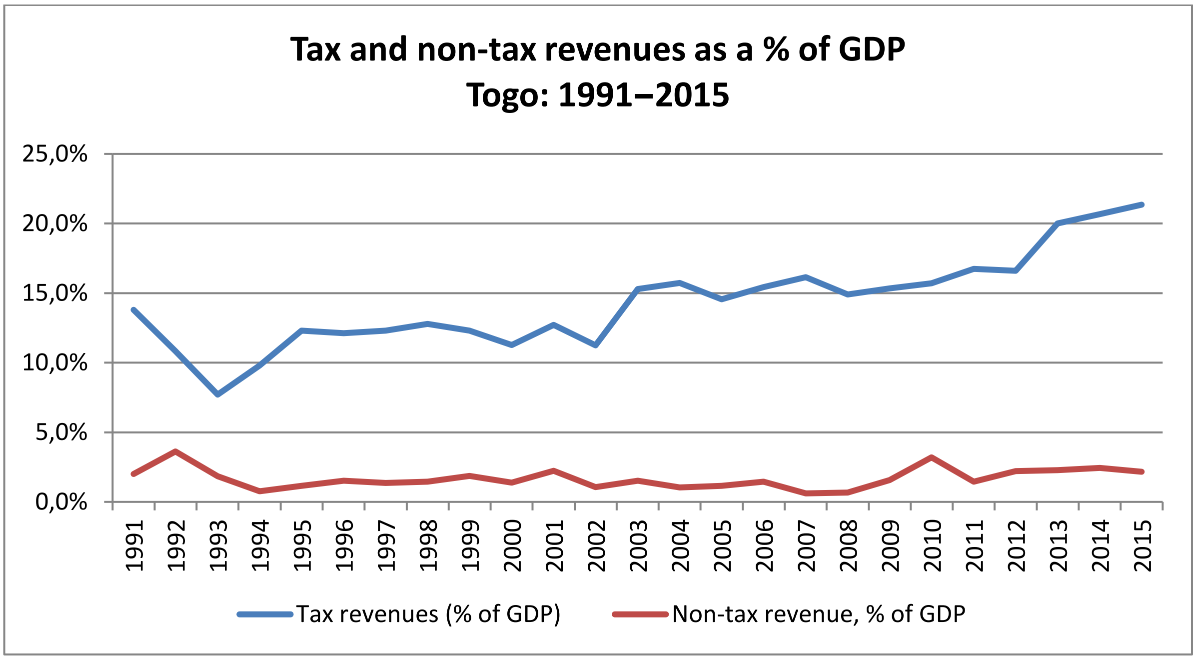
[249] Written communications with Togolese Fiscal Code Expert, Gaba Leone, of ICS, March 22, 2018.
[250] Ibid.

Figure 31. Togo's tax and non-tax revenues, 1991–2015



Source: Office Togolais des Recettes.

The revenue pressure partly stemmed from the need to service increasing debt as the government embarked on major fiscal governance, institutional capacity-building and infrastructure projects financed by development partners. Projects specifically related to domestic resource mobilization included funding from the following development partners: France (PEUL, Projet d'environnement urbain à Lomé, an urban renewal project for the Maritime region and city of Lomé, including improvements to and modernization of the city's revenue mobilization efforts, EUR 5 million, initiated in 2011); the EU (PAUT, Projet d'amenagement urbain au Togo, Rehabilitation of the city of Lomé, 39 million euros, including support for financial management of the city, initiated in 2013); the African Development Bank's three projects (PAGFI[251] commencing in 2016, PAMOCI[252] in 2015, and PARCI[253] in 2010), each specifically

[251] PAGFI, 23.4m USD (initiated in 2016), Tax Governance Support Project (In French: Projet d'appui à la gouvernance fiscale). An African Development Bank project.

[252] PAMOCI, US$7 million (initiated in 2015), Resource Mobilization and Institutional Capacity Building Support Project (in French: Project d'Appui à La Mobilisation des Ressources et au Renforcement des Capacités). An African Development Bank project.

[253] PARCI II, US$ 12.9 million (initiated in 2010), Institutional Capacity Building Support Project (In French: Projet d'Appui au Renforcement des Capacités Institutionnelles en Gouvernance Economique et Financière). An African Development Bank project.

targeting fiscal governance, institutional capacity-building, and resource mobilization for the state totaling US$43.3 million; and finally, negotiations had begun for the IMF's second Extended Credit Facility (including the "bolstering" of the "revenue administration"), including grants and loans totaling US$241 million (ADB, 2014, 2016, AFD, n.d., 2012; IMF, 2017; Ollame et al., 2010). These programs merely represent a small subset of the entire donor financing programs initiated in the past decade in Togo. Despite (very) recent debt forgiveness initiatives, public debt by the end of 2015 had already reached 75% of GDP (Kohnert, 2017b, p. 24).

Secondly, the 2015 election cycle drained a portion of the state coffers (BTI, 2016a). Thirdly, reforms to overcome collusion and bribes in the customs agency had increased the fees and controls associated with imports coming through the port of Lomé.[254] Consequently, many importers were diverting goods to other ports of entry for West Africa (IMF, 2016, 2017).[255] Fourthly, neighboring Nigeria, a country that economically dwarfed Togo's economy and played a significant role in its economic growth, had devalued its currency, the naira, substantially weakening demand for imports from Togo (Bousquet, 2016; FT 2016; Ohuocha & Mayowa, 2016; Onigbinde, 2016; WB, 2017). Accordingly, the OTR was pressuring all departments to fill unexpected revenue gaps.

In addition, loan and grant conditionalities associated with the creation of the semi-autonomous revenue agency itself, as well as fiscal reforms for the city of Lomé, presented another source of revenue pressure and agenda setting for revenue priorities. These initiatives were funded primarily through the African Development Bank PAGFI[256] and PAMOCI[257] projects for the new revenue agency, as well as the France/EU PAUT[258] and PAUL[259] projects for the City of Lomé. Higher revenue targets had been established under the protocols of development partner financing, which funded the establishment of the

[254] Interviews 17, 53, 66.

[255] Ibid.

[256] PAGFI, US$ 23.4 million (initiated in 2016), Tax Governance Support Project (*Projet d'appui à la gouvernance fiscale*).

[257] PAMOCI, US$ 7 million (initiated in 2015), Resource Mobilization and Institutional Capacity Building Support Project (*Project d'Appui à La Mobilisation des Ressources et au Renforcement des Capacités*).

[258] PAUT, Projet d'amenagement urbain au Togo, Rehabilitation of the City of Lomé, EUR 39 million, including support for the financial management of the city, initiated in 2013.

[259] PEUL, Projet d'environnement urbain à Lomé project for the Maritime region and city of Lomé, including improvements and modernization for the city's revenue mobilization efforts, 5 million euros, initiated in 2011.

OTR. In addition, the City of Lomé's agreements with the EU and France involved a number of initiatives to increase municipal revenue generation, including a fiscal census of the city's residents.

1.2 Enforcing the Taxe d'Habitation in the Capital city of Lomé

The Taxe d'Habitation, a tax already legally existing in the fiscal code (but only minimally enforced) became one of the potential sources of revenue to which the government turned to fill revenue gaps. This was a collaborative effort between the OTR and the City of Lomé. Revenue pressure and donor priorities combined with recent urbanization trends in the capital (which increased the tax instrument's potential yield) motivated the strategy to tackle this more inefficient source of revenue. As of 2016, only 2–8% of the city's residents paid the Taxe d'Habitation (see discussion and Figure 32 below), and far fewer paid this tax outside the capital. In general, the tax had largely been left untouched for fifteen years despite its legal existence. Major donor support to the Ville de Lomé for programs related to the modernization of local finance provided both part of the impetus as well as financial means to tackle illegibility.

Its administrative inefficiencies justify why the tax had been largely unenforced until 2016. Its political inefficiencies explain why it might remain unenforced. I turn to this now.

1.2.i Impetus to Address Administrative Inefficiencies

The Taxe d'Habitation is a residence tax based on house size and related characteristics (i.e. number of rooms, stories, etc.). Urbanization in Togo has increased rapidly in recent years, driving up the population and residence density in the capital of Lomé, together with slightly higher incomes per capita (ANA, 2016). This trend increased the potential yield of the residence tax in the capital city. Theoretically, I expect that the size of the potential revenue yield impacts revenue mobilization strategies. An increase in potential yield combined with higher revenue pressure is the context in which revenue actors are likely to target administratively inefficient sources of revenue and initiate dynamic strategies to improve the legibility of the tax base (scenario C in the revenue efficiency model). We should observe the revenue system enhancing the legibility of taxable objects by means of census, cadastre planning, business formalization incentives, etc. (i.e. to make them more administratively efficient). These are the practical efforts of state-building. Conversely, where there is little potential revenue yield and normal revenue pressure, I would expect the state to largely disregard an administratively inefficient source (although this theoretical expectation was partially contradicted by some of my findings in the previous chapter, examining the rural economy).

While the Taxe d'Habitation is legally applicable nationwide, the strategies developed in this case focused on Lomé. This also supports my theoretical expectation regarding potential yield given that the same revenue potential for this tax instrument did not exist outside urban areas. Incomes of Lomé residents were substantially higher on average than in rural areas. In 2016, the average income per capita in Lomé was $429, compared to $278 per capita outside the city (Kohnert, 2017b, p. 19).[260]

1.2.ii Design and Political Legacy of the Taxe d'Habitation Instrument

The tax is legally designated as a local tax, to be collected by the central government and delivered to the public treasury, which is then responsible for reverting the tax to the relevant local authorities. The revenue authority partnered with the City of Lomé, in conjunction with the PEUL and PAUT projects funded by the EU and France (AFD, 2011, 2016; "L'AFD finance un partenariat entre la Ville de Lomé et la DGI," 2012). Accordingly, the revenue actors of interest in this case are the senior management of both the central revenue agency and the municipality.

In theory, the Taxe d'Habitation is to be imposed on all residents of Togo.[261] Legally, it is inconsequential whether one rents or owns, nor does it matter whether the individual is a Togolese citizen or foreigner. Important to our analysis here is the legal association of this tax—the fiscal code clearly states that the Taxe d'Habitation relieves citizens of the TOM (the *Taxe d'enlèvement des Ordures Ménagères*) a garbage collection fee (see Art. 1440 in Annex, Section 5). As such, from its inception, this tax was clearly associated with public service provision to residences. From this legacy, it appears as though citizens recognized a fairly explicit fiscal contract—this tax would be paid in exchange for the delivery of residential services, such as water, garbage collection, and electricity. This will be relevant to our analysis.

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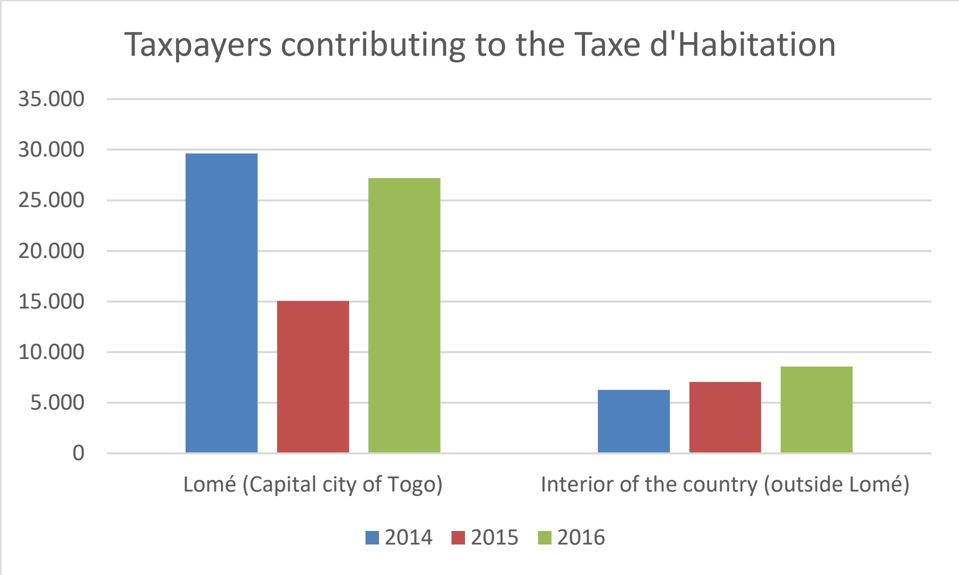
[260] Conversions between Kohnert's figures cited in Euros and my figures reported in $USD from xe.com.

[261] See Articles 1440–1448 of the Code General des Impôts, Edition 2016, Togo.

Figure 32. Total number of taxpayers by region (and taxpayer group in Lomé, the capital of Togo) for the Taxe d'Habitation



Source: Internal reports from the Office Togolais des Recettes, analyzed by author.

The formally exempted groups are those above age 55 subsisting on a pension alone (and a few other criteria), those younger than age 18, as well as students, diplomats, and persons recognized by local authorities as "indigent" (poor and needy).[262] As is evident from Figure 32, in a country with a population of almost 8 million, only 22,000–35,000 were paying the residence tax between 2014 and 2016, more than two-thirds of whom were residents of the capital, with only a few hundred to a few thousand contributing to the tax in each region besides the capital city. Clearly, the tax was not being fully imposed on all of the residents of the country anywhere in the country. Where efforts did exist, they were centered on the capital city (which is home to 58% of the country's urban population). However, the population of Lomé, as of 2016, was 1.4m (AFD, 2016). The 27,188 contributors to the Taxe d'Habitation in Lomé represent 2% of the city's population. The average household size for urban residents in the 2010 Togo Census was four.[263] If we recalculate the citizens who paid the Taxe d'Habitation in 2016, as representing households, still, only 8% of Lomé households paid the residence tax.

The Taxe d'Habitation is one that in name and general principle is fashioned after a similar tax instrument in France, its former colonial power. Although this tax is related to property, it is more comparable to a hut tax, for which there is precedence in Anglophone colonies as well as in Margaret

[262] See Article 1444 of the Code General des Impôts, Edition 2016, Togo.
[263] Data from Open Data for Africa, calculations by Rachel Beach. URL: http://togo.opendataforafrica.org/szyifed/households-by-household-size.

Thatcher's politically suicidal poll tax initiative (Besley, 2013; Daunton, 2002; O.-H. Fjeldstad et al., 2014; O. Fjeldstad, 2016; Guyer, 1992; Jibao et al., 2017; Kjær, 2009; Mankiw et al., 2009; Wilson Prichard et al., 2018; Wilson Prichard, 2010; Steinmo, 1989). The structure and approach to determining the rate to impose on residents differs between France and Togo. This is relevant to our case, so I will explain briefly why, how, and the relevance.

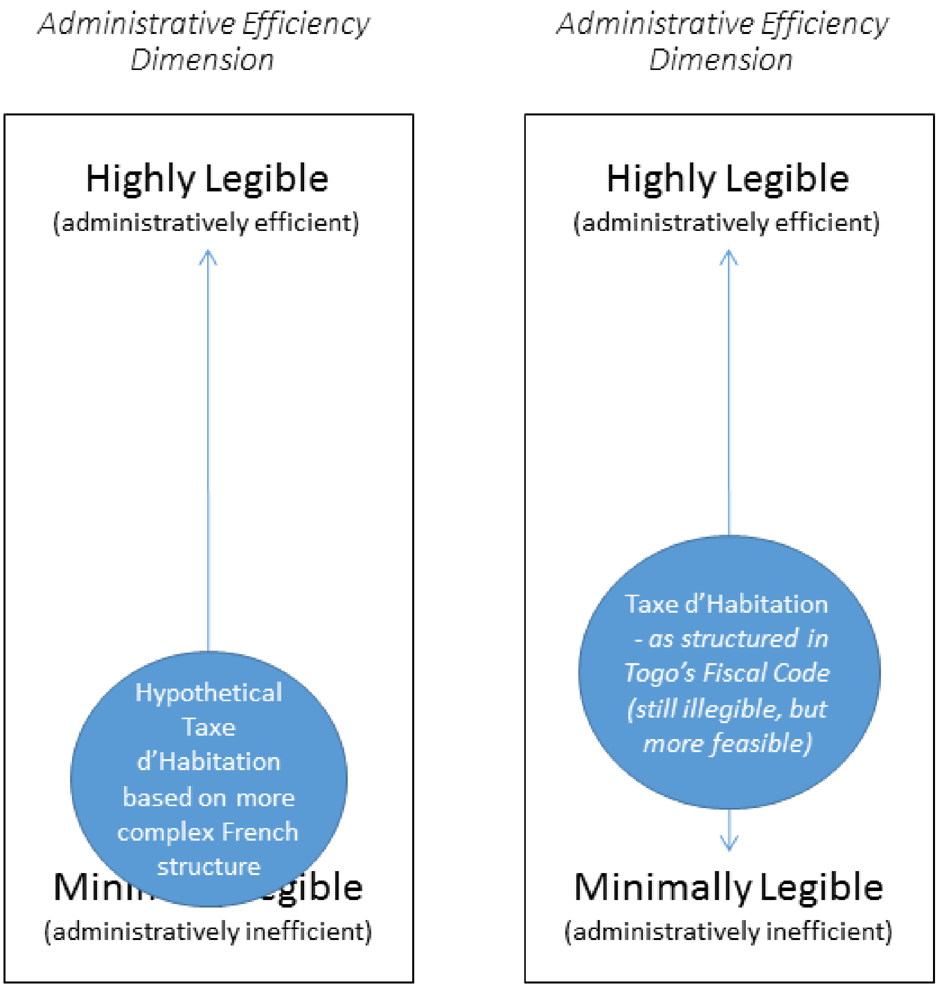
The tax in both countries is associated with a resident's right of occupation (on a given property) in the country in question. The tax in France is structured on a complex equation involving a number of factors, such as whether the residence is a first or second residence, a minimum income threshold for imposition, the value of expected market value of rent the property would generate on an open market, combined with an imposition tax rate based on value. Even in France, the market values have not been updated since 1970 ("Local Property Taxes in France," 2018). In Togo, on the other hand, the tax is structured as a simple flat tax, based on a few characteristics about the type of residence. The lowest rate is for a one-room apartment: CFA 2000 ($3.76). The flat rate climbs quickly with the size of the dwelling: a three-room apartment is CFA 9000 ($17); an individual home is CFA 30,000 ($56); a home with more than two levels is charged the maximum CFA 100,000 ($188). The French structure is much more in keeping with the Western prescriptions of property taxation (i.e. based on market value), meaning that the revenues generated from the tax increase as the property value increases. In contrast, in Togo, the structure is precisely that which development economists advise against: a flat tax that fails to capture any of the market value of rising property prices (Bird, 2003; Bird & Slack, 2006; Cottarelli, 2011; Mikesell, 2003; Oates, 2005).

Structuring this tax as a flat tax in Togo makes its imposition much more feasible for a revenue authority facing constrained resources – there is no need to conduct complex surveys of market values where there is a likely a severe shortage of information on rental markets. As mentioned above, even in France, the base of market values which they still use as reference has not been updated in almost fifty years. Moreover, there is a growing appreciation among the best practitioners of property taxation in the developing world that market-value-based systems are often too complex and expensive for a resource-constrained system to administer (Bird & Slack, 2007; Fish, 2015; Slack & Bird, 2014). A system comparable to the French design would require rental market survey data combined with income information for residents, which does not exist for most taxpayers in a low-income state. Instead, basing the structure on a system where state agents can assess the value from a basic, visual inspection is a much simpler, feasible, less resource-intense approach to administer with scarce resources (R. Bahl et al., 2008; Bird & Slack, 2006;

Fish, 2015; Franzsen & McCluskey, 2005; Kelly, 2000; McCluskey & Connellan, 2002; Rao, 2008). This structure makes the Taxe d'Habitation at least relatively more administratively efficient than it would have been were the rates of imposition based on a system mirroring the French system.

I have included a depiction of how we could position the Taxe d'Habitation (Figure 33)—both in the hypothetical French structure (left), which would be relatively less administratively efficient, and as it is structured legally in Togo—which, while still administratively inefficient where the relevant data is not available, is at least more feasible than the French structure.

Figure 33. Administrative Efficiency of Hypothetical & Actual Taxe d'Habitation Instrument in Togo



Regardless, the revenue authority in Togo did not have the relevant information even for their much simpler flat tax—the basic housing characteristics specified for imposing the Taxe d'Habitation. As such, the tax was still an administratively inefficient tax for the Togolese revenue authority; that is, as of

2016, the tax base for the Taxe d'Habitation remained illegible. Housing characteristics were not generally registered or recorded in any manner, much less readily accessible in a digitized database (see empirical manifestations of administrative efficiency, Figure 9).

However, with the financial support of another major revenue provider—the French Development Agency (AFD)—to invest in this state-building exercise, the revenue authority and municipality had drawn up plans to secure the necessary information. Through censuses and by querying employers, they hoped to improve the administrative efficiency of the revenue source—giving them the means to impose this tax. However, they had made an error in assuming that the only constraint impeding the imposition of this tax was administrative inefficiency. As soon as they made a plan to improve the administrative inefficiency of the source, they ran head-on into another major obstacle of a political nature. There was a public outcry against the attempt to impose this tax in Lomé, and the revenue authority and municipal authorities made a hasty retreat, according to some local news reports going so far as to deny that they had ever intended to impose this tax (A.G., 2016; Lawson, 2016). They realized that if they were able to address the illegibility and improve its administrative efficiency, the revenue source would remain highly politically inefficient and addressing the political inefficiency would require a second strategic endeavor. If unsuccessful, the possibility of enforcing this tax would remain out of reach for the Togolese revenue authority. I will briefly outline the chronology of events.

1.2.iii Attempt to Improve the Legibility of the Taxe d'Habitation Exposes Political Inefficiencies

In late 2015 and early 2016, the OTR began sending information requests to employers in the capital (M. K., 2016).[264] This request for information included specifications regarding the characteristics, nature, and location of the residences of all employees in the capital city. There were separate attachments to these letters, specifically dedicated to providing this residence information (M. K., 2016).[265] News had been slowly emanating both from the Ville de Lomé (the municipality) and the OTR that the planned city census was connected to the Taxe d'Habitation. Alarm spread throughout the city as excerpts from the Togolese fiscal code, which clearly outlined flat-tax rates for the Taxe d'Habitation, were distributed via social media and newspapers (Faria, 2016; "Introduction de la taxe d'habitation," 2016).

[264] Observation Memo 25.
[265] Observation Memo 25.

Local newspapers decried fears of a new tax to be imposed on the general population with titles such as Togo: “Taxe d'Habitation ou l'Aggravation de l'Injustice Sociale au Togo;” “Mobilisation des recettes fiscales pour l’État – La taxe de trop;” “Pression fiscale sur les citoyens, Gapéri et compagnie tiennent les contribuables par le cou” [266] (M. K., 2016; K.B., 2016; Lawson, 2016; “Taxe d’habitation: Ce que vous devez payer désormais pour vivre dans vos maisons,” 2016; Veille Economique, 2016). Civil society organizations called the revenue authority’s actions “savage,” exclaiming that if a new general tax was to be imposed on the population, that a referendum must be called to assess the public’s willingness to submit to yet another tax (Veille Economique, 2016).

The irony here is that the tax had existed for fifteen years; it was by no means “new.” In fact, as discussed above, a small portion of the city’s residents had already been paying the tax (see Figure 32). While I was unable to obtain information regarding the profile of the types of persons paying the tax, the general population and much of the media outlets were evidently unaware of its existence or this fiscal obligation. The population, seeing the state making efforts to identify city residents and find some means of imposing the tax, viewed it as a new tax being imposed by the OTR and Ville de Lomé.

We can see a real tendency, which I expect would resonate with citizen behavior in many developing countries, to assume that the legal mandate is somewhat irrelevant and unimportant until the state makes effort and displays the means to enforce the mandate. Only then come the reactions to the potential implications. In this case, the public reaction and resistance was not elicited by the fiscal policy creation in the parliament in 1999,[267] but rather by the state administration’s attempts to more comprehensively enforce it fifteen years later. This is a clear example of the adage: “in developing countries, tax administration is tax policy” (Casanegra de Jantscher, 1990). But it also tells us something more about why tax administration is tax policy. The illegibility of revenue sources is a safety net for taxpayers. As long as economic activity,

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[266] Translations by Deepl.com and author:

1. Taxe d’Habitation ou l'Aggravation de l’Injustice Sociale au Togo: “A Residence Tax or the Aggravation of Social Injustice in Togo?”
2. Mobilisation des recettes fiscales pour l’État – La taxe de trop: “Mobilization of tax revenue for the State – One tax too many.”
3. Pression fiscale sur les citoyens, Gapéri et compagnie tiennent les contribuables par le cou: “Fiscal pressure (burden) on the citizens: Gapéri and company grab taxpayers by the neck.”

[267] Written communications with Togolese Fiscal Code Expert, Gaba Leone, of ICS, March 22, 2018.

persons, and property are not identified, quantified, tracked, tallied, and categorized, the citizen can feel safely protected from the taxman, tucked behind a screen of illegibility. This resonates with Scott's discussions (1998) of state planning in remote areas and negative reactions from local societies. It also resonates with discussions of why citizens and firms choose to operate informally (Benhassine et al., 2018; Benjamin & Mbaye, 2012; Blundo, 2007; de Soto, 2000; Gonzalez, 2009; Goodfellow, 2015; Johnson et al., 2000; Joshi et al., 2013; Junquera-Varela et al., 2017; Pimhidzai & Fox, 2012; Tendler, 2002), "hid[ing] under the cloak of informality," so to speak (Junquera-Varela et al., 2017, p. 31). As discussed in Chapter III, however, we again find a scenario where taxpayers are not proactively avoiding taxpayer obligations but rather passively existing in a state of illegibility.

The nature of the tax base also suggests something about why citizens would be concerned with the state making strategic efforts to identify and register taxpayers. As Bates and Lien (1985) eloquently explained, property is an immovable asset. This tax does not target the property itself, but the residents of properties. Residents can choose to leave if they feel that the imposition of the Taxe d'Habitation creates an excessive tax burden, so the tax base for the residence tax is somewhat movable, but requires a major life change to escape the tax. For renters, this would likely be inevitable at some point anyways; once they moved residences within the city, given that no automated system would likely be in place to track their movements, they could probably easily return to the safety net of oblivion, their whereabouts unknown and, as such, illegible to the state (i.e. administratively inefficient to mobilize). Conversely, for homeowners this would mean leaving a home they had bought or built. Moreover, where the state and city in partnership were signaling their intentions to impose the tax effectively on the entire city following the fiscal census, there was a much greater likelihood that residents of the capital would have to leave Lomé if they wanted to escape the tax. So we could classify this residence tax as an imposition on a semi-mobile tax base.

There is an important implication here for the permanence of the administrative efficiency gains. When the information obtained about a potential source of revenue is likely to remain relevant for the medium to long-term, then the investment made in acquiring that information should hopefully pay off over the medium to long-term as the agency continues to generate revenues from the known source, via the newly improved administrative efficiency of the revenue source. If their revenue source is a resident who also owns their home and is likely to stay in their home for their lifetime, then the agency can continue to impose the tax on them for the foreseeable future, knowing who they are, where they live, and what they owe for this flat tax. In contrast, if the information obtained about the source of revenue is likely to become irrelevant within days, weeks, or months, even within a year, then the revenue agency has lost this source of revenue until they can hunt it down again. If it is structured as a flat tax based on the characteristics of the house, these change little if at all over time and the tax can continue to be imposed without additional efforts necessary. However, if the tax is structured with some element tied to fluctuating market-rates of rental value or housing prices, then additional effort is needed in theory to continually update relevant market values and apply the criteria and adjusted values to the tax rate imposition. The flat tax structure, while it may be very weak to reap the rewards of a hot property market and rising rental prices, ensures that the revenue system can continually rely on this revenue source for a steady source of income if they can find the means to ensure taxpayers comply with the tax.

If we compare these legibility-creating strategies (fiscal census and letters to employers for the Taxe d'Habitation) directed by senior management revenue actors,[268] to the activities of street-level revenue actors (both in rural areas and the cities) going door-to-door, in more informal, daily census activities, trying to identify small business owners and imposing taxes immediately on them, there is also an element of impermanence in the information street-level revenue actors were obtaining from small businesses in Chapter VII. Street-level bureaucrats, particularly in towns and semi-urban areas, reported continually having to "re-find" taxpayers. Many small businesses were set up as mobile units, constantly relocating, intentionally moving to escape the return of the taxman. This is true even for small businesses that have set up shop in a permanent stall; they rent or occupy the stall for a brief period and then move on. On one occasion, I accompanied street-level tax collectors, walking through the streets of Kara, and observing as we would go into one shop after another along several streets.[269] I calculated that roughly 50% of the businesses, most occupying permanent stalls in the city center, were "new" businesses that were not on the tax collection team's list. As such, the strategies that a revenue system and its revenue actors have to develop to capture some revenues from this source must allow for some immediate imposition to capture some revenues while the taxpayer is in front of them, momentarily "legible," if the revenue is to be administratively efficient enough to generate some revenue from the effort. The fiscal code in Togo now reflects this capability for some types of taxes on small businesses,[270] and where it has yet to adapt to

[268] In cooperation with revenue actors from the municipal level.

[269] Participatory observation 09.

[270] "Recouvrement: Art. 1433 – La TPU est établie pour l'année et recouvrée par quart dans les quinze premiers jours de chaque trimestre. Les marchands forains

this constraint, the street-level bureaucrats in rural and urban areas could be found to be adopting this strategy regardless of their fiscal mandate.

We return, then, to our discussion of the OTR efforts and collaboration with the Ville de Lomé to obtain information from employers about their employees' residency status in the city together with plans for further census activities. The public was apparently either unaware of the existence of the Taxe d'Habitation or assumed that without any means to impose it (lack of information regarding the tax base) at the disposal of the revenue authority, there was no concern. But when it became evident that the state was making effort to register pertinent information about all city residents (making the source more administratively feasible and efficient to impose), the alarm spread. Rendering the tax legible presented a credible threat of imposition. With this information accessible to the revenue agency and municipality, residents could no longer hide behind a cloak of illegibility, and that potential of creating an administratively more efficient source of revenue illuminated unforeseen political inefficiencies.

We return to this case in the next chapter to understand the facets of political sensitivity eliciting such strong reactions. For the moment, the important elements to highlight are the factors that motivated a dynamic strategy to improve the administrative efficiency of this residence tax. These factors included revenue pressure, increased potential yield due to rising urbanization trends in Lomé, as well as donor priorities and donor financing to underwrite the effort. Each of these elements support my theoretical expectations surrounding the motivation to tackle administratively inefficient sources of revenue.

Section 2 Strategic Capture of Property Taxes via an Indirect Source

The dynamic strategy presented in this case focuses on an administrative workaround to capture a portion of the revenue by avoiding the politically sensitive aspects of the revenue.[271]

The property tax is a politically and administratively complicated animal in Togo, as in many developing countries. Property taxes are collected by the

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sont assimilés aux ambulants. Leur TPU est assise et recouvrée simultanément pour l'année." (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 306).

[271] This case, like the previous one on the Taxe d'Habitation in Lomé, could actually be classified as an inefficient revenue (on both dimensions), but the dynamic strategy presented in this case focuses on an administrative workaround to capture a portion of the revenue by avoiding its politically sensitive aspects.

central authorities, and in theory if not always in practice, are partially reverted to the *collectivités*.[272] One-third is to be retained by the public treasury, one-half delivered to the *collectivités* (local governments), and the final one-sixth kept by the state revenue agency to cover the collection costs.[273] As explained above, however, property taxes are highly illegible. Most properties are not registered with the formal cadastral bureau and are held under a complicated (and often undocumented) mix of informal sales, by customary heritage, etc. (Berg et al., 2016).[274] In Togo, likely for reasons related to the conflicting roles of customary (traditional) authorities and state regarding property, owners have not been forthcoming with identifying themselves to the revenue authorities.[275] There seems, in fact, to be a social norm of protecting the identities of owners in many cases. Moreover, the property tax rate is fairly substantial: 7.5% of the rental value of the property,[276] which certainly provides a disincentive to declare ownership. Where it exists, the formal valuation of the rental value of the property (the *revenue net cadastral*), is rarely up-to-date and registered, recorded, and easily accessible.

Togo has one of the least modernized and most administratively inefficient property registration processes in West Africa (AfDB, 2016, p. 3; Berg et al., 2016; World Bank, 2016). However, property taxes in Togo, as in many developing countries, are based on rental income. Property owners residing in their own homes have no property tax obligation.[277] Accordingly, revenue agents—

[272] Interviews 17, 33, 41, 45, 128; participatory observation 10.

[273] "Taxe foncière sur les propriétés (non) bâties, V - Répartition du produit des taxes foncières: Art.284- Le produit des taxes foncières est ristourné selon la répartition suivante : - les deux sixièmes soit le tiers au Trésor Public; les trois sixièmes, soit la moitié aux communes et préfectures du lieu de la situation des biens imposables; - le sixième (1/6) de ce produit au Commissariat des Impôts pour couvrir les frais des opérations d'assiette et de recouvrement au profit des collectivités locales." (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 94).

[274] Interviews 14, 17, 26, 48, 79, 90, 131, 133.

[275] Interviews 13, 26, 48, 49, 55, 79, 131, 133.

[276] The actual rate is calculated as 15% of the rental income value, reduced by 50%. "Art. 260- La valeur locative diminuée de 50% de cette valeur conformément à l'article 257 constitue le revenu net cadastral qui sert de base au calcul de la taxe foncière sur les propriétés bâties. IV - Taux de l'impôt: Art. 261- Le taux de la taxe foncière sur les propriétés bâties est fixé à 15% du revenu net cadastral visé à l'article 260." (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, pp. 90–91).

[277] "II - Exonérations: A - Exonérations permanentes: Art. 250- Sont exonérés de la taxe foncière sur les propriétés bâties: 8 - les immeubles servant exclusivement à

particularly street-level agents and officers who are closely engaged in street-level collections—face enormous difficulties when trying to find some means of obtaining property owner information.

In a number of cases, regional tax office managers and field agents would describe scenarios where they would go to a multi-residential complex and query residents to determine who the owner was.[278] Often, the owner might be standing among a group of renters, and no one would identify them.[279] Commonly, when revenue agents did manage to discover a property owner (sometimes the owner's identify was common knowledge), they were unable to prove ownership.[280] The cadaster's registry only contains 400,000 registered properties for the entire country and has issued titles for roughly 10% of these (43,000) (Berg et al., 2016, p. 9).[281] The system is largely paper-based, with records filling the entire eighth floor of the Ministry of Finance, rendering even existing titles fairly illegible and inaccessible to revenue agents.[282] Accordingly, revenue agents are generally at a loss as to how to legally confirm ownership. Where agents have no recourse, owners can simply refuse to accept the tax imposition.

Again, we find a case demonstrating the obstruction of the agents' efforts, rendering this also a fairly politically inefficient source of revenue to mobilize.[283] However, it is the administrative dimension—the inability to prove ownership—that creates an easy avenue for evasion and resistance by property owners; that is, the administrative inefficiencies serve to exacerbate the political inefficiencies. If property ownership was readily accessible as updated, registered, digitized information, property owners would not be able to refuse the imposition so easily.

In the Togolese fiscal code, one can discover a strategic workaround to allow the revenue authority to capture some portion of the revenue despite the property ownership identification problem. This is a withholding tax or rental tax deduction called the *Retenue sur le Loyer* (R/L) and is essentially a payment against the property tax liability. Revenue agents have a much easier task in identifying renters who reside in a home, and while they may pretend to be renters rather than the owners, revenue agents can simply assume all

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l'habitation et effectivement habités par leurs propriétaires, les ascendants ou descendants directs de ces propriétaires" (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, pp. 88–89); interview 26.

[278] Interviews 26, 49.

[279] E.g. interviews 13, 26.

[280] Interview 48.

[281] Interviews 14, 54, 79.

[282] Ibid.

[283] Interviews 14, 17, 26, 48, 49.

residents are renters where there is no identified owner, and require them to withhold a portion of their rent paid to the owner as a payment on the account of the owner's property tax.[284] I will refrain from going into the specifics of how the two taxes are structured; suffice to say that the rental tax "withholding" generally amounts to a quantity equal to or slightly greater than the actual property tax due by the owner. At least on one occasion, a regional mid-level manager admitted rarely reimbursing the owner for credit owed where his renters have actually overpaid on the property tax due. "We profit from their ignorance," he explained with a sly smile[285] (although he must have immediately realized the error of admitting this to me and my recording device and went to extensive effort thereafter to backtrack this admission). In this way, the revenue authority has managed to structure the fiscal code to strategically facilitate a workaround for its implementation.[286] This strategic element in the fiscal code was confirmed in interviews,[287] where a variety of figures at different levels explained how they managed to capture some portion of the property tax in a more efficient manner despite the inefficiency of the formal tax itself.

In this case, we find evidence of multiple theoretical expectations. First, there is evidence that the fiscal code has been adapted to work around these specific inefficiencies in Togo related to the property tax. Secondly, as we expected, property taxes are often fairly inefficient, administratively, throughout this low-income state; and frequently, also fairly politically inefficient (simply given the demonstrated willingness of renters and landlords to obstruct and demur). Thirdly, we see evidence of revenue agents at the street-level and among field-exposed mid-level managers treating the *Retenue sur le Loyer* withholding tax instrument very much as another avenue to "capture" some of the property tax revenue from this source despite obstacles on both dimensions—a dynamic strategy to improve the efficiency of securing this revenue. Fourthly, when they are able to mobilize more than legally acceptable from this strategic workaround, they rarely return it, capturing revenue where it may be found when managing to find relatively more efficient ways to secure it. This final point brings out a perspective which was not theoretically developed prior to the investigation: where relatively more efficient approaches can be found to secure revenue, there are tendencies to overtax them and profit from the relative efficiencies, reducing the drain on public resources. Agents

[284] Interviews 13, 14, 17, 24, 26, 48, 49, 55, 58, 60, 90.
[285] Interview 49.
[286] Interviews 26, 90.
[287] Interviews 13, 14, 17, 24, 26, 48, 49, 55, 58, 60, 90.

likely see these efforts as justifiable given the extensive efforts (often self-financed) to which they must go to tax many other, less efficient sources.

Section 3 Conceiving a More Efficient Subsidy

The final case examines an imported fuel tax exemption threshold, which the Togolese revenue system considers revenue (collection and) redistribution within society, but by more efficient means.

What recourse does a poor state have to achieve redistribution within society through the revenue system? Traditional methods, such as a flattened progressive income tax with negative (marginal) rates, are simply not feasible where the majority of economic actors remain informal and outside the tax net and where the state has no direct, efficient means if identifying and tracking their income levels and delivering subsidies to the most vulnerable in a given tax base (Bird & Wallace, 2004; Bird & Zolt, 2004). Employing a progressive income tax or any direct tax instrument for these purposes in such an environment would be administratively inefficient. The high degree of illegibility of this tax group renders the approach essentially impossible.[288]

In this case, we find a scenario where the revenue authority treats exemptions as an extremely efficient means of subsidizing income. In this scenario, exemptions become a much more administratively efficient means to achieve similar ends. Bird and Zolt (2004), in their in-depth analysis of the potential for redistribution via (income) taxes in the least developed states, conclude that redistribution in developing countries can be more efficiently achieved via the supply (public expenditure) side(2004)(2004). Where income taxes only touch a minimal portion of the population, broad-based redistribution via negative income tax rates (i.e. using income tax instruments to distribute direct subsidies) is not an option. Only 1–2% of citizens pay income taxes in the poorest states, as we discussed in Chapter II (Bird & Zolt, 2004; Curtis et al., 2012; Ebrill et al., 1987; Fjeldstad, 2013; Terkper, 2003), which limits the opportunity to use this tax mechanism to channel income back to targeted groups. Echoing Bird and Zolt's analytical perspective, here we find a case where the revenue agency in a poor state (Togo) finds a feasible route to channel subsidies to target groups—by *not* imposing taxes on goods that they consume. In this scenario, the revenue agency formally regards tax exemptions on imported fuel as a subsidy (via exemption thresholds, explained below).

Togo is completely dependent on imported fuel (and has managed to control at least some of the smuggled petrol traffic that Benin has failed to accomplish; see "Checkpoint levies: mobilizing revenues from imported contraband"

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[288] Mobile banking and mobile payment technology may present opportunities for direct redistribution in low-income states in the near future.

in Chapter XI). When fuel arrives at the port, a variety of taxes are imposed on it before it is distributed throughout the country. Togo has created the *soutien à la politique pétrolière ou subvention* (SPP), which essentially caps the maximum price at which fuel should be sold, to limit the impact of fuel price shocks (Ballong, 2010).[289] As a macroeconomist from Togo's Ministry of Finance explained to me, high fuel prices have an immediate and extensive impact on the whole economy, but particularly on the most economically vulnerable in society.[290] For instance, fuel prices impact the price of basic foodstuffs, where produce is often transported from various regions of the country (or imported) to markets across the cities and countryside on market days. Changing fuel prices have a direct and immediate impact on informal market produce prices, such as the market price for cassava and yam tubers, which provide the substance of the Togolese daily diet.[291] In 2010, reportedly at the behest of the IMF, Togo temporarily lifted the subsidy (tax exemption), which triggered major street protests (Ballong, 2010).

Togo has found it to be much more administratively efficient to refrain from taxing imported fuel than to maintain full taxes on imported fuel and then finding the means to channel fuel subsidies to the most marginalized, vulnerable populations for which higher fuel prices directly impact vulnerable families' consumption and diet.[292]

The Togolese macroeconomist I interviewed explained that the Ministry of Finance has struggled to arrive at an agreement with the IMF on how to classify these tax thresholds (i.e. fuel tax exemptions) above a specific fuel commodity price (Ballong, 2010; Coady et al., 2010; Finon, 2016; Oumarou, 2018).[293] The OTR statistics classify these exemptions as *recette non liquid*[294] (non-liquid revenues), but they are nonetheless reported as a revenue line by the revenue agency (Table 6). They consider both the taxes on fuel (listed under other line items) and the exemptions on those taxes when international fuel prices rise above a certain threshold as another source of "revenue." They justify this treatment by considering the exemption as the most efficient means of "collecting" and "delivering" fuel subsidies to vulnerable populations.[295] In this sense, we can understand this exemption threshold to be a form of "negative tax" or subsidy. The Togolese government is apparently not

[289] Interview 7.
[290] Interview 128.
[291] Ibid.
[292] Interviews 7, 128.
[293] Interview 128.
[294] Interview 7.
[295] Interviews 7, 128.

alone in its disagreement with the IMF over how to classify such subsidies and tax exemption thresholds (Ballong, 2010; Coady et al., 2010; Oumarou, 2018).[296] The SPP "subsidy" represents 2% of the customs agency revenues and 1.08% of Togo's total revenues.[297] Accordingly, Togo's official statistics for their total revenues are several percentage points higher as a portion of GDP than the IMF's version of the same statistics (IMF, 2016).[298]

How Togo treats these subsidies can be perceived as a highly administratively efficient means of generating and redistributing state income without draining public resources in the process. There is no need to identify and assess who within the population qualifies as the most vulnerable nor to achieve some form of direct contact and means of transferring payment to thousands (if not millions) of citizens who would qualify for the subsidy but are generally unbanked each time fuel prices exceed thresholds. Mobile banking may change some of the efficiencies of these types of subsidy approaches as it becomes universally available across the continent in the near future. Outside of these means, however, few efficient alternatives remain to achieve the same goals of redistribution of state income.

[296] In discussions with representatives from another African state's revenue authority during a workshop in Senegal, June 2018, I was able to confirm that this lower-middle income state in central Africa and the IMF have the same conflict regarding these tax exemption thresholds for fuel imports. This country has also classified them as a form of subsidy, the most efficient approach to redistribution, rather than collecting a tax and redistributing the benefits to each economically vulnerable inhabitant who is impacted by the fuel taxes.

[297] Statistics from OTR, August 2016. Own analysis.

[298] Interviews 7, 128; From the IMF Mission Report, January 2016: "le taux de pression fiscale a connu une évolution significative passant de 18,8% en 2013 à 21% en 2015 (selon les estimations de l'OTR). Ces avancées sont très encourageantes.1 « Footnote 1: Selon les estimations du FMI, le taux de pression fiscale est passé de 15,7 à 16,8% du PIB au cours de la période" (IMF, 2016, p. 1).

Table 6. Togo's customs revenues including "soutien à la politique pétrolière ou subvention" as reported revenue

Office Togolais des Recettes, Customs Department
(Commissariat des Douanes et Droits Indirects)

Forecast and Actual Revenue Collections (2014-2015), CFA currency

	2014		2015	
LIBELLES (Reported revenue categories)	PREVISIONS (Forecast)	REALISATIONS (Actuals)	PREVISIONS (Forecast)	REALISATIONS (Actuals)
A: *DROITS ET TAXES À L'IMPORTATION* (Import duties and taxes)	91,418,000,000	99,193,994,857	112,843,483,000	119,058,887,593
Droits de douane (Customs duties)	77,828,000,000	83,233,688,504	97,361,685,000	101,730,113,242
Redevance Statistique (Statistics fee)	10,369,000,000	12,740,103,819	11,745,333,000	13,578,439,188
Timbre douanier (Customs stamp duties)	504,000,000	358,732,261	422,747,000	423,552,643
Cartes et vignettes	390,000,000	385,076,400	476,766,000	368,715,000
Taxe de protection et d'entretien des infrastructures 80% (Infrastructure protection tax)	2,326,000,000	2,476,393,873	2,836,952,000	2,958,067,520
B: IMPOTS ET TAXES INTERIEURS (Internal taxes and duties)	92,067,000,000	128,863,997,866	138,899,357,000	161,480,387,466
Taxe sur la valeur Ajoutée (TVA) (Value added tax)	92,067,000,000	128,863,997,866	138,899,357,000	161,480,387,466
C: AUTRES RECETTES FISCALES (Other tax revenues)	377,000,000	1,611,086,475	2,076,816,000	5,013,697,377
Produits obligations cautionnées	-	242,323	133,000	-
Produits des crédits en douane	3,000,000	6,032,513	7,869,000	4,985,454
Prélèvement National de Solidarité (National Solidarity Levy)	-			3,685,538,009
Remises (Discounts)	-	120,596	416,000	-
Entrepôts fictifs 10% (Temporary warehouse storage fee)	-	520,261	384,000	114,285

Amendes et penalités (Fines and Penalties)	299,000,000	1,219,409,886	1,220,013,000	369,387,721
Confiscations et ventes en douane (Auction proceeds from confiscated contraband)	74,000,000	384,760,896	848,001,000	953,671,908
D: TAXE A L'EXPORTATION (Import taxes)	2,114,000,000	2,543,946,494	3,146,053,278	2,728,159,692
Taxe spéciale de réexportation (Special re-export tax)	1,459,000,000	1,947,340,020	2,745,455,000	2,259,832,021
Redevance minière (66.67%) (Mining royalties, government joint-venture share, 66.67%)	655,000,000	596,606,474	400,598,278	468,327,671
E: AUTRES (Others)	40,624,000,000	13,976,425,568	13,546,971,722	5,747,580,993
Soutien à la Politique Pétrolière (SPP) (Petroleum Policy Support subsidy)	40,624,000,000	13,976,425,568	13,546,971,722	5,747,580,993
TOTAL BUDGET GENERAL (Customs Dept.)	226,600,000,000	246,189,451,260	270,512,681,000	294,028,713,121

Section 4 Conclusion and Summary of Findings

In this chapter, we have examined three cases of administratively inefficient sources of revenue. These included the efforts to "universally" enforce the Taxe d'Habitation in Lomé, the strategic capture of property taxes via a rental income tax deduction, and an imported fuel tax exemption threshold which was classified and reported as a "non-liquid revenue" by the Togolese government.

While the first two cases exhibited a dimension of political sensitivity, it was the administrative dimension for each that had prevented the revenue authorities from securing revenue from these sources: residence and property taxes. In Lomé, the illegibility of the tax base functioned as a safety net for taxpayers who were largely "undiscoverable" without significant census efforts. As long as the protection of illegibility remained in place, citizens felt no threat. In fact, most were actually unaware of the Taxe d'Habitation's existence until a plan was developed to impose it fifteen years after the tax became law. When the revenue authority and City of Lomé demonstrated the credible threat of imposition with a new plan to record and identify residents in the capital city, political resistance emerged.

In the first case, we find several factors justifying a shift in strategy: revenue pressure, an increase in the potential revenue yield in the capital city, as well as donor priorities placed on this tax together with development partner funding to support census activities. These factors support several theoretical expectations. Changes in revenue pressure and potential revenue yield can create the impetus to tackle administratively inefficient sources of revenue. In addition, as suggested in our discussions of political conflicts of interest, donor priorities and financing can create the impetus to target otherwise inefficient sources of revenue.

In the second case, we discover a strategic element in fiscal policy. Where the illegibility of property owners remains a perpetual problem (with one of the least modernized real estate cadastral systems on the continent), the fiscal code provided a workaround to allow the revenue agency to capture a portion of the income from tenants. While this approach presented some problems of its own, it did allow revenue actors to secure some revenue regardless of their ability to identify property owners. It also illuminated another under-theorized element: When and where agents are able to capture some portion of income from inefficient sources through indirect and more efficient means, we might also expect them to be likely to retain their “spoils,” even if these secured revenues are extra-legal or above the legal mandate. In this behavior, we see the likeness of stationary bandits maximizing their spoils wherever possible.

In the third case, we find a poor state’s workaround to achieve equity and welfare objectives which cannot be achieve by direct tax redistribution policies. This strategy can be seen as the poor state’s parallel to flatted progressive income taxes with negative (marginal) tax rates, where it cannot achieve redistributive effects given high degrees of economic informality and illegibility. We also see a direct conflict between recommendations and perspectives of development economists and the poor state’s treatment of the *soutien à la politique pétrolière ou subvention* (SPP). This supports our theoretical understanding of the engagement of development economics in the revenue systems in the poorest states, where scarcity on many fronts necessitates a different set of strategies to achieve the same revenue objectives, taking extensive administrative constraints into consideration.

In Table 7, below, I present the types of strategic actions identified in the course of this investigation, in relation to administratively inefficient sources of revenue. These include aberrations from enforcing the fiscal mandate – for instance, enforcing the tax, but not in the way intended in the code or partially enforcing on administratively inefficient elements. These actions are evidence supporting my theoretical expectations: revenue actors are strategic, developing resourceful approaches to secure some portion of revenue while disregarding the most administratively inefficient portions of the revenue source.

Table 7. Strategic behavior surrounding administratively inefficient revenues (includes all relevant cases fitting in Scenario C of the revenue efficiency model, identified in the course of my fieldwork, not only those included in this chapter)

Strategic Treatment of Administratively Inefficient Revenues
Imposed, but not in way intended in code
(Informally) adapting formal mandate to fit context
Creating legibility
Taking advantage of high-yield, accessible revenues
Not enforced or partially imposed
(Informally) adapting formal mandate to fit context
Other strategic action
Maintaining central control/involvement/priorities over revenue mobilization efforts
Resource rationalization
Revenue instrument revised (motivated by poor-fit of previous)
(Formally) adjusting formal mandate to fit context
Creating legibility

Chapter X
Navigating Politically Inefficient Revenues

"Il est comme la loi … il est très puissant"
Street-level revenue actors in Cinkassé, Togo[299]

Politics, in any country, presents obstacles to taxation. At times these obstacles prove insurmountable to the successful implementation of a chosen tax policy and a new course of action must be pursued to avoid political minefields. In a poor state, many of these landmines erupt when enforcement unsettles political equilibriums established discretely among political elites. Others surface unexpectedly, quickly, and publicly. For revenue actors tasked with enforcing the fiscal code and generating income for the state, avoiding such political sensitivities leads to a more efficient operation. Where less of the agency's manpower is consumed in energy-sapping efforts to appease political sensitivities, the agency's strategies allow the state to maximize rule by maximizing revenue.

The three cases presented in this chapter serve to illustrate my theory of revenue efficiency. I expect that revenue actors—at all levels of a revenue system, including policy makers, senior directors, mid-level management, and street-level bureaucrats—each face a set of constraints in their efforts to enforce the fiscal mandate. I expect that these constraints largely take the form of administrative and political inefficiencies. Moreover, I assume that they navigate these constraints in such a manner so as to minimize the drain on their resources.

This chapter focuses on the political inefficiency dimension. Two factors can independently contribute to political inefficiency: weak legitimacy (stemming from a number of sources) and political conflicts of interest. Political institutional factors of regime type and the degree of decentralized authority can change the set of politically efficient revenues available to a regime. When possible, revenue actors design dynamic strategies to address and overcome these inefficiencies. However, when there is a high degree of political sensitivity, revenue actors accept static strategies to navigate around these landmines.

[299] Interview 56.

1.1 Roadmap

Three cases are presented in this chapter that serve to illustrate how these factors can impact the political efficiency of mobilizing a source of revenue. These include 3.1—Efforts to "universally" enforce the Taxe d'Habitation in Lomé (page 15), 3.2—Trading support for non-enforcement from a powerful traditional chief (page 34), and finally, 3.3—Navigating around the *Protégés du Pouvoir*.

Each case illustrates our theoretical expectations about how revenue actors strategically treat politically inefficient sources of revenue. The first case substantiates our expectations surrounding a revenue source that is fairly universally politically sensitive. Where strategic efforts to address and eliminate sources of political sensitivity fail, the revenue agency simply has to accept a general strategic treatment of non-imposition or substantial levels of under-imposition of the tax to avoid political upheaval. The second case presents clear evidence of the potential for social and institutionalized norms to weaken legitimacy, where a prominent traditional authority can claim greater local legitimacy than the state actors. It also illuminates the conflict of interest presented by the obligation to impose taxes on a politically important asset to the revenue agents. This case illustrates reactive strategies of lax imposition on a politically powerful traditional authority together with dynamic strategies of revenue actors informally soliciting the aid of this more legitimate local power to achieve their mandate (in tacit exchange for leniency on the chief himself). The third case also supports the theoretical expectation of navigating around politically sensitive powers that be; in this instance, among those aligned with the regime.

Section 2 Strategic Cases of Politically Inefficient Sources of Revenue

Empirically, cases of political friction and sensitivity can be difficult to identify in this context. In fact, as was always the risk and the reality of trying to investigate these matters from within a revenue agency, it is safe to assume that it is quite likely that the revenue agencies may have made real efforts to obscure some of the most politically sensitive issues from me. As Bachrach, Baratz, and Lukes have theorized, the most effective power is often the least observable (Bachrach & Baratz, 1962; Lukes, 2005). Moreover, veiled maneuverings of power and resources are more likely to transpire in the poorest of states (Brett, 2016; H. Gray, 2015; Khan, 2010; Kjær, 2015b; Korte, 2013b; North et al., 2013; North et al., 2007; Sylvanus, 2013; Therkildsen, 2010, 2018). Anticipating these actualities, I developed a set of observable manifestations (e.g. behavior of revenue agents or surrounding actors) of politically sensitive arenas which one might expect to see, to help guide my fieldwork.[300] These observable manifestations served as points of entry to investigate underlying political dynamics; fittingly, as in the cases I present below, I have rather slim empirical material upon which I can draw in the analysis. I present relevant political and historical dynamics taking place within the society during relevant periods of time. However, where a degree of uncertainty remains regarding the motivations and political dynamics at play in these cases, any errors or misinterpretations are my own.[301]

2.1 Attempting (and Failing) to "Universally" Mobilize Taxe d'Habitation in Lomé (Part 2)

In this first case, we pick up the story where we left off in the previous chapter: in the first case, examining Togo's efforts to "universally" enforce the Taxe d'Habitation in the capital city of Lomé. Once the city and revenue authority demonstrated a proactive effort to address illegibility and effectively recover this tax, their efforts touched on politically sensitive elements that had previously gone undetected. Census plans were halted and the agency and municipality regrouped to develop a strategy to address political inefficiencies (the motivation for tackling this relatively inefficient source of income was discussed in the last chapter). In this second portion of the case, I examine the nature and sources of political sensitivity that obstructed their efforts. I also outline the (failed) strategic efforts to overcome these political inefficiencies.

In 2016, the strategic efforts to improve the legibility of the residence tax instrument and mobilize revenue throughout the national capital touched on a key source of political inefficiency. Bared for all to see was a challenge to the state's legitimacy in terms of its rights to impose this tax. Civil society groups, citizens, expats living in the city, as well as opposition leaders pointed to a number of reasons why this tax was simply unacceptable to the residents of

[300] For a discussion of empirical manifestations, see Section 4.2 of Chapter IV and Section 2.5 of Chapter V.

[301] I was more successful in terms of achieving being "inside" the agency in Togo, where I was embedded for five months, than in Bénin where I was only able to secure interviews and spent considerably less time within the agency and was not "embedded," per se. Consequently, most of the strategic cases I was able to identify as falling into the political inefficiency scenario are those I uncovered (or partially uncovered) in Togo. Accordingly, I have little evidence from Bénin to provide as contrast for this chapter.

Lomé. Members of the national assembly, lawmakers themselves also resisted the imposition; not the law, but actually imposing the tax.[302]

Firstly, in being re-elected to his third presidential term, Faure Gnassingbé was actually violating the 1992 constitution. In 2002, the Gnassingbé dynasty's former political party, the *Rassemblement du Peuple Togolais* (RPT or Rally for the Togolese People), overturned the two-term-limit stipulation in a "constitutional coup" (Ahlin et al., 2015; Kohnert, 2017, p. 10; Roberts, 2008; Seely, 2006; Tobolka, 2014). This granted legal, if not legitimate, grounds for Faure to stand for a third term and possibly a fourth. The ruling party itself was likely perceived as illegitimate, however, as parliament has always been dominated by the Gnassingbé's party (RPT was then replaced by *Union pour la République* (UNIR or Union for the Republic).

Moreover, there is a disproportionate number of members of parliament representing the northern regions of Faure's fiefdom compared to the representatives from the capital (Kohnert, 2015; Seely, 2006; Tobolka, 2014). Lomé and the maritime region is the one area of Togo where his party fails to win a majority of votes (Figure 40). Furthermore, the justice system in Togo is stocked with strong allies of the president, and there is little effective separation of powers in the regime (Kohnert, 2015, 2017a). In 2015, the Office Togolais des Recettes (OTR), a semi-autonomous agency in only its second year of operations as part of a five-year contract, floated as an island somewhat isolated from the general climate of corruption in Togo, and a government largely staffed by presidential appointees, politically powerful characters, who formed the president's elite circle.[303,304]

While a cult of personality surrounds his presidency, most of Faure Gnassingbé's political supporters and his people, the Kabiyé, reside in the north, in the region of Kara, Centrale, and the Savanes. In contrast, the capital

[302] Interviews 78, 90, 133; observation memos 25, 35, 37; for some elements in this case, I extrapolate from information provided to the public regarding government activities, financing, and projects.

[303] The climate at the OTR itself has already begun changing at the time of writing, as Gaperi, the "foreigner" who had been appointed initially to run the agency, was dismissed in early 2017 and replaced with a figure close to the president.

[304] This phenomenon, often referred to as "pockets of effectiveness" or "islands of efficiency," has been identified in many developing countries, frequently in government agencies that enjoy particular attention from development partners as well as reforms along the lines of New Public Management theories. See Brett (2016), Buur et al. (2012), Golooba-mutebi and Hickey (2013), Goodfellow (2015), Khan (2010), Leonard (2010), PEFA (2016), Putzel & Di John (2012), Tavakoli et al., (2013), Therkildsen & Bourgouin (2012), Whitfield & Therkildsen (2011), Whitfield et al., (2015).

is dominated by the Ewe, a rival ethnic group, and most of Faure's opposition, albeit fractured and weak, hailed from the capital and southern regions (Kohnert, 2007; T. Roberts, 2008). In summary, the capital did not represent part of Faure's political stronghold. While he maintained a firm grasp on power with the close support of the military and fractured opposition, in the capital at least, his legitimacy as president was weakened by the 2015 elections. These circumstances suggest a broad-based atmosphere of weak legitimacy of the regime in the capital.

Secondly, in 2015, Faure campaigned on a platform of service delivery (Mensah, 2015). That same year, a huge share of the public social spending budget was displaced by the need to service[305] public debt (IMF, 2017). In addition, the public was aware that the Ville de Lomé had received (or would be receiving in subsequent tranches, a total of) 13 million euros from the Agence Française de Développement, the French development agency, for a project including major infrastructure components addressing sanitation, solid waste, water treatment, and landfill management in the capital. The second portion of the funding also included components for the modernization of management and capacity building in municipal finance for Lomé (AFD, 2012, 2016). As such, the public was aware that the capital had received significant funding for public service delivery, and the physical evidence of major infrastructure projects was plain to see during my tenure in Togo (August–December 2016), with major transit routes already modernized and a highly conspicuous, major drainage and dredging project of water reserves directly north of the center of Lomé. However, it may have mattered more to the public that the city and central government were receiving extensive funding for public service delivery. This likely influenced perceptions of the funding needs of the municipality and central government to deliver social services, heightening popular expectations regarding public service delivery and dampening the widespread perception of the government's need for revenue from citizens to finance public services.[306]

Here, I will recall the fact that the Taxe d'Habitation relieves taxpayers of another former tax, the TOM (*taxe d'enlèvement des ordures ménagères*, the

[305] I.e. pay interest on.

[306] There is a debate in the literature as to the effects of the donor-supported provision of public goods and services on taxpayers' willingness to pay: Aiko and Logan (2014), Bodea and Lebas (2013), Bratton (2012), Bratton and Van de Walle (1997), D'Arcy (2011), O.-H. Fjeldstad (2013), O.-H. Fjeldstad et al. (2006), O. H. Fjeldstad and Semboja (2001), Katera et al. (2009), Moore (2007), OECD/FIIAPP (2015), Sacks (2012), White (1999). Sacks, for instance, does not find evidence to support the intuitive notion that donor and non-state provided goods weakens the fiscal contract.)

garbage collection fee).[307] Accordingly, since its conception, the tax was associated with residential services to be carried out by the state or city, such as garbage collection. As the public was aware that Lomé had received billions of francs to address sanitation and waste management, among other projects, this probably reinforced popular perceptions of a triangular arrangement—revenues coming from the French development agency to assist the state and city in carrying out public service delivery while city residents remained unobligated in reciprocation to the state, at least until these projects produced some evidence of improved public service delivery. I see this as a type of three-part revenue bargain.

In 2012, a government-aligned newspaper, *République Togolaise*, reported on the municipal finance elements of a donor project, including plans for a city-wide address-designation program and a fiscal cadastre project, established between the Agence Française de Développement, the OTR, and the Ville de Lomé ("L'AFD finance un partenariat entre la Ville de Lomé et la DGI," 2012). While these planned activities were public knowledge, there would not appear to be any public recognition at the time that these projects could imply the imposition of the Taxe d'Habitation instrument once the address system was established and fiscal cadastre project carried out.[308]

Thirdly, this tax was seen as a "new" tax being imposed by the new revenue agency. The OTR replaced the highly corrupt Direction Générale des Impôts, which had largely been regarded as bullying thieves.[309] Despite extensive efforts to create a new image of clean operations—including an empowered, active anti-corruption unit, protection from political interference, hotlines for reporting corruption, improved customs processes to minimize bribery, and hosting large public conferences to address corruption issues—the agency still struggled with an image as an empowered bandit, now with bigger salaries and a foreigner heading the agency (who did not speak French) receiving a seven-figure salary in francs (M. K., 2016; "OTR/Henri GAPERI, une escroquerie d'Etat: Plus d'un milliard de salaire encaissé en trois ans," 2017). The agency's efforts to impose a new tax were seen as new evidence of a mafia coming at will to slap new taxes on the people (Figure 33). As such, the agency itself had contributed to its own legitimacy problems.

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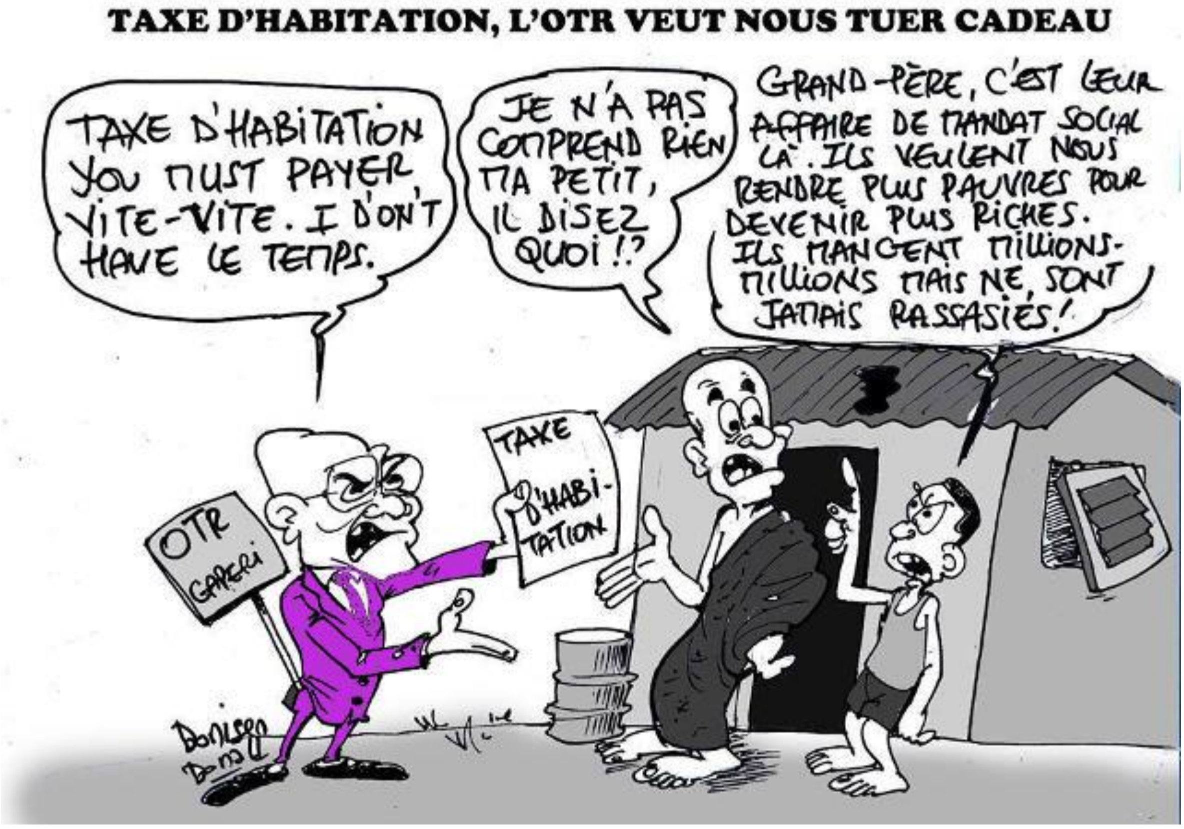
[307] (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 307): "Art. 1440 - II est institué au profit des budgets des collectivités locales, une taxe dénommée taxe d'habitation (TH). La taxe d'habitation est due par toute personne physique ayant au Togo sa résidence habituelle au 1er janvier de l'année d'imposition. Elle est libératoire de la taxe d'enlèvement des ordures ménagères (TOM)."

[308] Any error in claims here are my own.

[309] Interviews 2, 10, 16, 24, 46; observation memo 2.

Figure 33. Political cartoon deriding Gaperi, head of OTR and the new Taxe d'Habitation



Source: Faria, 2016, p. 1. Caricature by Donisen Donald, Liberté.

Fourthly, the increasing urbanization in the capital was driving up the costs of living and causing a housing shortage, which the state was also attempting to address (ANA, 2016; MUHCV, 2015; Sita, 2016). By 2016, the housing deficit had reached 100,000 in Lomé. While urban residents were still a minority of the entire population (40%), between 1990 and 2014 the urban population had increased 160%, with 58% (1.4m) of the urban population residing in the capital (AFD, 2016; Kohnert, 2017a). An estimated 33% of these people were either unemployed or underemployed, which created further pressure regarding the costs of living in the urban areas. Overall, only half of the population had access to clean drinking water (Kohnert, 2017a). In the capital, 55% of the population lived in poverty, 14% in extreme poverty (M. K., 2016). The quality of life for the population, urban and rural alike, had not improved significantly in the decade since Faure had first come to power after the demise of his father (Kohnert, 2017a, p. 20). So, while vast infrastructure projects were underway in the capital and millions of dollars from donors were revitalizing the city, the average citizen felt little difference in their daily life besides city life growing more expensive. The factors point to weak legitimacy, based on the violation of a revenue bargain whereby the major revenue contributors for public service delivery in the city were the development partners, not the residents. Firstly, the perceived violation of the revenue bargain was due to the displacement of social services spending in the 2015 budget. These funds went instead to financing the state debt (i.e. paying interest on debts owed to development partners). As such, citizens might have viewed this as the state's prioritization of their development partner "constituency" over the domestic constituency. Secondly, the state efforts to impose the Taxe d'Habitation would therefore be seen, in part, as a violation of the devil's deal whereby Lomé residents understood the revenue contributor to be the development partner, the Agence Française de Développement, not themselves. The efforts to impose a tax on Lomé residents based on their residency in the capital contradicted this tacit understanding, regardless of the government's intentions.

There was another element of weak legitimacy that played a fundamental role in this political inefficiency: the lack of local elections. Local elections have not taken place in Togo since 1987 despite being enshrined in the 1992 constitution (just as the 1992 constitution specifies a two-term limit, which was nullified in 2002. In fact, the 1987 elections were the only local elections held in the entire fifty-year father–son reign (BTI, 2016a). Instead of mayors, cities are run by "special delegations" appointed by President Faure Gnassingbé (Ahonto-Noussouglo, 2012; HI, 2008; House, 2016),[310] which enables him to maintain a strong hand in local affairs. This was a source of real frustration—particularly in a city where the population was dominated by Ewé, the rival ethnic group to the president's Kabiyé peoples of the north, which elicited resentment concerning the president's control over local affairs and politics (Seely, 2006; Tobolka, 2014). When the government's intentions to impose the Taxe d'Habitation came to light, civil society leaders and opposition politicians, however fragmented and weak, declared their opposition to the Taxe d'Habitation—which was intended as a local tax to finance local service provision—until local elections were held (T. K., n.d.; Lawson, 2016; "Togo: Palabres au sujet de la taxe d'habitation," 2016).[311] This became the rallying cry behind the resistance to the tax: no residence taxes without local elections. This element clearly relates to the weak legitimacy of the president's men, who had been appointed to manage the city, and the authority of the state to instigate local tax collection.

[310] Interviews 45, 78, 61.
[311] Interview 78.

Another final factor here is likely relevant to the legitimacy of the state's prerogative to play a dominant role in collecting this tax vis-à-vis the local authorities and *collectivités*.[312] The fiscal code specifies the Taxe d'Habitation as a local tax, to be transferred from the public treasury to the local authorities.[313] Several opposition leaders accepted the need for local revenues but questioned the state's right to collect the tax, stating that it was the prerogative of the *collectivités*, not the central government. As mentioned above, they recalled the fact that Togo was not decentralized. One opposition leader called upon President Faure to intervene, stating that the "people could not remain slaves eternally" (Mensah, 2015). This last statement raises interesting questions about how the public perceives the formal state legitimacy and what it suggests about their relationship with the state; that is, if they view themselves as slaves to its tax collectors. A few excerpts are included here: [314]

> From opposition politician Tchaboré Gogué, ADDI: "*C'est une taxe qui relève des collectivités*. Pourquoi l'OTR (Office togolais des recettes, ndlr) s'empresse-t-elle de la mettre en œuvre alors qu'elle ne maîtrise pas l'assiette fiscale" ("Togo: Palabres au sujet de la taxe d'habitation," 2016).[315]
> Interview with Nicodème Habia, president of l'Action pour la Protection des Droits de l'Homme et le Développement Social (APDHDS): "Que proposez-vous alors aux gouvernements?: De grâce que le Président de la république et son gouvernement pensent au bonheur des togolais, qu'ils revoient le projet que l'OTR envisage. Tel que nous savons les choses dans le pays, *je veux lancer un appel à l'OTR mais directement à Faure Gnassingbé et au ministre Adji Ayassor pour qu'ils interviennent* de sorte que l'OTR puisse réétudier son projet. Si cet appel n'est pas entendu, *il reviendra au peuple de réclamer son droit car on ne peut pas rester esclave éternellemen0t*" (Mensah, 2015).[316]

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[312] *Collectivités* in Togo formally refers to all subnational levels of the state excepting the lowest (villages): Regions, prefectures, and communes.
[313] From Art. 1449: "Le payement est réalisé entre les mains du comptable public habilité des services déconcentrés du Trésor (Recette Municipale, Recette-Perception)" (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 310).
[314] Freedom of the press is somewhat restricted in Togo, including a new (2015) penal code criminalizing media offenses. Many local media articles do not include authors, probably at least in part due to fears of repercussions. See the Reporters without Borders summary rating for Togo here: https://rsf.org/en/togo.
[315] "This tax is the responsibility of the collectivities. Why is the OTR hastening to implement it when it is not their domain/they do not control the tax base?" (own translation).
[316] "'What do you propose, then, to the government?': To kindly note that the President of the Republic and his government should think about the happiness of the

Opposition politician, Gerry Taama, NET: « Gerry Taama trouve que *c'est une 'aberration'* que de voir l'OTR instituer cette taxe, qui selon lui, *relève plutôt des prérogatives des mairies*. Dans l'absolu, cette taxe s'impose pour permettre à la *collectivité locale* d'initier des travaux communautaires. *Du coup ce n'est pas à l'OTR mais à la mairie d'initier cette taxe*. Et *comme nous n'avons pas de décentralisation, nous tombons de nouveau dans une aberration*," a-t-il indiqué (T. K., n.d.).[317]

The wording in the fiscal code specifies that the tax is to be made to the deconcentrated offices of the public treasury and reverted in entirety to the *collectivités locales* (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 307). While *collectivités locales* clearly refers to the municipal authorities, at least in my non-legal, semi-francophone, non-Togolese understanding, *collectivités* also embodies more than just the state's local authorities. At the lowest level, the *collectivités* are customary communities—villages and clan groups associated by their customary law and tradition. The lowest two tiers of government—cantons and villages/*quartiers*—are controlled by traditional local authorities, which are recognized by president decree (HI, 2008).

While it might be verging on conjecture, there is likely some element of the dissonance between the modern, formal legal system versus the customary law and traditional authorities' prerogatives in these voices of dissent. In Togolese law, property is generally the reserve of *collectivités* and individuals, not the state. This arrangement is linked to both the customary and formal legal systems. The land code was adopted in 1974, defining land ownership in categories classified either as land owned by individuals or the *collectivités* (customary communities), with the only land and property in the national domain specified as any "vacant" or "unclaimed" land (L'ordonnance N°12 du 06

Togolese people, and allow them to review this project that the OTR is considering. As we have knowledge of our country, I want to appeal to the OTR and, moreover, directly to Faure Gnassingbé and Minister Adji Ayassor to intervene and ensure that the OTR re-examines this project. If the government does not head this request it will be up to the people to claim their rights because they cannot remain slaves forever" (own translation).

[317] "Gerry Taama thinks it is an 'aberration' to see the OTR institute this tax, which according to him, is the prerogative of municipalities." Absolutely, this tax is necessary to give local communities the means to initiate community work. Thus, it is not up to the OTR but to the municipalities to initiate this tax. However, as we do not have decentralization, we are once again falling into an aberration," he said.' Own translation.

février 1974 fixant le régime foncier et domanial, 1974).[318] However, the state rights and prerogatives over property has never been fully accepted.[319] And while a dualism exists in rights and access to land and property, the chief's power predominates in practice.[320] In customary tradition, there is no concept of "vacant" or "unclaimed" land—it all belongs to the collectivities and village families. The divergence in perspectives on the right of the state to declare any land as vacant and unclaimed has never been resolved. From some perspectives, the Togolese state, after coming into existence, simply proclaimed domain over the same lands that the former French colonial power had claimed, claims which were disputed by customary law. Consequently, the land code has never been fully adopted (Amouzou & Issa, 2009; AWIH, 2017; SOSSOU, 2016). According to a number of sources, 90% of the legal cases surrounding property disputes refer either to the (oral) customary or former French land code, largely disregarding the current land code (AfDB, 2016; Lawson, 2017; Sessenou, 2017; "Togo: Une nouvelle perspective du foncier après 39 ans de pratiques figées," 2013; *Vers un nouveau code foncier togolais: Atelier de validation d'une étude diagnostic du système foncier*, 2013). Summits, conferences, roundtables, and hearings have been called over the past five years to discuss these issues. The issue at hand is the reform of a code which is not in keeping with the modern realities of real property and rental markets, and does not resolve—in a manner acceptable to customary law—the domain of the state versus the domain of the *collectivités* and traditional authorities. Reforming the land and property code has also been included as an objective indicator in the 2016–2020 country strategy developed with the African Development Bank, one of Togo's key development partners (World Bank, 2014). In summary, the prerogatives of the state vis-à-vis local authorities, whom at the lowest levels are customary authorities claiming a source of legitimacy and power predating the state, is a complex and politically sensitive issue in Togo.

In this context, newspaper articles, such as one entitled "*Taxe d'Habitation: Ce que vous devez payer désormais pour vivre dans vos maisons*" [Taxe d'Habitation: What you now must pay to live in your own home], take on a bit of nuance. In the minds and hearts (or at least traditions) of a Togolese citizen,

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[318] In addition, in 2016, a law was passed granting the state rights to appropriate land for public utility (Nieuwaal, 1996, p. 43).

[319] "Il n'est donc pas étonnant que même de nos jours, l'Etat soit mal accepté comme devant être « propriétaire » d'une quelconque parcelle des terres akposso, pour en constituer un quelconque" domaine foncier national ». *Interview excerpt of Kwadjo Agbeno, retired professor, 8 July 2014, cited in* (Nieuwaal, 1996, p. 43)

[320] "Au fait, deux régimes fonciers régissent l'utilisation des terres au Togo: il s'agit du régime foncier coutumier et du régime foncier moderne. Mais, il est à noter qu'en réalité, le pouvoir du Chef traditionnel prédomine" (Nieuwaal, 1996, p. 43)

these public cries of fraud and frustration, and of political opposition leaders questioning the right and prerogative of the state to impose a tax on residences, are likely linked to illegitimate state claims over land and property, which are largely seen in this society as the domain of customary collectivities (a blurred amalgamation of local and traditional authority). From this perspective, it is not simply a matter of which level of the formal state has the right to mobilize a tax, but quite possibly also to some extent a question of which domain of authority has a greater claim of legitimacy in its rights to impose a tax on inhabitants of a *collectivité* (i.e. towns, municipalities): the formal state or local/customary authorities. As such, this strategy to mobilize revenue with the Taxe d'Habitation appears to touch, however lightly, on an aspect of political sensitivity concerning the state's somewhat weaker legitimacy vis-à-vis social and institutionalized norms in Togolese society in relation to its prerogatives over property.

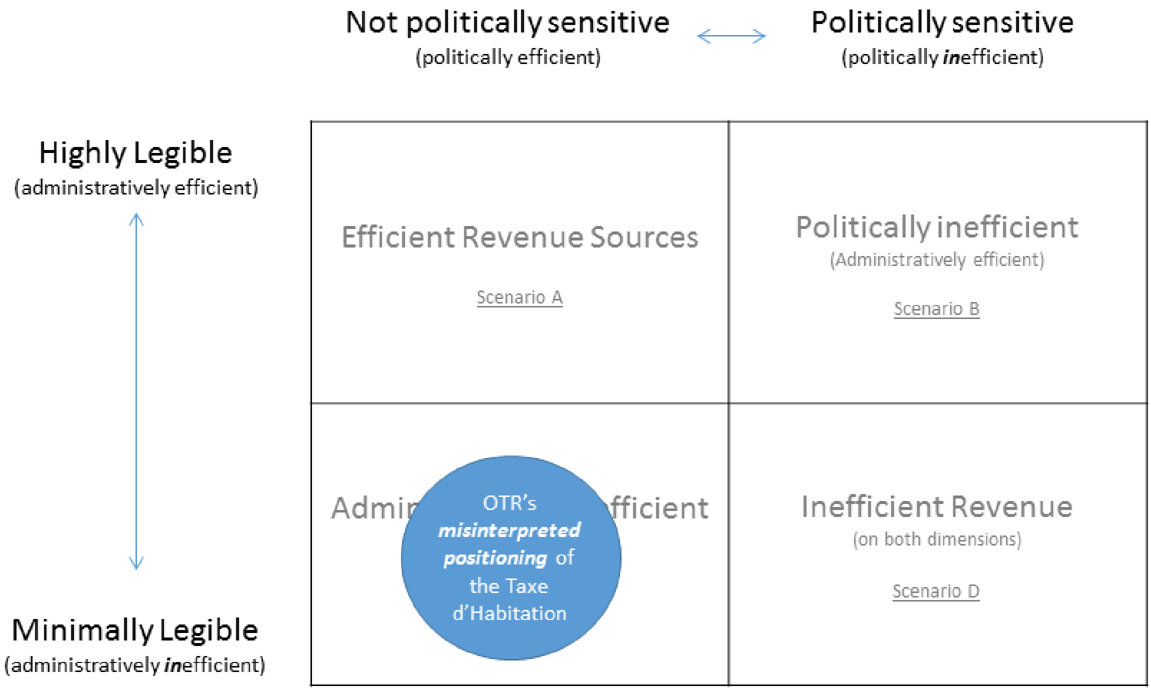
Our discussion here relates to evidence of five different aspects of weakened legitimacy in the right of the state to impose the Taxe d'Habitation: 1) a widespread sense of the regime in Lomé's weak legitimacy. The capital is predominantly inhabited by the president's main rival ethnic group, and opposition leaders denounced his third term in office as violating the 1992 constitution, claiming that the violation was overruled by a judicial system with close ties to the president. Furthermore, local elections have not been held since 1987, and the Taxe d'Habitation is specified as a local tax. 2) Weakened legitimacy vis-à-vis fiscal commitments (fiscal contract): Even though the election outcomes are largely a given, in 2015 Faure campaigned on public service delivery. That same year, social spending was largely displaced in the national budget by debt servicing. In addition, the Taxe d'Habitation, in the legacy of the tax it replaces (a garbage collection fee) is very closely associated with local service provision. Many Lomé residents, despite significant improvements to the city over the past decade, still lack access to water, electricity, and proper sanitation. As such, citizens perceived that the state had not yet delivered on its part of the fiscal contract, which weakened the its case to require citizens to pay the tax. 3) The revenue agency itself was fighting an uphill battle regarding its own reputation. It was a new—and newly empowered, well-financed, semi-autonomous—revenue agency, replacing an agency with a very poor reputation as highly corrupt, oppressive, state-sponsored bandits. The OTR's efforts, imposing the "new" Taxe d'Habitation, which was formally a local tax, were seen to support the idea that the new agency was just as opportunistic and mafia-like in arbitrary tax imposition as its predecessor. 4) Weakened legitimacy vis-à-vis a (non)revenue bargain: The public was aware that the state and City of Lomé were receiving massive amounts of foreign aid to rehabilitate the city, including roads, electricity, sanitation, waste management, and water projects—which likely weakened the perception of the need of the state and city for revenues from its inhabitants, particularly as residents had not seen real improvements in standards of living since Faure took office in 2006. 5) Weak legitimacy vis-à-vis social and institutionalized norms surrounding residency, property, and the domain of *collectivités*.

We also see clear evidence of a political conflict of interest between the revenue imperative linked to imposing this tax "universally" on citizens in the capital and the political risk relevant both to the municipal and central governments associated with proceeding with this matter given the public outcry and resistance.

2.1.i Strategic Treatment

It was in this context, between late 2015 and early 2016, that the general population of Lomé "discovered" the link between the fiscal *cadastre*, housing census, and address-creation projects and the intention of the OTR to collaborate with the Ville de Lomé to impose a "new" Taxe d'Habitation on the population. The response was shock, dismay, frustration, and cries of fraud leveled against the OTR—the new semi-autonomous revenue agency (M. K., 2016; K.B., 2016; Lawson, 2016; "Taxe d'habitation: Ce que vous devez payer désormais pour vivre dans vos maisons," 2016; Veille Economique, 2016). The plan to impose the Taxe d'Habitation throughout Lomé was highly politically sensitive. In response, the OTR, together with the Ville de Lomé, developed several strategic responses.

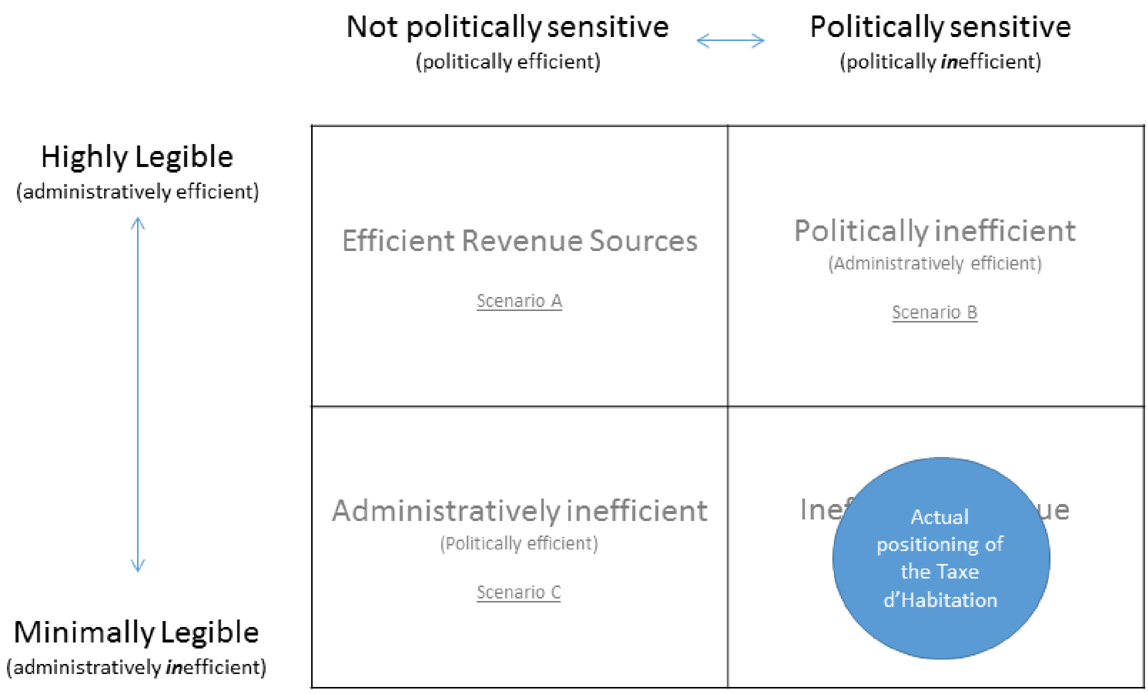
Figure 34. The OTR's misinterpreted positioning of the Taxe d'Habitation in Lomé



The first strategy was to halt the census activities that had been intended to improve the administrative inefficiencies (i.e. to give them the means and information necessary to tap this source of revenue).[321] Their original strategy had been organized solely around the administrative inefficiencies, leading them to a misinterpretation of the actual revenue scenario positioning of this potential source of revenue (Figure 35). The public had recognized that once the city and OTR secured this information, there was little to stand in their way—with the financial support of France's development agency to finance the operation—to impose the tax. Regardless of any denials of their intentions of this fiscal census effort and of the letters sent to city employers (Lawson, 2016), they could not shake the public perception of what they were attempting to do.[322]

[321] Interview 78, 133; observation memos 25, 37.
[322] Ibid.

Figure 35. Actual positioning of the Taxe d'Habitation in Lomé



The city and the OTR then regrouped and discussed new strategies, now aimed at the political inefficiencies, recognizing that they would be unable to carry out their strategy to improve the administrative efficiency of the revenue source if they did not have a plan laid out to first smooth out the political inefficiencies.[323] The revenue would be accurately positioned as inefficient on both dimensions (Figure 36). But as they had external resources and a plan to address the administrative angles if they were to successfully mobilize the Taxe d'Habitation on a wider scale, the focus must now center on developing dynamic strategies to address and overcome the political inefficiencies. Should this prove impossible, then given the broad resistance to imposition, the OTR and Ville de Lomé would likely have to revert to the former, static strategy. Accepting the status quo and working around this political constraint would likely mean accepting the current level of imposition: reaching 2–8% of the city's population (for not to mention imposing the tax on the rest of the country, as only 8,500 of the 6.6 million citizens residing outside of the capital paid the tax—an imposition rate of 0.1% of the population outside the capital (AFD, 2016, p. 1).[324]

323 Ibid.

324 Data for Togo Population Size from CIA World Factbook, URL: https://www.cia.gov/library/publications/the-world-factbook/geos/to.html.

The senior OTR management and the Ville de Lomé began discussing a dynamic, two-pronged strategy: 1) develop a campaign of "fiscal civism" involving the *Comités de Développements des Quartiers* (CDQs) and civil society organizations, and 2) establish credibility and legitimacy by setting an example for citizens, first imposing the tax on the OTR staff and civil servants staffing the public treasury.[325]

As regards the first element of the strategy, the city and the OTR designed a campaign based on the following main message: "plus de ressources en vue d'améliorer les services publics" [more resources to improve public services].[326] The City of Lomé and the OTR would work together with Comités de Développements des Quartiers (CDQs), which are elected and organized by city neighborhoods; district mayors; as well as civil society organizations, to educate citizens and build awareness that the city needed to generate its own revenues to improve public service provision.[327] Included in this messaging, from my understanding would be the dissemination of the idea that the OTR would collaborate in this effort, as the city had neither the manpower nor the resources to administer such a tax mobilization effort itself. Once they had educated the population, they hoped to begin the fiscal census process again. The first leg of their strategy would specifically aim at improving the legitimate right of state and city to mobilize the tax: 1) calling on the assistance of more legitimate local actors—locally elected development committees and civil society organizations to aide them in spreading this message and "sensitization" effort; and 2) articulating the challenge facing all developing countries: the need to have funds to finance public service delivery before being able to render said services. In this case, as in many like it, a development partner financed the initiative instigating the tax effort, as the state lacked the sufficient resources to carry out the necessary census activities to make the revenue source legible enough to tax. This reality belies the legitimacy of the state's argument that it needed taxes to finance these public activities. It also underscores the fact that the state could not embark on taxation efforts without external financing to render the sources more legible (e.g. fiscal census and address creation programs). In this paradox lies the question raised by Boucoyannis (2015): What comes first, state capacity or taxation? She argued that demonstrated state capacity was a prior to the credible threat of tax imposition in the patterns of European state-building. This was true also in this case.

[325] Interviews 78, 133; observation memos 25, 35, 37.
[326] Interview 78.
[327] Interview 78; observation memos 25, 35.

The second strategy under discussion in late 2016, as outlined for me by an OTR middle management officer,[328] was the idea to begin by imposing the Taxe d'Habitation on those who would be most closely involved in the efforts to mobilize and receive the taxes; that is, the *caisse publique* [public treasury], the OTR employees, and possibly the mayor's office staff. This would improve the credibility and legitimacy of the effort by demonstrating how the state employees themselves were submitting to it and willing to support the government efforts, which would provide the state with more credibility before asking the general public to contribute as well.

Since its establishment in 2014 as a semi-autonomous revenue agency, the OTR had become one of the most desirable workplaces in the country, with salaries ranging far above that of the average civil servant (as well as most other workplaces in the capital, for that matter).[329] The parking lot at the tall, shiny new OTR headquarters was full of BMWs and land cruisers. The OTR's staff chauffeurs, in fact, made higher salaries than most other city residents. In other words, the institution had a reputation as a privileged, prestigious, well-paid organization. Its senior managers were very well aware of this, which probably motivated the strategic plan they were discussing to demonstrate their own compliance with the tax first, as they were among the better-paid city residents. There was a problem with this strategy, however, as evidenced in my follow-up conversations with an OTR manager one year later:[330] Even the OTR staff, with their much more comfortable salaries, often still lived on unpaved streets without access to public water, garbage collection, or electricity. Many of the streets were inundated with trash-strewn flooding with every rainfall. As such, even the OTR and Ville de Lomé personnel were not readily agreeable to this strategy, which implicated them as the first "victims" of the Taxe d'Habitation;[331] the strategy that the OTR had deliberated was not even agreeable to its own staff. To my knowledge, as of the time of writing, no new strategy had been successfully formulated to overcome the high degree of political inefficiencies regarding this source of revenue, regardless of the French development partner's financial and technical support.

In January–February 2016, the (free) newspapers of Togo were filled with public outcry against the Taxe d'Habitation together with government press releases either denying ever having intended to impose the tax or explaining

[328] Observation memo 25.

[329] Interview 046; general observations and discussions within and outside the agency.

[330] Interview 133; observation memo 37.

[331] Ibid.

it, by turns.[332] Since that time, the debate appears to have completely ceased in the media. This, then, is the case of a failed revenue mobilization strategy. The government, to date, has been unable to overcome the political inefficiencies and has resigned itself for the moment to the status quo—a static strategy of very limited imposition of the Taxe d'Habitation on around 27,000 taxpayers in the capital, representing 8% of the city's households (Figure 32).

This case was included in this chapter as the dynamics that unfold reveal much about how the state and its revenue actors respond to political inefficiency once a plan was in place to improve the administrative inefficiencies (the only types of inefficiencies that they had foreseen and planned for). This is a case in which the political sensitivities were too acute to proceed, and the state had to retreat and deliberate a new strategy to address political inefficiencies. The strategic deliberation facing them was this: assess whether they could reduce the political sensitivities enough to make it efficient to mobilize or return to the non-imposition strategy of the last decade.

When the state is presented with a revenue which is only inefficient politically and there is a high potential yield to be recovered from the source (and the state is pressed to find further revenue), then I would expect to see political maneuverings of some nature (private or public) to appease the source of political sensitivity. Regardless, I would never expect full mobilization to be achievable where the sources remain politically sensitive. There is substantial evidence to affirm the validity of this theoretical expectation in this and the two subsequent cases.

2.2 Trading Support of Powerful, Traditional Chief for Non-Enforcement

This strategic case focuses on a traditional figure of authority, the Chef du Canton in Cinkassé, Togo. This is a case of partial or non-imposition of taxes due to political inefficiencies. The case exemplifies a "non-revenue bargain" of a kind, with those important to the political order. The revenue authority officers posted to Cinkassé granted leniency to Chef Nagnango Abdoulaye[333] in tacit exchange for his support to their broader revenue mobilization efforts in the canton. This was a region in which his authority was considerably greater than that of the state. In this case, a number of direct and indirect taxes were

[332] M. K., 2016; K.B., 2016; Lawson, 2016; "Taxe d'habitation: Ce que vous devez payer désormais pour vivre dans vos maisons," 2016; Veille Economique, 2016.

[333] Other versions of his name, from my understanding: NAGNONGO Abdoula YEl. In the 2014 presidential decree recognizing Chefs du Canton and posting their stipend, the (Secret.) Chef du Canton for Cinkassé is listed as NAGNANGO Nabiyouré Séyouba (Decret n° 2014-139/PR du 1 julliet 2014).

relevant, including the VAT, corporate income tax, and other professional income-type taxes.[334] Thus, the revenue source of interest here are the business earnings of a traditional chieftain. However, the tax instruments themselves are of less concern. The important and strategic aspect of the case centers on the person of interest.

From what I was able to ascertain, Chef Nagnango Abdoulaye was one of the most powerful traditional authorities in the country,[335] possibly the most powerful chief in Togo. He presided as Chef du Canton over Cinkassé, a town of slightly more than 10,000 in the north of Togo, on the border to Burkina Faso.

In Togo, the lowest tier of the administrative structures in rural areas are villages, referred to as *quartiers* in urban areas (Ahonto-Noussouglo, 2012; BTI, 2016a; HI, 2008; Loi n° 2008-10 du 27 Juin 2008 Portant Cooperation entre les Collectivites Territoriales, 2008; MATDCL, 2012; Mensah, 2016a). Cantons comprise a grouping of villages or quartiers. President Faure appoints a special delegation to manage affairs at the level of the region (there are five regions in Togo), prefecture, and commune. Below the prefectures and communes, Chefs du Canton are determined by either customary hereditary succession (as part of a traditional chiefdom or kingdom of the relevant people group) or by customary popular election (BTI, 2016a; Dijk & Nieuwaal, 1983; Gardini, 2012; HI, 2008; Kohnert, 2015; Macé, 2004; Nieuwaal, 1981, 1996; Nieuwaal & Dijk, 1999).[336] The Chefs du Canton are then officially recognized by presidential decree. As such, while traditional authorities still preside over villages and cantons, the formal state recognizes their authority, subsuming them into the state as the lowest tier of the formal administrative structure (HI, 2008; Loi n°2007-002 du 8 janvier 2007 relative à la chefferie traditionnelle; Nieuwaal, 1996).

[334] From what I was able to determine, this is the relevant list, but it may also include others. I do not have his tax file records in my possession, only a report of his total business revenue for the past few years, the list of taxes in arrears for a similar case in the same tax regime, and a list of these cases for all of the 15 medium-sized businesses operating in Cinkassé. His business revenues were not insignificant – approximately USD 250,000. As regards his business affairs, income, and taxes owed, I also have summaries of the relevant discussions between Fiscal Control Unit and this field office staff, regarding the Chef du Canton, as well as transcripts of my own interviews with the field staff. *Reference*: Interviews 55, 56, and 60; participatory observation 12.

[335] Interviews 55, 56, 57, 59, 60, 61, 62, 66; participatory observation 12.

[336] Also of relevance here, interviews 33, 34, 35, 59, 60, 61, 62; participatory observation 4.

In Togo, the legitimacy of the chieftaincy institutions vis-à-vis the state varies across the territory. As Nieuwaal discusses at length, these traditional authorities simultaneously lean on the state for their legitimation and preservation while themselves also propping up the regime (Dijk & Nieuwaal, 1983; Nieuwaal, 1981, 1996, p. 43). Many closely supported Eyadéma, the current president's father, the dictator who ruled the country for thirty-eight years. Often they served as Eyadéma's "instruments of political control," with many brazenly supporting the regime in the violent struggle for democracy, and much to the chagrin of their villagers (Dijk & Nieuwaal, 1983; Nieuwaal, 1981, 1996, p. 43). Some continue to play a similar role for Faure. Some chieftaincies were actually the creation of colonial powers where they did not previously exist (Amenumey, 1969; Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996). Under German colonization, Chieftains in Togo, as in many colonies, were entrusted with tax collection on behalf of the colonial administration, often resulting in a dynamic of compromised legitimacy and fear among their constituents.[337] For some, however, the heritage or tradition from which their authority originates still retains some degree of legitimacy and respect (albeit begrudging at times). Chef Nagnango Abdoulaye was one such chieftain.

The presence of Burkina Faso to the north had significance for Chef Nagnango's power. The inhabitants of Cinkassé are predominantly Mossi, a people of long heritage, dating to the 12th century (Haywood, 2011; Konkobo, 2015; McKenzie, 1998; Tokuori, 2006, p. 93; Toulmin, 2008, p. 11; Vanhanen, 2004, p. 229). The kingdom is centered largely in modern-day Burkina Faso, where they comprise 40% of the country's inhabitants, but a small tail of this group of people bleeds into the north of Togo (see Figure 37).

While the power and presence of many kingdoms and *chefferie* in Togo (and the surrounding region) is fading, the Mossi Kingdom remains respected and influential,[338] also despite Thomas Sankara's efforts in the 1980s to isolate and weaken the dynasty (Konkobo, 2015; McKenzie, 1998). The current *Mogho Naba* (their title for the reigning monarch), Baongo II, resides in Ouagadougou (which also happens to be the capital of Burkina Faso), and has presided over the kingdom for 36 years (Konkobo, 2015). In October 2014, he played a key role in the resolution of a coup d'état in Burkina Faso, brokering a peace deal between the parties to the crisis (Bjarnesen & Lanzano, 2015; Konkobo, 2015; McKenzie, 1998).

[337] This historical legacy was also discussed in interviews 59 and 62.
[338] Interviews 61, 61, 62.

Figure 36. Region of the Mossi's Language, Mooré

Source URL: http://www.wikiwand.com/en/Mossi_language.

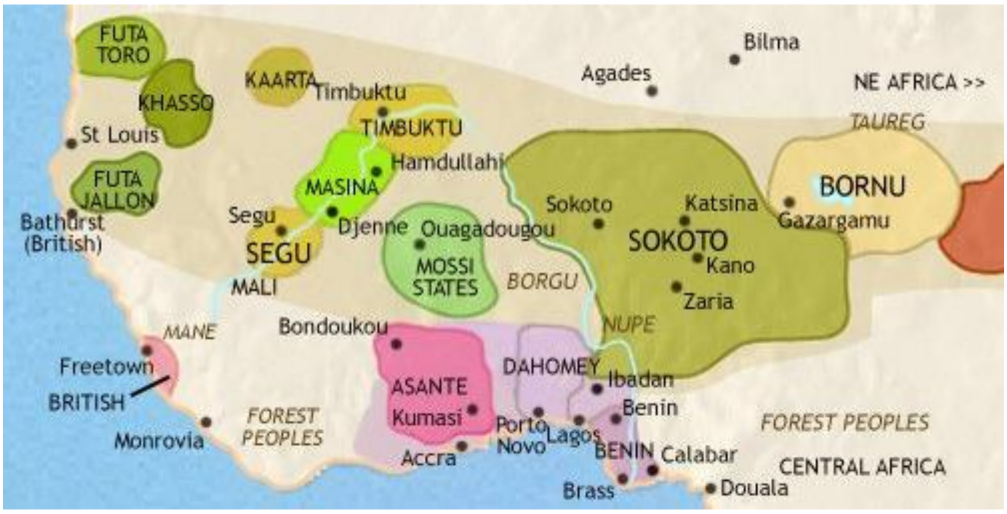
Chef Nagnango Abdoulaye hails from the lineage and dynasty of the Mossi. Thus, while his authority as the chief of a Togolese Canton is recognized by presidential decree (Decret n° 2014-139/PR du 1 julliet 2014), his greater authority and source of legitimacy comes from a territory and heritage that extends north into Burkina Faso.[339] As such, his legitimacy and source of power extends across international borders, where the state officials' authority does not. This is particularly relevant to this case, as a rather significant proportion of the population and daily commercial activity in Cinkassé was carried out by Burkinabé, citizens of Burkina Faso (IOM, 2015, p. 14).[340] For many of these people, the Togolese Chef du Canton was still a relevant, powerful, and respected authority regardless of which side of the international border they were living and/or working.[341]

[339] This information draws on interviews 55, 56, 57, 59, 60, 61, 62, 66; participatory observation 12.

[340] Ibid.

[341] Ibid.

Figure 37. West Africa in 1837



Source URL: https://www.timemaps.com/history/west-africa-1837ad/)

During my observations of the Fiscal Control Unit's mission to the OTR outpost in Cinkassé, the agency's local officers (street-level revenue actors and a Chef de Bureau) recounted both their troubles and support from the Chef du Canton, who presided over their district.[342] While they reported to the OTR headquarters staff that Chef Nagnango had not paid his taxes for the present year (nor for most of the previous year),[343] they also explained to the Fiscal Control Unit how helpful and, in fact, *critical* he was to the success of their efforts in Cinkassé. "We are strangers here," they explained to me in a follow-up interview, "and most citizens are Burkinabe [and Mossi]." So with this chief (who is Mossi), "they feel they have a bit of protection."[344] The citizens of Cinkassé held the revenue authority in very low regard.[345] As was discussed and relevant to other cases in this chapter, their reputation was tarnished by the very corrupt agency they had replaced two years earlier.[346] Most rural inhabitants saw little distinction between the former civil servants of the Direction General des Impôts vis-à-vis the agents of this new semi-autonomous revenue agency, the OTR. Most people were therefore by turns fearful and resistant to efforts by the agents to collect taxes from them. The Cinkassé agents reported cases where taxpayers threatened to kill them if they attempted to enforce tax collection with more coercive measures.[347]

342 Interviews 55, 56, 60; participatory observation 12.
343 Participatory observation 12.
344 Interview 60.
345 Interviews 55, 56, 60; participatory observation 12.
346 Interviews 2, 10, 16, 24, 46; observation memo 2.
347 Interviews 55, 56, 60; participatory observation 12.

Both to myself and to their Fiscal Control Unit, the agents explained how they often asked Chef Nagnango to support them:[348] "Il est comme la loi ... il est très puissant"[349] [here, he basically is the law. He is very powerful]. It mattered not what type of tax they were trying to mobilize nor from whom in Cinkassé; if they wanted to ensure compliance, they had to turn to the Chef du Canton for support. In fact, they recounted at least one occasion where they found a village completely empty upon arrival, only to discover that the chief had preceded them and had already gathered the entire village in the communal space. He invited them to come and make their requests to the village in his presence. He then reinforced their message, explaining that the OTR had come to correct the "errors of the past" and directed the villagers to comply and pay their taxes.[350]

While the revenue authority field agents relied on the traditional chief to ensure the success of their revenue mobilization efforts in this furthest-removed town in the country, he himself generally refused to pay taxes. They had made informal arrangements with him to pay the taxes owed on his business enterprises, and he had made some payments in past years, but not full payment and none for the current year. When I pressed the field agents further about this, they explained that while he files his tax declaration and they make the appropriate calculations of what taxes he owes, they are quite fearful to insist on his compliance. There seemed to be a tacit understanding between them that both would fill out the proper paperwork, but that would not entail real enforced compliance with the stated tax declarations. They explained that he was powerful both politically and economically, doing well in his business affairs, and was not particularly "scared" by anyone (our conversation was interrupted, but I would assume that here the agent was making reference to President Faure and the military who supported him). Later, the agent explained that even the prefect had no power over him. Later that day, when I interviewed the prefect himself, I learned that he was the nephew of the Chief and had great respect and reverence for him.[351]

To provide additional perspective on this relationship and the dynamic between state power and traditional authority, where the traditional authority's local legitimacy far outweighed that of the state, I will recount an episode from our days in Cinkassé. Near the end of my two-week tour of field offices with the Fiscal Control Unit from the headquarters in Lomé, we had arrived at the northernmost city in Togo. I had made inquiries to the local field agents about

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[348] Ibid.

[349] Interview 56.

[350] Interview 60; participatory observation 12.

[351] Interview 61.

the possibility of interviewing the Chef du Canton in person after our initial interviews and my observations of the headquarters' staff meetings with the local team. Over the course of the next day, I discovered that the Fiscal Control Unit from Lomé, whom I was accompanying, was making a concerted effort to obstruct my efforts to meet this Chief, lying about changes in plans, about their correspondence with the local team (who had offered to arrange the meeting), and about the possibility of actually getting access to him. In fact, in discussing the openness of the Chef du Canton with the Cinkassé field team as well as in an interview with another traditional Chef du Canton in a smaller village, I was informed that the Chef was very powerful but also very kind, and open and accessible to all.[352] Finally, after realizing I had been duped by the Fiscal Control Unit team—with whom I had enjoyed a very positive, collaborative, and inclusive relationship throughout the two-week mission—I carried out a second, private interview with the field agent to understand the situation better, and allowed him to arrange another meeting with the Chef du Canton.

Upon arrival at the Chief's small "palace," we found statues of lions framing the doorway. The OTR agent led me into the rounded enclosure, instructing me to follow him in bowing (lowering ourselves to our haunches, so that we sat lower than the Chief, to greet him). After the introduction, the field agent departed so I could interview him privately, and I sat in a chair opposite him, with an unknown and unexplained gentleman sitting between us. The second man was wearing a baseball cap featuring a picture of President Faure. Chef Nagnango Abdoulaye was a very old, frail man, lying on a mattress. He rose to sit on the edge of his mattress, in the middle of this large room, to speak with me. In actuality, as a result of the language barrier and his frailty, I obtained little of substance from the interview. That which I did learn was a rather overt observation into the behavior of the revenue authority's middle managers, who had come from the headquarters in the national capital, compared to the local agents who worked closely with and relied on this man, even while they hesitated to enforce the extraction of any tax payments from him.[353]

The main field agent at the office, who had arranged the interview for me, also explained that the Chef du Canton was very important in the *plan politique*.[354] While I was unable to discover what exactly he meant by this, I quite unexpectedly gained some insights into the political arrangements surrounding him during an interview with a mid-level revenue actor in the capital in a

352 Interviews 59, 60.
353 Interview 60.
354 Interview 59.

completely different department when we happened to discuss the Chef du Canton of Cinkassé. In this interview, the official explained:[355]

> Vous savez, dans nos pays-là… C'est quelqu'un qui avait… La politique avait besoin de lui… Si quelqu'un a la forte politique, on est tentés de le comprendre quoi, de lui accorder certaines faveurs. C'est quelqu'un qui avait… Les politiciens l'écoutaient beaucoup.
> Rachel: Parce qu'il avait… C'était traditionnel depuis longtemps?
> OTR Agent: Oui, tout est traditionnel. Par exemple, on prend les votes si ils donnent en signe de vote ou ses sujets sont… Le vote est fidèle quoi. Si il dit, ah, on va voter pour tel, ah il a toujours eu du pouvoir. Ça fait que bon, c'est quelqu'un qui est… Il est bien écouté. Un nom comme ça, on l'entretien quoi.[356]

As we can see from the events surrounding my visit with the Chef du Canton and discussions about him with the OTR official in the capital who knew him well, he is a man who is both feared and revered. He is also listened to by politicians and granted favors in exchange for his loyalty and support in mobilizing the population to vote for the candidates he indicates. This behavior resonates with discussions of states employing power brokers throughout their territory, to secure control, mobilize votes and taxes from local, particularly remote, communities (Barnes, 1977; Boone, 2003b, 2003a; Kasara, 2007; Khan, 2010; Mamdani, 1996; Wilson Prichard & Boogaard, 2017). As such, it appears as though this traditional chief lends power to the state in his preserve in the north; in exchange, he is granted leniency in his own duties and obligations to the state. Thus, there is clear evidence of a political conflict of interest in pressing the chief too much for his own compliance.

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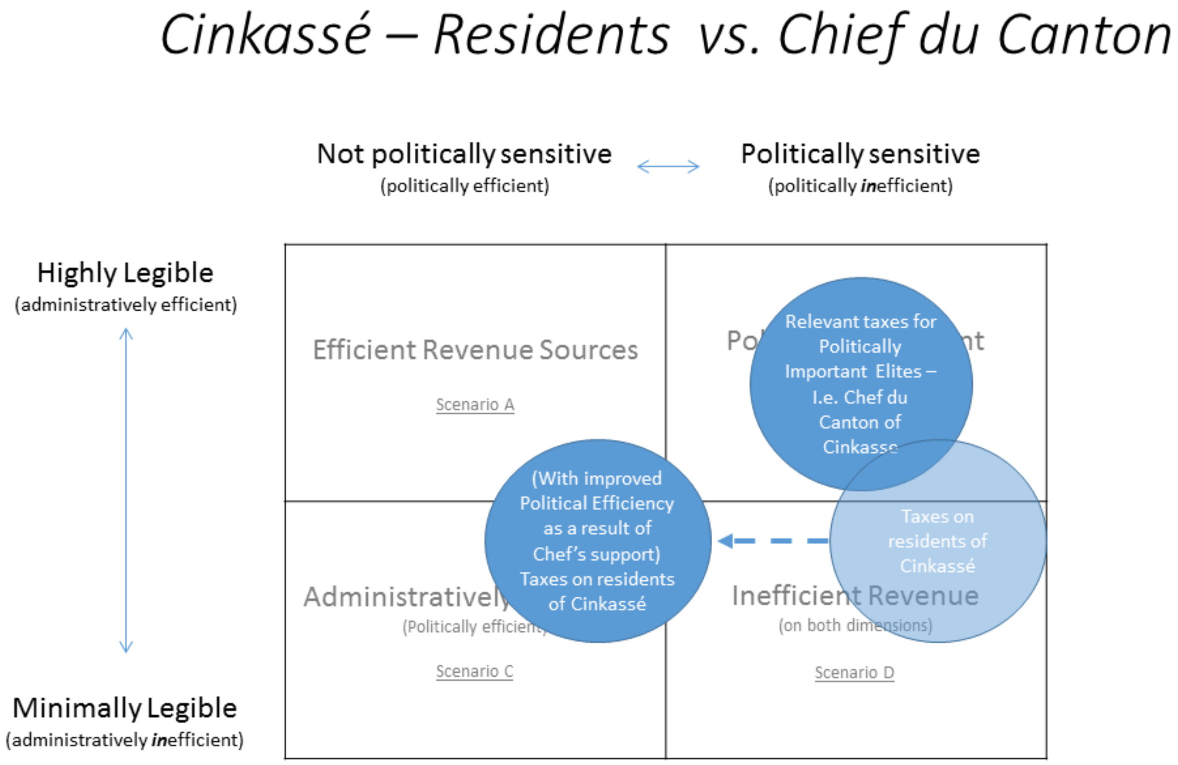
[355] Translation: "You know, in our countries… It's someone who had… Politics needed him… If someone has strong politics, you're tempted to understand him [his interests/priorities], to give him some favors. He was someone who … Politicians listen to him a lot."
Rachel: "Because he had… It was traditional for a long time?"
OTR Agent: "Yes, everything is traditional. For example, he collects the votes if signaled who they should vote for, the votes of his subjects are…. [I am not sure if my paraphrasing/translation represents his meaning sufficiently here, unclear.] The vote is faithful. If he says, 'ah, we're going to vote for that, ah, he's always had power. It's only good, it's someone who's… He's well listened to.' A name like that, we maintain it [I think he means they maintain good relations, or he is listened to]." Own translation.

[356] Excerpt taken from interview 66.

Figure 38. ***Revenue efficiency in Cinkassé***



We can understand this to be a case where, on one hand, the Chef du Canton smooths out the political sensitivities of taxes imposed on inhabitants in the town of Cinkassé, improving the political efficiency of the field agents' efforts (depicted in Figure 39). On the other hand, in a tacit exchange of political support—lending his traditional sources of legitimacy to the OTR agents' efforts where the state's legitimacy was weak—he himself is largely excused from paying taxes. Herein lies the "non-revenue bargain." Thus, the revenues of the business affairs of this chieftain are highly politically sensitive. Any sincere efforts to forcibly impose tax collection on the Chef du Canton could rile a politically important ally, important both to the revenue agency (to mobilize revenues from the rest of the population) and likely also to President Faure's UNIR party with respect to whipping votes in support of the regime and its party. These motivations can easily be classified as political conflicts of interest.

2.3 Navigating around the *Protégés du Pouvoir*

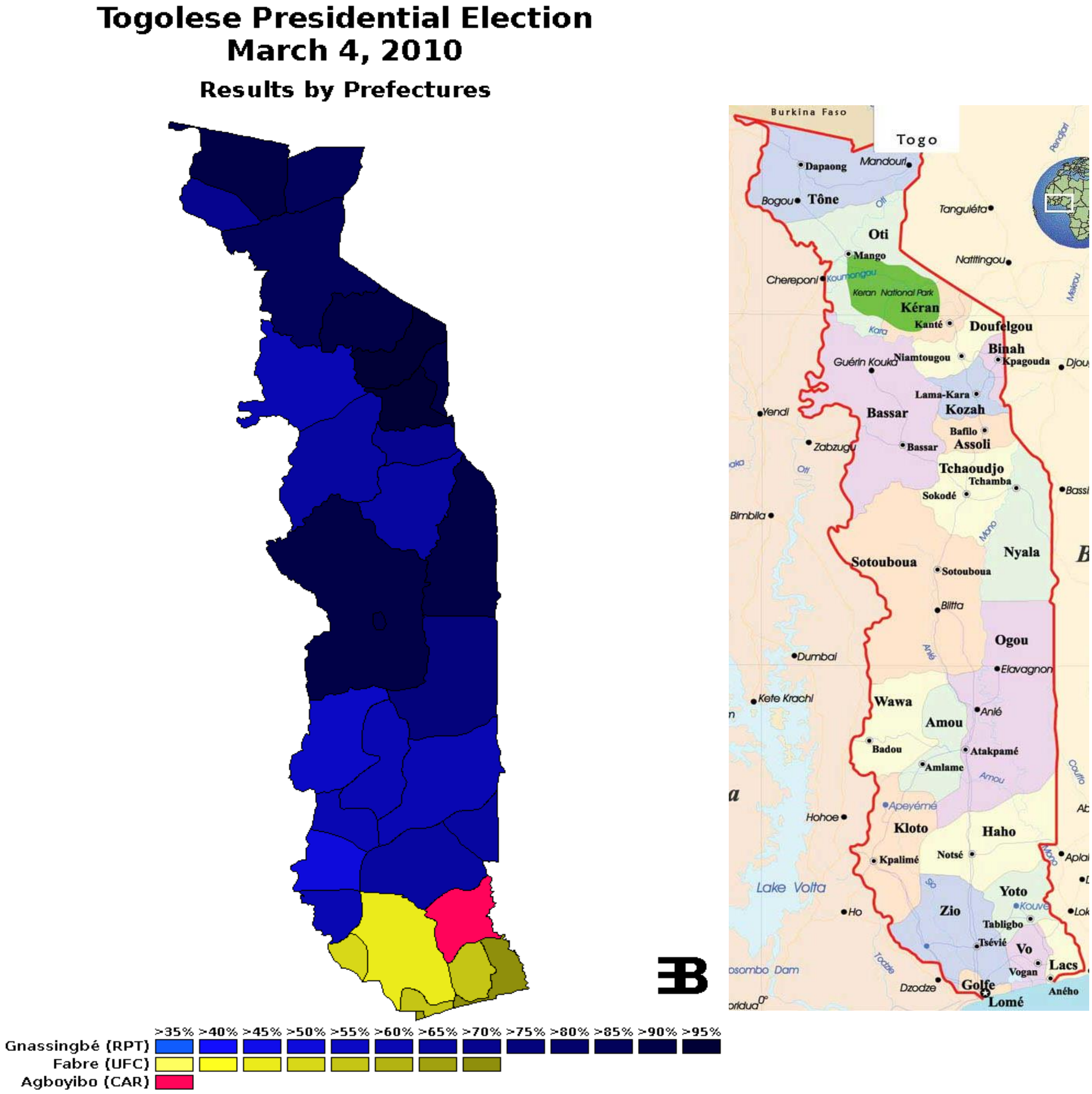
This third case explores static strategies of partial or non-enforcement of direct taxes on politically and economically important elites. Empirically, I have only small glimmers of insight into these types of political inefficiencies. It is a case of inefficient revenue on both dimensions but for which the political inefficiencies dominate and contribute to the inaccessibility and illegibility of the revenues, particularly regarding property taxes. As such, the political element is of greater concern, for which reason I include it in this chapter. As with the other cases discussed above, it has been difficult to identify cases that are solely politically inefficient without some dimension of administrative inefficiency. It is likely that the most politically sensitive sources of revenue and the strategies organized to work around these delicate matters were very proactively protected (preventing my observation of anything related to them) by the OTR during the course of my stay at their offices.

For this case, I draw on interviews with revenue agents at the street-level and middle-management levels in both a rural and an urban regional office of the revenue authority (OTR).[357] These incidents take place in central-northern areas of Togo, which are ethnic and political strongholds of the president, his people, the Kabiyé, and his party, UNIR (BTI, 2016a; Freedom House, 2016b; Gardini, 2012; Heilbrunn, 1993, p. 282; Kohnert, 2007, p. 5, 2017b; T. Roberts, 2008; Seely, 2006; Tobolka, 2014). In Figure 40 below (in the image to the left), areas where Faure Gnassingbé has enjoyed the strongest support are represented in dark blue in the election map. These are the regions where President Faure's UNIR party received the highest percentage of votes in recent elections (the 2010 maps are included, as they demonstrated the divide slightly more clearly than the 2015 maps, although the same pattern is also present in the 2015 map).

For the preservation of anonymity (to protect sources), I am withholding the name of the rural area, but will specify the urban area as the city of Kara, Togo's third largest city and home to the president.

[357] Interviews 33, 48, 64; participatory observations 4, 10.

Figure 39. Political maps – Togo[358]



Note: (Left) Maps election results by party; (Right) Political map of prefectures and cities of Togo.

For this case, I only refer to the type of individuals or entities of interest,[359] including elites in the President's stronghold of Kara and a few elites dotting

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[358] The Togolese Presidential Election Map URL: https://uselectionatlas.org/FORUM/index.php?topic=210405.0. The political map, including prefectures and cities URL: http://mapsof.net/togo/togo-political-map

[359] Interviews 33, 48, 64; participatory observations 4, 10; Translation:
Head of Office (Rural District): "... I forgot one case too. Often when we go there is the politics that is well in ______ [their region]."
Fiscal Control Unit Officer: "What?"
Head of Office: "Politics."

the rural landscape who were closely connected to him, either by kinship or political alliance. Politically, these include members of parliament, ministers in the government, generals in the military, and other unspecified individuals important to the (informal and formal) political order. Economic elites included the executive officers and owners of some of the largest companies in Togo, including banks, telecoms, breweries, and cement companies. These were major enterprises, the operations of which are generally based in the capital of Lomé (or at least, their headquarters are located in the capital). A third group of elites was also relevant: those associated with the Gnassingbé dynasty by family ties and kinship.

In the rural district office, agents explained to the Fiscal Control Unit from the Headquarters[360] that this region was the "fiefdom" of the president; accordingly, politically important figures were well represented in the region … which frequently meant that the OTR agents could not "touch" them. As Kasara explains, it is important to distinguish between how a ruler treats the powerful individuals within his power-ethnic base and how his ethno-regional group as a whole is treated (Kasara, 2007, p. 171). In this case, we find evidence contradicting the Kasara's main finding that rulers tend to tax their ethno-regional base at higher levels. However, when we distinguish between elites and the entire group, his findings fall more in line with the evidence presented here. Even within the politically insulated semi-autonomous agency, which enjoyed commitments from the highest levels to transparency and an anti-corruption mandate from the highest levels, those important to the regime enjoyed some measure of protection and power with which to resist taxation. I include an excerpt of one relevant discussion here:[361]

> Chef du Bureau (Rural District): … j'ai oublié un cas aussi. Souvent quand on va il y a la politique qui est bien à _____ [their region]
> Fiscal Control Unit Officer: *Quoi?*
> Chef du Bureau: La politique.
> Fiscal Control Unit Officer: *D'accord.*

Fiscal Control Unit Officer: "Okay."
Head of Office: "Politics is well represented here, as it's the fiefdom of the Head of State, here it's more practical we can't touch… [inaudible word]"
Fiscal Control Unit Officer: "[pause…] … Thank you very much for these explanations […The officer then proceeded to change the subject to discuss census of taxpayers, with no further mention of this issue]." Own translation.

[360] Participatory observation 4; interview 33. I observed the meeting, and then followed up with an interview with the field office staff to confirm the details.

[361] Participatory observation 4.

> Chef du Bureau: La politique est bien représentée ici comme c'est le fief du chef de l'État, ici c'est plus pratique on ne peut pas toucher .... [inaudible]
> Fiscal Control Unit Officer: [pause…] … *Merci bien pour ces explications*. […The officer then proceeded to change the subject to discuss census of taxpayers, with no further mention of this issue.][362]

In Kara, an officer at the regional OTR bureau explained that Kara was home to many politicians, ministers of government, military generals, and many executive officers from Togo's largest companies. Most of these individuals were physically located in Lomé, the hub of political and economic activity, but owned an extensive number of large properties—including their own mansions, large homes, and apartment and business complexes. Identifying who these owners were for tax purposes had proven very challenging.[363]

In Togo, in general, the issue of identifying the owners of properties was already a significant issue (i.e. administratively inefficient) due to the lack of a functional, updated cadastre and property register. In fact, the African Development Bank had declared Togo's property registration process the slowest on the continent, requiring 288 days to complete (AfDB, 2016, p. 3). The Direction des Affairs Domaniale et Cadastrales, responsible for managing property title registry in the country, had only issued a total of 43,000 property titles for all of Togo, according to an assessment report by Kadaster International commissioned in 2016 (Berg et al., 2016).

In the city of Kara, the revenue authority viewed property taxation as a potential "gold mine," if only they could find a way to identify and impose these taxes on the proper owners.[364] This officer explained the difficulties they faced: Renters in these properties often refused to disclose their landlord's identity, and groundskeepers or other personnel hired by landlords to manage properties in their absence behaved similarly, often refusing to receive tax collection letters from the OTR agents, informing them that the owner was living in Lomé and that they would have to send tax-related documents directly to the owner without disclosing their identity. Even when revenue agents could obtain a name (in some high-profile cases, the property owners were common knowledge), without a functional *cadastre* and property register, revenue agents were at a loss as to find the authority to impose the property tax without legal proof of ownership.[365]

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[362] Participatory observation 4.
[363] Interview 48; participatory observation 10.
[364] Interview 48.
[365] Interviews 13, 48, 79, 131, 133.

According to the officer, this was a classic example of tax evasion.[366] But the elite nature of the relevant persons added another dimension to the issue. Just as in the case of the rural district, higher levels of management seemed to be turning a blind eye to this problem, accepting that this was simply the political nature of things and that little could be done.[367] The street-level and middle-management officers in Kara did not appear to be receiving any concerted support in these matters from higher levels of management in the capital. According to one higher level officer at the headquarters in Lomé, it was not an issue of political interference.[368] From his perspective, it was a simple issue: "Le problème c'est simple. Un ministre, un politicien, je [ne] veux pas de problème … c'est pour ça. Point bas" ["The problem is simple. A minister, a politician—I [don't] want to have a problem [with them]... that's why. Period."[369] No one wants problems with ministers or politicians.

The case in the rural district was slightly more nuanced. Here, the agents had explained to me that under the former revenue agency, the Direction General des Impôts, the interests of those close to "power" had been protected and they could not interfere or impose taxes on them.[370] With the creation of the OTR, they explained, everyone feared the new agency—the idea that there would be "true transparency"—and even the politically powerful and politically connected paid their taxes. Two years into its operations, however, they were already seeing a reversal of this trend, with more and more refusals to comply with tax collection. The agents made it very clear that this "power" related only to Faure's elite circle and political party. The opposition parties had no power and, accordingly, had no protection in this sense against tax imposition.[371] An excerpt of our discussions is included here:

> Rural Field Agent: Voilà. Le problème maintenant c'est quoi? Avant, comme on l'a dit, les gens étaient protégés. Ceux qui sont du pouvoir, leurs intérêts sont souvent protégés par rapport aux impôts. Maintenant, comme il y a eu création de l'OTR, tout le monde a eu peur. Parce que là-bas, c'était rien que la transparence et que certains ont laissé un peu du lest. Et on a commencé par recouvrer un peu, ces personnes qui- [unintelligible 00:29:19] Mais vu que l'OTR prend de l'âge, c'est-à-dire qu'on avance, l'OTR est né, au fur et à mesure qu'on avance, il veut reprendre les anciennes habitudes. Il ne veut pas payer les impôts. Il veut reprendre les anciennes habitudes de ne pas payer les impôts. Or l'OTR, c'est la

[366] Interview 48.
[367] Interviews 33, 48, 64; participatory observations 4, 10.
[368] Interview 64.
[369] Interview 64.
[370] Interview 33.
[371] Interview 33.

transparence, l'équité devant l'impôt. Tout le monde doit payer l'impôt, normalement. Mais il faudrait qu'on arrive à sauter ce verrou des protégés du pouvoir. Les protégés du pouvoir, c'est ça qu'il faut sauter maintenant.[372]

In summary: the obstacle now facing the OTR and its field teams was finding a way to deal with this obstacle—those "protected," the *protégés du pouvoir*. In both Kara and the President's rural stronghold, this issue was a classic case of political inefficiency. It was clearly linked to the conflicts of interest posed by attempting to impose tax obligations on those relevant to the informal arrangements of power in Togo. It also illustrates the pattern that is becoming typical in new semi-autonomous revenue agencies across the continent, where the first few years of success are tempered in the medium-term by patterns of corruption and powerful elites finding new avenues of protection from tax obligations (Fjeldstad, 2003; M. Moore, 2014). Agents in urban and rural areas often found themselves navigating around these political obstacles and accepting that they frequently could not impose taxes on this group without repercussions either to themselves or the agency. They also seemed to find themselves without support, at times, from higher levels within the agency who preferred to look the other way rather than address such issues head-on. This was not true agency-wide, but in these cases I saw little evidence to the contrary. This case, then, explored a static strategy of partial or non-enforcement on the politically sensitive elements of a number of taxes, and property taxes in particular. The revenue actors of relevance were street-level and mid-level managers posted to field offices.

Section 3 Conclusion

In this chapter, we have explored a number of strategic cases surrounding politically inefficient sources of revenue. The first examined a scenario in which the revenue agency secured external funding to support efforts necessary to

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[372] Interview 33. Translation: Rural Field Agent: "Okay, this is the issue. Before, as we said, people were protected. Those in power—their interests are often protected from taxes. Now, since the OTR was created, everyone was afraid. Because there was much more transparency and certain figures had little weight left / little room for maneuver / had to make compromises [unclear meaning of *laisser du lest* in this context]. And we started by recovering a little bit, these people who-[unintelligible 00:29:19] But since the OTR is getting older, that is to say, we advance, the OTR was birthed, and with time, some want to return to old habits. They don't want to pay taxes. They want to return to their old habits of not paying taxes. But the OTR is transparent and places emphasis on the fairness of taxes. Everyone has to pay taxes, normally. But we need to break this lock on the power protégés [politically protected powerful individuals]. The power protégés—that's our next hurdle."

render the Taxe d'Habitation legible enough to mobilize on a broad scale (at least across the capital city, where it also has the greatest potential yield). However, an extensive number of political inefficiencies linked to the weak legitimacy of both the regime and the revenue agency itself, as well as the presence of clear political conflicts of interest, presented new obstacles for the OTR and the Ville de Lomé once they attempted to carry out the fiscal census and address-creation projects. The agency halted operations and elaborated new dynamic strategies now aimed at political inefficiencies that would have to be overcome if they were to be successful in finally generating real income from this residence tax. As of late 2017, however, there was no discernible forward movement; the revenue agency, at least for the time being, appears to have failed in their efforts and reversed to the original static strategy of minimal imposition (2–8% of the city's residents).

The behaviors in this case are well in keeping with my theoretical expectations—with the revenue agency reacting in a very different manner to political inefficiencies than administrative inefficiencies. As expected, when they were unable to find a way to navigate rather high degrees of political inefficiency stemming from multiple sources of weak legitimacy, representing a broad-based atmosphere of political sensitivity, they suspended their efforts and returned to a strategic treatment of non-enforcement for most of the city's residents.

The second case is situated in the town of Cinkassé in the furthest region from the capital, where the regime and its revenue agency struggled with legitimacy problems and relied heavily on an authority figure who could claim his own sources of legitimacy—the Chef du Canton, a traditional authority from a historically powerful people group which dominated the landscape in this northern tip of Togo. Again, the actions of the revenue actors in this situation fit with my theoretical expectations: They established a tacit revenue bargain with this chief, leaning on his legitimacy to support their efforts among an otherwise resistant population. In exchange, they granted him leniency in his own tax obligations, choosing rather to rely on his authority as a dynamic strategy to improve the political efficiency of tax collection efforts among the rest of the population. The accepted trade-off was a strategy of partial/non-enforcement on the most politically sensitive element: the Chef du Canton himself.

The third case involves a classic example of political inefficiency in which those close to the regime—the President, his party, and the military—were politically protected. Revenue actors in both rural and urban areas outside the capital resorted to static strategies of non-imposition to navigate around these politically sensitive elements of the tax base. This, too, is in keeping with my theoretical expectations.

In several instances, the political sensitivity of the source of revenue also exacerbated the state's efforts to make the source of revenue more administratively efficient. This is relevant to the efforts to universally enforce the Taxe d'Habitation in Lomé as well as navigating around the *Protégés du Pouvoir* in the final case. As such, we can understand that political sensitivities themselves can present an obstacle to improving the administrative efficiency of potential revenue sources.

In Table 8 below, I have provided a typology of the strategic actions (dynamic and static) employed by revenue agents in Togo and Benin to address political inefficiencies.

Table 8. Strategic action vis-a-vis politically inefficient sources of revenue

Strategic Treatment of (all Identified Types of) Politically Inefficient Revenues
Enforcing elements previously not enforced
(Explicit or implicit) revenue bargaining (including one-sided gestures)
Carrying out inefficient revenue mobilization efforts to reduce political inefficiency of OTHER, more important revenue sources (i.e. big taxpayers or foreign donors)
Imposed, but not in manner intended in code
Engaging local knowledge & power centers to support revenue mobilization
Not enforced or partially imposed
Maintaining central control/involvement/priorities over revenue mobilization efforts
Other strategic action
(Explicit or implicit) revenue bargaining (including one-sided gestures)
Appealing to/accounting for human element/corrupt behavior
Engaging local knowledge and power centers to support revenue mobilization
Maintaining central control/involvement/priorities over revenue mobilization efforts
Revenue instrument revised (motivated by poor fit of previous)
(Explicit or implicit) revenue bargaining (including one-sided gestures)

Chapter XI
Capturing and Constructing Efficient Revenues

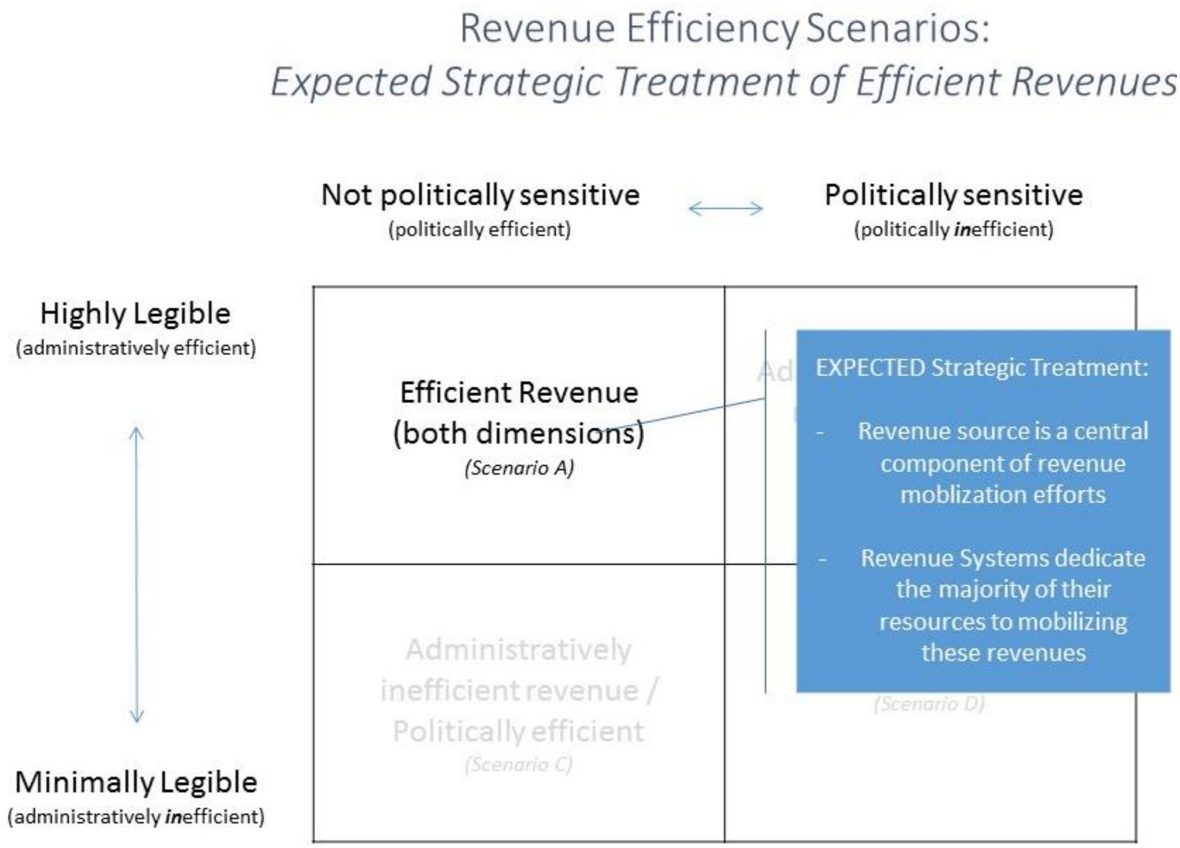
Having illustrated sources of and strategies to address revenue inefficiency in the previous three chapters—from inefficiency on both dimensions to inefficiencies stemming from particularly political obstacles or administrative constraints—I will use this chapter to explore dynamic strategies employed by revenue actors to render revenue sources relatively more efficient, as well as to capture those they identify as the most efficient sources of revenue at their disposal. In each case in which we examine efforts to improve revenue efficiency, we can identify motivations centered on political and administrative constraints, sometimes in conflict with economic efficiencies and conditionalities agreed upon with the country's development partners. In cases examining revenue efficient sources, we find behavior that was not theorized—ad hoc gouging and the piling on of additional taxes as revenue pressure increases. These strategies demonstrate a mix of surprising creativity, of shrewdness, and, on some occasions, provide rationale for behavior that is familiar to the literature.

To recap our expectations concerning the strategic treatment of revenue-efficient sources (i.e. sources of income for the state that present no real constraints—politically or administratively—to implementation): I expect the revenue system to orient the majority of their resources toward the mobilization of these sources (Figure 41). Accordingly, they maximize the use of scarce resources by capturing sources of revenue which present only minimal inefficiencies relative to other sources of revenue at their disposal.

Secondly, for sources that are inefficient on either or both dimensions, particularly where the potential for high yields exist, I expect during periods of high revenue pressure that the revenue authorities will organize dynamic strategies to find a more efficient means to capture a portion of the source of revenue. Several cases are presented in this chapter which illustrate the agencies' achievements in designing more efficient workarounds to secure revenue.

Along the way, I will highlight some of the differences between the Béninois and Togolese approaches. Where their strategic behavior differed, much of the behavior could be explained by variations in the political institutional factors (regime type and degree of decentralized authority). Both factors can alter the political (in)efficiencies of potential revenue sources accessible to state or local revenue actors, but in indeterminate ways.

Figure 40. Expected strategic treatment of efficient revenue sources



1.1 Roadmap

In the first section, we explore a case of overtaxing a highly efficient source of revenue: the telecommunications industry. Some portion of the telecom industry revenues are captured in both Bénin and Togo by parastatal monopolistic entities, while allowing independent, private GSM mobile cellular operators to compete under the umbrella of the parastatal agencies. This industry contributes significant revenue: 6% of GDP in Bénin (ARCEP, 2018, pp. 43–44; Boko, 2012, p. 8).[373] Beyond the industrial structure, the similarity of treatment of the industry differs slightly, dictated in part by political motivations. We explore the politically opportunistic behavior of Bénin's revenue system, which is the more democratic of our two case countries. Where election outcomes are no guarantee for the country's leader and election financing sources are constrained (in part by the massive devaluation of their main trading partner's currency in this scenario), revenue strategies became opportunistic. One of the most lucrative and accessible sources of revenue, a major telecom industry player, fell prey to government pillaging, with virtual overnight revocations of their corporate income tax holiday and ad hoc fee hikes. In this

373 The primary source for this statistic: interview 87.

case, we find a scenario in which the urgency of the revenue imperative in a poor state, in short supply of cash, overrides longer-term economic objectives. We might classify this behavior as maximizing rule by maximizing revenues (i.e. financing the campaigns of existing officeholders).

Politically, among the coterie of large firms in a low-income state, capturing revenues from an industry dominated by foreign firms appears to be more politically efficient than mobilizing revenue from industries dominated by domestic firms (i.e. where business leaders might have close political ties to either the party in power or opposition). This section thus focuses on a source of revenue which is, without adaption, already highly efficient for capture both politically and administratively, and has therefore become the focus of significant (excessive) revenue mobilization efforts, regardless of economic efficiency considerations.

Thus, we find revenue actors engaged in an un(der)theorized strategy: highly efficient sources of revenue which present high potential yields will likely be subject to over-taxation and ad hoc appropriation. The behavior we find in this case, as well as in the cases on checkpoint levies and the attempt to close land borders to trade, portrays the revenue agency of this decentralized, democratic poor state as a semi-stationary bandit (à la Olson, 2000). Namely: the central regime (and central revenue system) lacks full control over its territory; overlooks smuggling activities it cannot control; makes efforts to direct revenue toward areas they can control when possible (e.g. the port); and pillages earnings from large international firms when desperate for more cash.

In Section 3 we explore the logic and limits of checkpoint levies. I highlight dynamic strategies employed by poor states to overcome the limited capacity to broadcast its power throughout the hinterland (echoing Herbst, 2000, pp. 139–172; as well as Putzel & Di John's discussions of the "territorial reach of the state," 2012, pp. 13–14). Checkpoint levies represent a strategic effort in both states to capture some of the rural economic activity in a more efficient manner than the approaches of direct taxation discussed in Chapter VIII, the semi non-functional self-declarative systems which elicited door-to-door tax collection adaptions.

In Section 3.1, we examine legal and semi-legal checkpoint levies that could be described as village export fees. In this sense, the levies take on the nature of a trade tariff, except that they are internal to the state. Goods passing from one village to another are taxed in keeping with an import/export model. How these checkpoint levies are employed in each state differs given the variation in political institutional factors. In the politically centralized, authoritarian state of Togo, we find a more formalized set of strategies than in democratic Bénin, with its decentralized political authority structure. Togo is establishing formal toll stations to finance new road construction, but it also serves to tax village exports and constrain smuggled goods, such as petrol coming from Nigeria. In Bénin, a state displaying a weak capacity to enforce central policies, we find informal and semi-formal checkpoint levies employed by a variety of central, local, and non-state actors, such as the police, customs officials, and local tax collectors, as well as third parties employed by the local government and central revenue actors seconded to the local authorities. Designating these checkpoint levies as a Local Development Tax can be understood as a largely opportunistic attempt to add a modicum of legitimacy to the already-existing institutionalized practice of rope-and-barrel checkpoint levies.

In section 3.2, we examine an institutionalized but illegal checkpoint levy. These standardized fees are imposed on the most lucrative source of revenues flowing through village and border checkpoints: smuggled petrol from Nigeria. The central government, having limited means either politically or administratively to adopt a harsh policy, generally looks the other way. For many local governments, these illegal sources of income finance the bulk of municipal income.

In section 3.3, we discover a dynamic strategy in the advent of increasing revenue pressure. Bénin's customs authority, frustrated with its inability to control rural customs outposts, (unsuccessfully) attempts to close off 2,123 km of land borders and to insist that all trade and transit goods pass through the port where they can maintain better control.

Thus, we find in section 3 that both states have found it more efficient to capture a portion of rural economic activity via checkpoint levies relative to other strategies, such as door-to-door and formally self-declarative systems. Benin's revenue actors, in particular, employ these methods. Checkpoint levies represent a strategy to improve the efficiency of taxing rural economic activity, motivated by both political and administrative dimensions. However, given the central revenue agency's weak control over a deconcentrated and decentralized apparatus, we find a customs agency making desperate attempts to capture more of the revenue flowing through the territory by closing off land borders.

Section 4 explores multiple scenarios in which the creation of bureaucratic red tape becomes a logical, rational strategy for efficient revenue mobilization. In each of these cases, it becomes evident that the administrative efficiency of capturing a portion of revenues from economic actors takes precedence over economic efficiency (i.e. minimizing the impact of taxation on economic growth). This corroborates a theoretical proposition of this thesis: in a poor state, revenue systems and actors do not often have the luxury of optimizing the economic efficiencies of their revenue mobilization strategies, instead having to think of how best to manage scarce public resources and adapt strategies to fulfill their fiscal mandate of revenue mobilization in the face of significant administrative and political constraints.

And finally, in section 5 we examine several cases of seigniorage by other means. While the formal use of seigniorage mechanisms is prohibited (and not feasible) within the West African Economic and Monetary Union (WAEMU), these states have apparently found several creative strategies to efficiently secure immediate "revenues" in the face of instability or to finance development projects "off the books," so to speak. These mechanisms include: 1) seigniorage via the manipulation of interest rates between government-issued bonds and loans from the monetary union's central bank (BCEAO) and 2) pre-financing mechanisms for project finance.

Section 2 Overtaxing Efficient Sources of Revenue: Telecoms

2.1 Political Opportunism in Bénin

In this first case, we examine the ad hoc tax and telecom fee rate hikes imposed on one of the major telecom industry firms in the advent of increasing revenue pressures in Benin. This case included the adjustment and arbitrary withdrawals from agreed-upon tax holidays and rate adjustments. This case blurs the lines between the levels of implementation and fiscal policy creation, and it was very much driven by immediate revenue needs. Part of the actions were carried out outside of the legislative system in revoking the corporate tax holiday and in direct negotiations with the company. Other parts were carried out first by decree, which was then turned into legislation immediately following the decree. Accordingly, I consider this evidence of strategic action taken by revenue actors from senior management within the revenue system and by revenue actors at the policy level. Thus, while it blurs the lines between policy and implementation, it remains relevant to our investigation.

We can consider this case strong evidence of a revenue system orienting its main efforts towards sources that presented both the highest yields as well as the greatest efficiency on both dimensions. Politically, the firm is an international agency; as such, it is less important to domestic political (informal) maneuverings, which lessened the political sensitivities associated with appropriating the firm's earnings. Secondly, the firm forms part of a large multinational conglomerate and, as such, adheres to internationally recognized accounting standards, rendering their economic activity highly legible and accessible. In this case, we also see evidence of behavior that was not theorized: in the face of revenue pressure, a poor state's revenue system is likely to poach their most efficient and highest-yield sources of income, overtaxing (in extreme terms, even "plundering"). Much of the literature examining the taxation of large firms in developing countries focuses on high exemption rates and tax holidays being provided to attract these firms, and the ensuing significant loss of revenues for the state (Kangave, 2016; M. Keen, 2013; Martin-Vazquez & Alm, 2003; M. Moore, 2013a; Therkildsen, 2018). In this case, we find evidence of a revenue agency arbitrarily adjusting these agreements to their own advantage when they faced significant revenue pressure.

The telecom industry in Bénin is a highly attractive, efficient source of revenue—both politically and administratively. The industry is dominated by a few foreign firms, hailing from the Emirates, South Africa, and Nigeria. Libercom, the state's own mobile operator, was spun off from the parastatal Bénin Telecoms (now known as be.Telecoms), and is currently in the process of being dissolved due to its remarkably poor showings (3% market share as of late in 2017).[374]

The telecom industry boasts strong earnings, and a very strong and growing market in Bénin, rendering it a very attractive source of revenue. The growth in the number of cell phone subscriptions since the start of the new millennium has been exponential; from a reported 50,000 mobile cellular subscriptions in Bénin in 2000 to 8.9 million in 2016 (albeit with a downward trend since 2013, when the figure peaked at 9.6 million).[375] The current market penetration rate is 87%, meaning there is still some room for further expansion (LC, 2009). Continued growth is likely, moreover, given that most subscribers in Bénin, as in most African states, have SIM cards from more than one provider to overcome network problems (UNCDF, 2017) (as such, we can probably assume that the 8.9 million mobile cellular subscriptions are likely held by 3–5 million inhabitants out of an estimated adult population of 5.9 million, although this is only my rough estimate[376]).

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[374] Bénin's mobile operators as of 2017 were *Libercom* (the state-owned mobile operator which was spun-off from the state-owned *be.Telecoms*, formerly known as *Bénin Telecoms*, and currently in the process of being dissolved); the Emirates-owned Etisalat's *Moov*; South Africa's *MTN*; Nigerian Globacom's *Glo Mobile*; and *Bell Bénin* (license revoked) ("Libercom to be dissolved ; Bénin Telecoms restructured," 2017; PRNewswire, 2017).

[375] Mobile Cellular Accounts in Bénin & Togo: "Mobile cellular subscriptions," Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database. World Bank Data.
URL: https://data.worldbank.org/indicator/IT.CEL.SETS?end=2016&locations=BJ-TG& start =1995. Accessed February 8, 2018.

[376] I calculate the total estimated adult population in Bénin, as of 2016, as *5,871,041*. Population figures from the World Bank Data Bank, World Development Indicators,

The use of mobile money accounts for transactions in the past couple years has also been expanding rapidly. World Bank statistics still report very small numbers: as of 2014, mobile money accounts only represented a tiny fraction of the adult population (2% in Bénin).[377] And, according to the same statistics, Bénin and Togo together represent some of the worst performers among the low-income countries in this market (see Annex 6.8). But these numbers, only a few years out of date, contrast starkly with more recent evidence, including primary research I gathered in-country in late 2016. One recent report noted that mobile money access points in Bénin had increased by 118% between 2015 and 2017 (Aziken et al., 2017; Ferreyra, 2015; Gelb & Diofasi, 2016; Koter, 2017; M. A. Thomas, 2012). Even more striking, according to one senior informant I interviewed from the industry, by the end of 2016, their company already had 1.8 million mobile banking subscribers, representing CFA 12 billion (US$22.8 million) in float on a daily basis.[378] This very recent, rapid expansion of mobile banking has yet (as of late 2016) to become the target of any revenue mobilization strategies. That may change soon (in fact, my informant stated that he was fearful even to mention these statistics during tax negotiations on their mobile network operations when speaking with their counterparts at the revenue authority). Mobile telecom fees and taxes, on the other hand, are the subject of intensive taxation. I turn to this after a brief recap on the government's fiscal situation in 2016.

Between 2015 and 2016, Bénin was facing a dramatic loss in review yields from trade with Nigeria (Bousquet, 2016; FT View, 2016; Ohuocha & Mayowa, 2018; Onigbinde, 2016; WB, 2017). They were also facing significant shortfalls in revenue following the 2015 and 2016 elections (Creppy, 2013; Christian Ebeke & Olcer, 2013; "MTN has a new headache: Benin," 2017; T. Review et al., 2016; Songwe, 2016; WB, 2017, p. 1).[379] As such, it was quite desperate to find the means to fill this painful fiscal gap. Accordingly, we can understand that the Béninois government (and, thus, the revenue system) was facing higher-than-normal levels of revenue pressure.

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accessed 8 February 2018. Statistic 1: 54%. "Population ages 15–64 (% of total)" URL: https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=BJ. Statistic 2: 10,872,298. "Population, total", URL: https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BJ (most recent figures).

377 Mobile Money Accounts in Bénin, Togo, and all LICs: "Mobile account (% age 15+) [w2]," Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database, Demirguc-Kunt et al., 2015. World Bank Data. URL: https://data.worldbank.org/indicator/WP15163_4.1?locations=BJ-TG-XM.

378 Interview 87.

379 Ibid.

In November 2016, I interviewed several senior executives from one of the three major telecom multinationals in Bénin.[380] They explained to me that the Béninois government had recently changed their regulatory fee rates and other related tax and fiscal instruments specifically on their operations, overnight, and without warning. This episode started in October of 2015 (following the parliamentary elections in April). In September 2015, the telecom giant was paying an 8.47% regulatory fee in Bénin. According to the main official I interviewed, this rate was already three times the standard 3% regulatory fee rate charged in other countries across the continent, including low-income states such as the Democratic Republic of the Congo. However, without any notification, the government issued a tax decree, substantially increasing their rates. The decree was then adopted immediately as new tax legislation in the fall of 2015. Bénin had again almost tripled the rate, with a new rate of 21%. The rate was now seven times as high as that in most comparable states across the continent. In addition, the government revoked the company's five-year corporate tax holiday without warning.

The government's ad hoc dramatic increases in telecom regulatory fees, together with the reversal of their tax holiday provision without warning or prior negotiation, represent a revenue mobilization strategy at both the implementation and policy levels. In this strategy, we find little fear on the part of the government and revenue actors of generating political repercussions from their actions. Indicative of this perspective is the fact that already prior to these rate hikes, the telecoms industry, which contributes 6% to Bénin's GDP (ARCEP, 2018, pp. 43–44; Boko, 2012, p. 8), contributes a full 26% to its purse (in tax revenues).[381] Together with the revenue authorities, the parliament saw fit to impose dramatic increases in the taxes imposed on the industry, and this firm in particular, without warning or a new negotiated political settlement. As such, these factors and empirical evidence suggest that policy-level revenue actors in Bénin consider this industry, comprised of several foreign multinational firms and one national, to be a lucrative and politically efficient source of revenue mobilization.

The administrative efficiency of taxing major multinational firms is generally an administratively efficient affair if we leave aside issues of BEPS (the risks of Base Erosion and Profits Shifting to tax haven countries—a common challenge in taxing multinational firms; see, e.g., Cobham & Jansky, 2015; Durst, 2014, 2015; OECD, 2015; Picciotto, 2017; Piciotto, 2014). Multinational (often publicly traded) firms must adhere to international accounting reporting methods, making their economic activities, while complex, generally

[380] Ibid.
[381] Interview 87.

highly legible. In addition, particularly in the telecoms industry, they are highly visible economic actors, which cannot simply hide from the government. As an international firm with limited involvement in domestic affairs, imposing arbitrary tax increases presented a risk of the firm's departure from Benin (see, e.g., Bates & Lien, 1985, for a discussion of mobile assets)—an economic risk—but with little political risk for the regime.

Section 3 Checkpoint Levies: Designing More Efficient Approaches to Taxing the Rural Economy

For both of these low-income states—conspicuously lacking in natural mineral resources to finance development, particularly Benin[382]—agricultural production is one of the few economic activities these governments can target for revenue generation outside the main urban hubs (BTI, 2016b, p. 20; Igue & Soule, 1992; IMF, 2013, p. 7, 2014, p. 4, 2018a, p. 7; Kohnert, 2017b, p. 29; Kossi et al., 2013, p. 2985; Magnusson, 1997; Piccolino, 2015a). The other existing economic activity is imported and transit goods (smuggled or legal), coming in from neighboring countries, consumer goods from China and India, and second-hand goods from the West, sold at local markets (Igue & Soule, 1992; IMF, 2013, p. 7; Kohnert, 2017b, pp. 5, 29; Magnusson, 1997).[383] To capture part of this commerce, where the market institutions are generally informal in nature and cash-based in transaction, legibility is minimal. This informal commercial activity is also dispersed throughout the rural expanse, with markets and trade points dotting a sparsely populated landscape.

Dispatching agents to all of these points is costly and administratively inefficient (as well as politically sensitive), as we saw in Chapter VIII (Bierschenk & Olivier de Sardan, 2014; Bird & Slack, 2006; Herbst, 2000, pp. 139–172; Iversen et al., 2006; Joshi et al., 2013; Prichard & Boogaard, 2017). In Togo, we found several strategic objectives that overrode the revenue imperative for targeting this source (i.e. they taxed rural economic actors despite the expenses outweighing the tax revenue collected). The OTR viewed their extensive efforts regarding the direct taxation of the rural economy as a long-term investment. It was an effort of "discovery" of economic actors, making them known to the state, engendering a sense of civic duty, grooming and developing taxpaying habits. However, governments at the central, regional, and local levels in both countries have also identified more efficient approaches to capture a portion of rural economic activity: checkpoint levies. This is a form of

[382] Togo has fairly large reserves of phosphate, which contribute minimally to the state income.
[383] Interviews 10, 21, 22, 25, 67, 121.

revenue mobilization that was commonplace in historical periods—in the Roman and Ottoman empires, and in medieval Europe (D. Friedman, 1977; Mann, 1986). These empires and feudal landscapes exhibited features not unlike the poor states of modern times—often lacking administrative and political control over all their territory and possessing little means or manpower with which to tax peasants across vast landscapes (they also often turned to military conscription or feudal-slavery systems to control persons where they could not control territory).

The transport of agricultural products and other goods between towns and villages across the rural landscape (together with goods entering from neighboring states) provides an opportunity: all of these goods must traverse road networks. Tapping into this commercial activity as goods are in transit is a less administratively exacting strategy (and often less politically sensitive) than direct taxation. To this end local villages, towns, municipal offices, as well as customs agents (and the police) establish tolls, checkpoint levies, and other institutionalized, extra-legal roadside fees.

The structure and nature of these toll systems vary from highly informal—even bandit-esque—to very professional, elaborate, formal tolling (*péage*) stations (Bako Arifari, 2005; Blundo et al., 2006, Chapter 6; IMF, 2014, p. 77; Mensah, 2016b; République Togolaise, 2013, p. 79; Teravaninthorn & Raballand, 2009; World Bank, 1996a). A 1996 World Bank report estimated that there are twenty (semi-formal) control points on the road connecting Cotonou to Niger, increasing transport costs on this route by 20–30% (representing CFA 2bn or $3.6m, as cited in Bako Arifari, 2005, p. 7; World Bank, 1996). However, whereas toll stations in Western countries are often structured on a road-financing rationale, tolls and informal rope-and-barrel roadside levies in low-income states are often organized in a configuration that represents more of an export or import fee system between bordering towns and districts (as well as across porous international borders). We can think of them as tariffs on inter-village trade. The basic concept is referenced in Prichard and Boogaard's (2017, p. 175) study of rural northern Ghana, where "fees for [...] exporting foodstuffs outside of the district" are one of the few sources of revenue. We also find "taxes on population transit" and "armed groups [...] collection of transit taxes on economic activity" in Sánchez de la Sierra's (2017, p. 32) study of "stationary bandits" in Eastern Congo.

The conventional wisdom that trade revenues remain one of the most accessible, easiest forms of revenue mobilization in the poorest states apparently also applies within these countries in the form of tolls on village exports and transit fees (i.e. checkpoint levies). As such, we can consider these domestic, roadside duties to be a sort of export/import revenue source targeted by local and central revenue agencies. In the context of Benin, transit across porous international borders in these rural regions is frequently also treated as village trade rather than international trade, where the presence of local authorities is more relevant than the central state. Revenue authorities treat regions and towns throughout their territories as smaller economic trading entities from whom they can profit. Municipalities treat goods coming into and out of their villages as imports and exports from their village—and, commonly, their primary source of revenue.

3.1 Checkpoint Levies: Village Exports

As we saw in Chapter VIII, implementing many parts of the fiscal code that formally applies to rural areas becomes a resource-intensive operation, both in terms of administrative resources and human capital. In particular, Western-inspired direct taxation structures that depend on standardized, formal record-keeping (e.g. VAT, personal income taxes, and property taxes) were only selectively enforced in these areas in Togo and fairly passively collected in Benin (albeit via a more systematic approach and with less resistance from the population). In Bénin, however, where they have been making a greater effort over a longer period to generate revenues from the countryside and where the decentralized structure implies that local revenue actors dominate the tax base, primary revenue mobilization strategies were organized around checkpoint levies.

For state revenue actors, checkpoint levies include formal fees on transit and agricultural production. While only a portion of the relevant taxes, the state had employed the Taxe Unique des Transports Routiers (TUTR), roughly translated as the unique tax for transporters.[384] Created in 2003, this tax was integrated into the Tax Professionnelle Synthétique (TPS) in 2015 as the TPS-TR and then reincarnated as the Taxe sur les véhicules à moteur (TVM) in 2017 but the rates and imposition remained largely the same (Brieux, 2018; "Impôt: nouvelle taxe sur les véhicules à moteur," 2016; Loi N°2016-33 du 15 Décembre 2016 portant loi de finances pour la gestion 2017, 2016; Yenoussi, 2017).[385] In 2018, generating more revenue than forecast (CFA 3.5bn or $6.3mn, with forecasts of 3bn), Benin revised the law again to include not only personal but all commercial vehicles in the tax base as well (Diallo, 2018). Regardless, however, it is unclear how comprehensively this tax is imposed in a formal manner in Bénin and, moreover, how much of it makes it to the state coffers rather than the pockets of checkpoint agents at informal postings.

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[384] Interviews 101, 120, 124, Art. 31.

[385] See Article 31 (Code Général Des Impôts du Bénin 2017, 2017); see Article 203 and Articles 1084-34 to 36 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016).

However, the recent attention, revisions, and note circulars related to this tax suggest that the central state is attempting to recapture a portion of revenues from checkpoint levies imposed informally and formally throughout the state.[386]

In Togo, formally, there have been similar recent developments regarding the state's interest in checkpoint levies. These state taxes and parafiscal taxes are more explicitly designated for road improvements and maintenance. The state began imposing toll fees in 2004 ("Des postes de péages bientôt opérationnels au Togo," 2004), with an expected revenue generation of CFA 2bn ($3.6mn). In 2012, the president established an autonomous agency, the Compagnie Autonome des Péeges et de l'Entretien Routier (CAPER), to manage these toll fees ("Décret n° 2012-013/PR du 26 mars 2012," 2013), now managed by SAFER, the Société Autonome de Financement de l'Entretien Routier.[387]

Togo was in the process of finalizing construction on brand new toll stations to adorn the new paved highway systems traversing the country.[388] While I was carrying out my field work there, they were in the process of rolling out new toll fees, some of which were fairly steep rates for locals, at the borders of most regions and between towns and urban areas. In 2016, for instance, toll rates for light vehicles were increased from CFA 300 per passage to CFA 500 in an effort to increase financing for road improvements (Mensah, 2016b). Where the formal checkpoint levies were already operational, I iden-

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[386] This perspective resonates with a perspective expressed in an interview with a government official in a role of municipal finance coordination, suggesting that Benin appears to be undergoing a process of de facto fiscal recentralization (or at least declining transfers to municipalities) in recent years (Interview 95).

[387] ("Société Autonome de Financement de l'Entretien Routier (SAFER)," 2018).

[388] There is one main highway in Togo, stretching south from the coast near Lomé all the way to its northernmost tip, at Cinkassé, bordering Burkina Faso to the north, Ghana to the west, and Bénin to the east. There are a few lateral routes stretching east and west from highway route National 1, to intersect with border crossing point with an effect looking like a tiered grafting of a grape vine on three levels of wire. Highway N1 is currently in the process of being paved by the government (with donor support), and there are new streetlights along a few new stretches. A few patches of the national highway are still red dirt with spine-jarring patchworks of potholes that are filled in by enterprising locals. Residents anywhere across the country will exclaim how many hours they have saved in the past few months with the privilege of traveling on new paved roads. The highway is usually one lane going in each direction and is filled with a mix of semi-tractor trailers, but more commonly, shorter trucks overflowing with bundles and passengers.

tified some level of informal markets already springing up at the tolling stations themselves, where intraregional agricultural producers and informal small consumer goods traders were working around the levies by selling their wares directly in front of the toll stations.

In our final interviews at the end of 2016, the directors of the revenue authority explained that they were advocating for the simplification of the fiscal code, requesting a reduction from twenty-seven to ten taxes. The toll fees, referred to as the *taxe sur les véhicules à moteur*, which formerly had been the parafiscal tax exclusively designated for transfer to SAFER, had now been converted to a state tax. Only part would now be designated for road maintenance. This *taxe sur les véhicules à moteur* was on the shortlist of taxes to keep in the advent of their hoped-for tax simplifications. The revenue agency recognized the efficiency of this source of income and was making efforts to prioritize this tax instrument as one of their few key instruments of revenue mobilization (they hoped to do away with many less efficient revenue instruments and sources. We return to this discussion in the next chapter). This can be considered evidence supporting my theoretical expectations surrounding efficient revenue sources—the revenue system will focus its resources and efforts on the most efficient sources of income, and increasingly so as these states have been pressed in the past fifteen years to finance their own development.

The state has also introduced the Impôt sur le Revenu des Transporteurs Routiers (IRTR).[389] In Togo, the structure of this tax is similar to the Tax Professionnelle Unique (TPU) and Taxe Foncier Unique (TFU), which target small economic operators who do not adhere to formal accounting standards and generate less than CFA 30m in revenue annually.

Conversely, district and municipal revenue actors in Bénin became creative in finding a semi-formal justification for using checkpoint levies to tax village exports and imports. They imposed their own similar taxes on agricultural products and locally-sold consumer goods, imported from neighbors or China. These levies were christened the Local Development Tax (La Taxe de Développement Local, TDL).[390] The TDL was formally created in 1999 as part

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[389] Art. 190 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016): "Il est institué au profit du Budget Général une taxe dénommée Impôt sur le Revenu des Transporteurs Routiers (IRTR). Cette taxe est due à raison de chaque véhicule et/ou engin motorisé immatriculé en République Togolaise par toute personne physique exerçant elle-même et/ou par l'intermédiaire de tiers, l'activité de transports de personnes ou de marchandises ou de bétail, et autres activités, à but lucratif et ne réalisant pas un chiffre d'affaires supérieur à trente (30) millions et ne tenant pas une comptabilité régulière et complète. L'IRTR n'est pas libératoire des autres impôts sauf disposition contraire."

[390] Interviews 101, 124.

of the law commencing the process of fiscal decentralization (discussed more below). However, it was created without any specification to how this tax would be structured (Loi n° 98-007 Portant Regime Financier Des Communes, 1999, Art. 10). The wording related to the local development tax in the original law stated, very simply, that a local development tax would finance local government operational functions and that the tax would be based on the "main resources of the municipality."[391] By 2009, in the absence of any further clarification or legal provisions for implementation, a report by a Béninois government ministry found that local governments had employed the vague and very basic new provision for a TDL—presumably following the specifications to base the tax on the "main resources of the municipality"—and applied the legal name TDL to a wide variety of local commercial activities (OCS, 2009b, p. xi). Tellingly, these largely comprised checkpoint levies—capturing revenues from the transport of rural agricultural produce and imported goods to be sold at local markets, as mentioned above. From this, we can deduce that checkpoint levies on agricultural produce and transit goods are apparently the activities which local governments, left to their own judgement, have determined to be the most accessible and efficient sources of revenue to tap.

3.2 Checkpoint Levies: Mobilizing Revenues from Imported Contraband

Another lucrative and rather ubiquitous form of economic activity in the Béninois countryside is the sale of smuggled petrol. A full 85% of the fuel used in Bénin is estimated to be smuggled in over the porous Nigerian border (International Monetary Fund, 2013, pp. 8, 17; Mlachila et al., 2016; Ndoye, 2014). In my interviews with municipal finance officers, a petrol smuggler and other rural residents, each (from their own perspective) confirmed how it behooved the local and central government revenue actors to take advantage of these activities.[392] In colloquial terms, this was the biggest game in town, and the conventional wisdom was that the state and municipal revenue mobilization strategies would be foolish to ignore or discount this petrol trade as a source of revenue, albeit informal and illegal. As such, it was confirmed that revenue actors from various agencies (i.e. customs officials, local tax collection agents, deconcentrated agents of the central revenue authority which supported local efforts, the Ministry of Agriculture, the police, etc.) each had their

[391] The wording (in French) in the original law, referencing the local development tax, reads as follows: "Article 10: Les recettes fiscales de la section de fonctionnement comprennent: a - Le produit des impôts directs suivants: - la taxe de développement local basée sur les principales ressources de la commune; b … (etc.)."
[392] Interviews 121, 122, 124.

own standard fees that were extracted using the same approach. There were set prices for the type of vehicle, including fees per trip as well as a monthly *laissez-passer*. A monthly fee for a motorcycle was CFA 15,000, paid to the Béninois customs agency (all institutionalized, but illegal and informal).[393] Daily petrol transit fees were paid to the police, the customs "brigade," and mayor's agents. For a *titon* (a large truck), the daily fees were set at CFA 10,000, CFA 5000 for a *petit camion* (a small truck), and CFA 500 for a motorcycle.[394] However, the quoted rates were not entirely consistent. For example, in one interview, I was given rates of CFA 1000 for the mayor's agents, CFA 1000 for the gendarmes, another CFA 1000 for the police, and CFA 2000 for the customs agents for the daily transit of one "moto" (motorcycle) petrol smuggler.[395] These informal taxes were levied at the same checkpoints used to levy the (informally applied) LDT on agricultural produce and imported consumer goods.[396] Similar standardized fees on illegal logging had generated CFA 100m ($175,000 USD) for another municipality.[397]

The municipal officer I interviewed in a small rural town in northern Benin explained that there had been discussion of finding ways to formalize and legalize the taxes on smuggled petrol. As the industry itself was illegal, however, they had simply not found any solutions for legally mandating the checkpoint levy rates due on these imported/transit goods.[398]

Thus, the existing formal and informal economic activities present in the rural countryside, particularly in Bénin (but also relevant to Togo), are largely taxed using the same approach: checkpoint levies, whether formal tolls or informal roadside rope-and-barrel posts (regardless of whether the formal government can sanction the legality of the commercial activity or not). In Benin, a wide variety of local and central government agencies impose checkpoint levies. Particularly in the case of the police, gendarmes, and customs agents, given the reputed, rampant corruption and weak central control over deconcentrated customs agents in the decentralized, non-autocratic state of Benin, a only a small portion of the proceeds likely finds its way into the state coffers (Allen, 1992; Atcha & Talon, 2017; Awoudo & Adoun, 2012; Bako Arifari, 2005; Bensassi et al., 2017; Blundo et al., 2006, Chapter 6; BTI, 2003, 2018;

393 Interview 122.
394 Interview 124.
395 Interview 122.
396 Interviews 121, 122, 124.
397 Interview 124.
398 Interview 124.

CERTI, 2007; Couronne, 2015; Eyébiyi, 2010; IIAG, 2016; Messner et al., 2015; USAID, 2007).[399] We revisit this below.

While these revenue actors have adapted strategies to capture the available revenue sources in the most efficient means at their disposal, "efficient" revenue mobilization remains a relative term. The official in one remote mayor's office in northern Benin estimated that roughly 50% of their budget (i.e. staff) was dedicated to revenue mobilization (and often this cost was not revised downward, even when they suffered up to a 50% loss in revenues, suggesting that virtually their entire annual expenditures financed the salaries of revenue mobilization efforts).[400] In addition, the deconcentrated agents of the central revenue authority were often seconded to the local authorities to assist them in their revenue mobilization efforts.[401] Accordingly, this 50% cost estimate does not represent the full cost of their work (see estimates for this municipality developed in Annex 4.2). Accordingly, even where the means and associated costs were lower vis-à-vis efforts of direct taxation of the rural economy, finding more efficient approaches (capturing a portion of goods in transit rather than direct taxation, door-to-door in rural villages) still consumed at least half of the municipal budget.

3.2.i Exploring the Difference in the Togolese (Formalized) Approach and Béninois (Informal) Approaches:

On the political dimension, both the political institutional attributes of the degree of decentralization and political regime type, each helps explain what makes these strategies feasible and efficient in the context of Bénin (including checkpoint levies both on agricultural products and imported market goods under the formal tax instruments, such as the TDL and the institutionalized, informal checkpoint levies on imported, smuggled petrol). They also help explain why, in Togo, similar informal adjustments are less prevalent and the state's formal tolling stations are now being erected across the Togolese countryside.

In the centralized, autocratic state of Togo, together with strong support from the military and security apparatus, the regime has managed to maintain greater control over its deconcentrated apparatus and revenue (customs and tax) agents operating throughout the territory. Moreover, President Faure has placed specific emphasis on reducing corruption within the revenue agency, rebranding the agency and working to dispel the bandit-like image of the former agency. In Benin, conversely, where the democratic, decentralized regime

399 Interviews 72, 86; observation memos 17, 28.

400 Interview 124.

401 Interviews 120, 123, 124.

struggles with a much more tenuous political (and administrative) hold over the countryside, in the activities of its deconcentrated agents and local revenue agencies, any interest in curbing corruption from the central state will not entail an entire bureaucratic administration falling quickly in line with the new shift in the political will of the regime.

3.2.i.i Regime-type

The institutional political factor of regime-type is outlined in a number of newspaper articles and reports discussing how Bénin and Togo have handled the black fuel market differently (Bozonnet, 2015; Cessou, 2016a; IMF, 2013; Mlachila et al., 2016; Ndoye, 2014). Bénin, being a more democratic country in which election outcomes are not a given and politicians fear repercussions in the voting booths, is unable to stop the flow of smuggled fuel from Nigeria. Preventing the trade of this illegal contraband would likely have catastrophic repercussions for the political careers of anyone involved. Bénin has tried repeatedly to stem the tide of smuggled petrol and to force citizens to use "real" gas stations, but these efforts end in failure every time, with politics submitting to the informal realities shaping their economic landscape (Bozonnet, 2015; Cessou, 2016a; Mlachila et al., 2016).[402]

Togo, on the other hand, is possessed by a "secretive, military dictatorship,"[403] which has not held local elections since 1987 (AfDB, 2016, p. 1; Cessou, 2016a, 2016b, p. 3; Heilbrunn, 1993; Kohnert, 2017a, p. 8; Seely, 2006, p. 611). By many accounts, the motivation of the Gnassingbé regime has been to obstruct and delay local elections so as to maintain control over local politics and decision-making, thereby preventing opposition politicians from developing strongholds (Ahonto-Noussouglo, 2012; Freedom House, 2016a; Gnonlonfoun & Houedanou, 2012; HI, 2008).[404] Faure appoints special delegations to serve as mayors, precepts, and financial officers throughout the country, who enforce the political objectives of the central regime rather effectively, by most counts across the Togolese landscape. Moreover, the central government gains nothing financially from the smuggling of illegal petrol, which limits the interest of the central regime in allowing it to continue (while more limited than in Benin, the phenomenon persists and presents real challenges to the regime; see, e.g., Mlachila et al., 2016). Accordingly, limiting the

[402] Interviews 88, 102.

[403] As described by *Le Monde Diplomatique*: "Au Togo voisin, la dictature militaire et prévaricatrice du clan au pouvoir a réussi à interdire le trafic de kpayo [contraband petrol], qui n'a pas pu prospérer" (Cessou, 2016a, English translation here 2016b, p. 3).

[404] Observation memo 5; interview 61.

presence of contraband fuel in Togo is a clear political objective. Here, the second political institutional factor—the degree of decentralization—becomes relevant.

3.2.i.ii Degree of Decentralization

The second political institutional factor—the degree of decentralized authority—plays an important role in this local-control dynamic. The degree of decentralization impacts the extent to which the central authorities can effectively control the decision-making and behavior of state revenue and customs agents dispersed across the territory, as well as lower-tier government officials (i.e. at the local district, village, and municipal levels). Decentralization normally represents a degree of autonomy both in policy and governance decisions (devolvement of power), as well as financial autonomy to carry out and enforce those decisions (fiscal decentralization) (O. W. Andersen & Therkildsen, 2007; Dickovick, 2011; Fjeldstad, 2014a; Juul, 2006; A. Shah, 2006).

Less discussed in the literature are the arrangements of deconcentration: an administration directly reporting to and serving under the central state authority, but spatially dispersed throughout the state's territory (Boulenger et al., 2012; Enemark et al., 2016, p. 70; Turner, 2002; WDR, 1983, p. 120). The state administration of Togo has become increasingly deconcentrated, with large government offices present in the main city in each of its five regions and at least a minimal footprint in many of the 30 prefectures making up these five regions. In 2007, the government established a law providing for decentralization (Loi n° 2008-10 du 27 Juin 2008 Portant Cooperation entre les Collectivites Territoriales, 2008; Loi n°2007-011 du 13 Mars 2007 Relative à la décentralisation et aux libertés locales). However, it has not been implemented and little autonomy—with respect to policy, enforcement, or financial independence—is devolved to autonomous lower tiers of government (e.g. municipalities). The centralization of decision-making power is doubly assisted by the fact that these lower tiers of government—prefectures and municipal governments—are in fact not autonomous government units. As explained above, the central regime has impeded local elections since 1987 and instead appoints special delegations to fill the functions normally handled by an elected mayor. As such, the President is able to pull the strings throughout his country's territory rather effectively.[405] Faure's deconcentrated apparatus

[405] In the course of my observations in Togo, it became evident that this control extends even to arrangements with traditional authorities. When and where traditional authorities can command significant authority and legitimacy among locals, the central regime allows a degree of de facto political control by these non-state actors, but only in exchange for patronage of the regime, including very strong support (i.e.

also ensures greater oversight and control over the state's customs and revenue agents posted throughout the territory.

Conversely, Bénin embarked on a process of decentralization starting in 1999 (with the legal basis).[406] Subsequent implementation phases were rolled out in 2002 (MDGLAAT, 2013; OCS, 2009b). Presently, and in part due to this devolvement of both power and fiscal autonomy, there appears to be a significant weakness and even inability of central authorities to control the behavior and decisions of state agents through this decentralized apparatus or to ensure that local governments throughout their territory adhere to state regulation and policies.[407] This was noted in several interviews from a wide variety of perspectives, including officials from the Béninois customs agency; from the Togolese customs agency, which interacts with the Béninois agency (and is impacted by their agents' behavior on the borders, and border policies); by prominent businessmen and diplomats based in Bénin; municipal finance officers in rural Bénin; and rural residents in northern Bénin.[408] The inability to ensure adherence to central policies of agents both of the state and of local government tiers suggests that the Béninois government has simply had to adopt more pragmatic strategies regarding the black market for fuel. In fact, this reality has created a revenue opportunity for these devolved tiers of government and state revenue agents dispersed throughout the hinterlands of Bénin. I return to this point in a moment.

Understanding the contrast between Togo and Bénin's relevant attributes of political institutional factors—their contrasting regimes and (de)centralization structures—we have the basis for discussing their divergent strategic treatment of contraband petrol and checkpoint levy systems.

Togo has had the power—both politically and administratively—to limit the flow of contraband petrol. Customs officers in Togo—both middle management and senior management levels—explained strategies to curb smuggled fuel transit, including the rationing of sparse staff along long borders and

pushing votes) for Faure during elections. While the traditional authorities do not command such significant power in most regions, I found considerable evidence for mutual-dependency arrangements, as discussed in Chapter V (see also: ("Liste des entreprises assujetties à la TVA," 2018)), where state revenue agents were able to rely on local chieftains to support their revenue mobilization efforts, reinforcing the demands of the state on local villagers rather than defending the position of their villagers against the demands of the state. Cite relevant interviews.

[406] Loi n° 97-028 du 15 janvier 1999 portant organisation de l'administration territoriale de la République du Bénin ; Loi n° 98-007 du 15 janvier 1999 Portant Régime Financier Des Communes en République du Bénin.

[407] Interviews 65, 72, 86; observation memo 26.

[408] Interviews 65, 72, 86, 120, 121, 124; observation memo 26.

establishing informal networks of informants for tracking and restricting the illegal trade.[409] Some customs border outposts were maintained almost exclusively for the purpose of controlling the flow of contraband and providing a security detail to the region, as in Lao-Natchamba and Ketao, more than any revenue-related objective. Political analyst Gilles Olakounle Yabi, founder of the West African Think Tank, neatly sums up how this reality in Bénin contrasts with the reality in Togo (quoted in Cessou, 2016b):

> Kpayo [smuggled petrol] is a clear indication of how the country works … It illustrates Bénin's links with Nigeria, the importance of the informal sector in the economy, and the difficulties of government in a democratic system. In Togo, the secretive military dictatorship managed to ban the traffic. In Bénin, the government has neither the resources nor the authority.

Conversely, in Bénin, the acceptance of the inability of the central state to control the industry (politically or administratively-speaking) presents opportunity for local revenue mobilization (as well as customs agents posted throughout the territory profiting from the trade and informally financing their local operations). The informal but institutionalized taxation of smuggled fuel was prominent among state and local revenue actors' strategies in Bénin's rural outposts. Accordingly, in Bénin, contraband fuel is a relatively efficient source of revenue. This is not the case in Togo.

3.3 When You've Lost Control … Route Everyone through the Port

In the autumn of 2016, while I was interviewing a senior official at the customs agency in Togo,[410] he was called away for urgent discussions regarding an official Béninois *Note Circulaire* (Annex 6.2) that had come to their attention. The Béninois customs authorities (the Direction Générale des Douanes et Droits Indirects) had issued a notice to all importers, authorized customs agents, and freight forwarders (*transiters*). The notice explained[411] that the customs authorities were struggling with tax evasion and their (inability to) control of this revenue source (i.e. importations and re-exports). Accordingly, they had taken the decision to prohibit the importation or transit of goods[412] via Bénin's land borders. Before discussing the *Note Circulaire* further, I will outline a few relevant details of Béninois geography, administration, and political structure.

[409] Interview 23, 25, 44, 65, 68; participatory observation 8.
[410] Interview 23.
[411] See a copy of the original document as well as an English translation in Annex 6.1.
[412] Besides community products (*produits communautaires*).

Bénin is a long, narrow country with a very short coastline, its land boundaries amounting to 2,123 kilometers. A full 651 of those kilometers link it to its smaller, but also long, and even narrower neighbor, Togo (see Figure 42 below).[413] Bénin's coastline, conversely, is only 121 kilometers in length. In very simplistic analysis, in terms of ease of border control, managing 121 kilometers of coastline is a much less demanding task than controlling lengthy land borders (which are 17.5 times the length of its coast) along long stretches of sparsely populated terrain. This is doubly the case as the short coastline is directly adjacent to the country's largest city and seat of government, Cotonou, where most of the government security apparatus is situated.

This reality of land border (non-)control becomes rather more problematic for poorer states, which must manage these boundaries with scarce resources and human capacity (in fact, several government officials in the capital and throughout the country informed me that the government had imposed a hiring freeze for many of the past fifteen years due to a bloated state size via-à-vis their budget as well as corruption and poor transparency in the hiring process for many of the years in question.[414] As such, many state agents were required to fill multiple responsibilities and posts at the same time to compensate for many years of hiring freezes. Many revenue actors expressed frustration that they were overburdened with work and sometimes unable to fulfill all of their responsibilities.[415] The state's weakness in controlling their land borders is evidenced by the volume of unimpeded informal trade throughout and traversing their territory. Nigeria and Bénin's shared border traverses 809 kilometers.[416] Informal trade vastly outweighs formal trade between these countries, and one recent report estimated that the ratio of informal to formal trade between Bénin and Nigeria was 7.2 for imports to Bénin from Nigeria and 5.1 for exports from Benin to Nigeria (Bensassi et al., 2017, p. 3). In fact, one recent report suggested that formal petrol trade is so meager as to be almost irrelevant (Mlachila et al., 2016, p. 6).

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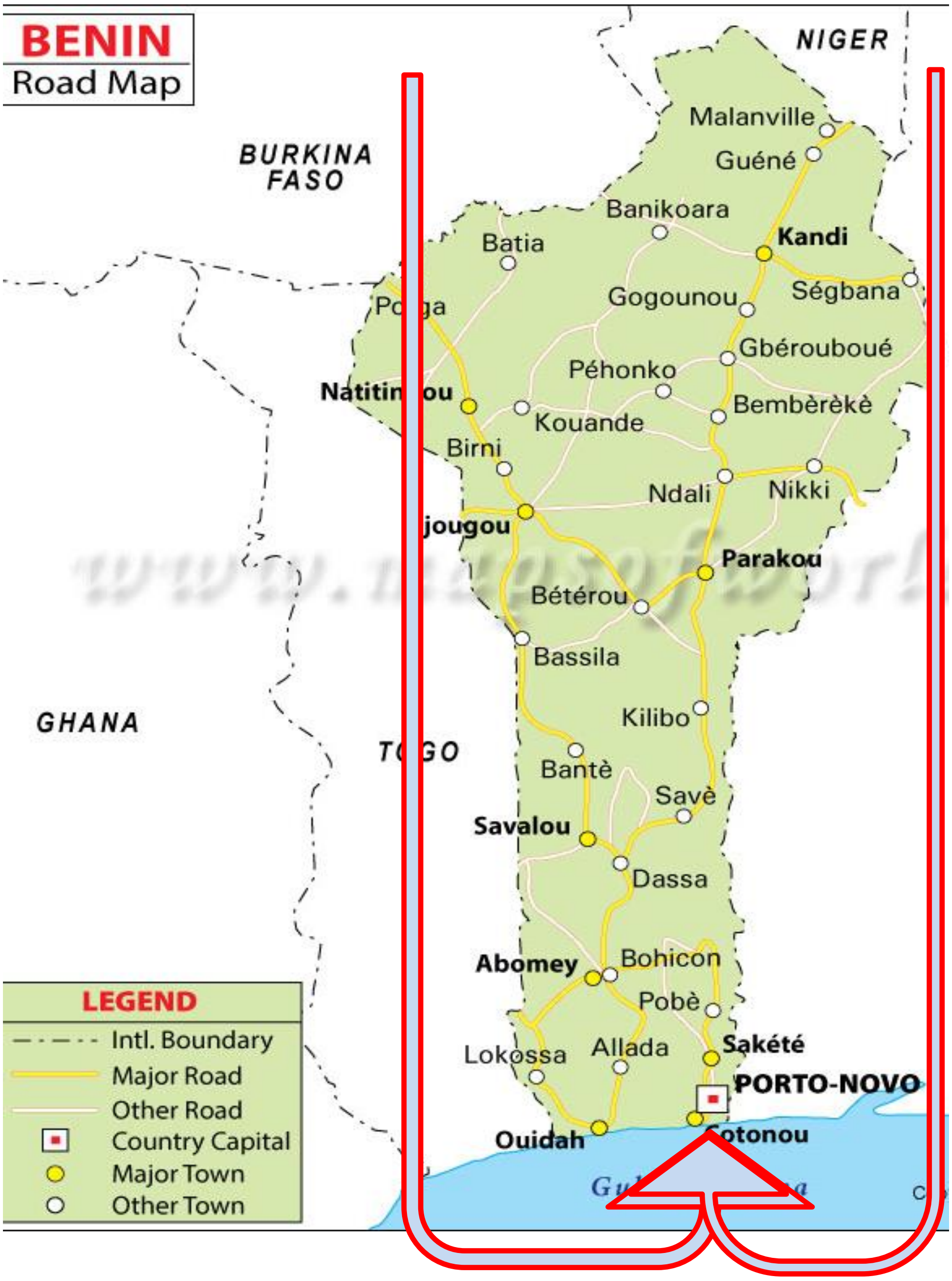
[413] Land boundaries: total: 2,123 km border countries (4): Burkina Faso 386 km, Niger 277 km, Nigeria 809 km, Togo 651 km. Coastline: 121 km. Source: CIA World Factbook, Accessed 20 February 2018.
[414] E.g., interview 120; observation memo 34.
[415] Interviews 114, 115, 120 (although some of these comments were made before or after formal interviews were commenced and recorded).
[416] CIA World Factbook, Accessed 20 February 2018.

Figure 41. Bénin's land and coastal boundaries, implications of routing imports to the port



In addition to the human and administrative capacity issues related to the revenue agencies' trade and border control (which can be classified in our model as administrative inefficiencies), the political dimension of our model comes into play, with political conflicts of interest as well as political institutional factors. Firstly, the new president, Patrice Talon, upon becoming president, regained some private control over the port—his private company's contract with the Port of Cotonou had been revoked by the former president (Banégas, 2014; BTI, 2018; Koter, 2017). Accordingly, the regime's interest in routing traffic through the port was likely both personally motivated as well as publicly minded. Secondly, Bénin's democratic regime and decentralized state authority has weakened the central capacity of the state to control its agents operating fairly autonomously beyond the capital. The *Note Circulaire* and *Note de Service*, this time addressed to the customs authority's entire hierarchy, both reinforce this perspective.

The first note (Annex 6.2), addressed to importers and transiters, explains that Bénin's customs agency[417] created an implementation-level policy to address issues of tax evasion and poor control over their tax base (i.e. imports to, exports from, as well as re-export traffic transiting through Bénin to neighboring states in the North, East, and West). To address their inability to trade along their land borders, the customs agency had decided to require all transit and import trade to be routed to the port. The port, along its short coastline, is where a majority of its staff are posted, and where it can much better control traffic.[418] Rather tellingly, the note appeals to the "patriotism" of its citizens in the hopes that this will motivate their compliance with the directive and honor the state's wishes (which we could read to mean that they can count less on the compliance of their agents, who might be willing to accommodate the trade regardless of its legality).

The second note, the *Note de Service* (Annex 6.3), posted one month later, is addressed to its own customs agency staff, specifically addressing everyone from directors at the central headquarters and in the deconcentrated departments, to the *Chefs Services*, Inspectors, as well as the Chefs of Brigade and the street-level bureaucrats themselves who are responsible for checkpoint posts. This note stated that, according to recent market surveys, data from their customs integrated network database (SYDONIA), and from commercial transactions, that they had determined that a certain volume of goods were being imported at border checkpoints without regard for taxable levies due on these goods. And where customs fees and taxes were imposed, they commonly observed a disparity in the rates imposed vis-à-vis the legally required rates (or in misreporting the volumes of the imported goods in question). This note stated that it was necessary to "put an end to this dysfunction" and, as such, had taken the decision to temporarily suspend imports and transit via land borders. The intention and motivation expressed here regarding these notes was corroborated both by senior Togolese customs officials who had to interpret the meaning of the country's internal notes and determine the implications for their own customs officials posted along its shared 651 km eastern border with Bénin.[419] Would they keep all of their assigned agents in place if

[417] The Direction Générale des Douanes et Droits Indirects.

[418] Interviews 65, 71, 76.

[419] Interviews 23, 65: participatory observation 8.

the Béninois agents were forbidden from allowing transit and import traffic along these points? Would this affect the already precipitous decline in Togo's customs revenues coming from regional trade following the massive devaluation of *naira* in Nigeria in the summer of 2016?

Table 9. Revenue Actors Actions in Togo vs. Bénin: Political Efficiency of Controlling Land Border Traffic

Togo: Hybrid Military Dictatorship Regime; Centralized authority (and partially deconcentrated administration)	**Bénin: Democratic Regime; Decentralized authority (and partially deconcentrated administration)**
(Effective) Top-down anti-corruption unit within revenue agency	(Ineffective anti-corruption agencies created in 2011, 2015)
Senior managers in headquarters: (effective centralized authority) rationalize manpower among deconcentrated staff, strategic placement; GPS tracking of transiters (and re-exports)	*Senior managers in headquarters*: due to inability to control deconcentrated staff: send everything through the port (which you can control)
Deconcentrated managers: develop network of informal informants to report smuggling of contraband	*Deconcentrated managers:* participate in institutionalized bribing and manipulation of transit goods traffic and trade
Street-level agents: rely on established informal Networks of Informants; (also profit from trade and smuggled goods to some extent?)	*Street-level agents*: disregard directives from center (and/or) profit from trade and smuggled goods

In subsequent discussions with Togo's customs agents who were posted at these very remote posts, they indicated that these notes had effected little to no change in the behavior of the Béninois customs agents posted opposite them and that the volume of transit traffic along these remote border posts had remained unchanged.[420] These official notes from the head of the customs agency were being largely disregarded by their agents across the territory. Goods continued to transit between countries as if no directive had been issued. As there have been widespread reports of corruption in Bénin, laws and agencies created and donor actions to prevent the widespread corruption, particularly among and within the customs agency (Atcha & Talon, 2017; Bako Arifari, 2005; Bensassi et al., 2017; Couronne, 2015; Kakai, 2012; Ministry of Foreign Affairs, 2015; USAID, 2007)[421] including literature outlining the very institutionalized process of exacting bribes and informal levies at checkpoints across the territory (see, e.g., Blundo et al., 2006, Chapter 6), we can conclude

[420] Ibid.

[421] See also Loi N°2011-20 du 12 octobre 2011 portant lutte contre la corruption et autres infractions connexes en République du Bénin, 2011

that, without the means of controlling its deconcentrated staff, the Béninois customs agents did not see it in their interests to halt the personally lucrative movement of goods across these points.

We can consider this case a dynamic strategy by the central customs agency to capture a greater portion of the transit trade moving throughout the region by routing transit through the port that it was able to control. It was a failed strategy to improve the efficiency of revenue mobilization from commercial trade and transit in Benin.

Section 4 Luring Informal Actors into the Light with Red Tape

4.1 The Exclusive VAT

Another dynamic strategy I identified to improve the efficiency of a revenue instrument in both Togo and Bénin was what I term an "exclusive" VAT (Value-Added Tax). The idea of an exclusive VAT is, in some ways, rather paradoxical. The VAT is the general, standard-rated general consumption tax that most developing countries have now adopted from the West. In practice, however, the VAT becomes something rather different in these low-income states. Proactive exclusion at the level of implementation applied more to Bénin, but both countries have restricted the applicability of the tax to specific groups of economic actors via fairly high thresholds.[422] Excluding significant portions of economic activity from the system precludes its ability to function as a normal crediting system, as it was designed. But these countries have administrative and economic motivations behind their adaptions of the VAT. With these restructurings, the VAT becomes a high-yield and efficient source of state revenue. Thus, enhancing the administrative dimension of efficiency plays a key role in this strategic behavior; the political dimension less so.

First, I will outline the high threshold adaption, which is predicted by some of the literature for economies with a large informal sector, and then sketch the exclusivity strategy developed in Bénin. After briefly discussing what this tells us about the theory of revenue efficiency in a poor state, I compare these strategies with the theoretical expectations related to the fiscal code adaptions in recent years before proceeding to the next strategy.

In both Bénin and Togo, VAT is only imposed on economic actors with reported revenues higher than CFA 50 million (Central African Franc, the currency used in both countries, roughly $95,000, at current exchange

[422] Code Générale des Impôts Edition 2016, Togo, DEUXIEME PARTIE, TITRE 1, CHAPITRE 1 TAXE SUR LA VALEUR AJOUTEE, Section 1; Code Générale des Impôts Edition 2016, Bénin, TITRE II, CHAPITRE PREMIER.

rates[423]).[424] In Togo, due in part to tendencies for high fluctuations in annual revenues, they have created an opt-in option for entities in the range of CFA 30–50 million.

The legal language in the Béninois fiscal code is fairly similar to that of Togo regarding the ability to participate in the VAT regime. In practice, however, Bénin has developed a much more proactively exclusive set of criteria for the right to participate in the VAT regime. As such, in Bénin, it takes on the form of a privilege—the right to charge a VAT on customers or businesses and to request credit for inputs on these transactions from the state. In Bénin, revenue actors explained to me that businesses frequently treat the VAT as a lucrative rent they can capture on their sales: When a business sells goods or services to another business or a consumer, they charge the VAT but do not subsequently remit the 18% tax collected to the government. As such, this 18% margin that they (illegally) keep becomes a pure rent which they are able to earn over and above the selling price. Conversely, for any inputs that the business purchases, they will (frequently) file with the revenue authorities for a VAT tax credit on inputs. As such, they are complying with only half of the legal VAT regime, where they are legally required to declare all VAT payments

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423 Exchange rate as of February 2018 on XE.com.

424 Code General des Impôts, Bénin, Edition 2016: TITRE II, CHAPITRE PREMIER, TAXE SUR LA VALEUR AJOUTEE SECTION II: Article 224 nouveau: Sont exonérés de la taxe sur la valeur ajoutée; and REGIME DES DEDUCTIONS C – CONDITIONS ET MODALITES D'EXERCICE DU DROIT A DEDUCTION, Article 236. Code General des Impôts, Togo, Edition 2016: Bénin: "SECTION VI : REGIME DES DEDUCTIONS C – CONDITIONS ET MODALITES D'EXERCICE DU DROIT A DEDUCTION Article 236 : « a) Le droit à déduction s'exerce dans les conditions et les modalités suivantes : Le montant de la taxe sur la valeur ajoutée dont la déduction est demandée doit être mentionné sur une facture ou un document en tenant lieu dans les conditions fixées par l'article 256 du Code général des impôts. » Compare the legal language in Bénin's code above which is structured around the 'rights to deduct VAT taxes' versus Togo's language, which says that a taxpayer "can choose to opt into the VAT tax" and structures another section around exclusions from this rights of deduction. Code General des Impôts, Edition 2016: CHAPITRE 1 TAXE SUR LA VALEUR AJOUTEE, Section 1 - Champ d'application de la taxe I- Opérations imposables, B- Opérations imposables par option: Art. 309 bis "Peuvent être soumises à la taxe sur la valeur ajoutée sur option du redevable : les ventes et les prestations réalisées par les personnes dont le chiffre d'affaires annuel est inférieur à cinquante millions (50.000.000) de francs CFA … " and « B - Exclusion du droit à déduction, Art. 325 - Sont exclus du droit à déduction, y compris lorsque les biens ou services concernés sont utilisés pour la réalisation d'opérations ouvrant droit à déduction, l'achat ou la livraison à soi-même des biens et services ci-après : … ».

made on inputs as well as VAT collected on their sales. But Béninois businesses have found that they can easily gain from both ends, as the government has very limited capacity to audit and control their transactions. So they gain credits from the government on VAT tax on inputs and gain rent on sales by charging the customer an 18% VAT, which they keep.[425]

The tax authorities recognized the problem of businesses taking advantage of the VAT regime at the expense of both the revenue agency and consumers who were paying a faux VAT, so to speak. Raising the VAT regime threshold was not enough to overcome the problem. In the autumn of 2016, then, the revenue authority announced a new program: The revenue authorities would publish a list online of all qualified and compliant taxpayers who were allowed to charge VAT. This list would be applicable online, and, considering how many citizens had limited internet access, they also created an SMS-verification platform whereby customers could send in the business's tax ID number (the IFU, which we will discuss below) to the revenue authorities, and receive a confirmation of whether or not the business had the right to charge the 18% VAT.[426] As of February 2018, only 2635 businesses were listed on this website.[427] The revenue authorities felt that this initiative was important enough that they organized a public presentation of the new online and SMS platform, invited esteemed guests and the public at-large—complete with appreciable levels of pomp and circumstance, and many rounds of applause to congratulate Nicolas Yenoussi, the Directeur Générale of the revenue agency as well as M. Joël Darius Zodjihoué, Secretary General of the Ministry of Finance and Economy (ALOFA, 2016).[428]

When discussing the platform later with a number of senior and mid-level revenue actors, they often seemed to think of the VAT qualifying initiative as a form of cleaning their records (i.e. which had been dirtied by non-compliant businesses, which rendered their efforts much more inefficient), where only 7,000–10,000 listed taxpayers were compliant businesses. Other businessowners, in an attempt at evading VAT regulations, would literally create new businesses weekly, with 100–200 created daily (which would then have to be audited for compliance).[429] The exclusivity initiative was a dynamic strategy to capture the efficient portion of this revenue stream and disregard the rest of the formal tax base. We can think of this strategy as an effort to

[425] Interviews 97, 108, 117, 118.
[426] Interviews 97, 108, 111, 117, 118.
[427] This list can be accessed at: http://tva.impots.bj/cdgi/PAGE_Page_assujetis_tva.
[428] Participatory observation 15.
[429] Interview 97.

grease an already effective tool, as the VAT was the primary source of revenue in Benin, generating over 50% of domestic revenue.[430] With this initiative, the agency was working to ensure that the VAT instrument was functioning as efficiently as possible.

4.2 Luring Taxpayers out of the Black Market with Red Tape (Togo)

The labyrinth of administrative procedures that one observes in the least developed states sometimes serves a strategic purpose, in fact serving as one of the most efficient ways to capture a portion of otherwise illegible economic activity. In Togo, there was a specific strategy for which the international perspective and recommendations conflicted with the Togolese revenue system's motivations.

The *Doing Business* report (World Bank, 2017) is highly influential and exerts great pressure on the policies and administration of low-income states, as their score significantly impacts the attractiveness of the country to multinational corporations. *Doing Business* rankings are frequently cited in internal, government reports and strategic planning documents,[431] and they came up in roughly one-third of my interviews and participatory observations.[432] Changes in this score, or the lack of movement on a specific score, sometimes determine whether a bilateral or multilateral donor is willing to extend additional funding and technical support to the country (e.g., see IMF, 2015, p. 17). As such, politicians and (when and where the policies are fiscally relevant) senior management within the revenue system are very keen to improve their scores. This in itself is a key component of the revenue mobilization strategies in a poor state: securing revenues (i.e. grants) coming from international financial institutions, which might form the largest portion of their revenue envelope. At times, however, policies and operational procedures that would facilitate a score improvement sometimes create other problems for the government in question; sometimes they conflict with government objectives and workarounds that have been created to address particular political or administrative challenges. In this scenario, in Togo, the IMF and World Bank policy recommendation conflicted with a procedural policy, which (when the motivations shaping this policy were properly understood) represented a revenue mobilization strategy. The conflict with development partner priorities represented a political conflict of interest with the internal strategy. Accordingly,

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430 Ibid.

431 E.g., République Togolaise, 2013, p. 11.

432 E.g., interviews 2, 15, 22, 24, 25; participatory observations 7, 12.

the agency delicately balanced both their own motivation in creating and (informally) the procedural policy while still trying to remain in the good graces of key partners.

As is likely in many developing countries, economic actors in Togo often operate in the informal economy until they want to engage in business with the government—which represents one of the largest buyers in a poor state. In Togo, government officials are well aware of this. Understanding this reality creates opportunity for the revenue agency. To bid on a government contract, businesses must participate in the Régime Réel avec TVA, roughly translated as the Standard (business tax) Regime with VAT.[433] Many economic actors will switch tax regimes (from the simpler regimes that are now established for businesses with revenues of less than CFA 50 million) to the standard regime with VAT reporting (the Régime Réel avec TVA) in order to qualify for these government contract bids and to sell goods or services to the government.[434] The Régime Réel avec TVA requires bookkeeping in accordance with international accounting standards, and monthly filings of transactions for the VAT credit reimbursement system. But businesses will often register as a Régime Réel avec TVA for the sole purpose of bidding on a government procurement contract and report no other business activities except for those directly related to this contract. The entity then slips back into anonymity with no further filings with the tax authorities. By formally registering as a Régime Réel avec TVA for the government bid, however, they have identified themselves. The Fiscal Control unit of the Togolese revenue authority seizes on this opportunity to try to identify informal economic actors who otherwise conceal their business activities from them.

Moreover, when local businesses want to sell products or services to the Togolese government; to export or import goods; or to conduct international financial transactions, they must meet various requirements. Depending on their objective, these might possibly include obtaining a *quitus fiscal* from the government or presenting their *carte d'immatriculation des opérateurs économiques*.[435] The quitus fiscal is a form that businesses must request from the revenue authorities, which certifies that they have met all of their tax obligations. The carte d'immatriculation des opérateurs économiques is a business identification card which must be renewed annually. As is the case with the regime requirements for bidding on government requirement projects, each of these regulatory policies represents an opportunity for the revenue

433 Interviews 24, 25; participatory observations 1, 2, etc.

434 Citing interview 24.

435 See Articles 1413–1419 of the Code General des Impôts, Edition 2016, Togo. See also Articles 747 and 1194.

agency to discover economic operators who otherwise conceal their economic activities from the authorities. As I followed the Fiscal Control Unit on their mission to each field office throughout Togo, one of the top priorities at each stop was to examine the handwritten legers or Excel spreadsheets in which the local office registered requests for a quitus fiscal and carte d'immatriculation des opérateurs économiques. The Fiscal Control unit would then take this information and cross-reference it with anything else they could gather from the customs department or other government agencies in order to identify and track business agencies operating (otherwise) informally. This was an important strategy for growing the tax base, augmenting the register of taxpayers. The way street-level and mid-level managers described it to me, this was their strategy for luring and coaxing businesses out of hiding.[436] As one of the managers for one of the Togolese revenue authority's regional offices explained:[437]

> Il y a aussi la carte d'opérateur économique qui nous aide. Vous ne pouvez pas faire beaucoup d'opérations si vous n'avez pas la carte des opérateurs économiques.
> Donc, très souvent ceux qui nous échappent aussi, quand ils sont coincés quelque part à cause de la carte, ils viennent chez nous. Oui, même si on ne prend pas tout, on prend quand même quelque chose. Cela nous aide en fin de compte à avoir des recettes plus élevées.
> C'est généralement comme ça, en termes de stratégies. C'est à la fois le recensement fiscal pour compter tous ceux qui doivent payer et qui ne payent pas par l'ignorance ou par incivisme, ça peut être les deux. Il y en a qui ne veulent pas payer parce qu'ils ne savent pas, il y en a qui ne veulent pas parce que c'est une stratégie pour eux de ne pas payer.
> Voilà. Donc, c'est cela la stratégie. Et puis il y a Il y a les documents administratifs aussi qui peuvent les bloquer et à un moment donné ils seront obligés de venir chez nous. Donc il y a un tas de documents administratifs; la carte d'opérateur économique, le quitus, les attestations fiscales que nous donnons et à un moment si vous voulez faire des affaires qui représentent quelque chose, vous êtes obligés de faire ce papier. Et avant de faire ces papiers vous payez les impôts. Donc cela nous aide aussi à faire venir ceux qui ne veulent pas.[438]

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[436] Interviews 26, 36 etc.
[437] Interview 26.
[438] Translation: "There is also the economic operator card that helps us. You can't do many transactions if you don't have an economic operator card.
So [with this requirement], very often businesses that have escaped the tax net (because they're hiding somewhere far off the beaten path) will then come to us. Yes, even if we don't take everything, we still take something. This ultimately helps to increase our revenues.

From the perspective of the international donor and development community, however, the problem was that these requirements made business activities very tedious and cumbersome—representing a significant amount of red tape.[439] Development partners therefore pressed Togo to remove these restrictions. Togo's *Doing Business* score also suffered due to these requirements. Consequently, policymakers and the senior management of the revenue agency in Togo found themselves in a delicate situation. While they did not want to displease the international community, dissuade businesses from investing in Togo, or risk the loss of donor budget support over this issue, at the same time the strategy served a very important and useful purpose for middle managers throughout the revenue agency who were tasked with expanding the tax base and identifying as many informal economic actors as they could to bring into the tax net. In summary, two revenue mobilization strategies were now at cross-purposes. One objective was highly motivated by the political dimension: pleasing international donors and looking attractive to potential business investors. The other objective was highly motivated by the administrative dimension—an economy dominated by illegible (unregistered, informal) economic actors (some of whom were intentionally trying to conceal their economic activities from the government to reduce or avoid their tax liabilities altogether).

To navigate these conflicting objectives and to address both the administrative and political dimensions, the revenue authorities danced a fine line. Formally, they created a new policy which relieved economic actors of these requirements—allowing exporting, importing, and government bid submissions without presenting a quitus fiscal or carte d'opérateur économique. But in the de facto implementation, their red-tape strategies still rendered economic activity much more legible and administratively efficient. As such, they

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That's usually the way it is, in terms of strategies. It's both the tax census to count all those who have to pay and who do not pay through ignorance or incivility. It can be both. There are some who don't want to pay because they don't know. There are some who don't want to because it's a strategy for them not to pay.
There you go. So that's the strategy. And then there are the administrative documents too, which can block them and at some point they have to come to us. So there are a lot of administrative documents; the economic operator card, the discharge, the tax certificates we give and at some point if you want to do business that represents something—you have to do this paper. And before you're able to receive these official documents, you must pay the taxes. So it also helps us to bring in those who don't want to [reveal themselves/pay taxes]." Own translation.
[439] Interviews 36, 42; participatory observation 7.

quietly passed the verbal directive down the chain of command: ignore the new policy.[440]

So while the international donor and development community's perspective was one of economic efficiency for business facilitation, the government's strategic handling of the situation belied their higher prioritization of political and administrative motivations over economic considerations. On the political side, they were eager to appease international donors and the development community—a political objective—in creating the policy, balanced carefully with an informal directive to disregard the policy, motivated by the administrative efficiency dimension: luring otherwise undiscoverable, illegible economic actors into the tax net. This illustrates my theoretical expectations that the dimensions of political and administrative efficiency in a low-income state must take priority over economic efficiency (the impact of the policy on business decisions and economic behavior).

4.3 The Privilege of a Tax ID Number (Bénin)

In Bénin, I observed another conflict of interest. Revenue mobilization strategies can conflict not only with international pressure and recommendations but also with political pressure and objectives within the country, as well as conflict with other agendas within the revenue system itself when revenue mobilization strategies are at cross-purposes. This case examines efforts to maintain an accurate taxpayer database, confronted with an international-political-administrative agenda that rendered their database highly inefficient (administratively inefficient), and the response of revenue actors.

This case relates to tax identification number assignment. In Bénin, these numbers are called l'Identifiant Fiscal Unique (IFU). They were first instituted by decree in 2006 (Richard, 2014; RLK, 2015). When the general population paid little heed to the decree and failed to register for tax identification numbers, the decree was reinforced by a statute in 2011 Finance Act (African Development Bank, 2009, p. vi, 13).[441] Prior to the creation of tax identification numbers, tax agents navigated a plethora of various identification types

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[440] Interviews 36, 41, 42; participatory observation 4.

[441] Original language in décret N°2006-201 du 08 Mai 2006 portant création d'un numéro d'Identifiant Fiscal Unique. For the 2011 law reinforcing the obligation to register with and receive an IFU number, Titre III, Chapitre III, Article 15: « Il est créé en République du Bénin, un numéro d'Identifiant Fiscal Unique (IFU) qui servira à la mise en place d'un répertoire national des personnes, institutions et associations. Les modalités de mise en œuvre de l'Identifiant Fiscal Unique sont fixées par décret pris en Conseil des ministres.» (also included as see Annex #). Within the 2017 edition of the fiscal code, see Chapter IV, Section VII., Article 1018 for a discussion of the obligations of the *redevables* (taxpayers) subject to the *patent*, including

and sources, which failed to provide one unique ID to each taxpayer. Consequently, it was very difficult for the revenue agency to determine if the business in question was the same entity as another, registered with a different form of identification, or with another part of the bureaucracy (e.g. customs) when importing or exporting goods to the country.[442] In addition, where economic actors were conducting business activities as a sole proprietor (relevant to a very high majority of economic activity in poor states) rather than an incorporated business,[443] a unique tax identifier would offer the ability (theoretically) to tie all business activities to that person and review all tax-relevant business activities together. With such an identification number, then, the customs and internal revenue agencies could cross-check tax declarations filed with the unique tax identification number and verify whether they had fully reported all economic activities to both agencies (African Development Bank, 2009, sec. Annex 1, p. 2, Outcome Indicator for 2.2).[444] This was the internal motivation, both politically and within the revenue agency, for creating unique taxpayer identification numbers.

The efforts also had an international component. Following some rather poor showings for Bénin in the international *Doing Business* indicators published by the World Bank Group related to the length of time required to create a business entity, the government created a private sector development strategy that included as two of the four main platforms, 1) the creation of these single taxpayer identification numbers and 2) the simplification of tax procedures required to establish a business. The advancement of this action plan was then stipulated as a conditionality for the disbursement of the second tranche multilateral donor program, Bénin's Third Poverty Reduction and Growth Strategy, financed jointly by the World Bank, the African Development Bank, the EU, Netherlands, Denmark, and Switzerland (IMF, 2012, p. 31; Richard, 2014). The identification number creation and a related census of taxpayers was promoted by the government.[445] The *Doing Business* group and development partners wanted Bénin to reduce the process and time required to establish a business from 31 to 12 days to improve their score and render the country more attractive to investors, thereby developing the formal private

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possession of an IFU, which should be referenced in all relevant economic transactions and in tax declarations.

[442] Interviews 97, 103, 108, 130, 118.

[443] In French systems, incorporated businesses are referred to as *des personnes morales* and *les sociétés*, as compared to an individual (*des personnes physiques*). *A* tax identification number could apply to either a physical person or a "moral" person—a legal entity.

[444] Interviews 97, 103, 108, 130, 118.

[445] Interviews 118, 130.

sector (African Development Bank, 2012, p. 5).[446] Reducing the administrative red tape surrounding the assignment of a tax identification number would assist the ability of the government to reduce the lengthy business registration process (and potentially improve their *Doing Business* "ease of doing business" ranking).

In 2011, the government decided to assign tax ID numbers (IFUs) to all citizens (African Development Bank, 2012, p. 3). This was to be a proactive "generalization" of IFUs, where all persons aged 18 years or older and engaged in any type of economic activity were required to bring their birth certificates to their local tax office and register to receive a number. This greatly expanded the list of registered taxpayers.[447] The idea behind the initiative was to establish a full registry of all potential taxpayers, which could easily be linked to a business transaction when identified.

However, the initiative created enormous problems for the Direction Générale des Impôts (DGI).[448] These problems concerned the administrative efficiency of the policy. By creating tax identification numbers (IFUs) for all individuals and businesses engaged in any economic activities, the initiative completely diluted the tax authority's database of authenticated taxpayers. To give some perspective, an estimated 0.2% Bénin's population are currently registered taxpayers.[449] The informal economy (i.e. not-registered taxpayer population) in Bénin is prodigious. It comprises an estimated 94% of the economy, according to a recent estimate (MEF, 2017). Previously, receiving an IFU number required an application to the revenue authority. The tax agency would confirm that the applicant had filed validated tax declarations filed with the government and was only then authorized to receive an IFU number. However, under the new policy, by allowing all economic actors in Bénin to receive an IFU number without the background work of investigating their tax declarations, informal economic actors could engage in import and export activities

[446] Interviews 97, 103, 108, 130, 118.

[447] Interviews 97, 108, 118.

[448] Ibid.

[449] At the time of writing, the number of registered taxpayers in Bénin is 14,153 (live updates can be accessed from Bénin's revenue authority webpage here: tva.impots.bj/cdgi). Accessed February 2, 2018. Population figures from the World Bank Data Bank, World Development Indicators, accessed February 8, 2018. Statistic 1: "Population ages 15-64 (% of total)", URL: https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=BJ. Statistic 2: "Population, total", URL: https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BJ. (Most recent figures).

that require an IFU number, but with no other tax declarations or documentation filed with the government.[450] New business entities were being registered with IFUs at the rate of 200–300 per day, with over 300,000 of them listed in the database as of late 2016, according to a mid-level revenue agency official.[451] Among them, however, there are only 10,000–14,000 "real" businesses.[452] Here, I include an excerpt from my interview with this official from the revenue authority:

> Aujourd'hui lorsque vous faîtes-- vous prenez les statistiques en matière de contribuables immatriculés, vous avez plus de 300 000 contribuables qui sont immatriculés. Mais il n'y a que, réellement, 7000-- 7000 à 10 000 seulement qui sont connus de l'administration fiscale, qui paient réellement les impôts.
> Où sont-- où passe le reste? Et quand on fait les statistiques, on se rend compte que c'est [les efforts (?) unintelligible] de Doing Business, que les entreprises se sont multipliées, chaque jour on en créé. Dans une journée se créent peut-être 200, 300 entreprises, chaque jour...
> Donc on a suspendu, et pour l'instant on essaie maintenant d'assainir la base fiscale pour comprendre qui fait réellement une activité ou qu'ìl ne le fait pas, et voit maintenant comment faire pour contenir les contribuables.[453]

The "generalization" of IFU identification numbers greatly constrained the ability of the government to control and capture all of the relevant revenues from importers and exporters who otherwise escaped the revenue agency's reach. In addition, the taxpayer database was no longer reliable.

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[450] Excerpt from interview 97: « Tout ceux qui ont des numéros IFU peuvent importer et la douane laissait passer. Ils n'étaient pas obligé de venir faire les impôts pour se faire identifier parce que le numéro leur est attribué d'office.» [Translation: Anyone with IFU numbers can import and customs would let them through. They didn't have to come to the tax office to be identified because the number is automatically assigned to them. Own translation].
[451] Interviews 97.
[452] Ibid.
[453] Translation: "Today when you do—you take the statistics on registered taxpayers, you have over 300,000 registered taxpayers. But only 7,000—7,000 to 10,000 are actually known to the tax administration, and only 7,000—7,000 to 10,000 are actually paying taxes. Where are—where's the rest of it going? And when you do the statistics, you realize it's [the efforts (?) unintelligible...] of *Doing Business*, that companies have multiplied, every day we create them. In one day maybe 200–300 companies are created, every day... So we have suspended, and for the time being we are now trying to clean up the tax base to understand who is actually doing an activity or not, and now we are looking at how to contain taxpayers" [own translation]. Excerpt from interview 97.

As the problems created significant administrative inefficiencies in operations and managing taxpayers, the revenue authority advocated a reversal of the IFU “generalization” policy.[454] These administrative efficiencies shaped the revenue agency’s strategic turnabout. It was in the revenue system’s interest to limit the promulgation of tax identification numbers to the subset for whom they had been able to verify the proper filing of tax declarations and reporting with the government. Revenue actors preferred a much smaller but accurate list of taxpayers, which enhanced the administrative efficiency of the taxpayer database and taxpayer management. Only those known to the state with proper records were admitted. Again, as with the VAT exclusivity strategy, and Togo’s *carte operateur économiques* red-tape requirement, the revenue actors’ priority, was that of administrative efficiency, not economic efficiency (i.e. the ability to create a business in a day). These strategic behaviors offer strong evidence for my theoretical proposition that in a poor state, scarce resources force the revenue system to prioritize the more immediate needs of administrative efficiency over economic efficiency objectives.

Regardless of the revenue system’s perspective to the contrary, the general assignment of taxpayer identification numbers remains the objective of Bénin’s development partners and higher ministry officials and politicians to some extent. See, for example, Bénin’s *Plan Global de Réformes de la Gestion des Finances Publiques (PGRGFP) 2017-2020* (MEF, 2017). There are also recent formal statements that the “generalization” of the IFU ID numbers is a conditionality established by Bénin’s donors (PRNewswire, 2017). It appears as though the political conflict of interest and tension between two competing objectives is unresolved in Bénin.

Section 5 Seigniorage by Other Means

In Chapter II, we discussed the perspective that developing countries rely heavily on revenues generated from seigniorage to navigate revenue instability and periods of economic or political crisis (Gordon & Li, 2009; Mkandawire, 2015, p. 579; M. A. Thomas, 2015). In fact, Gordon and Li estimated that the poorest states generate an average of 22% of government revenues from seigniorage (Gordon & Li, 2009, pp. 856–857). If this estimate is accurate, the contribution is immense and deserves much greater discussion in balancing revenue mobilization strategies in the poorest states. As we learned from the discussions of optimal tax (and monetary) theories in Chapter II, however, relying on seigniorage creates dangerous and unsustainable inflationary tendencies in the medium term (Aisen & Veiga, 2008; Baltensperger & Jordan, 1997; Bauducco, 2008; Cogley, 1997; Cukierman et al., 2016; Friedman, 1971;

[454] Interviews 97, 108, 118.

Phelps, 1973). Moreover, while inflation rates were high (and diverse) in African states, they did not experience the levels of hyperinflation and extensive money creation tendencies present in Latin America (Mkandawire, 2015, p. 579). Regardless, gaining some control over and reducing inflation across the developing world was a major component of the structural adjustment reforms in the 1990s, driven by development economics (Mkandawire, 2015, p. 579). The question remains outstanding as to how much seigniorage continues to play a role in the revenue strategies of the poorest states, and there is little existing empirical material to corroborate Gordon and Li's estimates. What have we found from the investigations in this research?

The practice of generating revenues from seigniorage is not formally feasible where member states lack full control over monetary policy within the member rules of the West African Monetary Union (UEMOA).[455] The currency within this currency union, the West African CFA, is pegged to the euro and reserves are guaranteed by the French treasury (unlimited convertibility to euros) (Banque de France, 2010; Sylla, 2018).[456] The Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) issues currency for all West African CFA members. Accordingly, in principle and largely in practice, francophone West African states do not have autonomous monetary policy. Until a decade ago, however, the BCEAO was able to issue *avance statutaire* to governments, which is, essentially, seigniorage or cash advances (allowing for the semi-direct financing of government deficits). The practice has now ceased in the UEMOA but continued in the central African monetary union (CEMAC) until August 2018 (PcA, 2018).[457] Tellingly, the announcement was met in the CEMAC region with concern from many of the developing countries in central Africa who now have scarce alternatives to navigate revenue instability in the event of economic shocks (PcA, 2018).

In an interview with a representative from the IMF,[458] we discussed how a number of the monetary union country members (including Benin and Togo), have found ways to navigate around the formal seigniorage rules by manipulating interest rates between government-issued bonds and loans from the monetary union's central bank (BCEAO). For example, commercial banks purchase government bonds (*titre de l'UEOMA*), say, with a 6% interest rate.

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[455] The West African Economic and Monetary Union is known by its French acronym, UEMOA. Its members include Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. Website URL: http://www.uemoa.int/en.

[456] Interview 106.

[457] Ibid.

[458] Interview 106 (most information in this section is provided by interview 106 unless otherwise designated).

The commercial bank then requests liquidity from the central bank (BCEAO), which the BCEAO can no longer provide via *avance statutaires* (essentially, cash advances), as they are now forbidden in the region. Instead, the BCEAO demands a guarantee for the funds, charging, say, a 2% interest rate. The commercial bank provides the government bond (the *UEOMA titre*) as their guarantee, knowing that as they will be paid back 6% on the government bond, they are receiving a loan with only a 2% interest rate from BCEAO. The commercial bank then makes a profit on the difference: 4%. In essence, as the representative stated, "it's another kind of seigniorage, because the government is issuing bonds but indirectly, and the BCEAO is financing government deficits … indirectly."[459]

In addition to this mechanism, many states (including Togo under the former Minister of Finance Ayassor and Benin under former President Thomas Boni Yayi, for election expenditures) have employed another seigniorage-like mechanism: "pre-financing." Under this arrangement, the government awards projects to private contractors with government-backed loans. For instance, the government awards a project for highway construction to a contractor and offers them a letter of guarantee. The contractor takes the letter of guarantee to a bank and presents it as collateral. The bank issues the loan, but instead of pressing the contractor for payment, the bank will often go directly to the public treasury and demand payment. The government, however, has not reported this project loan guaranteed as an expenditure, nor budgeted for the repayment. The effect is an increase in debt and debt servicing, a non-transparent means to finance development projects without allotting scarce revenues to the undertaking. It is an efficient mechanism for project finance in the short term (avoiding political conflicts of interest in the use of the public revenues) and administratively efficient (also in the short term) as it "creates" immediate project revenue by simply providing a letter of guarantee to the project recipient.[460] Benin and Togo have both made use of this mechanism, particularly Togo (IMF, 2018b, p. 3).[461] In Benin, former President Yayi's regime employed pre-financing mechanisms for campaign-related programs.

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[459] Ibid.

[460] Interview 106.

[461] From the IMF Report: "Togo's public domestic debt soared during 2013–16 from 41.4 percent of GDP to 61.4
percent. Key drivers of the increase in domestic debt have been an extended recourse to the regional financial market and investment pre-financing. The stock of government securities on the regional market increased from 15.2 percent of GDP to 28.8 percent between 2013 and 2016, with an increasing use of both Treasury bills and bonds. In addition, the stock of domestic arrears, which is included in domestic debt,

Upon winning the election, however, President Talon purportedly suspended these projects. Togo relied heavily on this mechanism for project financing until it was purportedly suspended by the new Minister of Finance, Sani Yaya, who condemned the practice as non-transparent and costly (Togo has suffered under the weight of a burgeoning debt servicing burden, as we have discussed).[462]

In summary, while these states have neither the formal ability nor the autonomy to rely on seigniorage, it appears that even within a rigid structure they may have found the means to create seigniorage-type revenue generators, allowing them to navigate substantial fluctuations in revenue stability. While I am lacking further evidence or information to substantiate how these countries apply seigniorage-type mechanisms in the advent of these revenue crises in 2016, there is evidence to suggest that it is a potential revenue instrument still employed in the poorest states, which have few other means to which to turn in times of fiscal crises. This is a potential agenda for future research.

Section 6 Conclusion

In the first case, in Section 2, we found an example of a revenue source that is already efficient on both dimensions without restricting or manipulating the tax base; that is, the few large foreign firms which dominate the telecommunications industry. This is a revenue source that promises high yields. The GSM mobile telecom industry alone contributes an estimated 6% to GDP in Bénin. What was the behavior of the revenue actors towards this politically and administratively efficient source of revenue? Facing expensive elections and a substantial shortfall in revenues from trade with their largest trading partner, Nigeria, Benin's revenue agency and policymakers became opportunistic, taxing the industry excessively and reneging on contractual tax holiday provisions. This behavior dramatically affected the profitability of at least one of these firms that I interviewed (read: their behavior created economic distortions). Thus, we find evidence to suggest that revenue-efficient sources will likely be the target of opportunistic plundering in the face of higher levels of revenue pressure in the poorest states. There is potential to theoretically develop the mechanisms by which revenue pressure leads to over-taxation of easy (efficient) sources.

In the cases to follow, in the face of significant revenue pressure in 2016, we find both states (Benin and Togo) engaging a variety of dynamic strategies focused on improving the efficiency of revenue sources or, in implementation,

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has remained relatively high during this period, amounting CFAF 334 billion (12.6 percent of GDP) by end-2016" (IMF, 2018b, p. 3).

[462] Ibid.

developing de facto limitations of the formal legal tax base to target only the efficient portion and disregard the rest.

In these cases, we also find clear examples of strategies where the political dimension impacts the outcome—of where the state looks for revenues. Here, we have two low-income states without any real extractive industry to support their state development. As such, they must navigate the political realities of their countries to determine which sources of revenue are not politically sensitive. The political structure of each state changes the treatment of potential sources of revenue.

Togo is our hybrid state: a secretive military dictatorship (with somewhat perfunctory elections at the central level, but none at the local level). It is a state with a highly centralized authority structure. The new semi-autonomous revenue agency, with a mandate to clean up the thievery of the agency it replaces, personifies a sparklingly-clean (i.e. non-corrupt) agency. Regardless of a strong centralized authority structure, it still has limited administrative capacity outside the capital and a few economic hubs dotting the rural landscape.

Bénin, on the other hand, is a model of democratic governance in the region. Its authority structure has been decentralized since the turn of the millennia. It is also notoriously corrupt. It remains an administratively weak, poor state where the decentralized authority structure and rife corruption doubly cripple its efforts to control its own agents and regulate strategies of revenue mobilization, particularly the further one moves from the capital. It must also be sensitive to targeting sources of revenue which are politically sensitive (i.e. politically inefficient) or control extra-legal industries upon which the countryside is highly dependent (i.e. contraband petrol), as to do so would be political suicide come election-time.

These political realities for each country shape what constitutes a politically efficient revenue in their state and for whom it is efficient to mobilize the revenue. In Bénin, restricting trade in illicit fuel is politically prohibitive. As such, the state's agents and decentralized centers of power (municipal governments), outside the control of their superiors in the capital, capitalize on this lucrative source of revenue. In Togo, on the other hand, where the state still suffers from weak administrative capacity outside the capital but enjoys strong centralized authority, the state makes a concerted effort to restrict the trade in smuggled petrol. As such, while the practice exists and, certainly, its agents inevitably profit from it to some degree, the phenomenon is nowhere near as dominant as it is in neighboring Bénin. And Togo's senior and middle managers in the revenue system, in the capital and the outlying areas alike, make careful calculations and rationalize their staff—placing them at strategic crossroads and checkpoints across the rural landscape—as best they can, given limited resources. They also develop informal networks of informants to reinforce their capacity to control and limit the illicit trade. It is not taxed. But in Bénin, smuggled petrol is a source of revenue for several tiers of the Béninois revenue system hierarchy, as well as serving to personally line the pockets of its agents posted at checkpoints across the country. The political dimension shapes how these two governments have designed contrasting strategies towards the same potential source of (informal) revenue.

The political dimension can also partially explain the exploitation of Bénin's Local Development Tax (TDL) —where regulation failed to clarify a tax base or approach to mobilization of the TDL tax, decentralized centers of authority in the revenue system (municipal and regional)—were left to determine for themselves what the most efficient source of potential revenue was, to which they could apply the TDL. They applied it to checkpoint levies—levies on village "imports" and "exports." This section (1.1) is a good example of a marriage between revenue mobilization strategies shaped by administrative efficiencies and political efficiencies. In the rural space, for both Bénin and Togo, most sources of taxation require door-to-door mobilization and significant effort from revenue actors to explain, document, assess, and collect taxes from fiscally illiterate taxpayers. As such, choosing instead to focus efforts on checkpoints, they create a means by which the taxpayers must "come to them," passing the checkpoints to bring goods into the village or "export" goods to other villages and rural districts. Checkpoint levies significantly reduce the manpower and resources needed to mobilize revenues. In Bénin, where the central government is rather weak in terms of controlling revenue mobilization strategies at decentralized levels of the state, the decentralized (municipal and deconcentrated customs) revenue actors employ checkpoint levies, which they christen with the legitimizing name of the vaguely specified TDL (local development tax), which the central government has assigned them. Togo, conversely, has built formal toll stations throughout its territory, from which it can formally impose checkpoint levies imposed by the central government. Each state, shaped by its political dynamics, has found a way to take advantage of the administratively efficient checkpoint levy strategy.

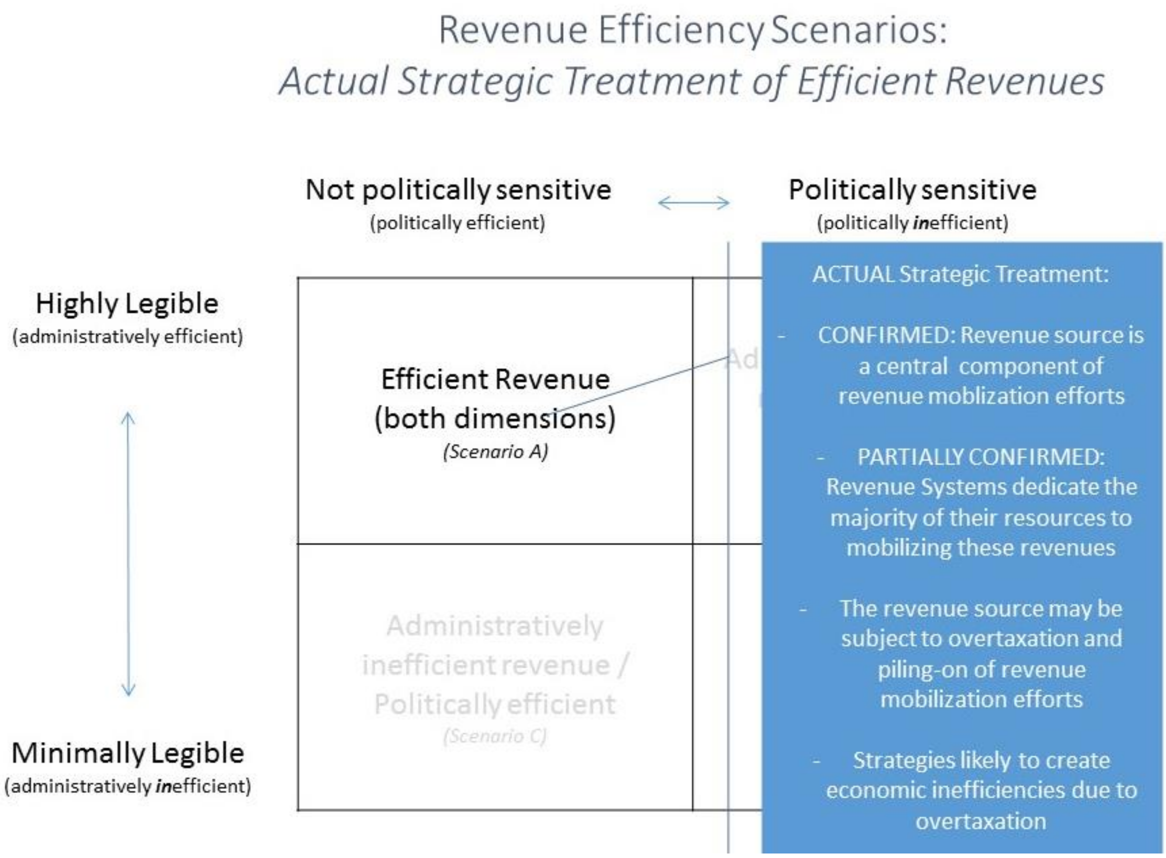
Whereas the strategies outlined in section 3 are particularly shaped by the political dimension, the strategies in sections 4 (luring taxpayers into the light with red tape) and 5 (seigniorage by other means) focus largely on creating administratively efficient alternatives or enhancing the administrative efficiency of existing revenue sources. As such, the treatment in Togo and Bénin is largely similar. This is also in keeping with my theoretical expectations: that all poor states that lack readily accessible extractive resources to finance their development will orient their revenue mobilization strategies around the most administratively efficient sources and that these strategies should look similar when politics do not play a significant role. We find this to be the case in both sections.

The strategies in Section 4, such as raising VAT thresholds and creating tedious administrative loopholes for economic actors, as well as the treatment of the telecom firm in section 2, serve as clear evidence of another theoretical expectation. In Chapter II we discussed how optimal tax theorists and development economics base their recommendations for an optimized tax regime on economic efficiency considerations. From their perspective, an optimized tax system is one that is structured to minimize distortions on economic growth and production (i.e. the economic efficiency of the revenue system). In Chapter III, I developed the theory of revenue efficiency in a poor state, suggesting that a state with meager resources must relegate economic efficiency considerations to a lower priority level. Where scarce resources predominate in the public sector, administrative efficiencies and political efficiencies in a poor state take precedence. These serve as the two dimensions of interest in the model of revenue efficiency. Political and administrative efficiencies are the two aspects that take precedence in a revenue actors' decision-making paradigm—not the economic efficiency outcomes of their efforts.

According to my theory, a revenue actor in a poor state is more likely to base their revenue mobilization strategies around administrative and political efficiencies, regardless of—or even in spite of—negative impacts on economic efficiencies. That is exactly what we see in this scenario, together with all of the red-tape strategies in section 4—administrative efficiencies shape the strategies to the detriment of economic efficiency. Revenue actors in poor states design strategies that improve the efficiency of their revenue system administratively, even when it creates economic distortions (economic inefficiencies), because they simply must be pragmatic and shrewd in the management of resources they have at their disposal to mobilize revenue, resources which are very limited.

To revisit our expectations from the beginning of the chapter, drawing on the theory of revenue efficiency, we expected poor states to marshal the bulk of their system resources and human capital around efforts to mobilize revenue from these most efficient sources. I have found some confirmation on this count. Furthermore, I also found evidence of a piling-on effect, where there is a tendency to over-tax the most efficient tax bases. These strategies, sometimes overburdening the biggest sources of state revenue, fly in the face of economic efficiency considerations. This illustrates my theoretical expectations from Chapters II and III that poor states often do not have the luxury of basing their strategies on economic impact and must base them instead on a resource-constraint basis. The tendencies to overtax the most efficient sources can have a real impact on decision making in the business cycle, distorting economic behavior. I have updated the figure of expected strategic treatment of efficient revenues to reflect these tendencies in Figure 43 below.

Figure 42. Actual strategic treatment of Efficient Revenue Sources



6.1 Strategic Action—Summary of Efficient Revenues

What did we find in practice? In practice, there would appear to be tendencies to overtax and poach both by ad hoc, informal (and sometimes illegal) means, as well as by formal adaptions of the fiscal code, to better capitalize on efficient sources of revenue. At a macro level, we can see this tendency in the persistence of reliance on trade revenues in the poorest states, regardless of conditionalities from donors, regardless of the economic inefficiencies it may create (e.g. trade and production distortions, overburdening one sector of the economy such as agriculture, etc.). In our empirical material, there are several different types of relevant strategic actions revenue actors employed vis-à-vis the most efficient (and high-yield) sources of revenue. These are presented in Table 10 below. In some of these cases, the potential for high yield was a motivator for dynamic strategies of capturing the revenue in the most efficient manner.

Table 10. Strategic Action vis-a-vis efficient sources of revenue

Strategic Treatment of Efficient Revenues
Imposition extends beyond/outside specification in code
(Informally) adapting formal mandate to fit context
Taking advantage of high-yield, accessible revenues
Other Strategic Action
Taking advantage of high-yield, accessible revenues

Chapter XII
Recalibrating the Fiscal Code

This dissertation has been devoted to studying the implementation of tax policies in a context of scarcity. The argument that has been investigated empirically over the preceding four chapters is that revenue actors try to generate income for their state, but need to adapt their strategies to the limited administrative and political resources at their disposal. In my empirical analyses I found considerable support for this argument. However, during my field studies I discovered that my argument is not only relevant for the implementation of tax policy, but also seems to hold some validity for the formulation of tax policy. In this final empirical chapter, I report these findings. Since they are not the result of my original theoretical argument and since my empirical investigation was not designed as a study of the formulation phase of tax policy, these findings are naturally much more tentative than the findings reported in the preceding four chapters. Consequently, this chapter should be read as indicative, a plausibility probe, that suggests that more scholarly attention should be devoted to the tax policy formulation phase than I expected.

In this chapter we examine efforts to recalibrate the fiscal code, largely advocated by revenue actors within the implementation agency, to better adapt the mandate to the context. These mini cases briefly highlight the incremental process of fiscal code simplifications and adjustments that are ongoing in both poor states. The fiscal code adaptions are sometimes in keeping with, or inspired by development partners, but are sometimes in conflict with their recommendations. Senior management and policy-level revenue actors increasingly advocate for fiscal and revenue instruments better fitted to their administrative and political constraints. As I anticipated in the theoretical developments of Chapters II–IV, these adaptions frequently run contrary to traditional optimal tax theory and international best practice. Thus, while the other case study chapters were largely focused on implementation level adaptions, employing the operational definition of strategy as "an *aberration* from the fiscal mandate motivated by a constraint (not human factor such as personal gain and related corrupt behavior),"[463] in this chapter, I address the more macro concept of strategy as an adaption. Strategy, in the literature review and theoretical development, employed this broader, encompassing definition. It includes also incremental changes and continual adjustments, as I expect the

[463] See section 2.5 of Chapter I and the Case Studies introduction.

state to take on different priorities at different phases of development. Strategy, in this sense, is adapting to their environmental constraints. In Chapters II and IV, I discussed the theoretical expectation that the poorest states, now pressed increasingly in the past fifteen years to finance their own development, will likely be taking greater ownership over the content and applicability of their fiscal codes. Where these fiscal codes historically have been largely shaped by colonial heritage, by optimal tax theories, development economics and development partners, it is likely that they are now undergoing a process of revision driven more by the pragmatics of revenue mobilization in an environment characterized by scarcity.

In the mini-case studies to follow, we review a number of very recent fiscal code revisions which substantially support this theoretical expectation. These are relevant to both Benin and Togo. To highlight a few, in the first case, "Simplifying ... and then simplifying some more" we examine the increasing simplifications of the main taxes imposed on the bottom 90% of economic actors, which readily captures the administrative efficiency motivation shaping the strategy. In the section on "Revisiting the VAT" we discuss the rationale behind the making the VAT tax an exclusive privilege for compliant, large firms. Lastly, in "Getting Around BEPS—the alternative minimum turnover tax", I discuss Togo's simple local workaround strategy for global issues of BEPS (base erosion and profits shifting) which is much better adapted to the administrative and human capacity of its revenue system (i.e. enormously more administratively efficient where human resources are scarce).

Section 1 Recalibrating the Fiscal Code

Then entire Chapter II was dedicated to following the adaptions and incremental changes to the fiscal code in poor states, from their inception in the 1960s to the present day. I theorized that much of the fiscal codes in these states was likely adopted wholesale from former colonial powers and fellow newly-birthed states, and then reconstructed during the structural adjustment periods of the 1980s and 1990s under the guidance of development partners. I expected that much of these fiscal codes was likely not a good fit for the administrative and political constraints facing a poor state, inspired more by optimal tax theory and based on the economic structure of an OECD (i.e. high-income) state. I also expected to find that over time these states would be adjusting these fiscal codes to better fit their economies, and the resource constraints facing their revenue systems. I assumed that this would particularly be the case since the Monterey Consensus of 2002, when the international community pressed poor states to increasingly take up the burden of financing their own development via domestic resource mobilization ("Monterrey Consensus on Financing for Development," 2002). Where poor states felt greater ownership over their own futures, I assumed they would also take greater ownership over the *how's* and *where's* of their own formal revenue mobilization strategies. There seems to be ample evidence that these adjustments and adaptions in the fiscal code are indeed taking place across low-income states.

In both Bénin and Togo, I found that states are, at the present moment, restructuring and rewriting their fiscal codes, and refashioning them into a fiscal code that fits a poor state's constraints and reorients towards relatively efficient sources of revenue. These efforts have been increasing since the turn of the millennium, with the most recent revisions more adapted to their economies than in any prior period. The most striking evidence was the increasing simplification of fiscal code elements applicable to the wide swaths of their economy comprised of small, informal economic actors (the TPU, RSI and TPS taxes discussed below). In 2015, Bénin further simplified the already simplified tax regime for these economic actors (comprising roughly 90% of the economic activity in the country)—combining four already simple taxes to one very simple, bracketed tax for this entire portion of the economy (the TPS). In parallel, the Togolese middle and senior management team in the revenue agency were writing essentially the same proposed law of absolute simplification while I was embedded in their strategic unit in the autumn of 2016.

I break down these simplification efforts into the three main tax instruments which have been, or are now applied to the small, informal economic actors in both Bénin and Togo: starting with the *Taxe Professionnelle Unique* (TPU), then adding simpler regimes for medium sized enterprises with the *Régime Réel Simplifié or Forfait*, and arriving at a *Taxe Professionnelle Synthétique* (TPS). I also include the *Taxe Foncier Unique* (TFU). Following this discussion, I briefly revisit two policy-level strategies and their implications discussed earlier: the exclusive VAT (Section 4.1 of Chapter XI) and the use of a rental withholding instrument to capture property tax revenue in Togo (Section II of Chapter IX). Finally, I discuss their strategies to get around the administratively overburdening issues related to BEPS (Base Erosion and Profit Shifting which currently present a challenge the entire globe) with an alternative minimum turnover tax in Togo. As such, this chapter focuses on revenue actors at the policy level. The revisions of the past decade increasingly reduce the need for revenue actors at the street-level to develop their own adaptions for a fiscal code poorly fitted to context (a theme throughout the last three chapters and sections above).

1.1 Simplifying … and then Simplifying Some More

1.1.i TPU—Phase I of Simplifications (Enhancing Administrative Efficiency)

Just prior to the turn of the century, a new tax was introduced in Togo: the *Taxe Professionnelle Unique* (TPU), in 1998 (Loi n° 98-001/PR du 21 Janvier 1998 portant Loi de finances pour la gestion 1998, pp. 11–13). The TPU translates as the "unique business tax," and applies to all activity classified as commercial or industrial in nature,[464] and for which the business reports an annual turnover *below* CFA 30 million ($56,700[465]). Businesses in this category are exempted from paying the VAT, standard personal income taxes and other salary-related and withholding taxes (which are irrelevant to a small, informal business operation). They are only required to keep basic, handwritten legers of sales and purchases.[466] This was a major simplification of the administrative requirements, both for taxpayers in their ability to conform to the tax regulations, and for street-level bureaucrats within the revenue system to verify their compliance. It also represents a real adjustment from the former fiscal regimes which were not relevant to a vast majority of taxpayers in this poor state.

The TPU is also a much more user-friendly tax regime for small informal businesses. It includes two basic, simple bracketed flat-rate tax rates based on annual turnover, not profits. For fiscally illiterate taxpayers (not to mention fully illiterate, which applies to many), the new regime takes into account their very weak capacity to fill out complicated accounting forms, which many, as we saw in Chapter V, are simply unable to deliver. It also provides for a minimum duty regardless of whether the business made any profit. For enterprises involved in the production of goods, the minimum payment due is CFA 12,000 (US$22.7[467]). For service provider entrepreneurs, the minimum rate is 6,000 CFA ($11). Again, as we saw in Chapter V, even this lowest rate still proved too high for some taxpayers, and actual imposed rates sometimes dropped to CFA 2–3,000 (US $3.8–5.7). Where amounts to be paid figure only as a couple $USD, the cost-benefit ratio for more complicated administrative verification regimes is rather underwhelming. But with these provisions for a minimum rate to be paid for all small businesses, it ensures that at least some level of the revenue agents' efforts in discovering and assisting a taxpayer in making a

[464] E.g. not agricultural.
[465] Exchange rate as of February 2018 on XE.com.
[466] See Livre II, Ch. 5, Sec. 2, V, Art. 1420-1439 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016).
[467] Exchange rate as of February 2018 on XE.com.

declaration is financially covered for the revenue system, regardless of the taxpayer's business profitability (exploring the financial impact of imposing a minimum rate on micro businesses who are not profitable could be the basis of another interesting research agenda. Our focus here, though, is the strategy from the revenue system perspective).

1.1.ii Régime Réel Simplifié & Forfait—Phase II of the Simplifications

In 2006 the government created another bracketed category of simplification: the Régime du bénéfice Réel Simplifié d'imposition (RSI) ("Libercom to be dissolved; Bénin Telecoms restructured," 2017; PRNewswire, 2017). This Régime du bénéfice Réel Simplifié d'imposition (RSI) translates roughly as the simplified real (tax) regime. Between 2006 and 2012 the law was modified almost annually. It currently provides for a relaxed accounting requirements for medium-sized businesses with revenues between CFA 30–100 million ($56,600–189,000[468]). This was widened from an original threshold of CFA 70m, meaning that over a few years of modification, even more firms—with larger operations—could choose to adhere to these simpler accounting methods. It reduced imposable tax rates in all relevant categories, and offers the option for excusing themselves from the VAT tax regime (see Art. 1470bis).[469] So, between 1998 and 2012, regulations and tax code requirements for micro and small firms, and then even for medium sized firms, were vastly simplified. All of this tremendously reduced the administrative work load (formally) required of revenue actors. These efforts can be identified as strategies at the policy level of the revenue system to improve the administrative efficiency of their system and sources of revenue. But they are not finished yet.

1.1.iii Keeping only Administratively Efficient Sources of Revenue

In December of 2016, on my final day embedded in the Togolese revenue authority's office, I sat with several senior officials from the strategic planning unit and discussed the policy reform recommendations that they had just presented to the Ministry of Finance.[470] Their recommendations were centered on reducing the number of taxes to a third of the existing twenty-nine. This represented a massive reduction in the number of taxes they needed to impose and would greatly simply their administrative burden of revenue mobilization efforts. They did not succeed in reducing the number of taxes, as they had

[468] Exchange rate as of February 2018 on XE.com.
[469] See Art. 1464-1474 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016).
[470] Interview 131.

hoped, but they did accomplish simplifying the taxes applicable to the small business operators, to one uniform tax applicable essentially to everyone in this group, in keeping with Bénin's initiative of the year before.

1.1.iv Creating the TPS—Phase III of Simplifications

Bénin successfully carried out in 2015 what Togo was endeavoring to do in 2016: combine all relevant taxes for the smallest 90% of their taxpayers into one *synthétique* tax called the TPS—the Taxe Professionnelle Synthétique (see Annex 6.9). This TPS tax replaced the TPU—the Taxe Professionnelle Unique—which was very similar to Togo's; incorporated the TUTR (the Taxe Unique sur les Transports Routiers discussed above) without changing its structure much; and also collapsed into it flat rate taxes for resellers of wax print cloth and other goods consumed and resold by a wide majority of the population[471]. This tax was created in 2015 and went into effect in 2016, as I was carrying out my field work. The Béninois middle and senior managers in the revenue system explained that the former set of taxes still required too much administrative work on behalf of their staff, to explain, assess and collect taxes from a fairly fiscally illiterate tax base.

1.2 Capturing Property Taxes via a Rental Withholding Taxes (Chapter VI)

In Chapter VI, we discussed the case of the rental tax. This was an instrument designed to more efficiently capture some of the revenues which were politically (and often administratively) inaccessible to the revenue authorities via the property tax instrument. As such, the rental tax served as a withholding instrument on the property tax, and ensured a higher degree of compliance, where both the landlord and renter of a property were liable for the revenues. I will not revisit the full strategy here, but it does serve as another example of a tax instrument which was created as a workaround to the lack of legibility of another tax—the property tax—as well circumnavigating the politically sensitive elements of the property tax.

1.3 Getting around BEPS—the Alternative Minimum Turnover Tax

The creation of an alternative minimum turnover tax in Togo provides us with a useful example of innovative taxing instruments to confront massively complicated issues such as base erosion and profit shifting (BEPS) which has arisen as a major issue world-wide in the past couple decades. The Togolese

[471] Include reference for pagne/wax prints resell rates or at least trends in Bénin.

solution—an alternative minimum turnover tax—can be thought of as a strategy move to overcome the asymmetrical challenges BEPS presents to a revenue authority in a poor state. It is well known that large multinational firms, operating world-wide, employ extensive teams of accountants to assist them shifting their profits offshore and out of the purview of the taxman. It is also well known that the challenges these issues presents is particularly astute for the poorest countries, who have the least resources to engage sufficiently skilled personnel to investigate these issues and confront disappearing profits from multinationals operating within their borders. As such, we can think of the profits shifting as an asymmetrical battle between a poorly resourced revenue authority and very well-resourced multinational subsidiaries.

To overcome this asymmetry of resources necessary to investigate very complicated organizational structures and bookkeeping of these firms, they created a very simple alternative minimum turnover tax. This tax, titled the Impôt Minimum Forfaitaire (IMF) in their fiscal code, simply requires all businesses who report very low or no profits, and who falling within the *régime réel* (businesses with a turnover above CFA 100 million ($890,000) and as such, subject to the normal tax regime), to pay a minimum turnover tax of 1% of turnover. As such, a business can shift profits outside the country if they feel so inclined, but instead of following normal protocol of the corporate income tax instrument which would require the tax agents to investigate the detailed and complex profit claims of the multinational subsidiary, they simply impose a tax on 1% of their annual revenues, regardless of profits.[472] The tax was so successful and so simple that they have decided to make the instrument even more robust. In 2017, the removed the cap on maximum amounts that could be imposed under the 1% requirement, and instead imposed a *minimum* that could be imposed, ensuring that from each of these large firms, they would get at least a minimum for each annual tax filing (this is in addition to the VAT imposed on the business).[473]

As such, this mini-case represents a clear example of adapting the fiscal instruments to fit the constraints facing the revenue system—here, in particular—a stark lack of resources to address the very complicated tax issue of base erosion and profits shifting (BEPS). This case well illustrates my theoretical expectations from Chapter II and III that revenue authorities in the past ten

[472] Observational Memo 36.

[473] See Article 167 in both Togo's fiscal code and the subsequent revisions (in particular, the lines *abrogé*) in the Finance Act of 2017 (Code Général Des Impôts Edition 2016 du République Togolaise, 2016; Loi N°2017-014 portant loi de finances, Gestion 2018 de la Republique Togolaise, 2017).

to fifteen years will likely be revising their fiscal codes to make them more amenable to the environment in which the revenue system is situated.

1.4 Revisiting the Exclusive VAT

The Value Added Tax is another arena where the fiscal code has been adjusted to better fit a poor state context. As we discussed above, both governments have made the VAT tax increasingly exclusive by raising the thresholds, year by year. The VAT is a tax which requires extensive records and proper accounting, which is rarely accomplished by the majority of (small and medium-sized) business operators in both countries. Given this reality, the burden to enforce a tax that is ill fitted to the businesses that dominate their economy falls heavily upon street-level bureaucrats in the revenue system. The choice to continually raise this threshold alleviates that burden greatly.

This is yet more evidence of my expectations that we should see increasing efforts of adaptions of the fiscal code to better fit the context, particularly in the past fifteen years—since the Monterey Consensus of 2002, when developing countries were asked to work towards fiscal independence via domestic resource mobilization. The VAT has proved to be a very efficient revenue source (administratively), but only when it is restricted to the largest businesses who, for the most part, by nature of their business, already adhere to international accounting standards and generally deliver high tax yields in exchange for the much more extensive reporting requirements (e.g. those subject to the VAT must submit standardized monthly reports of all invoices and sales to receive credits or pay balances owed in taxes). Following my theory of revenue efficiency, we would expect to see these countries—particularly those with the least resources (low-income states with no substantial extractive resources to turn to)—sharpen the VAT instrument to be the most (administratively) efficient revenue generator possible. That is exactly what is playing out now in both case study countries.

In 2013, Togo created a threshold of CFA 30 million as the minimum annual turnover to be liable[474] for the VAT regime.[475,476] Beyond the general ill-fit of the reporting and complex tax compliance requirements this placed on small businesses, this threshold was also motivated by the need to addressing

474 Or "eligible," as Bénin treats it.

475 With opt-in options, (Code Général Des Impôts du Bénin 2012, 2012; Code Général Des Impôts du Bénin 2017, 2017; Code Général Des Impôts Edition 2016 du République Togolaise, 2016; "Modifications Des Dispositions Du Code General Des Impôts Au Titre De L'Ordonnance N°2014-001 Du 02 Janvier 2014 Portant Loi De Finances Pour La Gestion 2014," 2014)

476 Interview 9, Finance Act of 2013; see Art. 309 bis, (Code Général Des Impôts Edition 2016 du République Togolaise, 2016, p. 100).

a problem of managing “credits” for businesses reporting VAT from the “interior” of the country—businesses who were requesting credits for inputs, for which they paid VAT, but whom reported little or no sales, for which they collected VAT from customers which was to be remitted to the government.[477] (This is a parallel problem to the one Bénin was addressing in 2016 with the exclusive authorized list of businesses who were allowed to participate in the VAT regime, after verifying their proper reporting of both credits on inputs *as well as* net VAT tax due on sales).[478] This second motivation speaks to another dimension of political and administrative inefficiency of the former structure—the state has fairly weak capacity outside the capital to enforce the fiscal code.

Togo again revised the fiscal code, and increased the threshold to CFA 50 million. More recently, this threshold was raised yet again, to 60m CFA. Bénin, comparatively, increased the threshold and then created the exclusive eligibility list in 2016, ensuring that only large taxpayer who had already proved their compliance with tax requirements were allowed to participate in this regime—making the system highly efficient—relative to a VAT system in which all taxpayers in a poor state would be liable.

These fiscal code adjustments are motivated by political and administrative efficiencies, which a poor state prioritizes, even to the detriment of, or disregard for economic efficiency considerations (the basis for optimal tax theory and development economics). The new thresholds effectively exclude 80–90% of economic operators from participating in the VAT regime. While it may reduce the tax compliance burden on small taxpayers, and the administrative burden for tax agents trying to enforce it and collect the taxes, it does distort the economy. In Bénin, for instance, the three major mobile cellular GSM operators (very large, foreign-owned multinationals) pay the entire VAT bill on behalf of kiosk operators, which are not subject to the VAT regime. The Béninois government insists that the GSM operators still foot the entire VAT tax bill without receiving credits as their subsidiaries do not pay VAT taxes. The VAT structure is a bit complicated to grasp, but the point relevant for our discussions is that a few very large firms who are subject to the VAT regime, but who rely on thousands of small retail shops to sell their products (e.g. cell phone SIM cards and plans), must still pay the VAT which is passed on to the consumer, which they cannot charge to the kiosk operators, but which the government still expects of them for this business value chain.[479] This implies double-taxation of the large firms, while the small firms are not impacted by

[477] Interview 9.
[478] Participatory observation 15; interviews 97, 111, 117, 118.
[479] Interview 87.

the VAT tax. This also distorts the competitiveness of businesses who operate just below the VAT threshold and sell their products to formal retail chains, such as a supermarket, but whom are not required to pay VAT. I will not go into the details here, but I received detailed explanations of the competitiveness issues it created for businesses caught between simplified non-VAT regimes and retailers of their products who must report VAT.[480] These are aspects economic inefficiency, which will negatively affect the business decisions and ultimately, have impacts on economic growth.

1.5 Strategy 8: Formal Simplifications of the Tax Code to Fit Taxpayer Group (Bénin and Togo)

I identified a final strategy at the management levels, which was designed to increase both the administrative and political efficiency of revenue mobilization among micro and small enterprises. This was an effort to advocate for the reform of the fiscal code. The idea was to restructure all the various taxes and fees that were supposed to be imposed on the smallest, informal economic actors into one extremely simple, bracketed, flat fee. This effort was achieved in Bénin in 2016 and in Togo, a similar tax will be in effect in 2018 based on follow-up interviews conducted in the autumn of 2017.[481] These taxes are known as "presumptive taxes" and there is a growing body of literature discussing the relevance and usefulness of presumptive taxes for developing country tax regimes (Bird, 2003; Bird & Wallace, 2004; Joshi et al., 2014; Thuronyi & Thuronyi, 1996; Wallace et al., 2004). In both countries the new Taxe Synthétique replaces already simplified tax regimes with the Taxe Professionnelle Unique (TPU) already structured as a simplified tax on small commercial enterprises. However, in both countries they deemed that the TPU together with other extant taxes were still too complex and diverse in structures, and had to be replaced with one uniform, simple, flat-rate, bracketed tax based on gross turnover and imposable upon any and all types of economic activity generating less than CFA 30,000–50,000 ($53,000–88,000) depending on the country.

[480] E.g. interviews 91, 132.

[481] Bénin had precisely succeeded in implementing this tax in 2015, operational in 2016: a *taxe synthétique* for all the smallest (informal) economic actors, which combined all former taxes applicable to these small contributors. (Code Général Des Impôts du Bénin 2017, les articles 1084-18 à 1084-48; Loi n°2014-25 du 23 décembre 2014 portant loi de finances pour la gestion 2015, 2014). Togo's tax, at the time of writing, is in the process of being codified in law and should come into effect in 2018; interviews 131, 133.

Field agents throughout Togo and Bénin explained to me (and to the fiscal control unit, as I observed), that it was very confusing to largely illiterate taxpayers when a tax collector returned a second or third time to collect more taxes. Particularly for illiterate and uneducated citizens, they had little capacity to grasp the significance of taxes imposed on different tax bases, such as property, income, profits or value-added transactions. To many of them, a tax imposition was the tax. They were unable to understand why the tax collector would be coming back when they had already come, informed them what they owed, took whatever was in their pockets, and left. To these citizens, they had paid their tax for the year and it felt like an unjust, inexplicable, unfair imposition for the tax collector to come back and coerce them into turning out their pockets again. As such, the field agents were very frustrated with having to spend significant amounts of time explaining all the various types of taxes and why various ones were each due separately, and potentially at different times during the year.[482]

This problem had worked its way up the chain of command, and I was confidentially briefed on an extensive list of tax reforms that the Togolese semi-autonomous revenue authority was currently recommending to the Ministry of Finance in the autumn of 2016. They hoped that the Minister would advocate to parliament for these reforms and explain how it would greatly improve their chances of effectively and efficiently mobilizing revenues. Included in these reforms were recommendations to reduce 29 types of taxes down to, potentially, less than a dozen. Particularly significant for this chapter was the fact that one of the major reforms they were recommending was to combine all the various taxes that were applicable for the smallest (informal) economic actors—which had already been simplified into very basic taxes such as the Taxe Professional Unique (TPU)—into one even more basic, simple tax, which would be bracketed by income categories, with a flat rate for each tax.[483] This would allow field agents to assess and impose only one tax for all small (informal) economic actors.

This reform would presumably improve both the administrative and political efficiency of this revenue source. On the administrative side, the new tax would significantly minimize the number of visits a field agent needed to pay to each citizen in each village, street and town in their assigned district. It would reduce the amount of paperwork and assessment efforts that they agents needed to carry out, through verbal and visual assessments, to determine imposable taxes, for each of these citizens.

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[482] E.g., interviews 33, 123; participatory observation 4.

[483] Interviews 131, 133.

From a political efficiency perspective, it would reduce the impressions, particularly among the most illiterate and uneducated (i.e. the most vulnerable) populations that the state was unjustly and illegitimately coercive, oppressive and unfairly extracting monies from them. The reason is that a tax collector would only need to visit an inhabitant once, if they were able to pay the full amount due, and the citizen could be satisfied they carried out their civic duty of paying tax, and the tax collector would not need to explain and justify various tax impositions. As such, there would be less sensitivity to the tax, given the limiting of additional visits and further impositions.

This strategy was evidence that the revenue actors invested efforts in trying to (increasingly) modify the fiscal code to fit their economic, political, and administrative realities—largely through a reduction and simplification of taxes imposed and the creation of taxes that were not recognized within the international consensus of best practices for tax structures. Where development partners had advocated rationalization and simplification of tax regimes during structural adjustment programs in the 1990s, revenue agencies themselves, now pressured to finance their own development to a greater extent, are advocating similar measures, but better adapted to their context. As such, we can classify it as a strategy of adapting the fiscal code to better fit the context, motivated by both the political and administrative inefficiency dimensions.

Section 2 Conclusion

From this final case study chapter, we find evidence to suggest that revenue agents at the senior levels of revenue agencies in the poorest states are also advocating for better alignment of fiscal codes with the constraints present in this context. These are efforts of advocacy for fiscal reforms motivated by revenue efficiency. As I theorized in chapter II, it is likely that revenue agencies in the poorest states, particularly in the past fifteen years since the Monterey Consensus, are making substantial efforts to adapt externally-shaped fiscal codes to better fit the environment in which they work.

While this case study chapter did not identify strategic cases based on the operationalized definition of strategic action,[484] the behavior does align with the more macro concept of strategic action as more generalized adaptions, as I consider the state to be an ever-adjusting organism. Poor states, now facing greater pressure to finance their own development, are working to realistically adapt fiscal codes to include revenue instruments which they can wield efficiently in this context.

[484] I.e. an *aberration* from the fiscal mandate motivated by a constraint (not human factor, e.g. personal gain and related corrupt behavior).

Chapter XIII
Conclusions and Agenda for Future Research

A major effort is underway to reform the tax systems in the poorest states of the world. The development community, with major contributions from countries across western Europe and the United States, have invested heavily in these efforts—providing guidance, resources, and substantial revenue contributions to finance tax reforms. This "elite," "'epistemic community' of knowledge-based experts,"[485] largely development economists inspired by optimal tax theories, have largely shaped tax policy and the fiscal codes across the developing world. Despite their influence in shaping policies, we find repeated—almost frustrated—calls for the poorest states to broaden tax bases in practice and shift emphasis in revenue mobilization efforts away from trade taxes and toward land and property taxes per development economic theories and toward the personal income tax instruments recommended by optimal tax theories. Regardless, tax bases remain stubbornly narrow. This pattern is relevant even for these states' new breadwinner: value-added taxes. Moreover, ad hoc tax exemptions, enduring corruption, political interference, and bureaucratic inefficiencies persist. Tax administration continues to dictate tax policy in the poorest states (Casanegra de Jantscher, 1990). Recognizing the patterns of apparent conflict between fiscal policy driven by an international community of experts and implementation outcomes which belie the original policy intention, this research aimed to gain an "insider's perspective." To do so, I embedded myself among the revenue actors charged with implementing fiscal mandates in two of the poorest states to gain some understanding of why these patterns persist.

The research question driving this research was as follows: What shapes the strategies of revenue mobilization in the poorest states? With a hypothesis centered on the scarcity of public resources, I investigated this question in the context of the revenue systems in Togo and Bénin, two of the poorest states in West Africa. In an effort to identify the motivations shaping their implementation efforts in practice, I employed ethnographic methods of participatory observation and extensive interviewing within the organizations in question. I also analyzed fiscal codes, internal documents and statistics, and relevant

[485] Moore, 2013, p. 2.

media. This research places the revenue actor at the center of the investigation.

The chapter is organized in the following manner: I begin by presenting the central arguments and hypotheses developed in Chapters III and IV. I then present key findings, focusing on motivations driving revenue mobilization strategies in the poorest states, organized by revenue efficiency. In this section I reflect on, qualify, and nuance the original hypothesis and theoretical framework based on new evidence from the empirical investigation, which serves to extend and refine the theory. Within the sub-section examining the *Strategic Treatment of Politically Inefficient Revenues*, I examine how the political institutional factors of regime type and degree of decentralized authority (together with revenue system organization) impacted the revenue mobilization approaches in both countries. In the subsection discussing the strategic treatment of inefficient revenues (on both dimensions), I outline a number of tendencies that emerge in the strategies related to inefficient revenue sources, such as ring-fencing. Section 3 outlines contributions to both the optimal tax literature as well as development economic and state-building theories related to taxation. In the second section, I discuss ostensibly irrational behavior, discretion, and dysfunction in the revenue systems of poor states from the strategic perspective of revenue actors and present a table outlining the strategic motivation that drives many of these phenomena. After a brief discussion of practical implications (generalizability and critique of the research design), we finally arrive at a research agenda and the conclusion of this dissertation.

Section 1 Central Arguments

Poor states are revenue hungry but weak. Revenue actors must develop strategies to find revenue given the state's weakness. This is the central argument of the thesis. The empirical research provided substantial evidence to support this main theoretical proposition.

Recognizing that the poorest states in our modern world are characterized by scarcity—of public resources and economic activity—I developed the following hypotheses: first, scarcity changes behavior. Whereas Olson and Levi (1988; 2000) argued that revenue-hungry rulers moderate their ambitions of revenue maximization with a long-term perspective (preserving the well-being and growth potential of their economic tax bases to sustain revenue production over time), I argue that scarcity creates a sense of urgency, pressing poor states and their revenue actors into ostensibly irrational behavior. Long-term perspectives and economic objectives of tax instrument design are forgone in the interest of the immediate income needed to finance development, feed the state's civil servants, and repay development partners. In this environment, we can expect the state's agents to capture revenue where it can be found, regardless of the economic implications of these efforts. Second, revenue actors in this context are strategic actors—implicitly or explicitly classifying potential revenue sources by revenue efficiency criteria. These revenue efficiency criteria are largely structured along two dimensions essential to public management: politics and administration. The political dimension of efficiency relates to political conflicts of interest and the weak legitimacy of the states' claims regarding its rights to impose taxes. The administrative dimension of efficiency encompasses their general administrative-logistical-technical capacity and focuses on the primary factor of legibility. I expect revenue actors to center their efforts and strategies of revenue mobilization on the most revenue-efficient sources. Third, for the remaining sources, I expect that they will strategically limit imposition to the most efficient portion of a given tax base (a de facto practice of narrowing the formal mandate) to conserve scarce public resources. Here, we would likely see spatial variation in the treatment of revenue sources. The most inefficient sources or portions of a tax base will be disregarded, regardless of the formal mandate. Fourth, higher (than average) revenue pressure and increases in the potential revenue yield are the two intervening variables that create an impetus for designing dynamic strategies to tackle sources of inefficiency. Administratively inefficient sources of revenue become an arena of state-building when circumstances of revenue pressure and higher potential yields converge. Politically inefficient revenues are likely to be co-opted by politically important factions under normal circumstances but become centers of revenue bargaining in the presence of higher revenue pressure and higher potential revenue yields.

Section 2 Key findings and Avenues for Future Research

What, then, have we learned about the hunt for revenues in a poor state? The findings of the investigation in Togo and Bénin largely support these theoretical propositions but provide some insights to qualify and nuance several expectations. First, in an environment of scarcity, the strategic responsibility of revenue maximization shifts from Levi's ruler to its implementers. What the literature perceives as "poor administration" or "weak enforcement" is often, in fact, a strategic calculation by bureaucrats in the use of public resources, grappling with the constraints that face them. Poor states are revenue hungry, but they are also weak and must find revenues that can be captured in their state of weakness.

Secondly, revenue agents are strategic actors in this environment. We find a vast array of resourceful strategies designed by revenue agents to secure income for the state, despite the many obstacles confronting them. For a summary of these types of actions, see Tables 2 and 3 in the Case Studies Introduction as well as Tables 5, 7, 8 and 10, each presented in the introduction of the relevant case study chapters (VIII-XI) above. Moreover, the model of revenue efficiency did provide a useful lens for understanding their patterns of implementation in terms of determining which taxes are imposed. This is confirmation of the primary theoretical expectation of the thesis.

Third, in a poor state, the fiscal code is commonly treated as a toolkit which revenue agents may employ to mobilize revenue, rather than a mandate, which must be fully enforced. This is a cautious affirmation of the theoretical expectations proposed in this research. Revenue maximization manifests itself in distinct ways in an environment of scarcity. That which Piracha and Moore (2016) described as rule maximization at the expense of revenues is better understood as strategic revenue maximization, given scarce political and administrative resources. Facing constraints on both fronts and in an environment where the fiscal code is somewhat ill-fitted to the context, strategies are commonly developed by the state's bureaucrats rather than its policymakers. In general, the revenue system's resources and strategic action are centered on sources that can produce the greatest revenue yields while draining the least of scarce public resources. This is also a cautious affirmation of the main proposition of the theory of revenue efficiency. The cases presented in this research provide substantial evidence that actors at all levels of implementation are generally limiting tax bases in practice to the most efficient portion of the legal tax base. However, the research did qualify this finding. While at a micro level we find agents navigating around extensive constraints and targeting the most legible, least politically sensitive elements in a tax base, we also find, on a macro level, that these revenue systems sometimes attempt to mobilize highly inefficient sources of revenue (e.g. the direct taxation of the rural economy). Where this effort was more pronounced (in Togo), it was financially underwritten by development partners and took place in the event of higher revenue pressure.

While we started the investigation with an expectation that higher revenue pressure and higher potential yields will together create an impetus for addressing inefficiencies, there was evidence to suggest that this expectation is only partially true. Dynamic strategies of legibility creation—of the discovery of small businesses in rural Togo or of the planned fiscal census in Lomé—were financially underwritten by development partners, and the efforts formed part of the program objectives established between the governments and donors. The same could be said for dynamic strategies to improve the political inefficiency of directly taxing the rural economy, with donor-finance and performance objectives backing the campaigns to improve fiscal-civic duties and revenue actors working to cultivate and groom taxpayers. In Bénin, the German development agency, GIZ, had been engaged in supporting the governments' rural revenue mobilization efforts in the last decade (providing basic, simplified taxpayer registry software and support) to enhance the legibility of rural economic activity as well.[486] The residual of this project was a fiscal database still employed by the regional offices. Taxpayers in rural Bénin were also marginally more compliant, but the revenue authorities were also evidently now less proactive in seeking them out (it is unclear how much the donor support contributed to the current dynamic vis-à-vis other relevant factors, such as legitimacy of the decentralized, democratic regime, or ubiquitous corruption within the regime and revenue system).

There was another key player and motivation for fiscal code revisions which I did not well anticipate in the theoretical development, but which has played a tremendously influential and significant role in the revisions to the fiscal codes of both country case studies: the regional economic and monetary union (West African Economic and Monetary Union, known by its French acronym, UEMOA, which is itself a subsidiary of the larger Economic Community of West African States, ECOWAS).[487] UEMOA is a customs and currency union among eight (francophone besides Guinea-Bissau) countries. There is a common external tariff for the trade bloc, and one of its key platforms is fiscal harmonization (UEMOA, 2006). Together with the additional ECOWAS members (15 countries total), they have a key objective of "collective self-sufficiency." All three of these objectives listed above—the customs and currency union, fiscal harmonization, and collective self-sufficiency—each represent significant influence on the revising and shaping the fiscal codes, as well as regulations for customs and taxation in Togo and Bénin. I had foreseen the influence of development partners such as the World Bank and IMF, as well as international trade laws and treaties established through the World Trade Organization. But UEMOAs fiscal harmonization platform, at present, appears to play possibly an even larger role in the current revisions we are seeing in the formal tax codes in the states. In particular, the platforms of fiscal harmonization relevant to our discussions in this research include 1) harmonization of VAT tax rates, 2) common external tariffs, 3) reinforcement of administrative capacities of both revenue and customs authorities, 4) sufficient budgetary allocations for revenue system administration, 5) reinforcement of capacities to address issues of corruption and fraud, 6) creation of research structures for cross-referencing taxpayer and trade declarations and real-time information exchange, and 7) joint efforts to search for external support for

[486] Interview 120.

[487] UEMOA's website in English: http://www.uemoa.int/en; ECOWAS's website: http://www.ecowas.int/

reinforcing the capacities of the regions revenue systems (UEMOA, 2006). And indeed, both Togo and Bénin have made specific revisions to their fiscal codes to ensure alignment with UEMOA's fiscal harmonization platforms (Code Général Des Impôts du Bénin 2017, 2017; Code Général Des Impôts Edition 2016 du République Togolaise, 2016; UEMOA, 2006).

While the larger role of the customs, currency and trade bloc fall outside the scope of this research, the objectives and motivations shaping these harmonized fiscal codes stem from a similar set of constraints as those hypothesized within my theory of Revenue Efficiency. Each of the states in the UEMOA are either low-income or lower-middle income states, or face relatively similar levels of resource-deficiencies to carry out their fiscal mandate. As such, the key players in this union are each coming from a similarly resourced environment, and the design of these harmonized fiscal platforms appears to be largely in keeping with the motivations I have found in the individual case study countries. This could represent the subject of another study, but there is certainly not space nor time to delve into the full impact of the UEMOA on these country's fiscal codes, nor how aligned the regional motivations are with the motivations of and constraints facing revenue actors in each of our case study countries.

Thus, this research suggests that external actors – i.e. regional trade unions and development partners – often form a third impetus to tackle sources of inefficiency along with the theorized elements of higher revenue pressure and higher potential revenue yields. It is possible that revenue pressure and potential revenue yields alone are insufficient to tackle the more tenacious aspects of inefficiency. Moreover, the three intervening variables still seem to be insufficient to motivate addressing (and overcoming) more politically sensitive issues, such as the (political conflicts of) interests of elites close to the regime, and weak legitimacy as it relates to the state's inability to deliver public goods and services, as well as the state's weak legitimacy regarding the social norms surrounding property and traditional institutions. This tentative finding supports the main hypothesis that the most inefficient sources of income will be disregarded. Moreover, it also suggests that where external funding can support state-building projects in an infrastructure-logistical-administrative sense, development partners seem less capable of supporting states in overcoming ingrained political sensitivities attached to revenue mobilization efforts. This tendency is in no way surprising and embodies one of the primary challenges confronting development economists and the epistemic community of knowledge-based experts engaged in the reform of tax systems throughout the developing world.

2.1 Strategic Treatment of (Administratively and Politically) Efficient Revenues

The findings in this research suggest that efficient sources of revenue (generally including taxes relevant to large, foreign firms; VAT taxes imposed on large, formalized firms and imposed at major import/export points; withholdings on civil servants' and public sector salaries; and checkpoint levies) are often the focus of intensive tax efforts. Compliant, large taxpayers operating both in Bénin and Togo, reported that they were subject to frequent audits, and revenue agents worked to ensure they had secured every applicable tax from this efficient source.[488] In every field office visit in Togo, the Fiscal Control Unit placed emphasis on carefully reviewing and auditing tax declarations of each of the few medium and large enterprises. The sense I sometimes gained from field observations, albeit slightly demeaning in description, was that of agents trying to analyze every declaration of these larger firms to find any last scraps they had missed.[489]

Additionally, as evidence from the case of a telecom firm in Bénin suggests, revenue authorities seem likely to exert additional pressure, arbitrarily raise rates, and overtax these sources when facing higher levels of revenue pressure. I present these findings cautiously, as they are largely derived from one case and limited sources. However, this resonates with Bird et al.'s descriptions of revenue agents' behavior in taxing large firms in Mexico, where "high concentrated levels of enforcement were launched … only when government revenues were dramatically down due to economic crises and business cycles" (Bird et al., 2011, p. 9).[490] From this perspective, we could expect that each efficient source of revenue (checkpoint levies, customs fees, etc.) might be the focus of more stringently, strictly imposed rates and arbitrary tax increases in the advent of higher revenue pressure. These tendencies portray the poor state, through the behavior of its agents, in the light of semi-"stationary bandits,"

[488] Which were generally transferred to the central office for management by the large taxpayer's unit; interviews 84, 86, 87; observation memo 28.
[489] These sources also presented ripe opportunities for personal gain (e.g. bribes) depending on the effectiveness of controls and oversight of revenue agents. Audit visits to large firms, particularly in the context of Bénin, which lacked effective controls of their agents in the traditional line-ministry structure of the revenue agency, also presented ample opportunity for discussions of bribes to lower imposition rates. Similarly, major customs bureaus at the ports in both countries were notorious for corrupt behavior and bribe-taking. Consequently, Togo's new revenue agency, with its strong political commitment to tackling corruption, had restructured and rebuilt the entire port bureau to limit any opportunities for private arrangements, limiting any closed-door areas out of the purview of oversight.
[490] Bird et al., 2011, p. 9.

pressing harder on their most lucrative sources in semi-monopolized territories when struggling to secure income. It also suggests that coercive approaches to tax collection can also apply to the biggest contributors.

Thirdly, in engaging with the biggest revenue contributors in a poor state, corporate tax holidays and ad hoc tax exemptions can be seen as important elements of negotiated, individual revenue bargaining between large taxpayers and revenue actors. Much of the taxation literature extensively derides ad hoc tax exemptions offered to large firms, pointing to the substantial losses in revenue that these exemptions represent (Bhushan et al., 2013; O. Fjeldstad & Moore, 2007; Junquera-Varela et al., 2017; Korte, 2013; Moore, 2014; Prichard, 2010; Therkildsen, 2018). But these exemptions seem to serve an important purpose in the toolkit of a poor state's revenue system. As we discussed in the first chapter, the poorest states tend to feature the highest statutory corporate income tax rates of any country income group (Seelkopf et al., 2016; World Bank Group & PwC, 2015). However, the average effective tax rate imposed on the largest firms is often lower than rates found in OECD and high-income states. Thus, high statutory rates can be seen in this context as the initial bargaining point from the revenue agents' perspective. Each tax exemption or tax holiday offered is a concession, allowing the firm that contributes a major portion of the state's revenue to feel accommodated. It also provides leverage and flexibility for revenue agents to arbitrarily remove exemptions and raise effective tax rates when they are pressed for higher levels of revenue mobilization. This appears to create a mechanism for managing revenue instability when most other levers have been removed from their toolkit (e.g. seigniorage). This resonates with some findings from the Bird et al. case in Mexico, where the burden of large taxpayers was "negotiated,"[491] as well as Hassan and Prichard's case of highly discretionary tax practices in Bangladesh, where the revenue agency adjusted the de jure tax rates to smooth business cycles and other economic shocks, providing a de facto outcome of low, predictable tax rates to businesses (Hassan & Prichard, 2013, p. 17). They described this informal, discretionary behavior by revenue agents as "predictable corruption" (ibid.). From these insights, we can begin to understand some corrupt practices as strategic tools employed by revenue actors to carry out their work without major political impediments or friction.

Fourth, seigniorage (i.e. printing money to finance the state's deficits) is a highly efficient source of revenue (which also creates substantially destabilizing, negative impacts in the medium term). This was already understood from the literature (Allard et al., 2016; R. W. Bahl & Bird, 2008; Cukierman et al., 2016; Friedman, 1971; Gordon & Li, 2005; Mankiw, 1987; Thomas, 2015;

[491] Ibid.

Toye, 2000). However, where the opportunity to rely on seigniorage has been restricted, many poor states have devised a variety of mechanisms to replace seigniorage which they can employ in the face of revenue instability and other pressing revenue needs. These include the use of pre-financing as well as indirect deficit financing mechanisms via the manipulation of interest rates between government bonds and central bank loans. These cases suggest that poor states need effective mechanisms to weather revenue instability and economic shocks and will continue to find alternative (albeit economically, monetarily, or fiscally perverse) means to fill this need if they are left with few options. While the identification of these particular mechanisms was somewhat surprising, theoretically I had expected to find revenue agents and the states themselves searching for some replacement for seigniorage.

2.2 Strategic Treatment of Administratively Inefficient Revenues

At a micro-level, as discussed above, there was a variety of confirmations that agents avoided the most administratively inefficient sources of revenue, using visual and verbal inspections to target the most likely, lucrative, legible sources at their disposal among meager prospects. This was particularly true when and where the revenue yield could not justify the effort, which was most relevant to direct taxation of rural economic activity. As a number of authors have recognized, in its simplest expression, there is a link between population density and the administrative costs associated with reaching potential taxpayers who are thinly spread across rural areas (Herbst, 2000; Scott, 1998; Vengroff, 1976).

At a macro-level, administratively inefficient revenues (i.e. highly illegible sources or those consuming extensive administrative resources to secure) did prove to be an arena of state-building projects, albeit largely only where the state faced higher revenue pressure, which was theoretically expected, but also largely only when financed and supported by external actors (i.e. development partners), which was not theorized.

2.3 Strategic Treatment of Politically Inefficient Revenues

When political inefficiencies stemmed from broad-based sources of weak legitimacy (due to political institutional factors, social and institutional norms surrounding the tax base, or the government's inability to deliver on relevant goods and public service provision), the friction often elicited broader state efforts to justify and legitimize their actions. In some circumstances, senior level revenue actors appealed to citizen's patriotism or the idea that all citizens should contribute to their own state's development, in the face of the broad-based, weak legitimacy of the regime, in an effort to incite a sense of civic-fiscal duty among citizens, where the agency and state had few other means to cajole them into compliance. The revenue systems in both countries had a variety of campaigns and distributed media centered on these themes.

Where political inefficiencies stemmed from narrow, discrete sources, they were often tied to political order factors—generally to elites close to the regime. Mid-level managers tended to overlook sources of friction, accepting their special treatment as part of the cost of doing business, so to speak. Both street-level and field-exposed, mid-level officers often avoided confrontation with or the proactive enforcement of taxes on politically important elites and traditional power brokers. However, street-level agents also employed powerful, local brokers—such as traditional chiefs—to legitimize their efforts in instances of broad-based resistance, sometimes in strategic exchange for lenience on the power broker themselves. Revenue agents seemed to accept this arrangement as a worthwhile trade-off to achieve their mandate. But this strategic exchange seemed more likely where the traditional authority could command greater legitimacy and power. In Togo, weaker traditional actors were sought after to support the state's efforts but did not seem to gain any leniency themselves, only reinforcement of their roles as relevant actors in the developing states. While chiefs in Bénin seemed frequently disenfranchised altogether, they were given more proactive roles in some urban areas, supporting the city's efforts or being the municipality's "man on the ground." Each of these findings is presented cautiously, as the research design allowed more for illustrations of revenue agents' behavior, motivation, and strategic actions—not an exhaustive, comprehensive investigation into patterns in each state.

Politically inefficient sources of revenue seemed to be largely concentrated on property, residence, and land-based taxes. This finding is in no way surprising, as there is an extensive literature both on the interests in improving these tax instruments in developing countries as well as the political (and administrative) obstacles to doing so (R. Bahl & Bird, 2008; Fjeldstad & Heggstad, 2012a; Haldenwang, 2017; S. S. Jibao & Prichard, 2015; Kjær, 2017; Slack & Bird, 2014). Some were only politically inefficient sources, others were inefficient on both dimensions. As we saw in the case of the attempts to impose the Taxe d'Habitation in the national capital of Lomé, however, even where external financing and plans were developed to improve administrative efficiencies, the political inefficiencies remained. Moreover, as the attempts to impose the Taxe d'Habitation in Lomé and other cases demonstrated, when political inefficiencies are too great neither revenue pressure and potential revenue yields, nor donor support are sufficient to overcome these political inefficiencies. These sources are left alone, regardless of the fiscal mandate.

Moreover, the political institutional factors of regime type and degree of decentralized authority also often appear to change the set of relevant factors of political inefficiency, as theorized. What was not necessarily anticipated was that these case studies also provide the opportunity for comparative analysis between a new semi-autonomous revenue agency (in Togo) and a revenue agency organized as a traditional line ministry (in Bénin), as well as gathering insights concerning the behavior of agents within Togo's former line ministry revenue agency. As such, these case studies provide some brief reflection on historical comparative analysis (between Togo's current and former systems) when the only major factors which changed were shifts in revenue pressure and the organization of the revenue agency but regime type and degrees of decentralization remained fairly stable—as well as comparative analysis between a semi-autonomous agency and typical bureaucratic agency. This is in addition to the comparative behavior of a revenue system within an authoritarian, centralized state and a democratic, decentralized state. The weakness of the approach, however, was that in covering this much territory, I spread myself a bit thin with respect to being able to collect comparative cases for each type of case investigated. I was somewhat limited, in this regard, depending on where I could gain access and where I was able to uncover strategic cases in each state. I briefly present tendencies from the combined factors of an autocratic, centralized regime in Togo, and the tendencies evident in the democratic, decentralized regime in Bénin. Elements relevant to the revenue agency's organization are included where they provide perspective.

2.3.i Strategic Action and Politically Inefficient Revenues under Centralized Autocracies

First, in our centralized, hybrid autocracy of Togo, despite a shiny new revenue agency which had strong political support to tackle corruption, there appeared to be some level of institutionalized strategies of "looking the other way" and navigating around the regime's political coterie. Our hybrid autocratic regime was well supported and protected by the military; enjoyed fairly certain electoral outcomes; and power prerogatives were still well consolidated under the executive branch. Under this hybrid autocratic regime, regardless of political support from the highest levels for the work of the revenue authority and political insulation of the semi-autonomous revenue agency, it still proved somewhat politically inefficient to target the president's inner circle in revenue mobilization efforts. Revenue actors, particularly at the street level and field-exposed managers, accepted some norms of under- or non-enforcement of the fiscal code for this politically sensitive group. Thus, we can contribute some empirical evidence to the new literature working to understand how neopatrimonial politics and the political order logic of developing countries impact tax efforts (Brett, 2016b; Gray, 2015; Hassan & Prichard, 2013; Kjær, 2015b; Therkildsen, 2018).

Secondly, tax strategies first employed by colonial powers seem to be repeating themselves, even under the guise of new semi-autonomous revenue structures. That is, agents of the new Togolese agency now seem to be re-establishing symbiotic relationships with traditional (village) authorities and the chieftaincy, a dynamic which has been extensively discussed in the works of Nieuwaal among others (Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996; Nugent, 2010, 47–48). These strategies resemble the strategic treatment of the regime's coterie—in looking the other way and tacit leniency towards their own tax obligations—but now often in exchange for their solidarity and lending strength to a weak state's voice. This relationship echoes Boone's (2003, p. 29) findings in states working to make arrangements with local power brokers where local societies feature high degrees of hierarchy but local economic autonomy is weak. These practices suggest that there may be a third way to foster compliance: a relatively more efficient strategy of revenue mobilization in a poor state, particularly where the regime's own legitimacy is weak in parts of their territory or throughout their territory given the undemocratic principles of the state's organization (e.g. broader political inefficiencies stemming from regime type).

From the literature we see a continuum of two approaches, between highly coercive and quasi-voluntary-compliance centered strategies of revenue mobilization (Brennan & Buchanan, 1980; Joshi et al., 2014; Levi, 1988; Moore, 2008; Olson, 2000; Therkildsen, 2001; Tilly, 2003); however, in an environment of scarcity the state lacks the coercive capacity to enforce broad-reaching taxation. Consequently, pseudo-voluntary compliance is possible only on a very limited scale given the persistent inability of the state to deliver neither credible threat of enforcement (Deléchat et al., 2015; Korte, 2013b; Prichard, 2010c; Radian, 1980b) nor public goods and services commensurate with taxes in the eyes of the population. The evidence from this research suggests that a third approach might exist. Poor states that struggle with their own legitimate claims to authority across the rural expanse and often cannot demonstrate effective territorial control in practice can call upon more legitimate centers of power active in the territory to command their subjects into compliance. In a poor autocracy, we thus find three potential approaches to achieve some level of tax compliance: 1) narrow and targeted bandit-esque coercive strategies, 2) narrow and limited degrees of quasi-voluntary compliance (most likely among larger formal firms which adhere to international accounting standards), and 3) symbiotic collaborations with more credible, legitimate centers of power. This third approach could be an arena for future research and be understood as building on the work of Boone (local power brokers), Boogaard and Prichard (informal taxation), Bodea and Lebas (looking at the role of club goods) and others (Bodea & Lebas, 2013; Boogaard & Prichard, 2016; Boone, 2003; Jibao et al., 2017; Joshi & Ayee, 2008; Mallett, 2017; Olken & Singhal, 2011; Prud'homme, 1992; Sánchez de la Sierra, 2017). It is important to recognize that legitimacy sometimes stems from the state's patronage of traditional and village-level authorities, rather than some historical legacy, in which case these "traditional" authorities become a much more "local eyes and ears of the state," a further reinforcement of the symbiotic relationship as discussed by Nieuwaal and others (Dijk & Nieuwaal, 1983; Gardini, 2012; Macé, 2004; Nieuwaal, 1981, 1996; Nugent, 2010, 47–48).

The coercive approach employed under the former revenue system that was housed in Togo's Ministry of Finance engendered a heavily frustrated, resistant population who generally conceived of the state's customs and tax agents as thieves. However, the reach of the system appears to have been even more limited than the new agency's "reach." From my understanding, the former agents focused on a more constricted base for coercive extraction, often largely focused on somewhat more lucrative sources of revenue (but still protective of political elites). The new approach appears to feature a widespread strategy of tapering back tangible demonstrations of coercion and building some level of a taxpayer culture. In essence, these agents appear to be making the case for quasi-voluntary compliance, with limited degrees of success; and in fragmented ways, but they also appear to be employing ad hoc strategies of engaging more legitimate traditional authorities to press the case for compliance on behalf of the state's agents. This type of relationship resonates with other recent research on collaborations with traditional authorities as well as other centers of authority, including trade unions and religious institutions (Joshi & Ayee, 2008; Mallett, 2017; Olken & Singhal, 2011; Prichard et al., 2018). The findings from this research suggest that this approach could be considered a third strategy available to achieve some level of tax compliance. In some arenas, it might possibly be the most revenue-efficient approach available to agents in a poor state.

The fact that we can recognize such significant shifts in approach in Togo—from highly coercive to making amends for coercive ways, and restricting corrupt, extortionary practices, all under the purview of an autocratic regime—suggests that we cannot make straightforward assumptions about the extractive approaches of autocratic regimes. These findings challenge the general assumptions made by Bates and others that taxing the rural economy is often a coercive affair (Bates, 1983; Guyer, 1992; Iversen et al., 2006; Schiff & Valdés, 1992). In addition, the combined elements of higher revenue pressure (in part, to pay the debts to development partners) and the political interests of major revenue contributors (i.e. development partners as a "constituency") both appear to have played some role in major, macro-level behavioral change.

In another sense, however, where Togo seemed to lack any similar fiscal restraint and discipline in terms of expenditures, one could also understand the creation of a semi-autonomous revenue agency as the regime's most productive way of generating revenue while resisting any transparent accountability in the use of those funds. Supporting this perspective is the sense gained in several interviews that, since the creation of the semi-autonomous revenue agency, the public treasury had become less transparent and dependable in its transfers of government revenues to the collectivities, regardless of the fiscal mandate designations of these revenues.

2.3.ii Strategic Action and Politically Inefficient Revenues in a Decentralized Democracy

In our low-income decentralized democracy of Benin, we saw both more passive but systematized approaches to revenue mobilization from the central revenue agency's deconcentrated agents outside the capital and more pragmatic, locally-driven dynamic strategies. This behavior should be attributed not only to the political institutional factors of regime type and degree of decentralized authority, but also to three other factors: 1) the longer period of time which this government has been involved in trying to tax its rural population, and 2) a revenue system which still falls within the Ministry of Finance (i.e. not autonomous), and 3) budget-balancing staff freezes and a lack of donor revenues financing revenue mobilization reforms.[492] From my slim empirical material, I gained several impressions.

First, the existence of local elections and uncertainty in central elections appeared to take the teeth out of revenue mobilization efforts. The relationship between revenue agents and citizens seemed to be more centered around negotiated payments (frequently involving bribes for lower rates of imposition). It also appeared to be less coercive and less corrupt than Togo's former system.

Where Togo's former system was characterized by the use of force in pressing compliance, in Benin's system wealthier compliant taxpayers reported repeated, lengthy audits (up to five per year) from revenue authorities who saw a lucrative opportunity and kept returning, hoping to convince the taxpayer to pay a bribe instead of simply submitting to yet another audit. It is possible that the regime types impacted these variations in the behavior of revenue actors,

[492] Following the ambitious roll-out of reform initiatives and some credible demonstrations of intention to achieve reforms under Benin's new President Patrice Talon, several revenue mobilization and tax reform development projects were signed at the end of 2017 and in early 2018 between the World Bank and Benin. These programs bookend our main period of analysis (2012–2017).

and there are several indications to suggest that Bénin's decentralized, democratic system weakened its ability to control and monitor its deconcentrated agents while also ensuring that local governments' efforts complied with principles of transparency and accountability. However, it would be imprudent to stretch conclusions beyond what I have empirical material to support or to exaggerate the differences in behavior between fairly corrupt (particularly customs) agents of Benin's current system and Togo's former system.

Second, where the central revenue agency had been engaged in revenue mobilization efforts involving informal economic actors and in the rural economy for some time, they appeared to have developed more systematized, pared-down and passive strategies. This frequently included annual census activities at the beginning of the year with agents contracted specifically for this short-term purpose. The few permanent revenue agents, lacking manpower to cover much of the territory, then played a more passive role throughout the year, sometimes waiting for taxpayers to come and make payment on the assessments conducted during the census earlier in the year or strategically targeting the more promising villages and economic actors in their region for collections. This resonates with Radian's research in developing countries, "Chapter 6: Waiting for the taxpayer to come and pay" (Radian, 1980a, Chapter 6). In his case study in Manila, tax agents had ceased proactive tax collection efforts, often recognizing that searching for taxpayers is an acknowledgement of unfinished businesses and seen as coercive. He estimated that those who were required to pay but did not come voluntarily stood between 40–60% of the tax base. Agents sat and waited for the compliant subset to arrive with declarations and payments.

In the decentralized democratic system of Bénin, then, there appeared to be slightly higher levels of quasi-voluntary compliance, which likely stemmed from several factors.[493] First, from my understanding, the length of time that the deconcentrated agents had been engaged in discovering taxpayers in rural areas was much greater than in Togo. But it also points to the potentially greater legitimacy of the more democratic regime. However, it also appears as though Bénin, rather than Togo, had a worse reputation with respect to corruption in recent years, which likely had a dampening effect on the legitimation of the regime and its revenue system.

The state's deconcentrated offices were also very short-staffed. The main tax bureau in Parakou, the largest city in northern Benin, featured one secretary and one regional manager housed in a humble building in the middle of

493 Interview 120: The Béninois central state's tax agent in a northern province estimated that 20–40% of liable taxpayers voluntarily came to make declarations and payments. Almost no one came in Togo.

the city (which stood in stark contrast to Togo's prominent, prestigious buildings, which held a prominent place in few main town centers and cities across Togo's countryside). Agents throughout Benin explained how annual staff hiring plans had been frozen for most of the past thirteen years; accordingly, the few remaining agents were attempting to carry out the work of many.[494] This resonates with the findings in Gallagher regarding staff-to-taxpayer ratios on the African continent, which we predicted to have a strategic element (Bird & Zolt, 2004; Gallagher, 2004, p. 15, 2009). Budget freezes provide some suggestion of strategic motivation in terms of macro-level resource rationalization. However, donor conditionalities also appear to have been influential in these decisions.[495]

In addition, the sparse, deconcentrated revenue agents explained that one of their primary roles was to assist local governments in local revenue production-sharing, and each of these arrangements elicited negotiated revenue cost-sharing arrangements. There were institutionalized semi-standard allotments (frequently 20% of revenues mobilized by the co-teams of central and local agents) given to the central agency's bureau to finance their share of the revenue mobilization efforts. As I calculated in Chapter VIII,[496] the local revenue actors' staff dedicated to revenue mobilization efforts consumed roughly 25–50% of the revenues mobilized, suggesting that the full cost of staffing alone for revenue mobilization in rural areas consumed upwards of 45%, and depending on returns, sometimes more than 70% of revenues mobilized by the local–central collaborations. In these arrangements, we find some interesting illustrations of our theoretical propositions regarding a loss of power by the central state in the act of decentralizing authority and autonomy to municipalities. As mentioned above, the central revenue system's mid-level managers who were assigned to regional posts negotiated revenue-sharing contracts with local governments. Each of these contributions to the state's agents were established town by town, with a de facto institutionalized rate of a 20% revenue share given to the state's agents. The fact that these revenue shares were not specified within the fiscal mandate and were negotiated signals that the local authorities, given decentralized authority and autonomy, could now operate somewhat independently of the state and, accordingly, where the state was at a loss to monitor, control, or ensure with central regulations, was somewhat at the mercy of local governments—in a sense left to asking for a fair share of revenue yields (albeit ostensibly to cover their own costs involved in

494 E.g., interview 120.
495 Ibid.
496 See Annex 4.2.ii.

the efforts). From this empirical material, then, we find some qualified support for the theoretical claim that decentralizing authority in a poor state does not simply imply the devolvement of power, but rather a loss of power and revenues for the state in the process. This perspective can be understood as complementary to Boone's (2003, p. 29) work examining spatial variation in rulers' institutional strategies, in discussing who wields power (rural elites under devolved authority or state agents under centralized authority) within a given configuration of state apparatus (deconcentrated or concentrated). Within this configuration, local government bureaus in the decentralized, democratic state (Benin) appeared to be more pragmatic and creative than their central state counterparts (who played a more passive supporting role) in developing dynamic strategies to mobilize some revenue in the most efficient ways. Some form of checkpoint levies was generally the centerpiece of these strategies.

Thus, in the case of our decentralized democracy, we find several tendencies. First, the higher degree of decentralized authority within a poor state represents a potential loss of the central state's power to monitor, control, or ensure the compliance of local government with central government regulation of revenue production. This provides some cautious substantiation for this theoretical proposition related to the political institutional factor of degree of decentralized authority. Local governments in this system also appear to be more freely resourceful (than the centrally appointed local government officials in Togo) in developing strategic adaptions developed around the most lucrative (legal and illegal) sources of revenue. Many of these strategies had no basis in any formal fiscal mandate, either from the central or local government. Secondly, we find more passive acceptance of the revenue agency's resource limitations and strategies designed to mobilize some revenues under this structure, while maintaining at least a minimal "profit" margin on the efforts by drastically limiting staffing. Whether there was any explicit or strategic intention of aligning staffing specifically to revenue profitability is not known. More research is needed to understand the strategic behavior of local and central agents within a decentralized, democratic poor state compared to the strategies of revenue mobilization designed by agents operating within centralized, autocratic regimes.

2.4 Strategic Treatment of Inefficient Revenues (on Both Dimensions)

The investigation of revenue actors' strategic treatment of revenue inefficient sources uncovered a number of surprising findings. In the cases presented in this research, there were tendencies suggesting that when external financing was present, states would invest resources in revenue production, even when they “produced” these revenues at a high cost. Two related motivations were identified. These include a motivation related to the interests of the most important revenue contributors and a motive of investing in future returns.

First, poor states seem to carry out resource-intensive revenue production when this effort matters to more important revenue contributors (and particularly when they subsidize the efforts). These include both donors and the largest domestic taxpayers in a society. Theoretically, the interests of these groups were understood as potential sources of inefficiency—presenting political conflicts of interest in the revenue agency’s efforts. However, the research suggests that both groups can become an impetus, a positive contravening force pressing for revenue agents to pursue revenue-inefficient sources. Revenue agencies in the poorest states sometimes engage in inefficient revenue mobilization in the interest of making the system appear fairer or acceptable to its breadwinners and ensuring their continued patronage. Focusing for a moment on large, domestic taxpayers, we find that this perspective resonates with the arguments of D’Arcy, Moore and others (Ali et al., 2013; Bodea & Lebas, 2013; D’Arcy, 2011; S. Jibao et al., 2017, p. 189; Moore, 2007; World Bank, 1988, p. 85). D’Arcy (2011, p. 8), for example, argued that a government’s demonstrated ability to ensure fair enforcement among other groups in society positively reinforces a taxpayer’s perception of the state’s legitimacy. Moore (2007, p. 30) suggested that the fairer the system, the greater the latitude given to the revenue agency to employ strong modes of enforcement. From this we could expect that a revenue agency might make gains in the political efficiency of taxing the largest firms if they demonstrated equitable efforts to reinforce the fiscal mandate among smaller taxpayers. However, while a very restricted group of large taxpayers contribute 70–85% of the state’s revenue in most low-income states, including Togo and Benin (AfDB, 2011, p. 218; Fjeldstad, 2013, p. 10; Fjeldstad & Moore, 2007, p. 15; Kangave & Katusiimeh, 2015, p. 2; M. Moore, 2013a, p. 29, Footnote 52; Piccolino, 2015a, p. 571), discussions of the large taxpayer’s perceptions of the fairness of the revenue system, in particular, are largely absent from the literature on compliance and legitimacy of taxation (Aiko & Logan, 2014; Ali et al., 2013; Bodea & Lebas, 2013; Bratton, 2012; O.-H. Fjeldstad & Heggstad, 2012; Keen et al., 2015; Torgler & Schneider, 2007). The findings from this research suggest that revenue agencies are concerned with legitimizing their efforts among the largest taxpayers. This may occasionally involve taxing less revenue-important (and revenue-inefficient) groups, in part to ingratiate themselves to their biggest taxpayers. This is an avenue for future research.

These strategic actions can be perceived as one-sided revenue-bargaining overtures (explicit or implicit) (Kjær, 2015b; M. Moore, 2004) to donors and large domestic taxpayers. This behavior (of imposing taxes on revenue inefficient sources, as a signal to larger revenue contributors) in a poor state might be more likely to occur if there are unearned incomes available to underwrite the efforts. I turn now to the second group of major revenue contributors: development partners. When a donor conditions financial and technical support on shifting revenue mobilization towards ill-fitted instruments (possibly those recommended by development economics or optimal tax theories), poor states may engage in inefficient revenue production. In this circumstance, they would be motivated as much by securing revenue from the donor to ensure their continued patronage as from the revenue they might generate from inefficient sources. This behavior is most relevant to inefficient attempts at broadening tax bases among informal and rural economic actors as well as shifting emphasis towards inefficient land and property tax bases. In summary, Moore's "unearned incomes" (i.e. aid, Moore, 2004) appear to be an important impetus for state-building within the poorest states, which do not yet have the resources to justify investments in these activities. They also speak to the unsustainability of these efforts where legibility creation is characterized by impermanence. I turn to these phenomena now.

2.4.i The Impermanence of Donor-Supported Legibility-Creation Strategies (State-Building)

Here we find another tendency in a poor state's revenue mobilization strategies: the impermanence of state-building financed by external partners. In a poor state, a substantial aspect of the revenue agent's work is legibility-creation: discovering, registering, recording, reporting, and imposing taxes on economic activity (Peters, 1979; Piccolino, 2015b; Scott, 1998). Many major initiatives designed to enhance the legibility of tax bases, such as a fiscal census or cadastral projects, are financed by development partners. This was true in Togo and Bénin, as it is across the developing world.

However, where informality and the state's poverty persists, state-building activities are often characterized by impermanence. This is true for two reasons. Quasi-voluntary compliance is predicated on the state's ability to provide reward and punishment; that is, provision of public goods and services on one hand and credible threat of enforcement on the other. In the environment of scarcity, the state is frequently at a loss to credibly demonstrate either quality. As a consequence, it is continually undermining compliance and its own legitimacy in the process (Ali et al., 2013; S. S. Jibao & Prichard, 2015; Kjær, 2009a; Levi, 1988; Radian, 1980b; Torgler & Schneider, 2007). Informality is partly a product of this reality. Even where the state's agents invest in discovering and training taxpayers, they remain at a loss to ensure continued compliance due to the simple cost–benefit calculations made by economic actors in this type of environment. This point has been well established in the literature (Benhassine et al., 2018; D. Bräutigam et al., 2008; Levi, 1981; Ross, 2004).

The second element is less appreciated. Where informality persists, due to the calculations made by potential taxpayers and due to fiscal illiteracy, revenue agents' efforts at identifying, registering, recording, and tracking taxpayers (making them legible) are often short-lived. Informal economic activity, being informal, is often characterized by impermanence of place, of business identification information, and shifts in the nature of the economic activity. Thus, where external (donor) revenues are necessary to finance these unprofitable state-building efforts (which a poor state might otherwise find to be a financially prohibitive use of public resources), the outcomes can be ephemeral. When donor revenues are no longer available to continue the financing of expensive iterations of re-discovery and re-registry (e.g. census and cadastre projects), the poor states' agents will often be forced to revert to more efficient revenue mobilization strategies. This resonates with the patterns we see in multi-million dollar cadastre projects adopted across the developing world, which have often proved unsustainable, rapidly becoming outdated and too costly to update, and as a consequence are frequently abandoned in developing countries (Riel; Franzsen & McCluskey, 2005; Riël Franzsen & McCluskey, 2017; UN-HABITAT, 2015).[497]

Here, we find a different trajectory and pattern than we saw in European state-building historical accounts, where there were no international donors to subsidize and stimulate the effort (Ardant, 1975; D. A. Bräutigam et al., 2008; M. Moore, 2004; J. Schumpeter, 1954; Tilly, 1975). Among the modern world's poorest states, without external revenue sources to finance major legibility-creation projects, we would likely see revenue systems and agents developing strategies to broaden tax bases only as doing so became a profitable enterprise. That is, we would find increasing efforts of legibility creation when states reached higher per capita income levels, leading to higher revenue potential among rural and informal economic actors (as well as higher education levels, which would naturally improve the legibility of most economic activities). State-building in Europe evolved over several centuries and continues

[497] This pattern was also visible in the experience of eastern European states, which had been the focus of many private property registry reforms and cadastre projects in the post-communist era, many of whom reverted to much simpler area-based valuation systems which made much more efficient use of public resources. Author observations from a property tax workshop in Ljubljana, Slovenia, led by the Lincoln Land Institute in 2014.

into modern times. This leads to the second motivation: investment in future returns.

2.4.ii Recruiting Taxpayers—A Political and Administrative Investment in Future Returns

We find revenue actors at the higher echelons of revenue systems proactively investing resources in highly inefficient sources of revenue[498] in the interest of future returns. Inefficient revenue production, particularly as it relates to the direct taxation of informal economic activity in rural and urban areas, centers on the discovery and documentation of economic activity where illegibility dominates and the state suffers from information scarcity; but it is also a teaching effort. As Levi and others have theorized, social norms impact quasi-voluntary compliance (Ali et al., 2013; Joshi et al., 2014; Levi, 1988; OECD/FIIAPP, 2015; Wilson Prichard & Boogaard, 2017; Torgler & Schneider, 2007). While the direct taxation of these actors may not generate immediate revenues, taxpaying habits are sometimes trained and developed to shift social norms and to raise the possibility of taxpayer compliance at a future point, when some portion of these taxpayers have something of substance to contribute to the coffers. This resonates with the findings of Joshi et al. (2014). But states seem more apt to make these extensive and costly investments in the discovery and training of inhabitants to be taxpayers—state-building activities—when there are "unearned incomes" from donors to finance the effort. In Togo, the entire regional departments dedicated to revenue mobilization throughout rural Togo had a mandate of taxpayer discovery and grooming, not a revenue mandate. I estimated that they accepted very high revenue production costs (on the order of 14-37% of revenues mobilized in rural areas) in the interest of cultivating future taxpayers who might make real contributions to the state—improving both the political and administrative efficiency of future returns.

We find several other tendencies related to the strategic treatment of revenue-inefficient sources. In a variety of contexts, where donors were not directly involved or where their priorities created more problems than solutions for revenue actors, strategies tended to center more around ring-fencing and restricting inefficient tax bases to a known, compliant subset. These practices can be understood as the practical means of capturing the efficient portion of a revenue base or dynamically improving the efficiency of securing some revenue from an existing source. I discuss each in turn.

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[498] E.g. direct taxation of informal economic activity in rural and urban areas.

2.4.iii Ring-fencing

In the poorest states, there appears to be a tendency to employ ring-fencing strategies to "capture" revenue. Revenue agents find the means to restrict, enclose, and route the activities through channels that can be controlled. Where poor states face traceless, illegible sources of revenue—scarcity of information about the economic activity occurring within and across its borders—they typically resort to ring-fencing the economic activity. Ring-fencing is a dynamic strategy to improve the efficiency of capturing some portion of a (generally informal or tax-evasive) economic activity. One can find such strategic efforts in many circumstances and at many levels of the revenue system hierarchy. The most commonly recognized is the effort to "capture" a portion of transactions and trade as it passes through major border crossings and ports via customs and import duties, the VAT, and other trade taxes. The literature is already well aware of the attractiveness of trade revenues to developing countries regardless of enormous efforts to wean states off the practice (Bastiaens & Rudra, 2016; Baunsgaard & Keen, 2005; Burgess & Stern, 1993; Chowdhury, 1993; Ebrill et al., 1999; Emran & Stiglitz, 2005; Keen, 2008; Moore, 2013a; Mourmouras, 1991; Yang & Zhu, 2013). Trade taxes persist because they are one of the most administratively simple ways of generating revenue for the state. However, even trade taxes are vulnerable to limited administrative capacity. The Béninois state, unable to control transit trade crossing its long, narrow, porous borders (due both to the state's decentralized administrative structure, scarce manpower, and weak ability to monitor and control agents at border posts beyond Cotonou), attempted to close land borders to interregional land trade and route all imports and exports through the port. This strategy failed, but it was a desperate and clear attempt to ring-fence the entire country.

Ring-fencing does not occur only at national boundaries. It also occurs within poor states, taking on a "village exports" type of phenomenon, as in the case of checkpoint levies. These village exports emulate practices comparable to medieval Europe (D. Friedman, 1977; Mann, 1986), which featured similar population density characteristics[499] and, likely as well, similar features of administrative capacity and the political legitimacy of many medieval kingdoms' rulers throughout rural expanses of unconsolidated territory.

What does this suggest for revenue-efficient models of taxation for a poor state? We can likely expect to find continued reliance on both the physical and virtual ring-fencing of economic activities in poor states while states continue

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[499] See comparisons of population density in most of rural sub-Saharan Africa with rural European regions in the 1200–1500s: http://geoservice.pbl.nl/website/flexviewer/index.html?config=cfg/PBL_HYDE.xml

to suffer from a lack of coercive and monitoring capacities. We are also likely to continue to see a preference for these approaches to revenue mobilization in poor states, vis-à-vis more direct forms of taxation that are advocated by development economics and serve as the centerpieces of fiscal-contract and state-building theories.

2.4.iv Not only Taxpayer Segmentation (as per Optimal Tax Models) but Tax Regime Privilege

A second common tendency we find is the proactive efforts of revenue actors to restrict access (i.e. to particular tax regimes and participation in lucrative economic activities) to subset of economic actors who are voluntarily compliant with tax obligations.

In Chapter II, we identified the recommendations stemming from optimal tax theories for the segmentation of taxpayers into semi-homogenous groups (M. Keen, 2013; M. Keen et al., 2015; Kopczuk, 2001). Taxpayer segmentation allows a revenue agency to design relevant tax regimes and tax rate structures for specific, semi-homogenous groups of economic actors. We find that both of these countries, like many across the developing world (AfDB, 2011; Ebeke et al., 2016; Fjeldstad & Moore, 2007; Fossat & Bua, 2013; Junquera-Varela et al., 2017), have widely and fairly successfully adopted these recommendations, grouping taxpayers into three main groups: lower, middle, and high-income earners. The middle-income taxpayer department straddles a cross-section of informal and formal economic actors, while the lower income tax group is largely comprised of informal economic actors, and the highest income group is split between voluntarily compliant formal firms and firms that make great effort to evade tax compliance.

It is in this latter group, in the treatment of the largest taxpayers, that we discover another type of strategy: tax regime exclusivity and privileged participation in certain economic activities. In both countries, but particularly in Benin, we see a proactive, strategic effort to isolate the compliant sub-set of formal firms. For those who have proven their willingness and credibly demonstrate quasi-voluntary compliance with the revenue authorities, they are granted the privilege of being admitted into the exclusive VAT credit system. The VAT system is administratively resource-intense and requires extensive reporting and the monthly tracking of firm inputs and outputs. Where firms are not compliant but continue to request credits for VAT taxes paid on inputs, the revenue authorities have found this exercise to be unprofitable and highly revenue-inefficient. Conversely, where firms employ international standards of accounting and practice consistent reporting and compliance with the VAT regulations, VAT revenues from large firms present one of the most revenue efficient sources of revenue. In response to this split in the behavior of large firms, revenue authorities make attractive tax regimes such as the VAT system exclusive and place the onus on firms to demonstrate their willingness to play nicely before they are admitted. Thus, we find that the breadwinner of these economies, the VAT, is not a universally applied uniform commodity tax, as modeled in optimal tax theories, but rather mirroring the personal income tax base: a very narrow base of economic actors and, moreover, a proactively constricted tax base. We also find the motivations behind this de facto design of the VAT instrument, which can contribute to our understanding of how the VAT functions in a low-income state and why narrow bases of its extraction persist.

Similar strategies of exclusivity and restriction are developed in relation to importers and exporters. In order to participate in trade, the Béninois and Togolese revenue authorities require firms to provide proof of tax compliance so that the revenue authorities can track and secure revenue from their domestic (i.e. within-country) economic activities as well as their import and export operations. This was also relevant to the cases of luring taxpayers out of the black market with red tape and privileging tax identification numbers. In summary, in poor states we find strategies not only of employing optimal tax models' taxpayer segmentation but also of instigating tax regime privilege and exclusivity, which was neither forecast nor discussed in any our relevant bodies of literature. Exclusivity in tax regime privileges is also likely to have an impact on the political perceptions of taxpayers, in their views on their own relationship with the state. In particular, such exclusive revenue instruments are likely to have an impact on revenue bargaining and the fiscal contract in a society. This is another potential avenue for future research.

Section 3 Contributions to the Literature

3.1 Re-Examining Theories of Optimal Taxation for the Poorest States

What can this research contribute to the literature on the application of optimal tax theories in developing countries? Central to optimal tax theories is understanding how tax instruments can be optimized to improve social welfare and limit productivity distortions in the economy. In environments of scarcity, I find substantial evidence to suggest that economic priorities take a backseat to the more immediate concerns of public resource limitations. While the strategic units of the Togolese revenue authority carried out optimization studies on the economic impacts of their formal tax models, implementing agents throughout the agency were constantly adjusting these formal instruments (e.g. non-enforcement, partial enforcement, enforcement beyond the parameters of the legal mandate) to navigate around political and administrative inefficiencies. The same could generally be said for Bénin. Where administrative capacity is highly constrained and the state's political capital and weak legitimacy of rights to tax must be dealt out sparingly, the state's implementing bodies become pragmatic, rational actors that must concern themselves not simply with how to implement the fiscal code, but which parts of and how extensively to enforce the fiscal code on which portions of the formal tax base. This limits the relevance of the optimal tax models that generally take the implementation of the fiscal instruments for granted. In this context, economic objectives appear to be relegated to second-place in the order of priorities.

Moreover, the optimal tax models make broad sweeping assumptions about the costless administration of revenue instruments and implementation feasibility. To develop context-relevant models for the poorest states, optimal tax models would need to introduce a first-order constraint of revenue efficiency. These cost factors can, in some cases, potentially render tax models unproductive, where the costs of the mobilization of the most inefficient instruments might not only not be costless, they might actually consume upwards of 50% or more of revenue yields.

Secondly, given these characteristics, introducing relevant characteristics of the tax bases in the least developed economies into the models would provide an opportunity to re-examine optimized taxation. These general features include the dominance of informal economic activity, a restricted base of formal, large firms; the relatively large contributions of the public sector—both in terms of parastatal firms and civil servants who comprise a majority of the formal, salaried workforce in these countries. Some work has begun on this front (Dharmapala et al., 2008; Huang & Rios, 2016; Keen, 2008; Keen et al., 2015; Lucas & Stokey, 1983).

What, then, might we consider as the main bones of a revenue efficient model of taxation for a poor state? As this research was qualitative and partly exploratory in nature, rather than exhaustive in approach, the suggestions presented below are only basic, un-nuanced elements inferred from the findings.

First, the findings of this research reinforce the general understanding of the personal income tax instrument as presented in the literature on taxation in developing countries (e.g., see Bird & Zolt, 2004; O.-H. Fjeldstad, 2013; Gordon & Li, 2009). Namely, the personal income tax base in the poorest states is very narrow, imposed largely on a base of medium and large firms as well as the government's own civil servants. Extension of the instrument into the informal economy (which often dominates economic activity beyond the public sector) is generally revenue-inefficient. Consequently, relevant optimal tax modeling which factors revenue efficiency into the model should structure the personal income tax instrument based on a narrow band of higher, formal income earners. This revised tax base should then be taken into account in considering the potential social welfare impacts that personal income taxes can achieve. While the fact of a narrow tax base is already well-understood among practitioners, this research supports the notion that efforts to broaden this tax base substantially will likely be a revenue-inefficient endeavor.

Second, together with other literature on VAT reforms on the African continent, this research suggests that the VAT tax, in the low-income state context, features a narrower base and has frequently been manipulated so extensively that in many of the poorest states it resembles a narrow excise tax on specific imports and commodities (frequently excluding basic foodstuffs and other essential consumer goods). It appears to be revenue-efficient often only when imposed on the compliant sub-set of medium and large formal firms, given the complexity of accounting related to this tax. Some low-income countries, as we see from the literature on Anglophone countries such as Tanzania, are making considerable attempts to impose the VAT across all sectors of the economy (Cnossen, 2014; O. Fjeldstad et al., 2015; Piggott & Whalley, 2001; PWC, 2014). However, this literature also suggests that the efforts to ensure compliance among informal actors in particular has not proven very effective in practice. Accordingly, in a low-income state, the VAT tax should not be treated as a uniform commodity tax in optimal tax modeling for poor state contexts. Instead, the VAT often assumes the form of a dual tax: an import tariff on goods sold in the informal economy and an excise tax on semi-luxury goods, as suggested by Keen (M. Keen, 2008). The implications for what can be achieved, economically speaking, with this instrument need to be reassessed in light of the actual application and base of the VAT tax.

Third, statutory corporate income tax rates remain high and the tax base remains narrow in most low-income states. However, this research cautiously suggests that these high rates represent an upper boundary for negotiated lower effective rates in the advent of political and economic instability. Accordingly, the high corporate income tax rate should be understood more in terms of a bargaining instrument than a less-than-optimal tax rate. Secondly, governments wield a variety of tax instruments to secure revenues from large firms, and it appears as though the corporate tax rate often serves as a concession, where other regulatory fees, VAT and excise taxes, and personal income taxes imposed on their salaried employees continue to generate revenue for the state. Optimal tax models would be better fitted to the poor-state context by modeling corporate income tax rates based on the average effective rates rather than statutory rates. Moreover, the most revenue efficient portion of corporate income taxes might be extracted from alternative minimum tax instruments rather than traditional corporate income taxes, as we discussed in the final case study chapter. Alternative minimum taxes potentially offer revenue agencies in poor states an efficient avenue to navigate around the politically and administratively complicated challenges of base erosion and profit shifting. More research is needed to model the optimal use of alternative minimum taxes in this environment.

Fourth, the most revenue-efficient approaches to taxing rural economic activity are commonly checkpoint levies, which provide some level of income for local governments and allow for a feasible financing structure for decentralized and semi-autonomous local governments.

Fifth, rental income taxes in urban and semi-urban areas may present greater political and administrative efficiencies than property-based taxes, as they are based on an income stream rather than the underlying but often unrealized or illiquid wealth creation of a property itself. Indeed, numerous studies suggest that many property taxes across the developing world are essentially structured as rental income taxes, and while not emphasized, rental income taxes commonly appear in studies on the tax systems of developing countries (AfDB, 2011; Duanjie & Ritva, 1999, p. 7; Englebert, 2002, p. 352; O.-H. Fjeldstad et al., 2014; Kangave, 2016, p. 13; Kangave & Katusiimeh, 2015, p. 21; Mansour & Rota-Graziosi, 2013, p. 20; Oates, 2005; Paler et al., 2017; Prichard et al., 2010). Rental income taxes could also allow a complete avoidance of the politically complicated nature of land ownership and security in many of these states. The one area of exception is property taxes for population-dense business districts in economic hubs. Businesses in these districts would likely expect high levels of public service and goods provision, generally operate as formal firms with international-accounting based operations, and generate income from their activities from which they are much more willing and likely to pay for property taxes without resistance.

Sixth, a simple presumptive tax on small to medium-sized (not micro) informal operators in urban districts, while still likely to be partially inefficient on both dimensions, should provide an avenue for investing in future returns and building fiscal literacy and a taxpaying culture into growing businesses operators, shifting social norms. This suggestion is not new, as there is a growing literature addressing the use of presumptive taxes in developing countries, particularly regarding the taxation of informal economic activity (Bird, 2003; Bird & Wallace, 2004; Joshi et al., 2014; Thuronyi & Thuronyi, 1996; Wallace et al., 2004).

Seven, some instrument is likely necessary to replace the efficient revenue stabilizer of seigniorage. More research is needed to assess the impacts of prefinancing strategies and indirect deficit financing by manipulating interests rates between government bonds and loans from the central banks of regional monetary unions (the IMF has presented some analysis of the debt-effects of the pre-financing instrument which had been employed in Togo until very recently; see IMF, 2015, p. 8, 2018a, p. 3, 2018b).

Eight, imported essential commodity tax thresholds (on basic foodstuffs, fuel, etc. on which the most vulnerable members of a society depend) represent a highly efficient ultra "direct" form of subsidizing daily consumption needs for those below or in the risk zone for poverty. This treatment of tax exemptions is debated and contended by development partners, the IMF in particular (Ballong, 2010; Coady et al., 2010; Finon, 2016; IMF, 2016; Oumarou, 2018). However, it appears to be a useful revenue-efficient "subsidy" mechanism in the financial reporting of these imported petrol tax exemption threshold policies in the poorest states. More research investigating this debate and modeling "efficient subsidization" through this lens could be fruitful.

Finally, and unsurprisingly, trade and transit revenues remain an important, revenue-efficient source of income for the poorest states. Incorporating the revenue-efficient first-order constraint into models of taxation in the poorest states might lead to more fruitful analysis of the optimal use of these instruments in this context.

3.2 Nuancing Development Economic and State-Building Perspectives

According to development economics perspectives, the poorest states have become fairly attentive students of the value-added tax, succeeding in wielding this instrument to raise substantial revenues in a more economically efficient manner. These states also continue, however, to demonstrate less constructive practices, according to development economists. These practices include the persistently narrow personal income tax base and weak use of property tax instruments as well as an assortment of ill-advised behaviors, including inefficient bureaucratic processes, tenacious tentacles of corruption, the high prevalence of tax exemptions, and patterns of isomorphic mimicry and stunted tax reforms.

For each of these elements, I discuss relevant findings from this research, taking the perspective of the actors in an effort to gain insights on the persistence of these practices. For personal income taxes, as already addressed above, I present only brief additional points that speak to the state-building literature. For strategies related to specific tax instruments, motivated by revenue efficiency, see the first column of Table 11 below. I address the first two specific tax-relevant elements in this section before examining what the findings possibly suggest about the ostensibly dysfunctional practices that persist in the tax systems in these states.

State-building and taxation theorists suggest that a wide variety of positive state–society externalities can be gained from broadening direct taxation across developing countries. These positive outcomes include the emergence of stronger fiscal contracts, improved accountability, and democratic governance. However, the expected outcomes of more direct forms of taxation are not in themselves a motivation for revenue actors to employ direct forms of taxation. This is where the strength lay in this research design; in working to uncover the motivating factors behind (negative or positive) patterns found in the strategies of revenue mobilization in poor states.

Continuing to press poor states on this front (broadening direct taxation among small, informal actors) may suggest that continued subsidization by the development community in the medium term may also be necessary in some contexts, to sustain revenue inefficient taxation. This reality suggests that there may be more constructive and pragmatic approaches to achieving the same ends. It also suggests that the development community must be clear about the motivations behind these recommendations. If the motivation is the sustainable domestic financing of a state's own development, then more pragmatic approaches would likely center on strategies of ring-fencing and checkpoint levies than direct taxation. If the motivation is enhancing democratic institutions of accountability between state and society, then this objective must be qualified on the recognition of the revenue implications and the likely continued financial support needed to sustain these efforts.

Secondly, where development economics has consistently pressed for the expanded use of and reliance on property and land-related taxation instruments (Bates & Lien, 1985; Bird, 2003b; Bird & Slack, 2006; Cottarelli, 2011; O.-H. Fjeldstad & Heggstad, 2012a; Mikesell, 2003; Oates, 2005; de Soto, 2000), this research suggests that these taxes are likely to remain politically inefficient among most inhabitants in the poorest states. This is premised on two elements. First, the persistent, weak legitimacy of the state's rights to claim these taxes stems from a poor state's weak ability to deliver the public goods and services needed by its population. In areas where it succeeds to a greater degree, we should expect to see greater acceptance of these impositions. However, where social and institutionalized norms weaken the states' prerogatives with regards to persons, property, and land, the political inefficiencies of imposing these taxes may persist despite public goods and service provisions. It will be left to these states to articulate the changing sociopolitical landscape as their demonstrated "state-ness" grows. Large firms, commonly positioned in the most population-dense urban zones and highly dependent on the state's provision of basic services (i.e. roads, ports, water, electricity, internet, and telecom service connections) and accordingly more accepting of the need to pay property taxes, are likely to be the exception to this rule. Moreover, as discussed above, the degree of impermanence of donor-financed state-building and legibility creation projects (e.g. cadastres, addressing, and fiscal census initiatives) will impact the endurance of a poor state's adoption of modernized tax systems. Where poor states must invest substantially in maintaining these initiatives and lack external funding in the long term to support the effort, we can expect to see reversion to partial imposition or the neglect of the tax bases in question as the effort becomes increasingly revenue-inefficient.

3.2.i Ostensibly Irrational Behavior, Discretion and Dysfunction … as Seen through the Lens of Revenue Actors in a Poor State

I have argued that scarcity creates a sense of urgency, pressing poor states and their revenue actors into ostensibly irrational behavior. In the first chapters, we discussed issues that have been raised by the development community and researchers examining fiscal systems in developing countries. These include bureaucratic inefficiencies and ostensible dysfunction (Börzel & Risse, 2016; Collier, 2006; O. Fjeldstad et al., 2016; O.-H. Fjeldstad, 2013; Joshi et al., 2013; Levy & Fukuyama, 2010; Mallett, 2017; Sandbrook & Oelbaum, 1997; Woolcock et al., 2010), stunted tax reforms (Andrews, 2013b, 2013a; Authors, 2016; Fjeldstad & Moore, 2009; Jacques et al., 2016; S. S. Jibao & Prichard, 2015; Ramphul & Nowbutsing, 2009; Therkildsen, 2000; von Haldenwang et al., 2014b), weak enforcement, and the persistence of corruption (Afonso et al., 2005; Bird & Martinez-Vazquez, 2008; Bird & Zolt, 2004; Burgess & Stern, 1993a; Cottarelli, 2011; Martin-Vazquez & Alm, 2003; OECD, 2014; Slack & Bird, 2014; Tanzi, 2017; Wai, 1962; World Bank, 1979). There also appears to be a pattern of corruption-lessening in the advent of creating a semi-autonomous revenue agency, only to find corrupt practices re-emerging within a couple of years (Fjeldstad, 2003; M. Moore, 2013a).

In this section, we examine what our case studies have illuminated about these ostensibly irrational patterns of behavior and dysfunction in the revenue systems of poor states. In Table 11 below, I present four major categories. Each relates to a negative pattern identified by development economists in the revenue systems of poor states. These include: 1) dependence on less-than-optimally structured revenue instruments; 2) corruption-illicit-legally questionable actions; 3) tedious bureaucratic processes and wasteful, weak administration; and 4) stunted tax reforms and "isomorphic mimicry."

Table 11. Reinterpreting less-than-optimal approaches to taxation in the poorest states through the lens of revenue efficiency

	Outcomes motivated by revenue (in)efficiencies			
Revenue-efficiency scenario	Dependence on less-than-optimally structured revenue instruments (column A)	Corruption-illicit-legally questionable actions (column B)	Tedious bureaucratic processes and wasteful, weak administration (column C)	Stunted tax reforms and "isomorphic mimicry" (column D)
Efficient revenues (row A)	• High statutory rates set as upper margin, allowing revenue actors to secure as much as efficiently possible up to the point of resistance	• Over-taxation beyond fiscal mandate, ad hoc and illicit taxes, plundering (particularly when revenue pressure is higher) • Institutionalizing informal/illegal taxes on illegal/illicit activities (particularly high-yield)	• High statutory rates set as upper margin, allowing revenue actors to secure as much as efficiently possible up to the point of resistance	• Resumption of high statutory rates on corporate income taxes
Politically inefficient revenues (row B)	• Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies • Restricting and establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set*	• (Stemming from formal conflict of interest with rev. mobilization effort) Divergence in articulation of strategies and implementation controls in practice • Political or revenue mobilization support for wider effort, in exchange for *de facto* exemptions and leniency • Under or non-imposition of formal fiscal mandate • Creating informal networks of informants	• Administrative "traps" and bureaucratic red tape created in the interest of *coaxing informal actors into the tax net* • Non-digitized management of taxpayers and declarations due to taxpayer illiteracy, and scarcity of electricity, computers, internet access, and internal networks • Restricting and establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set*	• (Stemming from formal conflict of interest with rev. mobilization effort) Divergence in articulation of strategies and implementation controls in practice • Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies

Adminis-tratively inefficient revenues (row C)	• Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies • Formally (or informally) adapting fiscal code to capture some portion of revenue in more efficient manner • Restricting & establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set*	• (Street-level and field managers) Institution of illicit/non-formal taxes to finance administrative gaps • Informally adapting fiscal code to capture some portion of revenue in more efficient manner • Under or non-imposition of formal fiscal mandate • Illegally filling out taxpayer declarations • Creating informal networks of informants	• Administrative "traps" and bureaucratic red tape created in the interest of *identifying and making taxable activity legible* • Restricting and establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set;* Constricting and routing economic activity through a few access points which can be managed • Non-digitized management of taxpayers and declarations due to taxpayer illiteracy, and scarcity of electricity, computers, internet access, and internal networks	• (Stemming from formal conflict of interest with rev. mobilization effort) Divergence in articulation of strategies and implementation controls in practice • Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies
	Outcomes motivated by revenue (in)efficiencies *(continued)*			
Revenue-efficiency scenario	Dependence on less-than-optimally structured revenue instruments (A)	Corruption-illicit-legally questionable actions (B)	Tedious bureaucratic processes and wasteful, weak administration (C)	Stunted tax reforms and "isomorphic mimicry" (D)
Inefficient revenues (row D)	• Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies • Limiting and rationalization of resources—staff, administrative capacity, infrastructure *vis-à-vis revenue potential, where efforts are highly inefficient*. In effect, creating scenarios of understaffed, under-resourced units	• Under or non-imposition of formal fiscal mandate • Creating informal networks of informants • Illegally filling out taxpayer declarations • Institutionalizing informal/illegal taxes on illegal/illicit activities (particularly high-yield)	• Administrative "traps" and bureaucratic red tape created in the interest of *identifying and making taxable activity legible* and *coaxing informal actors into the tax net* • Restricting and establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set* • Non-digitized management of taxpayers and declarations due to taxpayer illiteracy, and scarcity of electricity, computers, internet access, and internal networks	• (Stemming from formal conflict of interest with rev. mobilization effort) Divergence in articulation of strategies and implementation controls in practice • Short-term alignment with international best practice to ensure political support before diverting to more efficient strategies

	• Considering exemptions as a shortcut to taxation and redistribution (i.e. subsidies), counting as source of revenue • Restricting and establishing exclusivity in privileges of tax regime eligibility to *compliant sub-set* • Creation of checkpoint levies to capture economic activities (legal and illegal) in transit, intra- *and* internationally		• Limiting and rationalization of resources—staff, administrative capacity, infrastructure *vis-à-vis revenue potential, where efforts are highly inefficient*. In effect, creating scenarios of understaffed, under-resourced units • Creation of checkpoint levies to capture economic activities (legal and illegal) in transit, intra- and internationally	• Limiting and rationalization of resources—staff, administrative capacity, infrastructure *vis-à-vis revenue potential, where efforts are highly inefficient*. In effect, creating scenarios of understaffed, under-resourced units

For each, I have listed strategic actions developed by revenue actors that are motivated either by navigating around political and administrative constraints or by developing dynamic strategies to capture a portion of a revenue base more efficiently. These can be found in each of the corresponding columns: rows are organized by the revenue efficiency scenario which motivated the behavior. In this table, we begin to see issues which commonly obstruct reform initiatives from a new perspective—that of the revenue actor. Presented in this manner, we begin to understand that ostensibly negative patterns sometimes serve a strategic purpose, as expressed through the lens of revenue efficiency. The strategies are organized vertically by the revenue efficiency scenario which motivates them. The first category has already been discussed.

3.2.i.i Rationalizing Patterns of Corruption through the Lens of Revenue Efficiency

We begin with actions generally lumped together as corrupt behavior (column B in Table 11). The persistence of corruption within revenue systems is a consistent critique leveled by development economics and the state-building literatures (Afonso et al., 2005; Bird & Martinez-Vazquez, 2008; Bird & Zolt, 2004; Burgess & Stern, 1993a; Cottarelli, 2011; Martin-Vazquez & Alm, 2003; OECD, 2014; Slack & Bird, 2014; Tanzi, 2017; Wai, 1962; World Bank, 1979). Corruption has been a major issue frustrating and obstructing the success of tax reforms. As our interest is in understanding what motivates strategies of revenue mobilization, we find that corrupt behavior is often an outcome of revenue agents reacting to revenue inefficiencies. Throughout the cases, there was ample evidence and instances of revenue agents failing to impose or under-imposing taxes that fell under their mandate, sometimes preying on taxpayer ignorance by failing to reimburse overpayments, creating informal networks of informants, illegally filling out taxpayer forms, institutionalizing illegal taxes, piling on ad-hoc taxes which violated negotiated agreements with firms, and failing to adhere to, or violating regional trade and monetary union agreements. Each of these could be classified as illegal, potentially corrupt, or at least legally questionable actions. In this sense, much of the corrupt or less-than-legal behavior we find in revenue agencies serves a systemic purpose: navigating around inefficiencies.

For each of these actions, we find motives linked to navigating revenue inefficiencies (see column B). It helps us to grasp why these behaviors are frequently employed—as pragmatic approaches to dealing with extremes in limitations of public resources and scarce potential sources of revenue; where the formal fiscal mandate would either overtax the systems' public resources or deliver such meager returns for their efforts that it is scarcely worth the effort.

For illegal behavior which is connected to the efforts to capture efficient sources of revenue (row A, column B), the activities will often take the form of over-taxation, even rapacious, predatory plundering. Where sources exact little from the state and its agents in general or when they have found creative, dynamic strategies to capture some portion of a revenue in relatively more efficient ways, there is a tendency for poor states to leech onto these sources. This also resonates with resource scarcity behaviors predicted by behaviorist theorists (Koberg, 1987; Tushman & Romanelli, 1985); that is, in an environment characterized by scarcity, there is a tendency to overconsume in the short term at the expense of the long term: survival behavior. We see this in efforts to capture additional revenue from legal sources but in ways that violate agreements or are beyond the provisions of the fiscal code.

This behavior also falls neatly in line with the empirical record of high statutory rates for corporate income taxes in the poorest states. Where a few large firms present one of the few sources of legible, high-yield revenue, revenue systems are eager to secure as much income as possible from these lucrative sources. As we discussed in Chapter I, lower effective tax rates suggest that the statutory rate is set as the higher bands, which can be legally imposed, gaining wide latitude to capture as much as is politically efficient before facing pushback from these firms.

For illegal and corrupt behavior targeting politically inefficient sources of revenue (row B, column B), there are several tendencies, depending on the nature of the political inefficiency. When it stems from a conflict of interest between revenue mobilization goals and formal political interests and objectives, there is likely to be a divergence in the agency's language and articulation of their strategies and implementation in practice. When the conflict of interest is related to informal arrangements of power in a poor state, the tendency is to prevent the disruption of those informal arrangements. We are likely to see dynamic strategies to use informal political arrangements of power to the advantage of revenue mobilization efforts (as we saw in the case of the Chief of Cinkassé), as well as static strategies (more difficult to uncover in practice) of allowing the revenue system, its agents, and the revenues passing through the agency to serve the interests of the powers that be. Van de Walle, North and others have argued that clientelistic practices are centered on privileged access to state resources, and serve to stabilize vulnerable political regimes (Khan, 2010; North et al., 2013; North et al., 2007; van de Walle, 2001, pp. 120–127). Government revenue streams are often co-opted to serve these political interests. It is these types of behaviors that we could expect to find under this scenario—corrupt behavior motivated by political inefficiencies related to preserving informal arrangements of power. While I was unable to cover few specific instances of such illicit behavior, the theoretical contribution of this work is to frame the (corrupt) actions of revenue actors in terms of these systemic political dynamics.

For illegal, corrupt and questionable behaviors related to administratively inefficient revenues (row C, column B), here we see more tendencies to account for administrative resource limitations. This can include the generation of informal (illegal) revenues to cover shortfalls in staffing and resources to carry out the mandate, as we saw in Piracha and Moore's Pakistan case study (Piracha & Moore, 2016). This also includes the strategies of self-financing revenue mobilization efforts. We also see efforts to develop administrative "traps" to capture the most efficient portions of a revenue source, possibly through indirect means. These strategies are not always illegal themselves, but often present an opportunity to overtax and take advantage of the improvements in revenue efficiency to illegally secure more than is mandated, as in the cases of capturing property taxes indirectly via rental income taxes and then failing to return the reimbursable amounts of which property owners were ignorant. This is the same tendency we discussed above, regarding the plunder and over-taxation of the most efficient revenues. Strategically motivated behaviors related to administratively inefficient sources of revenue also include classic cases of non-imposition and the under-enforcement of taxes under the purview of the revenue agent's mandate. Where administrative inefficiencies render the formal mandate unfeasible—due to the distance necessary to reach taxpayers, the efforts necessary to establish a basic tax assessment, etc.—revenue agents, often at the street-level, make case-by-case decisions of where they can go to secure some revenue in fulfilling their mandate, to the extent feasible.

For illegal, questionable and corrupt behaviors linked to fully inefficient revenues (row D, column B), we see some similar patterns at the street level, as with administratively inefficient revenues where agents allow the landscape to guide them ("*le terrain guide*"), but with cognizance of politically sensitive elements, in navigating not only around administratively demanding tasks but also avoiding political landmines regardless of the legality of the practice of non-imposition. While these behaviors may be reacting to either broad-based or narrow-based political sensitivity, for actions that would ostensibly be viewed as corrupt, illegal, or questionable, it is more likely that they are responding to narrow, interest-based or political-order sensitivities that necessitate a discrete approach.

3.2.i.ii "Tedious Bureaucratic Processes" Motivated by Revenue Efficiency

As we discussed in Chapter II and at the beginning of this chapter, development economists have repeatedly addressed concerns of "bureaucratic inefficiency" and "weak administration" and have often cited these issues as the cause of tax reform failures across the developing world (Börzel & Risse, 2016; Collier, 2006; O. Fjeldstad et al., 2016; O.-H. Fjeldstad, 2013; Joshi et al., 2013; Levy & Fukuyama, 2010; Mallett, 2017; Sandbrook & Oelbaum, 1997; Woolcock et al., 2010). However, from the perspective of revenue actors, the findings from this research suggest that bureaucratic red tape and weak enforcement often serve a strategic purpose.

Let's explore a few examples (drawing on the findings listed in column C of Table 11). In Chapter XI, we saw several examples of the revenue agencies in Benin and Togo intentionally creating tedious bureaucratic procedures and loopholes through which businesses had to jump to conduct business with the state, and exploit export and import opportunities. Firms interested in doing business with the state or importing and/or exporting goods and services were required to possess tax identification cards or tax certificates ensuring that all of their tax payments were current. These are requirements which international best practice frowns upon, and the practices in both Bénin and Togo earned them lower rankings in the *Doing Business* reports.

However, if we take a revenue actor's perspective on these requirements, the perception of meaningless, tedious bureaucratic paperwork for businesses becomes one of the few rational, useful tools of revenue mobilization. Agents in Benin explained to me that the *Doing Business* (World Bank) unit's efforts to speed up business tax registration processes had created major impediments to revenue mobilization. When business creation and registration for trade and state contracts could be carried out in a day, it created a new avenue for firms to evade taxes—they could open up new businesses each week, changing the name of their operations frequently, creating a rather effective way to evade taxes. These bureaucratic requirements were sometimes the best tool at their disposal to capture, coax, corner, and lure otherwise hidden economic activity into the tax net. These are prime examples of strategic behavior motivating systems ostensibly characterized by waste and inefficient, irrational, dysfunctional administration. These cases illuminate a logic at work which creates rational behavior where the international community sees irrational dysfunction. Scarcity changes behavior. It takes us a long way in explaining the motivations behind and strategies generated to mobilize revenue, given these constraints. These cases highlight the contrast between what "functional" is in revenue systems in wealthier states vis-à-vis poorer states. The threshold at which scarcity motivations fade in gravity and relevance is elusive, but we cannot ignore its existence. More research is needed to understand the strategic use of "red tape" in the governments and revenue systems of developing countries.

3.2.i.iii Re-Examining Wasteful Administration through the Lens of Revenue Efficiency

From the literature, we are already aware that the state generally lacks the capacity to verify and control what is (not) being imposed, particularly in rural areas and among illegible, frequently informal small business entities. Illiteracy, a lack of recordkeeping and digitized transactions render tax assessments highly inefficient (which is not news). What we have learned in this research is that revenue agents are constantly engaging in a process of discovery, through annual or even daily census activities, street-by-street, in an effort to "find" taxpayers. This resonates with behavior we have seen in several case studies (Joshi et al., 2014; Piracha & Moore, 2016; Radian, 1980a). Revenue agents frequently establish an estimated income or level of economic activity visually or through verbal accounts, often in collaboration with a potential taxpayer. In this process, they often also adjust the fiscally mandated rates of imposition to what they themselves and the taxpayer in question judge to be a reasonable, feasible amount to pay. This reality limits the practicality of broad-based taxation, necessitating highly inefficient assessments and impositions on the majority of the population in a state where a high percentage of citizens lives below the poverty line and generates little more than subsistence income. There is often simply very little to be gained from the effort. Revenue agents are also strategic in whom and where they target for revenue—using the best information available to them to focus on revenues that are potentially the most lucrative, the least administratively burdensome, and the least politically sensitive. Some of this behavior is so embedded in their daily practice that revenue actors treat it as a given in how they conduct their work. Also at a micro level, then, we find evidence confirming the theoretical proposition that revenue agents generally focus their efforts and resources on revenue-efficient sources.

Among the most administratively inefficient sources of revenue, fiscal monitoring and control requires iterative rounds of public resource consumption to arrive at each visual-verbal-estimated assessment. Full enforcement and control of impositions to ensure that revenue agents are fulfilling their mandate in a comprehensive manner is often an even more irrational and wasteful in terms of public resource consumption. These insights provide a new perspective on the persistence of wasteful, inefficient administration. In many circumstances in a poor state, efforts to fully enforce the fiscal mandate (particularly among the most administratively inefficient sources of revenue) are wasteful and poor management of administrative resources. Thus, well managed systems in a poor state will likely accept minimal levels of oversight. The literature on taxation in developing countries has also frequently recognized the complexities of taxing the informal economy, but the implications have yet to be fleshed out. Where development economists and the tax reform literature frequently bemoan waste and inefficiency in the revenue agencies of developing countries, we have to recognize that the full imposition of the fiscal code—of the "functioning, legitimate tax collection systems" as Piracha and Moore termed it[500]—are not in fact functional vis-à-vis the public resources required to impose them. Fully enforcing the fiscal code often appears administratively wasteful because it is a highly resource-exacting task.

3.2.i.iv Stunted Tax Reforms and Patterns of Isomorphic Mimicry

As we discussed in Chapter II, Andrews and others have investigated patterns of isomorphic mimicry in the reforms undertaken across the developing world, particularly regarding public financial management and revenue systems (Andrews, 2013b, 2013a; Fjeldstad & Moore, 2009; Jibao & Prichard, 2015; Lassou, 2017; Lassou & Hopper, 2016; Ramphul & Nowbutsing, 2009; Therkildsen, 2000; von Haldenwang et al., 2014). Often, in these studies, development economists and other scholars have identified repeating behaviors in response to reform efforts. Many developing countries will undertake extensive efforts to overhaul institutional arrangements and bureaucratic organization (e.g. the creation of semi-autonomous revenue agencies ordered along the principles of New Public Management). Frequently, the first few years of reforms deliver positive results in eradicating corruption and bureaucratic inefficiencies, only to revert to these patterns within a number of years (e.g. Fjeldstad, 2003; Moore, 2013a). In other circumstances, the organizations will ostensibly "mimic" Western institutional models formally while informally serving other discrete purposes—often with reference to the informal political order. The column D in Table 11 above presents a number of strategic behaviors carried out by revenue actors, motivated by revenue efficiency. Seen from an outside perspective, each of these could be classified as an instance of stunted tax reform efforts or of isomorphic mimicry. For instance, the case of the *carte opérateur économique* in Togo was an instance where the legal structure was adjusted to align with international best practice and the *Doing Business* rankings priorities. In practice, however, revenue agents were instructed to continue the practice of requiring businesses to secure a *carte opérateur économique* in order to conduct business with the state or to import

[500] Revenue agents "fail to use the functioning, legitimate tax collection systems they have available to actually collect much revenue" (Piracha & Moore, 2016, p. 1).

and/or export goods from Togo. This was a pattern of isomorphic mimicry which was strategically motivated by improving the efficiency of revenue mobilization among informal economic actors and intentional tax evaders.

From the elements presented in Table 11 and the discussions in this section, we begin to understand that many characteristics in the revenue systems of a poor state which ostensibly appear simply to be chaotic, bureaucratic, and dysfunctional, serve strategic purposes in the efforts to secure state revenue. The findings presented here suggest that employing the lens of revenue efficiency, or public sector efficiency more broadly, could be a fruitful avenue for examining many negative patterns in the governance of poorer states.

Section 4 Practical Implications

The research carried out in this investigation, while illustrative rather than exhaustive, provides insights which can be generalized to most low-income states, particularly low-income states that lack substantial reserves in extractive natural resources. Both case studies examined francophone states, but already a number of parallels in their strategies were identified in the research of Joshi et al., Piracha and Moore, Hassan and Prichard, Radian, Bird et al. and others (Bird et al., 2011; Hassan & Prichard, 2013; Joshi et al., 2014; Piracha & Moore, 2016; Radian, 1980). The approach—embedded, participatory observation and extensive interviewing, in a comparative case study design—allowed for potential comparison in the behaviors and motivations driving revenue mobilization strategies within two different regimes and country systems. However, the extensive platform for investigation (between a variety of revenue sources, spatially varying, in two different countries) also slightly weakened the chance for effective comparative cases. I was reliant on access, when and where it could be found, into strategic behavior and also faced normal limitations in time and resources to conduct the research. In effect, partly due to limited access, the output was less balanced than would have been preferable for comparative case analysis. Bénin frequently served as a shadow case instead. Regardless, this research has succeeded in uncovering a wide variety of strategic behavior, at all levels of the revenue systems in both countries, and among a variety of different revenue sources, played out in various parts of both countries—achieving insights on the spatial variation in the treatment of these revenue sources.

Section 5 A Research Agenda

5.1 Public Sector Efficiency in a Poor State—A Research Agenda

This thesis has examined what revenue efficiency looks like in the context of a poor state; in particular, where the political minefields and administrative drains are on public resources. We have used the lens of the revenue actors themselves to develop some inside perspective of what constitutes efficient revenue mobilization and what types of strategies a poor state employs in its hunt for revenues. We see a tendency for states to vacillate between predatory, capturing and grabbing revenue where it may be found, and isolated instances where these states try to appeal to greater claims of their own legitimacy and citizen obligations to comply with taxation. We also find a third strategic approach to taxpayer compliance—where a weak state cannot depend on its own capacities to achieve quasi-voluntary compliance and where coercive strategies elicit resistance and build frustration among its citizens, poor states sometimes lean on the legitimacy of others.

There are a number of research avenues which can build on the findings presented here. First is a more macro-level level investigation into public sector efficiency in environments of scarcity. This research could draw on the model of revenue efficiency to develop some sense of wider public sector efficiency, given the political logic at work in a poor state together with extremes in administrative limitations. Both the political and administrative efficiency dimensions are relevant to the wider activities of state-building beyond revenue mobilization and limitations of public service provision in these environments. It may simply include other features in the empirical manifestations of administrative and political inefficiency, which are not relevant to revenue mobilization efforts. In a sense, this research would be targeted towards the efforts of "governing on a shoestring"—but also taking into account the political dynamics of these environments, where power is created by controlling access to resources and the distribution and dissemination of public goods and resources may be carried out more efficiently through neopatrimonial networks than through formal channels.

5.2 Revenue Efficiency: Introducing a First-Order Constraint for Models of Optimal Taxation in Low-Income States

The findings in this research suggest that theories of optimal taxation could find greater relevance for the poorest states in our modern world if a first-order constraint of revenue efficiency is introduced into the models. Finding the means to quantify and qualify inefficiencies will allow models to come closer to alignment with the realities and constraints facing revenue systems in this context. Taking these factors into account creates an opportunity to explore real avenues for the sustained, realistic expansion of taxation. Here, we find an avenue for future research.

In addition, as the analysis in Chapter XII suggests, more studies of the formulation phases of fiscal policy could lend some insight into these recent processes of adjustment.

5.3 Integrating Models of Progressive Direct Income Taxation (and Subsidization) with Mobile Banking Technologies

One final, more micro and technical level of research which emerges touches on the potential opportunities of efficient revenue mobilization presented by the rapid adoption of mobile banking and mobile cash transfer and payment technologies in African states. Developing countries are taking up these technological applications at an accelerated pace vis-à-vis industrialized states. Where cash-based payment transactions will likely shift (potentially wholesale) to mobile cash banking and transfer systems and often bypass traditional institutions of banking altogether, this presents a wide variety of opportunities for governments—both in the mobilization of revenue from transfers and payment systems as well as in opportunities for redistribution and direct subsidy transfers (public goods and services provision) via these modalities, which would never have been possible before. How will these modern technologies change the face of revenue efficiency in poor states? They will also likely change the dynamics of state–citizen relationships in very direct and meaningful ways, in how the state is in contact with and impacts citizens, as well as what rights it has to claim taxes from them.

5.4 Replication of Revenue-Efficiency Case Studies

Finally, the empirical evidence emerging in the course of this investigation suggests that similar approaches to research of motivations and drivers behind strategies of revenue mobilization in poor states would likely prove fruitful. They would contribute to a better understanding of how revenue systems function in the poorest states in our modern world.

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Annexes

Section 1 Annexes from Literature Review

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Table A5. Selected Industrial and Developing Countries: Proportion of Individual Income Taxpayers in Total Population

(In percent)

	Year	Proportion of Taxpayers in Total Population
Industrial countries		
United States	1980	40.84
Canada	1979	57.64
Australia	1979/80	39.03
Japan	1980	28.57
New Zealand	1976	49.87
Austria	1976	50.39
Belgium	1977	34.88
Denmark	1980	77.80
Finland	1979	70.54
Germany, Fed. Rep. of	1978	34.25
Ireland	1979/80	24.91
Netherlands	1975	41.49
Norway	1979	52.60
United Kingdom	1978/79	43.53
Maximum		*77.80*
Minimum		*24.91*
Average		*46.17*
Variance		*226.02*
Standard deviation		*15.03*
Number of observations		*14*
Developing countries		
Brazil	1981	5.89
Cyprus	1980	10.00
India	1978	0.30
Indonesia	1973	0.14
Kenya	1978	0.56
Korea	1981	3.73
Malaysia	1979	6.95
Papua New Guinea	1979	3.79
Philippines	1979	6.33
Singapore	1980	2.18
Thailand	1980	4.39
Turkey	1976	11.88
Maximum		*11.88*
Minimum		*0.14*
Average		*4.68*
Variance		*14.03*
Standard deviation		*3.75*
Number of observations		*12*

Sources: Computed from annual reports of the taxation departments of various countries; International Monetary Fund, *International Financial Statistics* (Washington), various issues; and Organization for Economic Cooperation and Development, *Tax Elasticities of Central Government Personal Income Tax Systems: A Report by the Committee on Fiscal Affairs* (Paris, 1984).

Source: (Bird & Zolt, 2004, pp. 1658–1659; Ebrill et al., 1987, p. 360, Table A5).

Section 2 List of Empirical Material from Field Work

2.1 Empirical Material – Interview List

Interview Number	Interview description (anonymized and dates withheld for confidentiality)
001	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
002	Interview with official at headquarters, Togolese Revenue Authority, OTR
003	Interview with visiting representative from international financial institution
004	Observation of meeting of introduction to customs officials at OTR
005	Informal interview with official at headquarters, Togolese Revenue Authority, OTR
006	Interview with official at headquarters, Togolese Revenue Authority, OTR
007	Interview with official at headquarters, Togolese Revenue Authority, OTR
008	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
009	Interview with official at headquarters, Togolese Revenue Authority, OTR
010	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
011	Interview with official at headquarters, Togolese Revenue Authority, OTR
012	Interview with senior official at Field Office in Lomé, Togolese Revenue Authority, OTR
013	Interview with senior official at Field Office in Lomé, Togolese Revenue Authority, OTR
014	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
015	Interview with official at headquarters, Togolese Revenue Authority, OTR
016	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
017	Interview with deputy of senior official at department of Togolese Revenue Authority in Lomé, OTR
018	Interview with customs official at headquarters, Togolese Revenue Authority, OTR
019	Interview with customs official at headquarters, Togolese Revenue Authority, OTR
020	Interview with official at headquarters, Togolese Revenue Authority, OTR
021	Interview with official at main Ghana Border post near Lomé, Togolese Revenue Authority, OTR
022	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
023	Interview with senior customs official at headquarters, Togolese Revenue Authority, OTR
024	Interview with field staff from Togolese Revenue Authority (OTR)
025	Interview with senior customs official from Regional Office in urban Togo, OTR

026	Interview with senior official from Regional Office in urban Togo, OTR
027	Interview with informal street boutique owner in urban Togo, OTR
028	Interview with informal small business in urban Togo, OTR
029	Interview with ticket agent working on behalf of a Mayor’s office in urban Togo
030	Interview with employee of Mobile-telecom kiosk in urban Togo
031	Interview with owner of hotel in Atakpamé
032	Interview with owner of boutique
033	Interview with field staff from Togolese Revenue Authority (OTR)
034	Interview with Chef du Canton, rural town
035	Interview with Chef du Canton, rural town
036	Follow-up interview with Fiscal Control Official, OTR
037	Interview with field staff from Togolese Revenue Authority (OTR)
038	Interview with field staff from Togolese Revenue Authority (OTR)
039	Interview with a Regional Office Director from Togolese Revenue Authority (OTR)
040	Interview with field staff from Togolese Revenue Authority (OTR)
041	Interview with field staff from Togolese Revenue Authority (OTR)
042	Follow-up interview with Fiscal Control Official, OTR
043	Follow-up interview with Fiscal Control Official, OTR
044	Interview with customs official from rural outpost, Togolese Revenue Authority (OTR)
045	Interview with an Officer from Kara Municipality, President's appointee
046	Interview with field staff from Togolese Revenue Authority (OTR)
047	Interview with restaurant owner, rural Togo
048	Interview with mid-level officer, Regional Office for Togolese Revenue Authority (OTR) in Kara
049	Interview with Director of a Regional Office for Togolese Revenue Authority (OTR)
050	Interview with taxpayer directly following tax imposition by OTR in urban Togo
051	Interview with Bureau Chef for OTR, rural field office
052	Follow-up interview with Fiscal Control Official, OTR
053	Follow-up discussion with Fiscal Control Official, OTR
054	Interview with Cadastre field officers, Regional Office in northern Togo
055	Interview with field staff from Togolese Revenue Authority (OTR)
056	Follow-up discussion with Fiscal Control Official after observing meeting with a field office, OTR
057	Interview with taxpayer, city in northern Togo
058	Interview with Bureau Chef for OTR, Regional Office in northern Togo
059	Interview with Chef du Village, rural town in northern Togo

060	Interview with field staff from Togolese Revenue Authority (OTR)
061	Interview with Prefect (Presidential Appointee) in northern Togo
062	Interview with Chef du Quartier, city in northern Togo
063	Follow-up interview with field staff from Togolese Revenue Authority (OTR)
064	Follow-up discussion with Fiscal Control Official, OTR
065	Interview with Senior Management in Customs, Togolese Revenue Authority (OTR)
066	Interview with customs official, Port de Lomé, Togolese Revenue Authority (OTR)
067	Transiter - transporting goods between countries
068	Interview with customs official and tour of Port de Lomé, Togolese Revenue Authority (OTR)
069	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
070	Interview with professors from local academic institute in Bénin
071	Interview with official at Bénin Revenue Authority headquarters in Cotonou, DGI
072	Interview with senior customs official from Bénin customs authority, DB
073	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
074	Interview with Fiscal Code Expert (Chartered Accountant)
075	Interview with senior official at headquarters, Togolese Revenue Authority, OTR
076	Interview with customs official from Bénin customs authority, DB
077	Interview with professors at the University of Lomé
078	Interview with manager from Mayor's office, financial affairs
079	Interview with senior official at Togo gov. department for domain & cadastral affairs (DADC) in Lomé
080	Interview with Legal Expert at Togolese Revenue Authority (OTR)
081	Interview with senior official at department of Togolese Revenue Authority based in capital, OTR
082	Interview with senior official at the Ville de Cotonou (mayor's office in the capital city of Bénin)
083	Interview with an active civil society organization in Cotonou, Bénin
084	Interview with senior staff members in Foodstuffs (Import) Industry
085	Interview with senior official at the Ville de Cotonou (mayor's office in the capital city of Bénin)
086	Interview with local (expat) prominent business owner in Cotonou, Bénin
087	Interview with senior staff members in Telecoms Industry
088	Interview with Political Officers at U.S. Embassy in Bénin
089	Interview with official at the Ville de Cotonou (mayor's office in the capital city of Bénin)
090	Interview with Director of Togolese Revenue Authority, OTR

091	Interview with American expat businessman operating in Cotonou
092	Interview with senior official at the government department for domain & cadastral affairs (ANDF)
093	Interview with senior official at the Ville de Cotonou (mayor's office in the capital city of Bénin)
094	Interview with Béninois journalist
095	Interview with senior at National Association of Communes of Bénin (ANCB)
096	Interview with a third-party customs and transit facilitator firm at a main Bénin-Nigerian border post
097	Interview with official at Bénin Revenue Authority headquarters in Cotonou, DGI
098	Interview with senior official at Bénin Revenue Authority field office in Cotonou, DGI
099	Interview with official at Bénin Revenue Authority field office in Cotonou, DGI
100	Interview with a traditional king in rural Bénin
101	Interview with field staff for Bénin revenue authority in rural Bénin, DGI
102	Former leadership of major bank, close advisor to president
103	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
104	Interview with macroeconomics advisor and retired state functionary in Cotonou, Bénin
105	Interview with official at the National Commission for Local Finances (CONAFIL) in Cotonou, Bénin
106	Macroeconomist & International Financial Institution Representative for Togo and Bénin
107	Interview with mid-level manager at Ville de Cotonou
108	Interview with senior official at the Ministry of Finance in Cotonou, Bénin
109	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
110	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
111	Interview with official at the Ministry of Economy and Finance (Bénin or Togo?)
112	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
113	Interview with academic and former government minister at research institute in Cotonou, Bénin
114	Interview with official at Bénin Revenue Authority in Cotonou, DGI
115	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
116	Interview with senior official at Bénin Revenue Authority in Cotonou, DGI
117	Interview with official at Bénin Revenue Authority in Cotonou, DGI
118	Interview with director of Bénin Revenue Authority, DGI
119	Interview with senior official in Bénin Revenue Authority
120	Interview with director of Regional office for Bénin Revenue Authority in northern, urban Bénin
121	Conversations with American expat living in rural Bénin

122	Interview with American expat living in Bénin and two other local residents in rural area
123	Interview with field staff for Bénin revenue authority in rural, northern Bénin, DGI
124	Interview with Financial Manager for Mayor's office in a small town in northern Bénin
125	Interview with traditional king in rural, northern Bénin
126	Interview with a Chef Quartier in rural, northern Bénin
127	Follow-up interview with field staff from Togolese Revenue Authority (OTR)
128	Interview with Macroeconomist from Ministry of Finance
129	Interview with official at headquarters, Togolese Revenue Authority, OTR
130	Interview with Multilateral Institution representative in Cotonou, Bénin
131	Anonymous Interview
132	Follow-up interview by Skype with American expat businessman in Cotonou
133	Follow-up with Anonymous

2.2 Empirical Material – Participatory Observations

Participatory Observation	Description of Participatory Observation (Anonymized and dates withheld for confidentiality)
01	Part. obs. of meeting between Fiscal Control Unit and a Regional Office in urban Togo, OTR
02	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
03	Part. obs. of meeting between Fiscal Control Unit and a Regional Office in urban Togo, OTR
04	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
05	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
06	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
07	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
08	Part. obs. of meeting between Fiscal Control Unit and Customs Field Office in rural Togo, OTR
09	Part. Obs. of field agents collecting door-to-door revenues in a city in northern Togo, OTR
10	Part. obs. of meeting between Fiscal Control Unit and a Field Office in urban Togo, OTR
11	Part. obs. of meeting between Fiscal Control Unit and a Field Office in rural Togo, OTR
12	Part. obs. of meeting between Fiscal Control Unit and a Field Office in northern Togo, OTR
13	Part. obs. of meeting between Fiscal Control Unit and a Regional Office in northern Togo, OTR
14	Obs. of economists at headquarters revising new strategic plan, Togolese Revenue Authority, OTR
15	Public presentation by Dir. of Bénin DGI regarding new online platform for VAT tax authorized users
16	Observing cadastre conference proceedings
17	Observation of Anti-Corruption Conference facilitated by OTR in Lomé

2.3 Empirical Material – Observational Memos

Observation Memo	Memo Date	Description of Observation Memo (Anonymized)
01	12-Aug-16	Observations of economists at headquarters revising the new strategic plan, Togolese Revenue Authority, OTR
02	14-Aug-16	Discussions with residents of Lomé, impressions of customs and tax authorities
03	18-Aug-16	Observations of economists at headquarters revising the new strategic plan, Togolese Revenue Authority, OTR
04	20-Aug-16	Memo to myself regarding general impressions of Togolese Revenue Authority
05	27-Aug-16	Discussions with residents of Lomé, impressions of customs and tax authorities
06	20-Sep-16	Memo to myself regarding meeting with Anti-Corruption unit at Togolese Revenue Authority (OTR)
07	20-Sep-16	General observations of Togolese Revenue Authority
08	22-Sep-16	Observations of tour of main Ghana Border post near Lomé, Togolese Revenue Authority (OTR)
09	28-Sep-16	General observations of Togolese Revenue Authority Regional Office
10	29-Sep-16	My observations of OTR strategies based on first month in Togo and following Fiscal Control Unit mission
11	30-Sep-16	Personal observations regarding communications department and distribution of vehicles at Togolese Revenue Authority, OTR
12	30-Sep-16	Observations about availability of drivers and vehicles for a Region of Togolese Revenue Authority, OTR
13	3-Oct-16	Memo about rotating markets between Ghana and Togo after touring rural border post in northern Togo
14	5-Oct-16	Memo regarding discussions with senior official at Togolese Revenue Authority, OTR
15	6-Oct-16	Interview with Bureau Chef for OTR, rural field office
16	20-Oct-16	Observation of Open House held by Togolese Revenue Authority and hosted at their headquarters in Lomé
17	21-Oct-16	Memo to myself about areas to investigate further at Togolese Revenue Authority, OTR
18	21-Oct-16	Memo to myself about my theoretical assumptions and challenges of investigating it
19	21-Oct-16	Memo about my theoretical assumptions vis-a-vis observations with field agents (applying fiscal code)
20	23-Oct-16	Memo on 'auto-liquidée' and 'spontaneous' system in Togo
21	27-Oct-16	Memo after joint briefing from Bénin & Togo customs officials following their first 'opening of the comms. channel' between them directly.. Dealing with *interdiction de voie terrestre*
22	27-Oct-16	Memo on comments from Bénin & Togo customs officials meeting in Brussels instead of in Africa

23	31-Oct-16	Memo to myself regarding my first impressions on trying to get access in Bénin: access to the country, access to the revenue authority and customs, and behavior of police
24	31-Oct-16	Recap of discussions with senior official at Togolese Revenue Authority about census in Togo and Cadastre
25	3-Nov-16	Memo to myself regarding discussions with official at headquarters, Togolese Revenue Authority, OTR
26	7-Nov-16	Memo to myself regarding discussions with official at headquarters, Togolese Revenue Authority, OTR
27	8-Nov-16	Memo to myself regarding discussions with official at headquarters, Togolese Revenue Authority, OTR
28	9-Nov-16	Memo from conversations at social gathering with prominent expat figures in Bénin
29	10-Nov-16	Memo from conversations at social gathering with prominent expat figures in Bénin
30	10-Nov-16	Memo from conversations at social gathering with prominent expat figures in Bénin
31	24-Nov-16	Observing rural tax officials interactions with taxpayers & office organization
32	29-Nov-16	Memo regarding my meeting with an official at the Ministry of Economy and Finance in Bénin
33	30-Nov-16	Memo regarding meeting with official at Bénin revenue authority at HQ in Cotonou
34	1-Dec-16	Memo about interview with field officer from Bénin Revenue Authority
35	8-Dec-16	Memo to myself regarding follow-up meeting with official from the Ville de Lomé
36	9-Dec-16	Observation of Anti-Corruption Conference facilitated by OTR in Lomé
37	Confidential	Anonymous

2.4 Strategy Case List

Strategically motivated actions
Efficient Revenues
Dynamic Strategies
Institutionalizing taxes on illegal activity
Timing revenue mobilization to coincide with periods (e.g. harvest, market days)
Reactive Strategies
Adding—Piling—excessive taxation-gouging profits with new taxes
Taking advantage of taxpayer ignorance (e.g. not clarifying when tax refunds are due for complex taxes)
Violating, ignoring, or not enforcing regional or global trade-customs regulation (e.g. allowing Nigerians to import goods in Bénin which are import-restricted or protected in their country, knowing they will smuggle them across the border)
Politically Inefficient Revenue
Dynamic Strategies
Anti-corruption unit established
Centralizing local revenue collection with transfers back to local authorities (sometimes neglecting to transfer…)
Centralizing revenue case management
Creating revenue mobilization committee (e.g. CSOs, politicians, local authorities, ministry of agriculture)
Engaging traditional chiefs (rural authorities) to advocate for taxpayer compliance
Placing emphases on the small-micro-petit enterprises
Reactive Strategies
Centralizing case control in capital, allowing for no control of their property and assets in the interior, and no authority for field offices to tax them
Failing to transfer locally designated revenues to the communes, as specified by law
Revenue bargaining with big taxpayers
Withholding transparency to local authorities about how much (locally designated) revenues are collected by central state
Administratively Inefficient Revenue
Dynamic Strategies
Advocating fiscal mandate revisions—simplification
Anti-corruption unit established
Assigning taxpayer identification cards to everyone
Restricting access to taxpayer identification cards
Gradually providing resources over time to different revenue system departments
Positioning staff at revenue source
Providing regime bracket flexibility

Restricting taxpayers' ability to participate in specific tax regimes, incl. raising thresholds or designating officially approved subsets of tax base

Self-financing revenue mobilization

Simplifying fiscal code, regulations, procedures

Taxing at roadblocks for agricultural products and merchandise between cities, towns, districts with tolls, fees, etc.

Reactive Strategies

Adjust or non-imposition

Adjusting staff provision (according to revenues mobilized by department) not according to staffing needs

Engaging in discovery activities and door-to-door census and immediate tax collection

GPS Tracking of transiters

Limiting administrative resources according to revenues mobilized by department rather than administrative need

Inefficient Sources of Revenue

Dynamic Strategies

Adjusting fiscal regimes (e.g. drop VAT invoice and tax requirements for small businesses due to accounting complexity)

Adjusting formal procedure requirements

Building partnerships with other social-taxpayer stakeholders

Closing land borders and routing everyone through the port

Creating an informal network of informants

Inviting taxpayers to self-declare all other sources of income together with salary declarations

Placing emphasis on small-micro-petit enterprises

Teaching, grooming, nurturing taxpayers and encouraging taxpaying habits

Reactive Strategies

Adjusting **or** non-imposition

Assess ability to pay via discussion with taxpayer

Assess ability to pay via visual inspection

Auctioning seized assets

Considering exemptions and subsidizations as revenue

Engaging in discovery activities and door-to-door census

Filling out tax forms for taxpayers

Informal use of provisional accounts—allowing taxpayers to pay lump-sum in tranches throughout the year

Mobilizing revenue from penalties and fees for non-adherence to regulations and fiscal code

Inefficient Sources of Revenue, Accounting for Human Factor
Dynamic Strategies
Creating bureaucratic hurdles for lucrative economic opportunities (e.g. to export, import, and bid on government contracts) including updated tax compliance documentation and identification documents (e.g. Carte Operateur Econ., Identification Fiscal Unique or Quitus Fiscal)
Creating more stringent requirements for obtaining tax compliance documentation and identification documents (e.g. Carte Operateur Econ., Identification Fiscal Unique or Quitus Fiscal) to export, import, and bid on government contracts
Structuring rental income to secure revenues from property owners
Reactive Strategies
Instituting a requirement to pay portion of taxes imposed

2.5 Sample Interview

1. Décrivez le travail de votre département
   a. Types d'impôts que vous gérez / mobilisez?
2. Quels sont vos plus grands défis pour mobiliser les recettes ?
3. Décrire vos activités vis-à-vis le TVA
   a. Mobiliser?
   b. Comment c'est reçu par la population? Il y a des résistances?
   c. Est-ce que cette type de taxe correspond à la réalité avec vos contribuables / type d'économie
   d. Ingérence politique?
4. Décrire vos activités vis-à-vis les Taxes Foncière (aussi Taxe d'Habitation / Loyer)
   a. Mobiliser?
   b. Comment c'est reçu par la population? Il y a des résistances?
   c. Est-ce que cette type de taxe correspond à la réalité avec vos contribuables / type d'économie
   d. Ingérence politique?
5. Quels types d'impôts exigent le plus d'énergies / ressources / efforts de votre personnel pour mobiliser?
6. Stratégies de mobilisation de revenu développé pour adapter au contexte économique, social, politique:

a. Quels types d'impôts sont le plus idéal - mieux adaptés à la structure économique, les normes sociales au Togo?
b. Décrire un système fiscal « moderne » à partir de votre point de vue

7. Les différences entre le code de taxe fiscale et ce qui est possible de mobiliser?

8. Les questions sensible … (optionnelle)

c. Existe-t-il des types d'activités que la communauté internationale pourrait qualifier de « corruption » mais qui a une autre signification ou un but différent ici? Socialement ? Politiquement, etc.?
d. Quel est la nature et de la corruption / les cas de fraude au sein de votre domaine?
e. Toute ingérence politique dans votre travail?

9. La participation dans le CEDEAO: impacts sur les revenus?

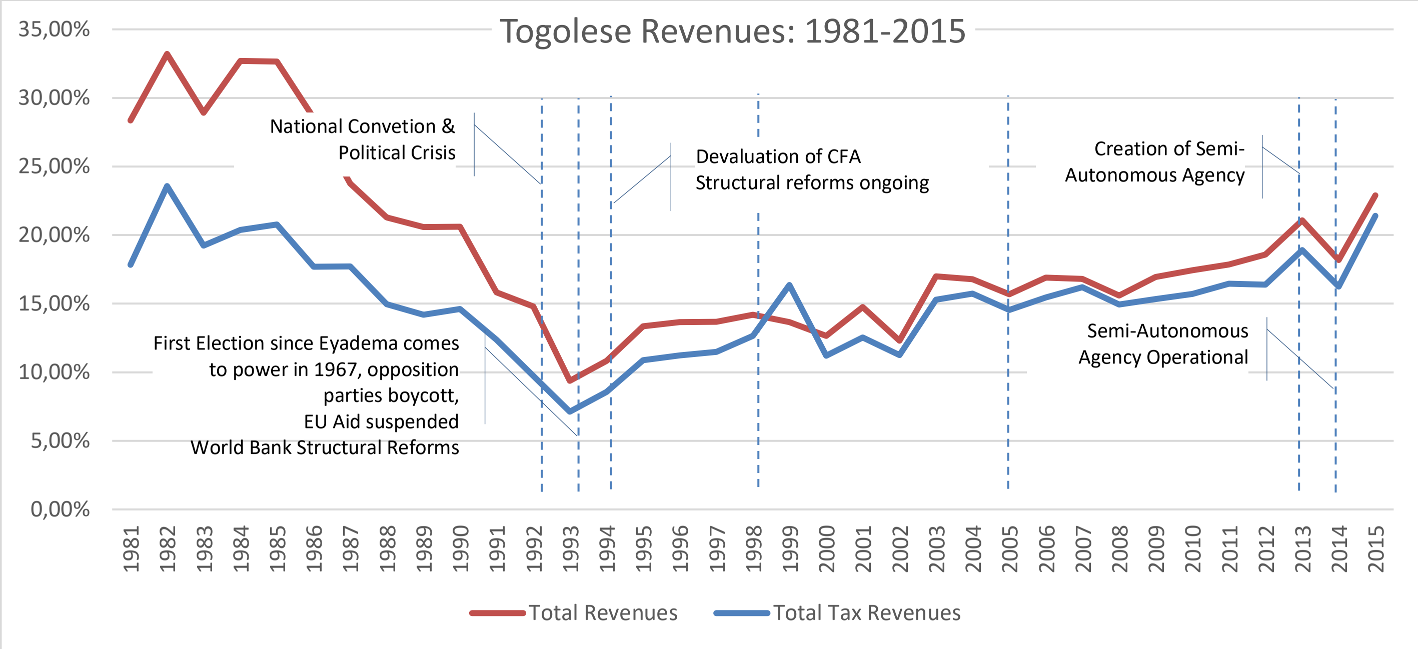
Section 3 Annexes for Chapter VI

Annex 2
Page 1 of 9

TOGO : SECOND STRUCTURAL ADJUSTMENT PROGRAMME (1992-1994)
MATRIX OF MEASURES

ECONOMIC MEASURES AND OBJECTIVES	ENVISAGED MEASURES	PROJECTED DATES	EFFECTIVE DATES	OBSERVATIONS
1- Public resources and expenditures a- Income				
Enhance the elasticity of fiscal income	i- Improving fiscal administration by : a – taxing the informal sector	1993 1993	1994 1993	1994 Appropriation Law, Article 186 and Payment Authorization n° 93/005 of 28 July 1993, art. 4 P3
Promote industrial and commercial sectors while preserving budgetary income	b – eliminating exemptions and;	1993		
	c – appointing adequate staff and appropriating sufficient resources	1992-1993	1995	Appropriation Law of 1993, Article 1403
	ii – Measures relating to indirect taxes	1 January 1993	1993	Measure not implemented
	- Implementation of tariff and fiscal reforms	1992-1993	1995	See Approp. Law. N° 95/011 of 10/03/95 and decree n° 95/118 of 29/08/95
	- Elimination of exemptions for projects financed with external aid			Appropriation Law . Management 1996 Investment Code : Revision underway
	iii – Improving the recording and collection of taxes in the informal sector by reinforcing and decentralising structures: introduction of a specific customs duties tax			Creation of a single business tax Creation of large enterprises' inspection in 1995.
	iv – Improving real estate tax collection	1992	1995	
	v –Implementation of contracts with all public enterprises concerning external debt servicing payments	1992	1995	Studies completed, search for resources to implement the actions selected

Source: African Development Bank, 2000. "Togo Structural Adjustment Programmes II and III - Evaluation Report." Annex 2, page 1 of 9. URL: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports-_Shared-With-OPEV_/00724648-EN-TOGO-SAP-II-AND-III.PDF


Togolese Revenues: 1981-2015
35,00%
30,00%
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
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1995
1996
1997
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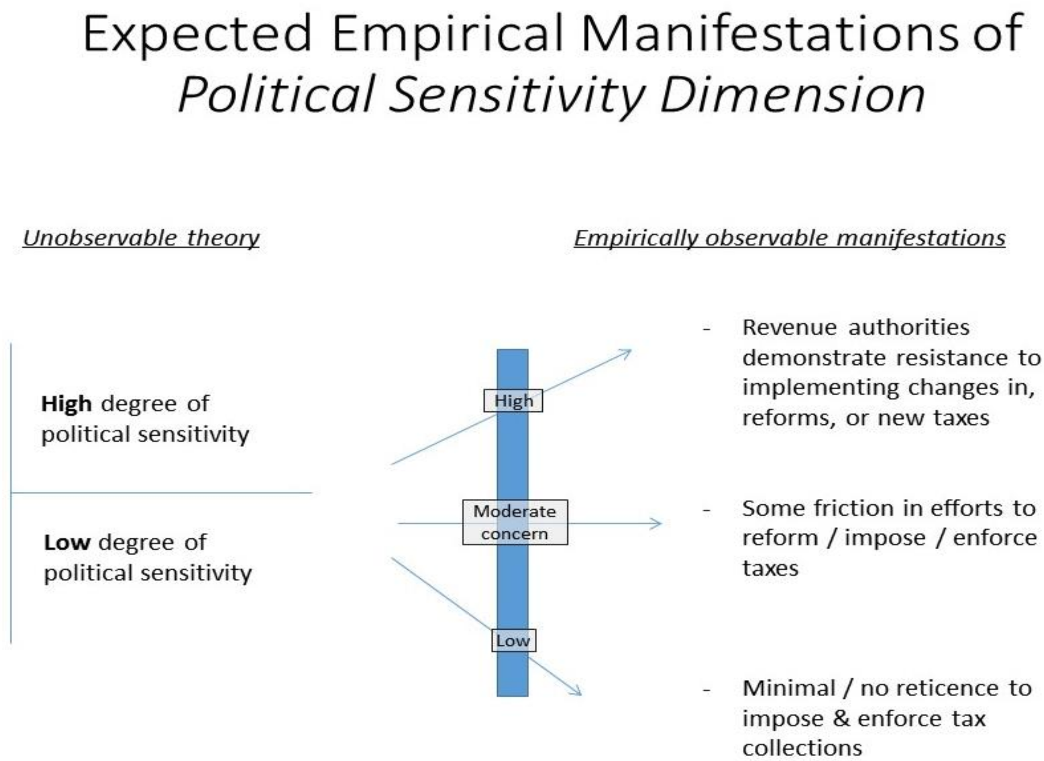
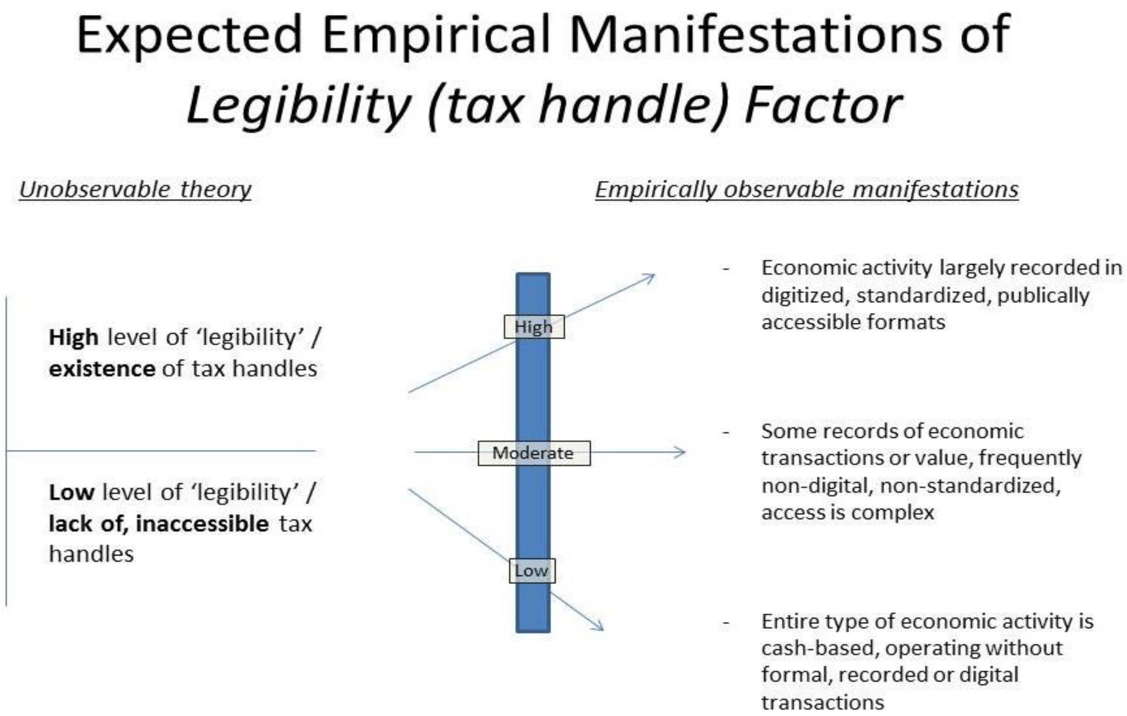
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
National Convetion & Political Crisis
First Election since Eyadema comes to power in 1967, opposition parties boycott, EU Aid suspended World Bank Structural Reforms
Devaluation of CFA Structural reforms ongoing
Creation of Semi-Autonomous Agency
Semi-Autonomous Agency Operational
Total Revenues
Total Tax Revenues

Section 4 Annexes for Inefficient Revenue

4.1 Empirical Manifestations



[501]



[501] These diagrams were inspired by Derek Beach's work (Beach & Pedersen, 2016)

4.2 Estimated Cost of Revenue Mobilization from the Rural Economy

4.2.i Togo – revenues and expenditures for the central revenue agency's deconcentrated bureaus outside capital city of Lomé:

Estimated costs of revenue production in rural Togo (all divisions outside greater Lomé, small taxpayers)

Regional Divisions of *Direction Régionale des Impôts* (OTR)	Revenues mobilized by region 2015 (small taxpayers)	Revenues by region LESS expenditures & salaries 2015	Estimated cost of revenue production (total est. expenditures as percent of revenues) by region 2015	Estimated cost of revenue production (less investments and equipment expenditures) by region 2015	Total est. salaries, operational, equip. & investment expenditures by regional bureau 2015	Estimated annual salaries for staff 2015	Estimated operational costs 2015	Estimated equipment & investments expenditures 2015*	Staff by region 2015	Annual revenues/ staff member 2015
SAVANES	436,564,639	278,027,715	36%	22%	158,536,924	54,000,000	41,101,423	63,435,501	20	21,828,232
KARA	987,752,314	834,460,006	16%	12%	153,292,308	91,800,000	24,177,307	37,315,001	34	29,051,539
CENTRALE	615,440,925	453,751,693	26%	18%	161,689,232	75,600,000	33,848,230	52,241,001	28	21,980,033
PLATEAUX	542,069,377	339,957,838	37%	25%	202,111,539	94,500,000	42,310,288	65,301,251	35	15,487,696
MARITIME	1,383,945,305	1,187,608,381	14%	10%	196,336,924	91,800,000	41,101,423	63,435,501	34	40,704,274
Average by region	793,154,512	618,761,127	26%	17%	174,393,385	81,540,000	36,507,734	56,345,651	30	25,810,355
Grand Totals (CFA)	3,965,772,560	3,093,805,633	**22%**	15%	871,966,927	407,700,000	182,538,671	281,728,256	151	26,263,394
Grand Totals (USD)	$6,939,586	$5,413,758			$1,525,829	$713,422	$319,419	$492,988		$45,958

Note: These statistics were developed by the author based on a variety of indicators provided by two departments of the Office Togolese des Recettes: 1) Revenues mobilized by region 2015 (as reported by agency source table), source: Interview 131. 2) Estimated annual salaries based on the author's conservative estimate of 225,000 CFA per staff member (field office staff fall between three grades. Grade 1: >100,000 CFA<200,000 CFA; Grade 2: >200,000 CFA<300,000 CFA; Grade 3 - officers: >300,000 CFA<400,000 CFA, source: Interview 131) multiplied by the reported staff for each bureau, source: Interview 131. Estimated operational costs developed by author based on the following elements: 1) Reported 2015 annual expenditures for the entire Office Togolais des Recettes, "Depense de l'OTR Gestion 2015", all line items under Total operational expenditures ("Total dépenses de fonctionnement", internal source.) excepting the following lines: Conférences et reunions; Cérémonies et réceptions; and Fourniture factures normalisées (TVA) as most regional bureaus are not handling many taxpayers who are eligible/relevant for VAT tax payments. Established a ratio of each line item as a percentage of the total agency salary expenditure line, and then multiplied this ratio for each line by the estimated salary per regional bureau to arrive at an estimate of operational costs by regional bureau. The Estimated equipment and investment expenditures statistics were developed following the same approach, incorporating all line items within the internal expenditure report under the section "Total des dépense d'équipement et investissement" (internal source). Please note: the estimates may be high as the OTR has invested heavily in the construction of the new headquarters in the capital. In addition, while the revenues mobilized by regions and staff members reported for each region were verified by internal sources, the approach used to develop these operational and investment expenditure cost estimates was not verified by the OTR following the author's analysis. The OTR did not possess operational cost estimates for revenue production by bureau or department. All errors and misrepresentations are the responsibility of the author.

4.2.ii Benin: Mayor's office (with secondments from central agency's deconcentrated agents): a small, rural town in northern Benin

Estimated costs of revenue mobilization for Rural Commune in Northern Benin

Projected Revenues Mobilized, 2015	*Actual Revenues Mobilized, 2015*	Total salaries for Commune (Perere)	LOCAL Salaries as portion of total revenues raised	Total LOCAL staff dedicated to revenue mobilization	Cost of Salaries for LOCAL staff dedicated to revenue mobilization	MUNICIPAL Costs of revenue mobilization (staff only) as a % of total revenues mobilized (estimated)	CENTRAL Rev. Agency Costs of revenue mobilization as a % of total revenues mobilized, as contribution to / support to local budgets (estimated)	Total Estimated costs of revenue mobilization (tax collected collaboratively by Central and Local agents, proceeds dedicated fully to Municipal budgets)
850,000,000	**400,000,000**	367,000,000	92%	50%	183,500,000	**46%**	**20%**	**66%**
(In dollar conversions below)								
$ 1,511,572	**$ 711,328**	$ 652,643			$ 326,322			$ 468,587.32
Conversion Rate	0.00178							
Conversion Date	12-Nov-17							
Sources of Data:								

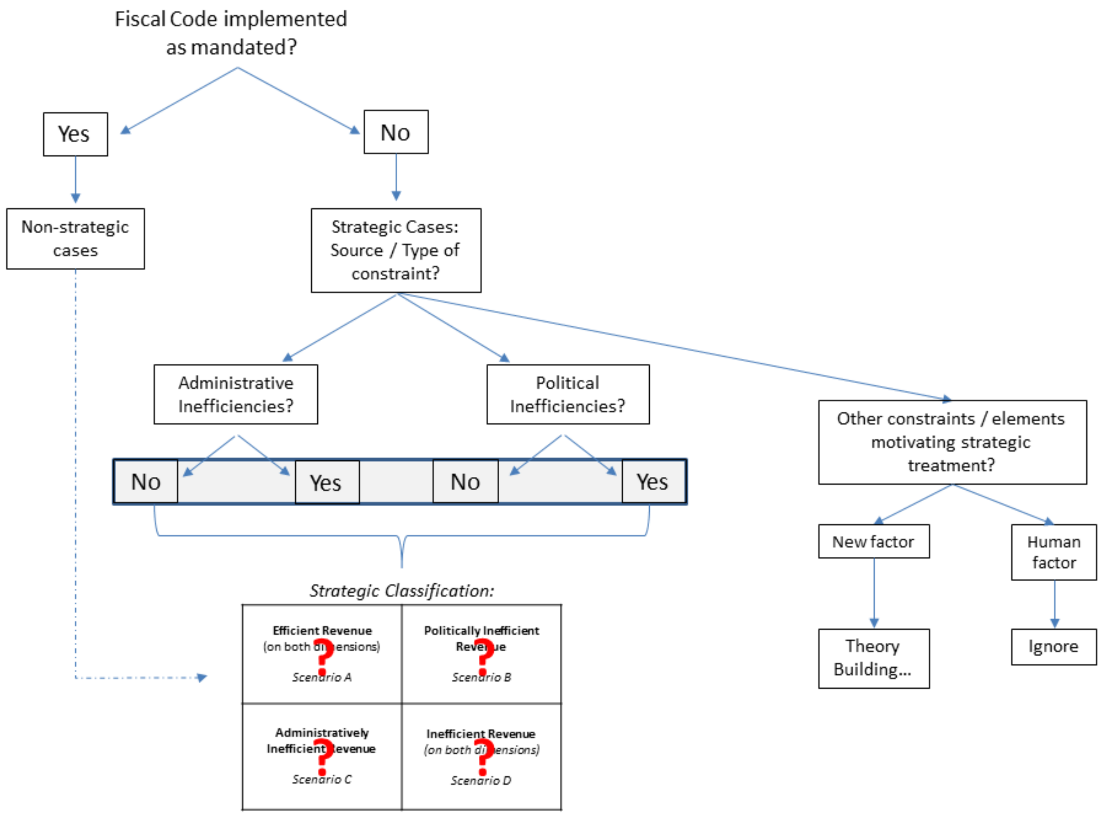
Local salary estimates are based on an interview with the Muncipal Financial Officer. (Source: Interview 124)

Central revenue agency cost estimates are based on an interview with the director of the Regional Impots office that oversees this commune (one of 14 it manages, covering almost 50% of the physical territory in Benin. The estimate was based on Benin's standard practice (according to this director) of a standard practice of deducting 20% of revenues mobilized for local budgets with central agency support, to cover the central agencies costs associated with mobilizing that revenue. (Source: Interview 120)

4.3 Model of Analysis of Potential Revenue Sources

For the components of the fiscal code for which I uncovered minimal concerns of feasibility, I expected that these theoretically would fall under *Efficient Revenues*. For efficient sources of revenue, I expected to find empirical confirmations of heavy strategic reliance. Where I discovered inefficiencies on one or both dimensions, I could then move forward, analytically, to determine what strategies they employed to address or work around inefficiencies. Sometimes I discovered a strategic *objective* which motivated strategic treatment of a revenue source in a way which would otherwise not be explained by simply citing a reaction to the administrative constraints and political sensitivities which revenue actors faced. I have outlined my methods of analysis, classification and identification of strategic objectives and strategic treatments in a workflow diagram below.

The results and analysis of my findings are presented in the diagram below, though my point of entry into the investigation of specific revenue sources was not always linear in approach. But mirroring the model of analysis diagram, the structure of case studies is designed to start with breaking down identified inefficiencies – administrative and political, classifying the revenue source by these dimensions, and then discussing what my theoretical expectations were prior to the investigation. I then queried interviewees as to any strategic objectives I uncovered in the process of investigating their strategic treatment of the revenue source, which might explain an unexpected treatment. I then outlined strategies they employed to address or work around constraints – political sensitivities and administrative limitations.


Fiscal Code implemented as mandated?
Yes
No
Non-strategic cases
Strategic Cases: Source / Type of constraint?
Administrative Inefficiencies?
Political Inefficiencies?
Other constraints / elements motivating strategic treatment?
No
Yes
No
Yes
New factor
Human factor
Theory Building...
Ignore
Strategic Classification:
Efficient Revenue (on both dimensions) Scenario A
Politically Inefficient Revenue Scenario B
Administratively Inefficient Revenue Scenario C
Inefficient Revenue (on both dimensions) Scenario D

Section 5 Annexes for Politically Inefficient Revenues

5.1 Excerpts from Articles in Fiscal code on Taxe d'Habitation[502]

VI - TAXE D'HABITATION (TH)

Art. 1440 - II est institué au profit des budgets des collectivités locales, une taxe dénommée taxe d'habitation (TH).
La taxe d'habitation est due par toute personne physique ayant au Togo sa résidence habituelle au 1er janvier de l'année d'imposition. Elle est libératoire de la taxe d'enlèvement des ordures ménagères (TOM).

(modifications antérieures : Loi de finances 2006)

3 - Recouvrement

Art. 1449 - La taxe d'habitation est établie pour l'année et recouvrée par moitié dans les 15 premiers jours de chaque semestre.
Le payement est réalisé entre les mains du comptable public habilité des services déconcentrés du Trésor (Recette Municipale, Recette-Perception) sur liquidation des droits effectuée par un agent commissionné du Commissariat des Impôts.

(modifications antérieures: Loi de finances 2006)

Art. 1452 - Le produit de la taxe d'habitation est reversé intégralement aux collectivités locales.

(modifications antérieures : Loi de finances 2006)

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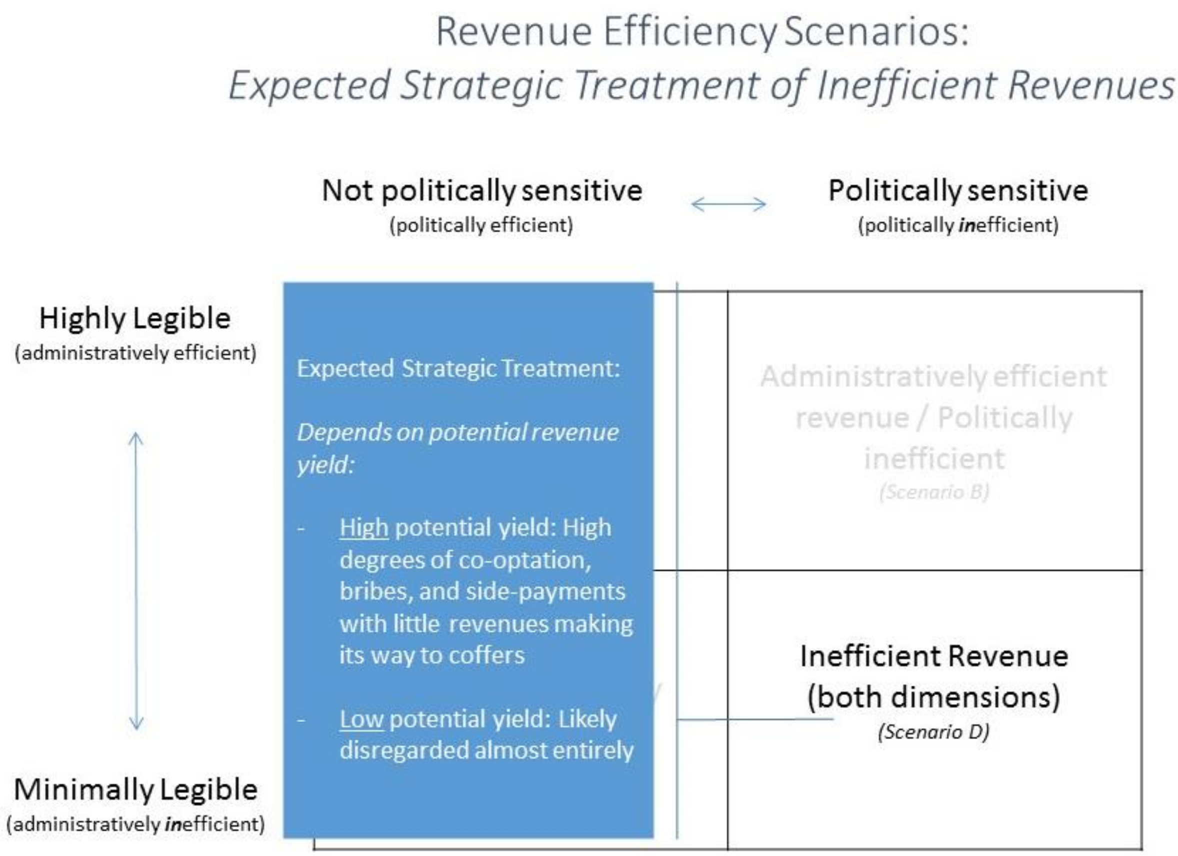
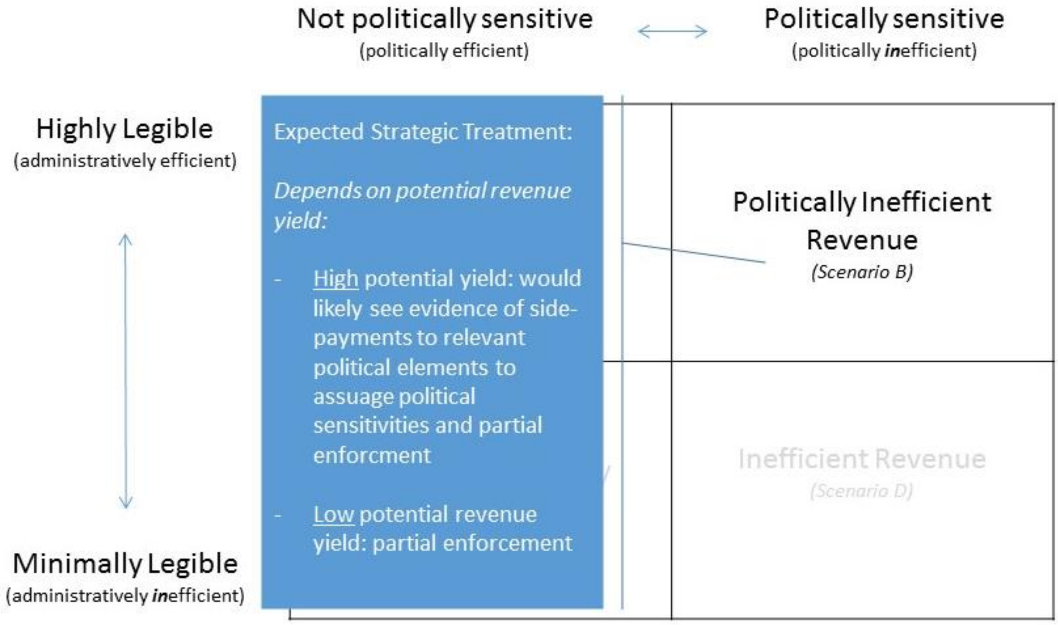
502 Excerpts from Togolese Fiscal Code (Code Général Des Impôts Edition 2016 du République Togolaise, 2016)

Section 6 Annexes for Efficient Revenues Chapter

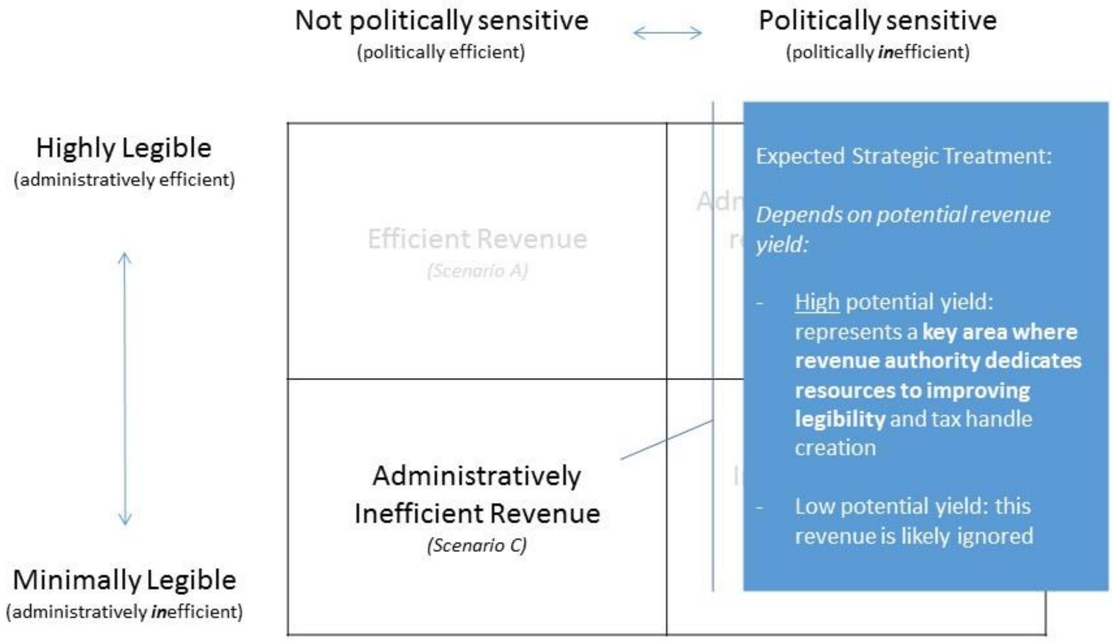
6.1 Expected Strategic Treatment of Inefficient Sources of Revenue



Revenue Efficiency Scenarios:
Expected Strategic Treatment of Politically Inefficient Revenues

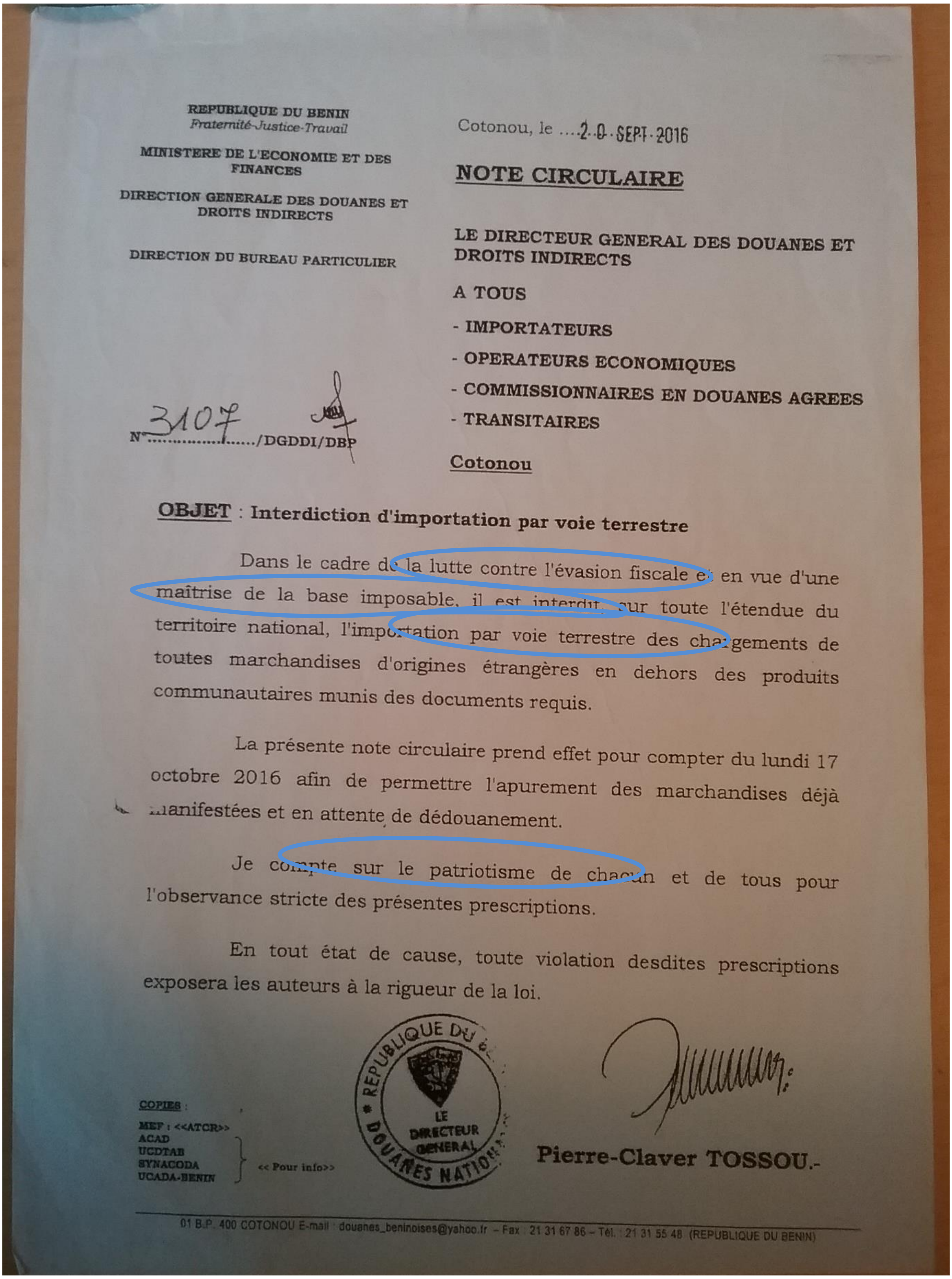


Revenue Efficiency Scenarios:
Expected Strategic Treatment of Administratively Inefficient Revenues



6.2 Internal *Note Circulaire* #1 from Bénin Customs Agency

(English Translation below)



REPUBLIQUE DU BENIN
Fraternité-Justice-Travail

MINISTERE DE L'ECONOMIE ET DES FINANCES

DIRECTION GENERALE DES DOUANES ET DROITS INDIRECTS

DIRECTION DU BUREAU PARTICULIER

N°...3107.../DGDDI/DBP

Cotonou, le ...20 SEPT 2016

NOTE CIRCULAIRE

LE DIRECTEUR GENERAL DES DOUANES ET DROITS INDIRECTS

A TOUS

- **IMPORTATEURS**
- **OPERATEURS ECONOMIQUES**
- **COMMISSIONNAIRES EN DOUANES AGREES**
- **TRANSITAIRES**

Cotonou

OBJET : **Interdiction d'importation par voie terrestre**

Dans le cadre de la lutte contre l'évasion fiscale et en vue d'une maîtrise de la base imposable, il est interdit, sur toute l'étendue du territoire national, l'importation par voie terrestre des chargements de toutes marchandises d'origines étrangères en dehors des produits communautaires munis des documents requis.

La présente note circulaire prend effet pour compter du lundi 17 octobre 2016 afin de permettre l'apurement des marchandises déjà manifestées et en attente de dédouanement.

Je compte sur le patriotisme de chacun et de tous pour l'observance stricte des présentes prescriptions.

En tout état de cause, toute violation desdites prescriptions exposera les auteurs à la rigueur de la loi.

REPUBLIQUE DU BENIN – DOUANES NATIONALES – LE DIRECTEUR GENERAL

Pierre-Claver TOSSOU.-

COPIES :
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ACAD
UCDTAB
SYNACODA
UCADA-BENIN
<< Pour info>>

01 B.P. 400 COTONOU E-mail : douanes_beninoises@yahoo.fr – Fax : 21 31 67 86 – Tél. : 21 31 55 48 (REPUBLIQUE DU BENIN)

ENGLISH TRANSLATION

Cotonou, Sept. 20. 2016

Circular Note

The Director General of Customs and Indirect Duties

To all of you:
Importers - Importers
Economic Operators
Authorized customs agents
Freight Forwarders

Subject: Ban on land importation

As part of the fight against tax evasion and with a view to controlling the tax base, it is prohibited, throughout the whole of the national territory, to import by land any goods of foreign origin other than Community products with the requisite documents.

The present circular note shall take effect from Monday 17 October 2016 in order to allow the clearance of goods already manifested and awaiting customs clearance.

I count on the patriotism of each and every one of them for the strict observance of these prescriptions.

In any event, any violation of these provisions will expose the authors to the rigor of the law.

Pierre-Claver TOSSOU

Translated with www.DeepL.com/Translator

6.3 Internal *Note de Service* (#2) from Bénin Customs Agency

(English Translation below)

Il urge donc de mettre un terme à ce dysfonctionnement. C'est pourquoi à compter de la date de signature de la présente lettre il est temporairement mis fin à l'importation par voie terrestre de tout chargement homogène de l'une des marchandises non communautaires ci-après :

- **farine de blé** ;
- **pâtes alimentaires** ;
- **huiles végétales** ;
- **viandes et abats congelés** ;
- **lait** ;
- **sardine** ;
- **concentrés de tomates** ;
- **boissons alcoolisées** ;
- **levures alimentaires** ;
- **friperies et bonneteries** ;
- **chaussures et sacs chinois** ;
- **meubles et cuirs** ;
- **pneumatiques** ;
- **riz** ;
- **tissus.**

Par ailleurs, à l'exception des chargements communément appelés " **divers du marché** " contenant des articles de toutes sortes manifestement achetés dans les marchés des pays voisins, les autres cargaisons ne peuvent être considérées comme chargements hétérogènes et, ne doivent par conséquent, faire l'objet de mise à la consommation au niveau des frontières terrestres.

Les Chefs d'unités sont chargés, chacun en ce qui le concerne, de veiller à l'application stricte de la présente mesure dont les difficultés d'application doivent être immédiatement portées à ma connaissance.

La présente note de service qui abroge toute disposition contraire doit être lue et largement commentée à tous les agents en service sous vos ordres respectifs et transcrite au registre d'ordre.

RÉPUBLIQUE DU BÉNIN – LE DIRECTEUR GÉNÉRAL – DOUANES NATIONALES

Pierre-Claver TOSSOU.-

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— POUR INFO —

[redacted]

ENGLISH TRANSLATION (Internal Note Circulaire #2 from Bénin Customs Agency): (my underlining)

Memorandum of Service
Directorate-General for Customs and Indirect Duties
Cotonou, 17 Oct. 2016

The Director General
To all of you:

- Central Directors
- Departmental Directors
- Heads of Central Services
- Heads of Rapid Response Services
- Receivers
- Heads of Commercial Operations
- Inspectors
- Brigade Chiefs
- Chiefs of Post

Subject: Temporary prohibition on the release for consumption of certain products by land

Recent market surveys, checks on Sydonia Word and commercial transactions have identified a number of <u>trends detrimental to the interests of the Treasury</u>.

Indeed, it has come back to me that certain third party <u>goods would be brought into the national territory by land borders in disregard of customs rules on taxable value</u>.

Thus, <u>it is common to observe a disparity in the values applied at the level of the various customs units</u> during the release for consumption operations, depending on the means of transport of the goods (containers, lorries or vans).

<u>It is therefore urgent to put an end to this dysfunction</u>. Therefore, as from the date of signature of this letter, the importation by land of any homogeneous loading of one of the following non-Community goods shall be temporarily terminated:

- Wheat flour
- Pâtes
- Vegetable oils
- Frozen meat and offal
- Milk - Milk
- Sardine
- Tomato concentrates
- Alcoholic beverages
- Food yeasts
- Fripperies and hosiery
- Chinese shoes and bags
- Furniture and leather
- Pneumatic tires
- Rice - Rice
- Fabrics

In addition, with the exception of cargoes commonly referred to as' market miscellaneous' containing all kinds of items obviously purchased in the markets of neighboring countries, other cargoes cannot be regarded as heterogeneous cargoes and should therefore not be released for consumption at land borders.

The Heads of Unit are each responsible for ensuring the strict application of this measure, each of whom is responsible for ensuring that any difficulties in its application are brought to my attention immediately.

This memorandum, which repeals any provision to the contrary, should be read and widely commented upon to all agents on duty under your respective orders and transcribed to the order book.

Signed by
Pierre-Claver Tossou

6.4 Law creating the tax identification number system in Bénin

Decrets, Arrêtés et Décisions

TEXTES GÉNÉRAUX

MINISTERE DU DEVELOPPEMENT DE L'ECONOMIE ET DES FINANCES

Décret n° 2006-201 du 8 mai 2006, *portant création d'un numéro d'identifiant fiscal unique et d'un répertoire national des personnes, institutions et associations.*

LE PRÉSIDENT DE LA RÉPUBLIQUE, CHEF DE L'ETAT, CHEF DU GOUVERNEMENT,

Vu la loi n° 90-032 du 11 décembre 1990 portant Constitution de la République du Bénin ;

Vu la proclamation le 29 mars 2006 par la Cour Constitutionnelle des résultats définitifs de l'élection présidentielle du 19 mars 2006 ;

Vu le décret n° 2006-178 du 8 avril 2006 portant composition du Gouvernement ;

Vu le décret n° 2004-252 du 4 mai 2004 fixant la structure-type des Ministères ;

Vu le décret n° 2005-110 du 11 mars 2005 portant attributions, organisation et fonctionnement du Ministère des Finances et de l'Economie ;

Sur proposition du Ministre du Développement, de l'Economie et des Finances ;

Le conseil des Ministres entendu en sa séance du 26 avril 2006 ;

DÉCRÈTE :

CHAPITRE PREMIER
Dispositions Générales

Article premier. - Il est créé un numéro d'Identifiant Fiscal Unique (IFU) qui servira à la mise en place d'un répertoire national des personnes, institutions et associations énumérées à l'article 2.

Art. 2. - Il est fait obligation :

- aux personnes physiques âgées de plus de dix huit (18) ans menant des activités salariées ou non salariées, commerciales ou non commerciales ;
- aux propriétaires terriens ;
- aux entreprises exerçant une activité commerciale ou non commerciale sur le territoire du Bénin, quels que soient leur forme, leur statut juridique et leur nationalité ;
- aux associations et organisations nationales ou étrangères régulièrement déclarées ou autorisées, aux syndicats professionnels et aux partis politiques, à toute personne physique ou morale de droit privé ;
- aux administrations publiques centrales, établissements publics et collectivités locales ;
- aux ambassades et organisations internationales ;

de se faire attribuer un numéro d'Identifiant Fiscal Unique (IFU).

Art. 3. - Le numéro IFU doit obligatoirement être :

- porté sur les lettres, factures, quittances et reçus rédigés ou établis par les personnes physiques ou morales visées à l'article 2 ;
- indiqué à la suite du nom de la raison sociale sur les déclarations, pièces ou actes produits, émis ou passés par lesdites personnes dans leurs relations avec les tiers.

Art. 4. - Les informations contenues dans le répertoire national sont transmises de droit aux administrations financières, à l'INSAE et aux associés des entreprises concernées.

CHAPITRE II
Contenu et Modalités de Tenue à Jour du Répertoire National

Art. 5. - Le numéro IFU ne comporte aucun code caractéristique de l'unité qu'il identifie. Il est composé de treize (13) chiffres dont le dernier est le chiffre clé.

Les établissements et succursales ou agences tenant une comptabilité séparée, sont identifiés par un numéro IFU avec la modification de l'avant-dernier chiffre du numéro IFU des entreprises mères précédemment immatriculées et dans l'ordre de leur création.

Art. 6. - La gestion du répertoire national est confiée à une structure de la Direction Générale des Impôts et des Domaines qui reçoit les demandes, les étudie et attribue le numéro IFU. L'organisation de cette structure et la mise à jour du répertoire national feront l'objet d'un arrêté du Ministre du Développement, de l'Economie et des Finances.

Art. 7. - L'IFU doit être exigé par les banques ou institutions financières à l'ouverture des comptes pour toute personne physique ou morale, quel que soit son statut. Pour les sociétés ou entreprises en création, l'identifiant d'un membre fondateur mandaté peut permettre l'ouverture du compte en attendant l'immatriculation de la société.

L'IFU doit être mentionné sur tout document adressé par les banques et institutions financières à leurs clients.

L'IFU doit également être exigé à l'inscription de toute personne à la Caisse Nationale de Sécurité Sociale et à tout abonnement à la Société Béninoise d'Energie Electrique (SBEE), à la Société Nationale des Eaux du Bénin (SONEB) et à la Société BENIN TELECOM SA.

Art. 8. - Toute infraction aux dispositions du présent décret notamment aux articles 3 et 7 est punie d'une amende de cent mille (100.000) francs CFA et/ou des peines prévues au Code Pénal.

REPUBLIQUE DU BENIN

ASSEMBLEE NATIONALE

Loi n° 2010-46 portant loi de finances pour la gestion 2011.

L'Assemblée Nationale a délibéré et adopté en sa séance plénière du 30 décembre 2010, la loi dont la teneur suit :

PREMIERE PARTIE

CONDITIONS GENERALES DE L'EQUILIBRE FINANCIER

TITRE I

DISPOSITIONS RELATIVES AUX RESSOURCES

I - IMPÔTS ET REVENUS AUTORISES

A - DISPOSITIONS ANTERIEURES

Article 1er : Sous réserve des dispositions de la présente loi, continueront d'être opérées, pendant l'année 2011, conformément aux dispositions législatives et réglementaires en vigueur :

1- la perception des impôts, taxes, rémunérations des services rendus par l'Etat, produits et revenus affectés à l'Etat ;

2- la perception des impôts, taxes, produits et revenus affectés aux collectivités locales, aux établissements publics et organismes divers dûment habilités.

En ce qui concerne les impôts sur le revenu, sauf précision contraire contenue dans le texte des mesures fiscales énoncées, les dispositions des articles 10 et 11 de la présente loi sont applicables aux revenus réalisés du 1er janvier au 31 décembre 2011. Toutefois les revenus réalisés au titre de l'année 2010 sont imposés conformément aux dispositions antérieures.

Toutes contributions directes ou indirectes, autres que celles qui sont autorisées par les lois et décrets en vigueur et par la présente loi, à quelque titre ou sous quelque dénomination qu'elles se perçoivent, ne sont pas autorisées, sous peine de poursuite, contre les fonctionnaires et agents qui confectionneraient les rôles et tarifs et ceux qui en assureraient le recouvrement, comme concussionnaires, sans préjudice de l'action en répétition pendant trois (03) années, contre tous receveurs, percepteurs ou individus qui en auraient fait la perception.

Sont également punissables des peines prévues à l'encontre des concussionnaires, tous détenteurs de l'autorité publique qui, sous une forme quelconque et pour quelque motif que ce soit, auront, sans autorisation de la loi, accordé toute exonération ou franchise de droit, impôt ou taxe publique ou auront effectué gratuitement la délivrance de produits des établissements de l'Etat.

Ces dispositions sont applicables aux personnels d'autorité des entreprises nationales qui auront effectué gratuitement sans autorisation légale ou réglementaire, la délivrance des produits ou services de ces entreprises.

B- MESURES RECONDUITES

Article 2 : Nonobstant les dispositions des articles 2 et 3 du Code des Douanes et de l'article 224 nouveau du Code Général des Impôts (CGI), le matériel informatique y compris les logiciels, les imprimantes, les parties et pièces détachées, même présentés isolément, est exonéré de tous droits et taxes de douane et de la taxe sur la valeur ajoutée (TVA) à

6.5 Law enforcing the requirement to register 'immatriculé' an IFU

Soit en application de l'alinéa précédent, soit pour toutes autres raisons, lorsque l'inspecteur du service d'assiette estime avoir en sa possession les éléments suffisants pour opposer un refus nettement motivé à une demande en réduction d'acomptes, il doit notifier ce refus par lettre recommandée dans les quinze (15) jours de la réception de la demande. Passé ce délai, la demande du contribuable est considérée comme acceptée tacitement.

CHAPITRE III

OBLIGATIONS DES TIERS ET PRIVILEGE
DU TRESOR EN MATIERE D'IMPÔTS

Article 1139 :

Les cotisations à l'impôt sur le revenu des personnes physiques comprises dans les rôles au nom des associés en nom collectif ou en commandite simple, conformément aux dispositions de l'article 5 du présent code, n'en demeurent pas moins des dettes sociales.

Article 1145 :

Alinéa 1 : Sans changement.

Alinéa 2 : Toutefois, les prescriptions de l'article 127 du présent code, visant l'impôt sur le revenu, sont applicables de plein droit à l'ensemble des impôts et taxes institués par le présent code, et dus par tout contribuable d'origine étrangère au Bénin quittant même provisoirement le territoire de la République du Bénin.

Alinéa 3 : Sans changement.

Article 14 : Le Gouvernement procédera par décrets pris en Conseil des ministres à la mise à jour ponctuelle au regard des procédures extraites en 2005 et à la refonte du Code général des impôts en vue d'alléger et de simplifier sa présentation.

Cette mise à jour ponctuelle et cette refonte qui pourront comporter des fusions ou des divisions d'articles ne devront, en aucun cas, entraîner aucune modification des taux, ni des règles d'assiette, de recouvrement et du contentieux des impôts.

Le nouveau Code revêtu du visa de la cour suprême est communiqué à l'Assemblée Nationale.

Article 15 : Il est créé en République du Bénin, un numéro d'Identifiant Fiscal Unique (IFU) qui servira à la mise en place d'un répertoire national des personnes, institutions et associations.

Les modalités de mise en œuvre de l'Identifiant Fiscal Unique sont fixées par décret pris en Conseil des ministres.

II- LES RESSOURCES

Article 16 : Sous réserve des dispositions de la présente loi, les budgets annexes et les comptes spéciaux du trésor ouverts à la date du dépôt de la présente loi sont confirmés pour l'année 2011.

Article 17 : Les ressources de la loi portant loi de finances pour la gestion 2011 sont évaluées à 1 099 375 millions de francs CFA et comprennent :

6.6 Modifications related to the IFU and multinationals, prevention of tax evasion

MODIFICATIONS DES DISPOSITIONS DU CODE GENERAL DES IMPÔTS AU TITRE DE L'ORDONNANCE N°2014-001 DU 02 JANVIER 2014 PORTANT LOI DE FINANCES POUR LA GESTION 2014

- ***Exposés des motifs***
- ***Nouvelles redactions***

EXPOSE DES MOTIFS

La réforme portant institution de l'Identifiant Fiscal Unique (IFU) oblige tout citoyen béninois à se faire immatriculer à l'IFU.

Pour des raisons de sécurisation et de traçabilité de leurs opérations, cette obligation est, du reste, beaucoup plus contraignante à l'égard de toute personne physique ou morale qui exerce une activité économique. Mais, paradoxalement, la lecture croisée des dispositions des alinéas 1 et 2 de l'article 170 du Code Général des Impôts (CGI) d'une part et, d'autre part de celles des alinéas 3 et 4 du même article, laisse transparaître un assouplissement de l'obligation d'immatriculation qui s'impose à tous les citoyens.

En effet, la restriction du prélèvement de l'Acompte sur Impôt assis sur le Bénéfice (AIB) au taux de 1% aux entreprises immatriculées à l'IFU (article 170 alinéas 1 et 2 du CGI) et l'institution d'un taux de 5% de prélèvement d'AIB pour les entreprises non immatriculées à l'IFU (article 170 alinéas 3 et 4 du CGI) constituent implicitement une dérogation préjudiciable à l'obligation qui est faite à tout agent économique d'avoir son numéro d'immatriculation à l'IFU.

Dans la pratique, les importateurs non immatriculés s'affranchissent facilement de cette obligation en concédant un prélèvement d'AIB au taux de 5%.

Cette situation atténue d'une part, l'obligation d'immatriculation à l'IFU et impacte négativement d'autre part, le recouvrement des recettes fiscales à l'intérieur.

La présente proposition de modification vise la suppression de point 3 dudit article pour remédier à cette évasion fiscale.

NOUVELLE REDACTION

Article 170

L'Acompte sur Impôt assis sur les Bénéfices est de :

1 et 2 : sans changement

3 : supprimé

Le reste sans changement.

B.8- Modification des articles 173 et 174 pour y insérer l'obligation de solliciter auprès de la DGID la validation de l'AIB payé au cordon douanier au cours d'une année au plus tard le 30 avril de l'année suivant celle du paiement et de préciser les sanctions applicables

EXPOSE DES MOTIFS

L'obligation de demander la compensation de l'AIB payé au cordon douanier au titre d'une année au plus tard le jour de la souscription légale de la déclaration de bénéfice de la même année, sous peine de forclusion a été instituée par l'article 9 de l'arrêté n°80 MF/DC/DGID/DGDDI du 22 février 1999 portant application de l'article 3 de la loi de finances, gestion 1999.

La modification proposée vise à insérer au CGI les dispositions réglementaires rappelées ci-dessus tout en supprimant la forclusion.

NOUVELLE REDACTION

Article 173

L'acompte sur impôt assis sur les bénéfices est perçu pour le compte de la Direction Générale des Impôts et des Domaines.

1° à 3° : sans changement ;

6.7 Article 1018, CGI, Bénin, 2017 (Current IFU requirement)

Article 1017

Supprimé par Loi n° 2011-43 portant loi de finances pour la gestion 2012.

VII. - FORMULES DES PATENTES

OBLIGATIONS DES REDEVABLES

Article 1018

1- Les entreprises exerçant une activité assujettie à la patente sont tenues de souscrire une déclaration d'existence en triple exemplaire, auprès des services fiscaux, dans les trente (30) jours suivant le début de leur activité.

2- Un numéro d'Identifiant Fiscal Unique est attribué par le service des Impôts à chaque opérateur économique, associé, entreprise individuelle ou société, à partir des indications portées sur la déclaration d'existence.

Cet Identifiant Fiscal Unique (IFU) doit être mentionné dans toutes les formalités administratives et notamment lors des déclarations fiscales ou douanières.

Il doit également être inscrit sur les factures et dans toute la correspondance commerciale ou professionnelle.

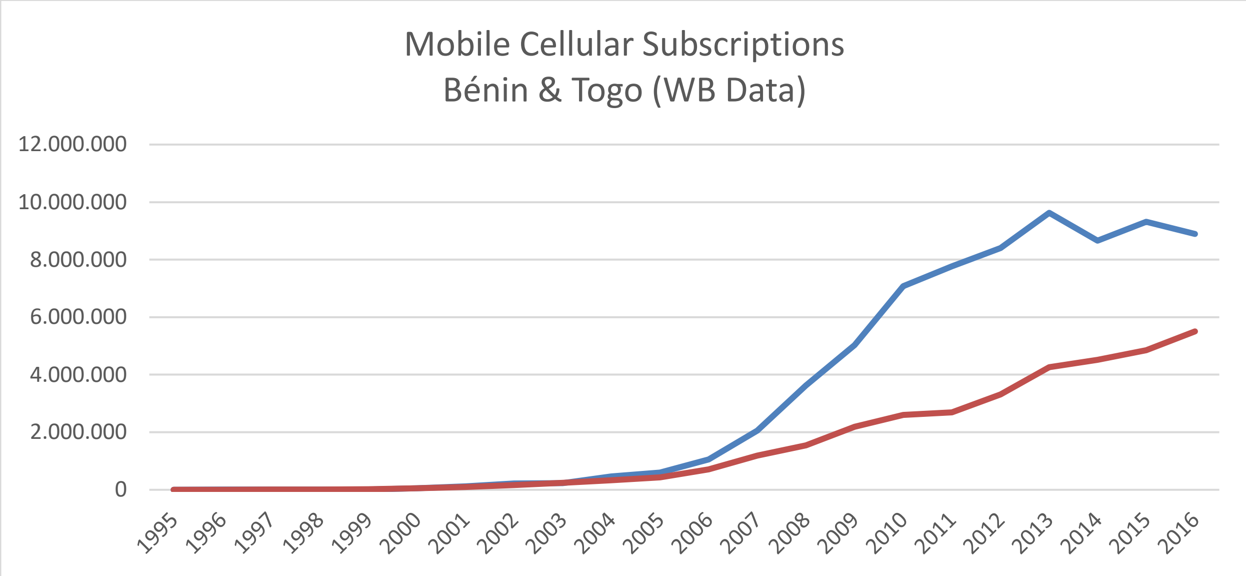
3- Les modifications importantes intervenant dans le fonctionnement de l'entreprise doivent également faire l'objet d'une déclaration de mise à jour en triple exemplaire auprès des services fiscaux dans un délai de trente (30) jours.

Sont notamment considérés comme des modifications importantes :
- le changement de statut juridique ;
- le changement d'adresse ;
- le changement d'activité ;
- la suspension d'activité ;
- la cessation d'activité.

Code-Général-des-Impôts-LPF-du-Bénin-2017.p1,277-278

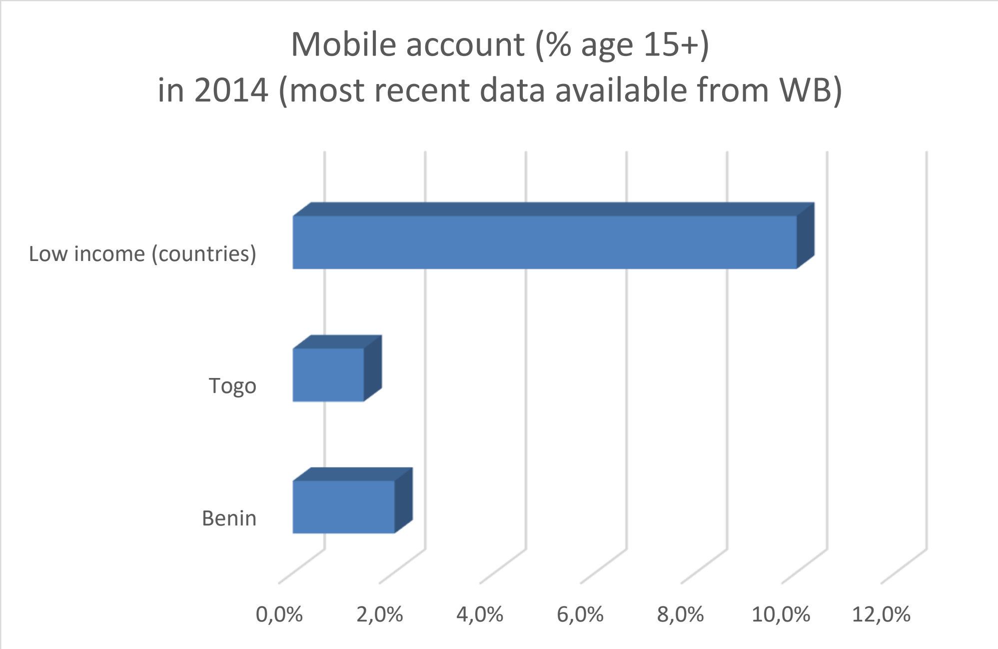
6.8 Statistics and Trends related to Mobile Cellular telephony

6.8.i Mobile Cellphone Subscriptions in Bénin & Togo[503]



503 Mobile Cellular Accounts in Bénin & Togo: "Mobile cellular subscriptions", Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database. World Bank Data.
URL: https://data.worldbank.org/indicator/IT.CEL.SETS?end=2016&locations=BJ-TG&start=1995. Accessed February 8, 2018.

6.8.ii ANNEX: Mobile Money Accounts in Bénin & Togo[504]



[504] Mobile Money Accounts in Bénin, Togo, and all LICs: "Mobile account (% age 15+) [w2]", Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database, Demirguc-Kunt et al., 2015. World Bank Data. URL: https://data.worldbank.org/indicator/WP15163_4.1?locations=BJ-TG-XM

6.9 TPS in Bénin (Taxe Professionnelle Synthétique)

Un impôt plus simple et plus juste

L'Etat a réformé les impôts des Micros et Petites Entreprises (MPE) pour les rendre plus simples et plus justes.

AVANT LA TPS	AVEC LA TPS
Les MPE étaient soumises à plusieurs régimes: • la TPU (taxe professionnelle unique); • le forfait des revendeurs de tissus et divers; • le forfait classique; • ou la TUTR (taxe unique sur les transports routiers).	**Les MPE ne sont soumises qu'à la TPS**
INCONVÉNIENTS Régimes: • **Multiples** • **Complexes** • **Imprévisibles** • **Inadaptés**	AVANTAGES Régime: • **Unique** • **Simple** • **Prévisible** • **Juste**

PRINCIPALES INNOVATIONS

Le chiffre d'affaires	La confiance
La TPS est basée sur le chiffre d'affaires de l'entreprise.	Chaque entreprise remplit elle-même sa déclaration de TPS.

Qui paie la TPS ?

Toutes les entreprises dont le chiffre d'affaires annuel est inférieur ou égal à 50.000.000 de FCFA paient la TPS, quelle que soit la nature de l'activité.

Quand payer la TPS ?

- La TPS est payée chaque début d'année sur la base du chiffre d'affaires de l'année précédente ;
- La TPS sera payée à partir de 2016 sur la base du chiffre d'affaires réalisé en 2015.

Les MPE doivent tenir dès aujourd'hui et tout au long de l'année un cahier des recettes et des dépenses afin de pouvoir calculer leur chiffre d'affaires.

Contacts

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Site internet: www.impots.finances.gouv.bj

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English Summary

This research investigates the following question: what shapes the strategies of revenue mobilization in poor states?

In the past fifteen years there has been a major push for the world's poorest states to finance their own development. The World Bank, IMF, and bilateral donors have invested millions of dollars and provided extensive technical and administrative expertise to poor governments, working alongside them to develop efficient revenue systems. Where developing countries lacked local models, many of these recommendations have instead looked to optimal tax theory, to guide strategies of revenue mobilization. Optimal tax theorists have established key instruments of taxation which are best positioned to achieve key economic goals important for any state – stimulating economic growth and redistribution to address inequality in a society. However, despite extensive efforts to reorganize fiscal codes and revenue systems around international best practice models of taxation, the poorest states have persisted in relying on some tax instruments eschewed by optimal tax theory, such as trade taxes, and high corporate income taxes. Despite major investments and massive overhauls of many revenue authorities across the developing world, poor states have not managed to increase revenues significantly. Failures have been attributed to waste, inefficiencies, neopatrimonial politics, and corruption. The literature on political orders and neo-patrimonial politics point to a political logic ordered by patrimonial networks. This volume presents a counter-perspective, a story of scarcity on multiple fronts, as a rationale for partially implemented fiscal codes, and the persistence in relying on economically inefficient tax instruments, told through the lens of Revenue Efficiency.

Scarcity changes behavior. It changes priorities and strategies. A poor state faces scarcity on every level – scarcity of political legitimacy, scarcity of administrative resources, scarcity of information about the citizens and economic activity taking place within and across its borders. Economic priorities – ensuring that the best tax instruments are employed to support economic growth and redistribute income – become luxuries that the revenue actors must relegate to a third-level priority. Instead, where administrative resources are scarce and political sensitivities threaten to absorb a short-staffed system's energies and weaken the institution's legitimacy in its efforts to tax the population, revenue actors must find sources of revenue which absorb the least amount of resources possible. That is, in implementation, revenue actors in a poor state employ revenue mobilization strategies that exact the least of the agency's scarce resources, regardless of their impacts on the economy. Shrewd use of administrative and political resources are of more immediate concern than achieving economic objectives. To investigate these dynamics, I carried out cross-case and within-case comparative case studies in Bénin and Togo, embedded with revenue authorities for five months.

What shapes strategies of revenue mobilization in a poor state? Scarcity – political and administrative resource scarcity – reshapes patterns of implementation, where fiscal codes are ill-fitted to the constraints and economies in poor states. Governments in the world's poorest states are not simply characterized by administrative inefficiency, corruption and waste. They are also characterized by shrewd application of their limited resources.

Dansk resumé

Dette ph.d.-projekt studerer, hvordan skatteindkrævningsstrategier formes i fattige stater. Dette spørgsmål besvares ved at undersøge skattereformers manglende succes i fattige stater fra et nyt perspektiv: bureaukraterne i skattevæsenet. Fattige stater er ofte karakteriseret ved lav statslig legitimitet, lav administrativ kapacitet og begrænsede ressourcer samt manglende information om skatteyderne og deres økonomiske aktiviteter. Under disse omstændigheder bliver bureaukrater strategiske, politiske aktører som skal navigere imellem det administrativt og politisk mulige. Forsøget på at fange svært tilgængelig skatteindtægter fra indtægtskilder, der enten er præget af uformel økonomisk aktivitet eller politisk manøvrering, optager let de knappe ressourcer til stede i skattesystemet. Når det ikke er muligt direkte at implementere skattelovgivningen, må bureaukrater på alle niveauer af skattevæsenet træffe strategiske beslutninger om, hvilke dele af lovgivningen de skal implementere. I afhandlingen udvikles en model for skatteindkrævningseffektivitet. Modellen udgøres af to dimensioner, politisk og administrativ effektivitet, som hver dækker over en række faktorer, der har betydning for, hvilke dele af skattelovgivningen bureaukraterne kan implementere mere eller mindre effektivt. Disse to dimensioner udgør en implicit beslutningsramme for bureaukraterne i skattevæsenet. Modellen bidrager til en ny forståelse af hvor og hvornår korruption, lav administration kapacitet, 'red-tape' i bureaukratiet og 'isomorphic mimicry' opstår ved at se disse som statiske strategier udviklet for at navigere uden om de administrative og politiske kilder til ineffektivitet, eller som dynamiske strategier udviklet til at moderere disse kilder. Den teoretiske model undersøges i et komparativt studie af Benin og Togo med data indsamlet under et længerevarende feltarbejde.