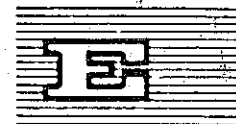


UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



49698



Distr.
LIMITED

E/CN.14/UAP/3
14 September 1962

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Seminar on Urgent Administrative
Problems of African Governments
Addis Ababa, 2 - 12 October 1962

SOME PROBLEMS OF FINANCIAL ADMINISTRATION
IN AFRICAN COUNTRIES

by

Fiscal and Financial Branch, Department of
Economic and Social Affairs, United Nations, New York

CONTENTS

	<u>Paragraphs</u>
1. Approach	1
2. Present Conditions and Future Goals	2 - 4
3. Information on Public Sector Transactions	5 - 11
4. Budget Management	12 - 24
5. Tax Administration	25 - 35
6. Practical Implications	36 - 38

SOME PROBLEMS OF FINANCIAL ADMINISTRATION IN AFRICAN COUNTRIES

Approach

1. A number of African countries have formulated and adopted long-term plans of development in the public sector with a view to promote economic and social development of their countries. The successful implementation of these plans must depend very largely, among other factors, on the nature and extent of support provided by the public administrative machinery. The role of public administration in African countries has, therefore, of necessity, to be considered within the wider context of development programming. The reorientation of administrative structure and organization to the needs of planning requires action in various fields of public administration. Economic planning needs support at all levels of government. To provide the necessary support, administrative problems at the central, provincial and local level of government will have to be reconsidered. In order to devise effective framework of administration at various levels of government, continuous research in organization and methods problems would be necessary. The financial administration, however, has to play a very crucial role in economic planning. It ought to develop the type of information on public sector transactions which is essential for drawing up long-term plans of development. It should lend effective support to planning through its tools of budget management and tax administration. Budget management should be developed as an effective instrument for the implementation of plan projects and the efficiency of tax administration should be improved both in terms of the needs of planning and increased revenue to the government. The purpose of this paper is to discuss some problems of improvement in the budgetary field and in the field of tax administration. However, before we set out to consider the desirable goals in this context, it is necessary to take stock of the existing situation and of the problems faced by the African governments in the field of financial administration.

Present conditions and future goals

2. The recent accession to political independence of several African countries has brought about two significant changes in the budgetary field. As a corollary of political independence, the national legislatures in these countries have come to exercise complete control over public expenditure and indeed on government transactions. Secondly, political independence has increased the scope of government budgets^{1/}, thus lending further substance to the control exercised by the legislatures. This is also largely true of countries who have acquired internal full self-government. A logical and direct corollary of this is the increased workload for the administrations. In the newly independent countries, some governments are also engaged in modifying the present systems of budget administration so as to bring them in line with the constitutional changes. In some countries of English-expression, attempts are being made towards the unification of public financial accounts through the introduction of the Exchequer or the Consolidated Fund system with a view to ensure control of legislature over public expenditure.

3. One of the most serious problems faced by the African countries in adapting their administrative systems to the recent constitutional changes, to the increased workload or to the needs of planning in the shortage of skilled staff. The shortage of skilled African personnel assumes even greater significance when it is recognized that at present in most of these countries a large number of senior and even intermediate positions in government administration are occupied by the expatriates who would sooner or later depart. The anticipated departure of expatriates makes it not only difficult to introduce far-reaching reforms but also poses the problem of ensuring that the present standards of administration are not impaired when the expatriates actually depart.

^{1/} For example, expenditure on defence and overseas diplomatic representation, which was formerly borne by the Metropolitan powers, is now a direct charge on the resources of these countries. Increase in the budgets of French-speaking countries is particularly significant because a large number of items of a current and capital nature were previously financed by the French Budget.

4. Considering, therefore, the increased workload, the shortage of staff and the present transitional stage when the administrative systems are emerging out of their colonial patterns and adapting themselves to the new political and institutional changes, it may be appreciated that the prevailing circumstances are not very propitious for undertaking any major reforms in the financial administrative systems of African countries. It is, nevertheless, possible and desirable, if the overriding objective of planned economic development is to be effectively pursued, to conceive of certain goals of improvement in the systems of financial administration. In the budgetary field, such goals could be envisaged, firstly, in developing appropriate information on the public sector transactions and, secondly, in improving the efficiency of budget management techniques and procedure. In the field of tax administration, the introduction of certain administrative reforms would improve the management of the existing taxes and may bring more revenue, the need for which is urgent in many African countries.

Information on Public Sector Transactions

5. In formulating long-term plans of economic development in the public sector, the inter-relationships between the transactions of the public sector and of other various sectors in an economy must be constantly borne in mind. Government transactions have important effects on the transactions of other sectors in the economy. It is therefore essential to have the type of information on government transactions which would bring out clearly this inter-relationship. Such information can be obtained by an economic and functional classification of government transactions. The economic classification would provide the information on transactions in goods and service, payments of interest and income from property, transfers payments and receipts and on transactions in financial claims and would, further, give information on the shares of various sectors of the economy in such transactions. The functional classification would enable to obtain the total expenditure on a given function. This information would provide an appropriate framework to

policy-makers in analyzing various public expenditure programmes. It would also serve as a basis for fiscal and economic policy formulation.

6. The classification of schemes and the structure of the existing administrative accounts are not intended to provide the type of information needed on public sector transactions. These accounts are primarily intended to serve as a framework for appropriation requests, for purposes of internal management and for final accountability to the legislature. The classification of expenditure in these accounts is usually in terms of organizational units and in terms of objects of expenditure such as salaries, travelling allowances, purchases of goods, etc. Since the appropriation requests are made in these terms, the final appropriation accounts are also presented in terms of this classification for purposes of accountability. Most of the governments operate a current and capital or development budget but this distinction is made on grounds of administrative considerations and not by economic criteria.

7. The information on public sector cannot be derived merely from transactions recorded in the annual budgets. Many governments have established a multiplicity of special funds to which expenditure on particular schemes may be charged. A great number of separately organized public bodies are also established to undertake ventures of a commercial or semi-commercial nature. It becomes, therefore, essential to bring together all the information so as to obtain a complete picture of transactions in the public sector.

8. Nevertheless, the information in the existing administrative accounts can be reclassified in terms of economic and functional categories so as to provide a supplementary set of data for purposes of policy formulation. In order to help countries to derive such supplementary information, the United Nations Secretariat has prepared A Manual for Economic and Functional Classification of Government Transactions. This Manual was submitted for discussion at a series of budget workshops, organized by the United Nations at regional level, with a view to test the applicability of Manual schemes of reclassification and their uses for purposes of planning in under-developed countries. The most recent

of these was held for African countries and was attended by senior budget and treasury officials. As regards the usefulness of the Manual, the African Budget Workshop noted that "In many countries where planning for various reasons aims primarily at establishing a general framework for the formulation of development projects, the application of the economic and functional classification described in the Manual would appear to give the data needed".^{1/}

9. The nature and scope of actual information needed would of course depend on the nature of plans themselves and on the nature of specific relationships to be examined. It may be necessary to obtain supplementary information on intra-industrial relationships with the use of input-output data or on financial policies with the aid of flow of funds accounts. In this respect the Manual scheme of economic classification would also provide some of the building blocks required for the construction of national income and product accounts.

10. The reclassification of government transactions is not, however, entirely new to African countries. In several countries, government transactions have been reclassified according to economic and functional categories and substantial progress has been made in this field. In doing this work the African countries found the United Nations Manual a very useful guide. In most of the countries, however, the reclassification covers only the accounts of the central government and excludes those of local authorities. Functional classification is more widely applied than economic classification. Furthermore, in a majority of countries the reclassification work is undertaken in respect of closed accounts, i.e., after the transactions have taken place and most of the budget proposals. The results of this work are usually presented in a supplementary document called variously a "Budget Survey," "Background to the Budget", etc., along with the annual budget proposals. They are intended to provide additional information on government transactions.

^{1/} Report of the Workshop on Problems of Budget Reclassification and Management in Africa, Addis Ababa, Ethiopia, 1961. (E/CN.14/117) Paragraph.12.

11. At the recent African Budget Workshop, the participants from several countries agreed on the usefulness of continuing this work and expressed the hope that "similar work will be undertaken throughout the region". It may be, therefore, useful to recall here some of the important recommendations made by the Workshop.^{1/} It was considered essential by the Workshop to extend the scope of reclassification so as to "cover all transactions of agencies coming under the 'public sector' in the wide sense of the term". As regards the economic classification of government transactions the Workshop adopted a simpler classification for adaptation and experiment in African countries. This is particularly recommended to those who are about to make a first attempt at undertaking this work. The Workshop also recognized the usefulness of a functional classification of budget expenditure. Certain modifications were made by the participants to the Manual scheme of functional classification; most important among these were the inclusion in such a classification of government expenditure on the acquisition of ownership rights and on repayment of contractual debt. A modified scheme of classification was particularly recommended to those countries who have not yet attempted a functional classification. Realizing the general importance and uses of an economic-functional classification, the Workshop requested the United Nations Statistical Commission to consider the establishment of a standard in this field. In the meantime, the Workshop adopted a cross classification scheme suitable for adaptation and experiment in African countries. While offering several suggestions for the practical application of these schemes, the Workshop considered the feasibility of establishing a standard correspondence between items of the budget or accounts and economic-functional categories by the introduction of a coding system. The Workshop also recommended that the United Nations Secretariat should prepare an annex to the Manual on practical problems involved in reclassification. It also considered that an ex-ante reclassification would be valuable "for the analysis of the probable economic impact of government transactions in general and for development planning in particular".

^{1/} For details see the Workshop Report, op. cit. p.

Budget Management

12. For purposes of their implementation, the long-term development plans of governments have to be transformed into annual programmes. These programmes include, just as the Plan, a multitude of schemes and projects in various fields of activity and are executed by various agencies in the public sector. The transactions of some of these agencies form an integral part of the national budget while some agencies may be separately organized as independent public bodies. Since a large number of agencies operate through the budget, one of the principal concerns of budget management in particular and of financial administration in general should be to ensure an effective implementation of plan projects.

13. Traditional methods of budget management tend to emphasize at every stage - formulation, execution and reporting - the financial aspects of expenditure. The stress is often placed on objects of expenditure rather than on purposes or accomplishments of such expenditure.

Conventional audit of expenditure is also purely fiscal in its approach.

On the other hand, in economic planning, emphasis is laid on the identification of specific programmes and on various homogeneous activities and projects which constitute a programme. Stress is further put on considerations of cost and of yields in real or physical terms. These differences in emphasis of conventional budgeting and planning fail to provide adequate budgetary checks and controls on the implementation of plan projects. The traditional concepts and techniques of budget management need, therefore, to be so amended as to give a practical expression to the needs and concerns of planning.

14. In establishing a close link between budgeting and planning and in ensuring more effective execution of development plans, the adoption of the techniques of programme and performance budgeting might provide a suitable approach. The performance budgeting emphasizes the things or work done rather than the things bought by a government. It aims at measuring the accomplishments in real or physical terms in addition to financial terms. A performance budget "is in essence a work plan

specifying the concrete objectives to be achieved by the Government during the financial year.. It is formulated on the basis of the work to be done or services to be provided by the Government, and presents these, together with their costs".^{1/}

The identification of homogeneous work areas and of concrete objectives to be accomplished thereunder require, for purposes of appropriation, execution and reporting, an expenditure classification by programmes, functions, activities and projects. When the systems of reporting and accounting are geared to these concepts, they would provide information on works accomplished and their costs; enabling thus a direct comparison with the plan expenditure originally approved for the budget year. The performance budgeting would, therefore, enable an improved evaluation of the worthwhileness of expenditure and would also help the administration to justify their appropriation requests more fully.

15. These concepts and techniques of performance budgeting and their relevance to planning have been discussed at some length in the United Nations Manual for Programme and Performance Budgeting. This Manual was submitted for discussion at a series of regional Budget Workshops sponsored jointly by the secretariats of the Regional Economic Commissions, the Fiscal and Financial Branch of the United Nations Headquarters, the United Nations Bureau of Technical Assistance Operations and the Division of Public Administration. The experts attending these meetings expressed interest in this approach to budgeting. While attaching special importance to certain aspects of performance budgeting,^{2/} the African Budget Workshop, held in 1961, recommended the Manual to African countries for further study and experimentation. The Workshop also recommended that at the next meeting "problems of budget formulation, control and management" be discussed in more detail "with special reference to the need for relating activities included in the annual budget to general development plans".

^{1/} U.N. Manual for Programme and Performance Budgeting (Revised Draft) E/CN.14/BRW.1/L.5, 1961. Page 8, Paragraph 9.

^{2/} See particularly Paragraph 97 of the Workshop Report, op. cit. p.

16. A systematic application of performance techniques would require far reaching changes in the traditional methods and concepts of budget management and procedure. The outstanding examples of the application of these techniques are provided by the United States and the Philippines. Several other countries outside the African region, such as Thailand, China (Taiwan), Cuba, Bolivia, Venezuela and Colombia have also made significant progress in this direction. In African countries where time may not be yet ripe for major budgetary reforms, in view of the shortage of staff, "important aspects of performance budgeting might be usefully applied without significant changes in the existing forms of budget presentation".^{1/}

17. In the short run, this may be achieved in two ways. One way is to provide on a supplementary but systematic basis such information by "amplifying such analysis of costs and accomplishments as were being already undertaken and by extending them to other areas of government activity".^{2/} This may be usefully done in following and reporting the progress made in the execution of development plans, as is currently done in the United Arab Republic (Egypt). Another alternative is to incorporate gradually and in successive stages the performance concepts into budgeting itself with a view to an eventual full-scale adoption of these techniques at all stages of budgeting. A phased but systematic adoption of the performance budgeting may not require any major changes in the budgetary system and organizational structure in the short-run. An outstanding example of this in the African region is provided by Ghana and it may be useful and instructive to recall here the experience of Ghana in some detail.

18. The beginning of a long-term effort to introduce performance budgeting was made in Ghana by the introduction of significant changes in formulation and presentation of 1960-61 Consolidated Fund Estimates

^{1/} A recommendation made by the African Budget Workshop. See Paragraph 103 of the Report.

^{2/} Budget Workshop Report, op. cit., Paragraph 96.

or current expenditures. These changes were designed to "focus attention on the general character and relative importance of the work to be done or upon the service to be rendered rather than upon the things to be acquired, such as personal services, supplies, equipment and so on".^{1/} The estimates of each Ministry were compiled in a separate volume and the characteristic common features of these volumes were the inclusion on each of them of a general memorandum, a narrative statement, financial estimates and a statement on justification.

19. The General Memorandum indicated the number of departments in a given Ministry, the total amounts required for each department, and the changes that occurred in the composition, functions, and total expenditure of a Ministry.

20. A narrative statement, which followed the General Memorandum, listed and described "the work of each major administrative unit or department for which a separate vote is requested, in terms of the activities or programmes carried out by it"^{2/} and indicated the work to be done during the budget year.

21. Each Ministry was asked to prepare its estimates suitably divided in such a way as to correspond to the activities and programmes as listed in the narrative statement. Each activity was provided for in the estimates as a sub-head of expenditure, the Departments' or Ministries' estimates as a whole being classified as a Head of Expenditure. "It was realized that a few Departments might not find it practicable to split up their estimates to relate to each of their activities and it was therefore decided that, initially, no attempt should be made to divide up estimates

1/ Quoted in Budget Reforms in Ghana, a paper submitted at the African Budget Workshop by the participants from Ghana, BRW.1/6.

2/ Recent Developments in Budget Reclassification Work in selected African Countries, E/CN.14/BRW.1/L.6. Chapter II, p. 26.

to correspond to departmental activities unless the actual staff and amounts could be physically separated".^{1/} The estimates for each sub-head were divided into six standard items, viz., Personal Emoluments, Travelling and Transport, General Expenses, other expenses, Extraordinary and subventions.

22. The estimates were followed by a statement of justification for each sub-head of expenditure. This statement explained for each sub-item, why the amounts were required, and the reasons for any increases or decreases in expenditure".^{2/}

23. Until very recently, the above changes were introduced in the formulation and presentation of only current estimates because the Development Budget was prepared and to a large extent executed by the Development Commission which was outside the Ministry of Finance. Recently the Bureau of Budget of the Ministry of Finance and the Development Commission have been integrated and established in the President's Office under the new name "Budget Secretariat". As a logical corollary of these organizational changes, the two estimates - current and development - now appear in one single document and in 1961/62 Estimates "Development Plan expenditure" is shown merely as a seventh item under each sub-head of expenditure. Among the minor changes introduced recently are "improvements in the narrative statements, a further breakdown of departmental activities and in a few cases, the introduction of work units".^{3/}

24. The introduction of performance budgeting may, therefore, be regarded as an evolutionary process in itself and any beginning in this respect may have to be conceived in the context of local administrative and institutional framework.

Tax Administration

25. In most of the African countries, particularly in those of Tropical Africa, the question of finance is recently emerging as one of the major

^{1/} Budget Reforms in Ghana, op. cit., p.4.

^{2/} Ibid, p.5.

^{3/} Ibid, p.10.

bottlenecks to economic development.^{1/} If the pace of economic development is not to be hindered, the African governments need to give serious attention to their tax systems with a view to improve their efficiency in terms of both development policies and proceeds to the treasury. Tax policy and tax administration are indivisible aspects of any programme of tax reform. Problems of tax administration will, therefore, arise either when the introduction of new taxes is considered or when the existing systems of taxation are examined in order to ensure better equity and more revenue. A sound and efficient tax administration is perhaps the most important aspect of financial administration because without sufficient revenue programmes of development may come to a standstill.

26. While the introduction of new taxes must be considered in the context of development policies and needs, the management of the existing taxes can be improved so as to fetch more revenues. This would call for a rationalization of the existing tax systems, a reorganization and delimitation of tax responsibilities at various levels of government, and introduction of improved methods of collection and assessment.

27. Efficient tax administration depends, among other factors, on the structural simplicity of a given tax system. From the point of view of administration, the tax systems of a majority of African countries look apparently simple in the sense that a little over two-thirds of total revenue is derived from indirect taxes of which taxes on foreign trade are most significant. Income taxation is important only in those countries where company taxation yields significant revenue. Since indirect taxes are easy to collect, one might get the impression that under these conditions, the problems of tax administration are relatively simple. This apparent simplicity, however, obscures a variety of other features with which these tax systems have been saddled during the course

^{1/} This is one of the conclusions of a study Public Finance in African Countries, Economic Bulletin for Africa, Vol. 1, No. 2, June 1961. UNECA, Addis Ababa, Ethiopia.

of their evolution. For example, some countries have a variety of poll taxes. In certain countries special taxes are levied to finance particular expenditure schemes like the education taxes on Asians and Europeans in Uganda and Tanganyika. Another example is provided by Nigeria where Federal export duties are grafted by an additional tax levied by the Regions on the produce handled by the Marketing Boards. Such examples may be more numerous. These structural complexities not only give rise to additional administrative problems but also require larger staff to administer them. In certain cases, however, e.g., poll taxes, any significant increase in yield may be obtained only at exorbitant costs. It may be, therefore, useful to rationalize the existing tax systems with a view to achieve more simplicity and productivity. In rationalizing the tax systems, the cost-revenue consideration may in certain cases require a weeding out of unproductive taxes. For example, the World Bank Mission noted about the tax on Somali farms that "In 1955, after being in force for three years, the yield of 50,000 somalos probably did not cover the cost of collection, compared with initial expectations of up to 1 million somalos".^{1/}

28. The distribution of tax responsibilities among various levels of government differs considerably in African countries. In Nigeria, on the one hand, an overwhelming part of the national tax revenue is collected by the Federal Government. On the other hand in Libya, the provincial governments possess a considerable degree of autonomy in the assessment and collection of a variety of taxes, including income tax.^{2/} Personal income taxes also fall within the jurisdiction of regional governments in Nigeria. It is also not uncommon for central

^{1/} IBRD Report on The Economy of the Trust Territory of Somaliland, p.22. U.N. Trusteeship Council, Official Records, Twentieth session, New York 1957. Document T/1296.

^{2/} The World Bank Mission recommended on administrative and economic grounds the transfer of Income-tax to the Central Government. See The Economic Development of Libya, IBRD, Washington, April 1960. See Chapters 6 and 15.

governments in various African countries to collect a very large part of tax revenue and then transfer a part of it to local authorities in terms of loans or grants. The excessive role played by central governments in tax collection probably places unduly heavy pressure on the tax administration at the central level and increases costs to the central government. Tax administration can be improved if the tax responsibilities are properly distributed at various levels of government. Although such distribution may depend on the structure of governmental organization - federal or unitary - yet from the point of view of tax administration, it should also take into account considerations such as cost and ease of assessment and collection.

29. As money incomes rise continuously, the yield from the existing taxes may be increased considerably if improved methods of tax collection and assessment are adopted by the governments. The need for the introduction of such administrative reforms is particularly obvious in the collection of personal income tax, property taxes and customs duties.

30. The share of wages and salaries in the national incomes of African countries is quite high and this is bound to increase as economic development proceeds and unemployment is reduced. At present the revenue from personal income tax in most of the African countries is derived mostly from wages and salaries. In some countries this comes mainly from the incomes of expatriate officials or from other foreigners resident in the country. It may, therefore, be necessary to diversify the income tax base so as to cover the African incomes which are likely to increase as salaried employment and income from other sources increase. The existing methods of collecting revenue from this tax in most of the African countries are characterized by the absence of pay-as-you-earn system. The deduction at source is the most effective method of collecting this type of revenue and it may be useful to consider the possibilities of introducing such a system in African countries. The scope of this method should extend to all sectors of the economy. Because of its ease of enforcement and collection, there is often a

temptation to apply this method only to government employees. Such a course of action might not only appear to be discriminatory but may also give rise to some degree of tax evasion in the private sector of the economy.

31. In the process of economic development urban authorities are called upon to play an increasing role as more demands are made for urban development. Industrialization will further lead to urbanization and as a result of this more urban authorities may come into being. The question of providing adequate finances to these authorities, therefore, is of vital significance. Traditionally such authorities have often depended on property taxes for their incomes. The productivity of property taxes must depend on methods of valuation and on the rating systems in use. In most of the African countries such methods are backward and outdated and have failed to provide sufficient finances to urban authorities to meet their increasing obligations. The revenue from the existing property taxes could be increased if suitable rating systems and improved methods of valuation are adopted in African countries. In this respect a significant start has been made by Ghana. In 1957, the Government of Ghana invited a United Nations expert to undertake an over-all survey of the system of real estate valuation in Ghana and to introduce a proper and simple system of property rating suitable to Ghana.^{1/} As a follow-up to this study, a United Nations technical assistance expert is now in Ghana to carry out the programme of revaluation and re-assessment of buildings in urban areas. Similar surveys could be undertaken by other African countries with a view to introduce simple and productive systems of property rating.

32. Today well over two-thirds of government revenue in African countries is obtained from indirect taxes of which taxes on foreign trade transactions are most significant. For some years to come customs

^{1/} See Report on Valuation and Rating in Ghana by J. F. N. Murray, U.N. Technical Assistance Programme. Report No. TAA/GHA/5, April 1958.

duties are likely to play a major role in financing government plans for economic and social development. The role of customs administration, which collects these taxes, is therefore bound to grow in importance. Certain steps may, therefore, be taken to improve the efficiency of customs administration. Firstly, the tariff classifications in most of the countries are very complex to administer. The complexity is, of course, the result of several changes introduced over a number of years. The simplification of these classifications would certainly increase the efficiency of administration. Secondly, the efficiency is sometimes impaired by the existence of a complex structure of rates. In several African countries a variety of other taxes, in addition to customs duty, are levied on goods at the point of entry.^{1/} This makes it difficult to ascertain the total duty and requires highly trained administrative personnel for the collection of revenue. Although the rationalization of rate structure is essentially a policy matter yet policy makers would be well advised to take into account the administrative implications of their decisions. Simplifications of rate structures would largely improve the efficiency of administration. Thirdly, more revenue could be obtained by extending the application of taxes to the trade so far unrecorded. Customs administrations in most of the African countries concern themselves largely with trade with non-African countries. Intra-African trade receives very little attention of customs administration in African countries. This situation arises because land frontiers are not well guarded, partly due to the shortage of customs officials. With the development of road transport the Intra-African trade will increase and its expansion is obviously of great importance for the economic development of African countries. Attempts to bring this trade within the scope of taxation would not only increase revenue but would also considerably reduce smuggling across the land borders.

^{1/} See for example Table 3 on p. 37 of Problems of Customs Administration in West Africa, UNECA, E/CN.14/STU-WPCA.1.

33. The role of customs administration in future may not be simply one of provider of funds. It might also usefully serve as "an instrument in the hands of governments for the implementation of their economic and trade policies". It will also play a significant role when plans for regional economic grouping and co-operation are considered in Africa. The Economic Commission for Africa recently convened a Working Party to study problems of customs administration in the West African countries. The Working Party considered problems such as harmonization and standardization of customs nomenclature, valuation, legislation, etc. It also discussed problems of co-operation among customs administrations in the region and prospects for technical assistance. The report^{1/} of this Working Party indicates the degree of co-operation that can be established at regional level.

34. It has been suggested above that the existing tax systems can be improved both in terms of development policies and more revenue through the introduction of administrative reforms. While doing so it is necessary to exercise caution to see that the administration of taxes which may be otherwise unsound is not tightened. Bad taxes can do a lot of harm. In this respect, therefore, a careful appraisal of the existing taxes should precede the introduction of administrative reforms.

35. The introduction of new taxes will bring in their wake a host of new problems for tax administration. The most important of these problems will be tax legislation. In this respect, the transplanting of the experience of developed countries may not serve the purpose. The efficiency in administering new taxes would depend largely on the simplicity and clarity of new tax legislation. Avoidance of complexity will reduce litigation and ensure more effective administration of taxes. The new legislation should conform as closely as possible to the local social and institutional set-up. It should take into account the economic and social background of the taxpayer and be intelligible to him. A tax legislation which is understood both by the taxpayer and the tax administration can be more effectively enforced than one which constantly poses problems of interpretation.

^{1/} Report of the Working Party on Customs Administration in West Africa. UNECA, E/CN.14/138. See also the document quoted in footnote 1/ p.16.

Practical Implications

36. The adoption and introduction of new concepts and techniques in the field of budget administration and the introduction of administrative reforms in tax administration must depend on the availability of skilled personnel to implement these changes. It has been observed earlier that the shortage of skilled personnel is one of the most serious problems facing the African governments in all branches of activities. This shortage may be aggravated if the large number of expatriates now serving these countries leave sooner than later. The implications of the existing situation are, therefore, two-fold. Firstly, the situation calls for a great emphasis on suitable training programmes for Africans. Secondly, outside assistance is inevitable if improvements are not to be delayed until suitable personnel are available locally.

37. The external assistance may be bilateral or international in character. The African Budget Workshop recommended that technical assistance from United Nations "be made available to governments desiring it for improvement in budget formulation, control and management, and for the task of reclassifying government transactions". The Workshop, further, considered that such assistance "may take the form of experts assigned to individual countries, advisers made available on a regional basis and fellowship grants for the study of budgetary techniques applied in other countries". Similar possibilities must also be considered in the field of tax administration.

38. The question of organizing suitable training programmes for Africans raises a host of other related issues. Fiscal administration cannot be considered in isolation. It is closely related to other fields of public administration. A training programme in budget and tax administration, therefore, should form part of a wider programme of training in public administration devised with full awareness of the overall requirements of economic development planning. Considering the common needs and problems of African countries, the meeting may wish to explore the possibilities of organizing such programmes on a regional basis.

This may ensure economy in cost of operating such programmes and facilitate greater exchange of mutual problems and difficulties. In this respect, the Institute of Economic Development, which is soon to be established by the United Nations Economic Commission for Africa, would be best suited for providing comprehensive training in fiscal administration within the wider content of development programming.

- - - - -