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THE EFFECT OF POLITICAL INSTITUTIONS ON TAXATION IN WEST AFRICA

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WEST AFRICAN TAX ADMINISTRATION FORUM

WATAF DISCUSSION PAPER

THE EFFECT OF POLITICAL INSTITUTIONS ON TAXATION IN WEST AFRICA

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About WATAF

The West African Tax Administration Forum (WATAF) comprises Tax Administrations of all of the 15 West African countries: Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo that are members of the Economic Community of West African States (ECOWAS). WATAF was created to lead tax policy coordination and concerted tax administration capacities in the region. WATAF promotes tax transparency, harmonises regional tax laws and policies, promotes regional integration, and facilitates regional knowledge sharing, including dialogues to improve the quality of tax administration in Member States in order to increase the mobilisation of domestic revenue.

The inaugural meeting of WATAF was held at the Forum of Heads of Tax Administration in West Africa at the Rockview Hotel, Abuja, Nigeria on 12 September 2011. The original signatories to WATAF's formation were representatives of Tax Administrations from five West African Countries, namely, Benin, Ghana, The Gambia, Liberia, and Nigeria.

THE EFFECT OF POLITICAL INSTITUTIONS ON TAXATION IN WEST AFRICA

ABSTRACT

How, and to what extent do tax policymaking processes impact tax revenue performance? This study assesses the effects of political institutions on tax systems in West Africa, in order to identify actionable strategies to enhance domestic revenue mobilisation in the region. Using a combination of quantitative and textual data, the main finding is that democratic accountability and practice show surprisingly less marked effects on tax systems in West Africa, particularly after controlling for basic tax handles that may moderate the probable interactions between institutions and tax administration. Also, results show that trade/labour unions have strong potential to influence tax system outcomes in the long run.

JEL Classification Code: H20, H30

Keywords: Tax System Performance, Political Economy of Taxation, Political Institutions, West Africa

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DISPLAY ITEMS

ACKNOWLEDGEMENT

ACRONYMS

ATO	African Tax Outlook
EU	European Union
OECD	Organisation for Economic Co-operation and Development
TRADE	Trade Openness
Tax for SDGs	Tax for Sustainable Development Goals
UNDP	United Nations Development Programme
WATAF	West African Tax Administration Forum
WDI	World Development Indicators
WGI	World Governance Indicators

1. BACKGROUND

What is the impact of the tax policymaking process on tax performance in West Africa? How much impact does the process confer on its performance? Does the process of policymaking contribute substantially to the effectiveness of tax administration in West Africa? Both the state and government exist to ultimately ensure overall well-being of the citizenry; however, the quality of societal institutions matter in the equation. In other words, governments' preoccupation is to promote optimal social welfare, which it does by providing public goods and services to the extent that resources permit. Sub-optimality, in public goods provision in an economy, more especially in developing economies, it is seen in the level of poverty and impoverishment among its citizens. A tax system therefore rests on the policy and institutional environments within which it functions.

Using public finance to reduce poverty to the minimum has for long become a global development agenda[1]. Thus, the developing countries must take the required steps to meet the needs and aspirations of their citizens. Resources are not only required for poverty reduction, but also needed for development purposes. Unfortunately, there have been various challenges to external revenue sources in recent times. Hence, developing nations are urged to increase the effectiveness of domestic resources mobilisation in order to fund their development spending. Tax, as a source of public revenue, is old and has attracted attention in recent times, although its design and usage has transformed severally[2]. It is not only because tax revenue is stable and predictable, and could guarantee fiscal sustainability, but also, it is seen to possess certain attributes including promotion of good governance, accountability, state building and enhanced democratisation.

The political processes that underlie taxation are important considerations to appreciate and understand the reasons for the overall tax system performance in West Africa. The performance indicators, in this context, include the amount of revenue collected, level of tax compliance and evasion, composition of tax types as shares of total revenue, frequency of tax reforms, public perception of tax officials or administrations, etc.

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[1] The United Nations' Millennium Development Goals that concluded in 2000 had, among others, poverty reduction as one of its leading targets.

[2] Tax payment is as old as human existence. Biblical historical accounts show that Caesar collected taxes from residents of the Roman Empire (refer to the King James Version of the Holy Bible in Mathew 22.21). Despite its long history, taxes played a limited role in the ancient world, as seen in consumption taxes levied in Greece and Rome (see Britannical Money) but was known, first during the 3000BC – 2800BC era, in Pharaoh's Egypt as a part of duties subjects must respect (UniPenn Almanac, 48(28), April 2, 2022).

Besides, owing to uncertainties in foreign aid, unstable commodity prices, the COVID-19 pandemic, debt crisis, high global inflation and a host of other factors, developing economies including Africa have been advised to "look inward" for potential resources to meet necessary, in particular, long-term development expenditure commitments via appropriate tax reforms among others[3]. How should revenue policies be designed to correct probable weaknesses in the existing design? Therefore, an understanding of countries' tax effort in general is imperative at least to identify the initial steps in the reform process. The study examines the role of political institutions in the design, administration and (re)formation of tax policies. Unless the quality of political institutions is good enough, potential tax frontiers may not shift, hence an understanding of its mechanisms and impact is critical.

Whereas democracy appears to have been embraced within the African continent as a preferred form of governance, there seems to be marginal change in its effects on economic systems and its outcomes, including the tax systems. For example, the decadal average West Africa's tax-to-GDP ratio has remained far below the OECD's. Ananou and Houngbonon (2015), for instance, claim that tax revenue has maintained a status quo at least since 2000. This is in contrast to claims that democracy generates and stimulates efficient tax systems (Ehrhant, 2011). Bird et . al . (2008) and Cyan et . al . (2013) assert that the political equilibrium has significant effect on tax behaviour in any given society. Thus, democratic practices in Africa might tend to positively engender efficient tax systems in Africa. However, fiscal regimes in most African countries are structured in very opaque forms that permit various versions of harmful and illicit financial practices by multinational corporations, particularly in the oil, gas, and mineral sectors. The lack of transparency in most African nations' fiscal systems has been due to the interests and arrangements of deals between government (including politicians, political appointees, bureaucrats, and others), corporations, and business leaders, to mention but a few.

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[3] Several initiatives at the global level including the United Nations Sustainable Development Goal 17, Addis Tax Initiative, UNDP Tax for SDGs Initiative, World Bank's Global Tax Programmes and OECD's Base Erosion and Profit Shifting projects are, with all intents and purposes, geared toward domestic revenue mobilisation especially in developing countries.

Global concerns and support from the European Union (EU) and its member states, for instance, have contributed to engineer a paradigm shift to facilitate proper and optimal tax regimes for Africa[4]. Thus, various efforts that are marshalled in this direction would tend to minimise inefficiency in revenue systems in general. The import of these findings or claims is that a country's tax effort would be significantly determined by factors that are not only limited to the structural determinants of tax revenue collected but also environmental ('external') drivers of tax system performance, whose constituents are the public or societal institutions, broadly defined[5]. The paper focusses on a sample of African countries using both panel data and survey analyses to find plausible explanations for tax system performance in an institutional environment that seems low in quality, and endemic with high suboptimal outcomes. Moreover, the paper links tax administration and tax policy processes to unravel the sources of tax system inefficiencies, in order to identify useful strategies for improved tax performance in West Africa.

Like a typical research report, the paper is organised into five sections. Section 1 contains the introduction and Section 2 is the literature review. Section 3 contains the methodology while discussions of empirical results, follow in Section 4. Section 5 concludes and presents some policy and administrative implications of the study.

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[4] Leading economies in the EU have provided financial support to good financial governance in Africa. Both at continental, regional and country levels, there are ongoing capacity development projects being financially supported by Europeans countries, to say the least.

[5] In the social sciences, societal institutions can be regarded as organisations, norms, rules, and principles of conduct, written or unwritten, that shape development outcomes in a society. It ranges from economic (e.g., free market rules), social (e.g., freedom of association or cooperatives) to political (e.g., participation in elections, pressure groups). All these and other types constitute the environmental influencers for economic actors.

2.   BRIEF SUMMARY OF EXISTING EVIDENCE

Contributions to tax effort literature cut across diverse regions and different time periods (Tanzi, 1992; Alfirman, 2003; Tanzi & Davoodi, 2007; Davoodi & Grigorian, 2007, Bird et . al. , 2008; Pessino & Fenochietto, 2010; Bothlhole, 2010, Ndiaye & Korsu, 2011; Fenochietto & Pessino, 2013; Cyan et . al ., 2013; Langford & Ohlenburg, 2015; Ananou & Houngbonon, 2015, and a host of others). A body of empirical literature reveals that democratic regimes play a deterministic role in improving tax revenues in West Africa (see Erhart, 2009; Sarwar, 2016; Balamatsias, 2018; Ilaboya, Dickson, & Izevbekhai, 2021; Adegboye, Adegboye, Uwuigbe, Ojeka, & Fasanu, 2023). However, autocracy can stand as an impediment to the enhancement of tax collections and revenue generation in an economy (Haldenwang, 2015; Mawussé & Amedanou, 2021). However, some studies envisaged that democracy does not influence tax revenues, especially in advanced countries (Andersson, 2018; Mares & Queralt, 2016; Profeta, Puglisi & Scabrosetti, 2012), therefore, for West Africa to effectively mobilise domestic revenue and enhance income tax regeneration, it must first enhance its institutions (Castellano, 2018; Ndoricimpa, 2021; Chachu, 2021; Afton, 2021). This is because the quality of tax systems predominant in Africa is strongly determined by the quality of its institutions (Le, Moreno-Dodson & Bayraktar, 2012; Hossain, 2014; Lien, 2015; Langlord & Ohlenburg, 2015; Akanbi, 2019; William & Camara, 2019).

Corrupt practices among government officials and tax authorities in Africa often dampens the morale of individuals to pay taxes (Koumpias, Leonardo & Martinez-Vazquez, 2020; Boly, Konte & Shimeles, 2020). The capacity of African countries to control corruption and authenticate the rule of law has been quite weak (Igbinovia & Ekwueme, 2020). This has affected tax compliance which has further weakened the efforts of tax authorities to enhance tax performance in West Africa and several other developing countries (Yaru & Raji, 2022; Djayasinga & Prasetyo, 2017; Igbinovia & Ekwueme, 2020; Gaspar, Jaramillo & Wingender, 2016)). However, there are examples of African countries (Seychelles and South Africa) with relatively sound institutions that often record improved tax performances (Soro, 2020; Prianto & Gustofan, 2022). Hence, control of corruption and the rule of law are important ingredients for efficient tax systems (Igbinovia & Ekwueme, 2020 and Gunel & Didinmez, 2022).

Tax buoyancy is influenced by bureaucratic efficiency and control of corruption. For 17 years poor bureaucratic quality and high levels of corruption reduced tax revenues in 50 developing countries (Ashraf & Sarwarb, 2016). Nonetheless, the tax-to-GDP ratio is positively influenced by strong institutions such as government effectiveness, regulatory quality, rule of law, and voice and

accountability tend to raise tax revenue generation in Africa (Shahzad, Ilahi & Islam, 2016; Epaphra & Massawe, 2017; Hayruni, Minasyan, & Nurbekyan, 2022). Studies revealed that economies with strong indicators of governance, rule of law, and control of corruption have a higher level of persistent tax effort (Zadkhasti, Dadgar & Beygi, 2022; Hayruni, Minasyan, & Nurbekyan, 2022; Günay & Topal, 2021; Salman, Sanni, Olaniyi & Yahaya, 2022). Thus, countries with better institutional quality in bureaucracy or control of corruption can collect higher taxes, with the view that countries need to improve the quality of governance for tax revenues to increase.[6]

Accountability has been discovered to have less or no impact on tax revenues in Africa (Chukwunwike, Ofoegbu, Amara & Okafor, 2021; Salman, Sanni, Olaniyi & Yahaya, 2022). In contrast, Dom, Morrissey, and Tagem (2023) envisaged that accountability improves tax revenues. This exemplifies the fact that public institutions must improve their accountability to influence tax revenue generation in Africa. Likewise, economic and institutional factors such as trade, income, corruption, and ease of tax collection remain principal factors of tax potential and tax effort (Bird, Martinez-Vazquez & Torgler, 2008; Botlhole, 2010; and Fenochietto & Pessino, 2013).

Political competition often affects tax revenues but particular political regimes may determine the success of tax collections in any country including Africa and other developing countries (Yogo & Njib, 2018, and Amedanou, 2021). Consequently, institutions can help to moderate the adverse effect of resource rents on non-resource tax efforts when commodity prices are low as well as improve tax performances in developing countries (Prianto & Gustofan, 2022; Chachu, 2021).

Countries in Asia and Europe are characterised by good political participation that enhances taxation. In Turkey, public participation in tax policies and law-making processes facilitates tax revenue (Izadkhasti, Dadgar & Beygi, 2022). However, government efficiency and accountability increase public participation in financing government expenditures and increase government tax revenues in India and MENA countries (Mallicj, 2021). For EU member-nations, regulatory quality, voice and accountability, control of corruption, political stability, and government effectiveness are important institutional tools that are employed to decrease tax evasion levels.

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[6] According to the World Bank, good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets. Good governance matters for growth and poverty reduction. (World Development Report 2002) content (worldbank.org)

The synopsis of these studies portrays that democracy plays a crucial role in tax revenue generation in Africa. The quality of democracy practiced in African countries largely determines its productivity in tax collection and revenue utilisation. In resource-rich nations, income tax is not influenced by democracy but by fiscal institutions. Institutions are the driving force of improved tax revenues in West Africa. However, control of corruption, rule of law, and government effectiveness are the institutional indicators that have helped to improve tax performance, but government accountability and regulatory quality still need to be improved in Africa. This illustrates the lack of accountability by African policymakers to implement policies that guarantee higher tax revenue. Also, the regulatory political frameworks in West Africa are unproductive in effecting revenue generation and tax capacity. Hence, tax revenues can only be improved when governance is effective enough to control corruption and uphold the rule of law. Moreover, individuals are encouraged to pay taxes when government institutions are effective and efficient.

In a study, Chachu (2021) examined the impact of good institutions on tax revenue outcomes in resource-rich countries, and claims that redistributive institutions moderate the adverse effect of resource rents on non-resource tax effort when commodity prices are low. The result implied that the ability to explore different types of institutions such as executive power, democracy and other factors as control of corruption have influence on the fiscal capacity of countries. In another study of Prianto & Gustofan (2022) that investigated the influence of the institutional environment on tax performance using unbalanced panel data from 79 developing countries over 2002-2019, it was discovered that more tax revenues are generated by countries with high quality of good governance and low levels of corruption.

The literature has neglected to examine the mechanism and process through which political institutions impacts on tax system performance. Sequel to the above, it could be seen that inequality in tax efficiency among states, measured by standard deviation, has increased over time during the period of study. Tax effort, i.e. tax efficiency, of a state is adversely influenced by the magnitude of transfers it receives from the central government. Higher outstanding liabilities of a state also have an adverse effect on tax efficiency. The effect of debt repayment is also adverse but is less severe as compared to the effect of outstanding liabilities. It seems to imply that reducing dependence on union transfers and reducing outstanding liabilities would increase tax effort. Among other variables, governance index, considered as a proxy for quality of administration and governance, has a favourable effect on tax efficiency, as for higher government expenditure. Although the large size of agricultural sector reduces overall tax collection, high literacy rates and infrastructural facilities increase tax collection.

3.   DATA AND METHODS

This section presents the approaches to the study with particular reference to data sources, measurement of variables, and techniques of analysis both for the primary and secondary data, which form the two sources of data utilised for the purpose of the research objectives.

3.1 Data Sources and Measurement of Variables

The cross-country information on the countries of West Africa was sourced from publicly available databases such as the African Tax Outlook (ATO) (2023 Edition), which is the African Tax Administrators Forum's (ATAF) flagship publication in which African countries share best tax policies and administration practices, United Nations' World Institute for Development Economic Research's Government Revenue Dataset (GRD), International Country Risk Guide (ICRG) and the World Bank Group's Development Indicators (WDI) and Governance Indicators (WGI) (2023 Edition). At the time of compiling and conducting the data analysis of this study, a total of thirteen (13) countries had the required full-user information to serve the objective of the study. We dropped Liberia and Nigeria in a few regression models because of incomplete information on trade openness measures. The source of data for each variable is presented is stated under each variable. The study employed data on total tax revenue, inflation, trade openness, nominal gross domestic product and government expenditure on education. Others are the degree of urbanisation, various measures of political and other institutions, as well as the share of agriculture value added to the economy. The description of the variables in the quantitative analysis now follows.

Total tax revenue: The study dependent variable is the sum of all tax revenue collected by tax authorities in a given country over a fiscal year, usually within twelve months accounting period. It turns to tax ratio when it is divided by the gross domestic product. (TAX). (Source: GRD and ATO)

Inflation Rate (CPI): The rate of the annual percentages of average consumer prices on a year-on-year change. It measures the overall change in the monetary value of goods and services in an economy in a given period relative to the previous one. Commonly, it is derived as a percentage change in the consumer price index (CPI) at a current period with respect to the previous. The current study utilised the CPI to capture the inflationary pressure in the economies. The net effects of inflation on nominal tax revenue tends to be positive (+). (Source: WDI)

Trade openness (TRADE): The variable that measures the extent to which an economy participates in the international trade. It remains an important explanatory variable in the tax literature (McNabb et . al ., 2021) and is theoretically a proxy from regional economic integration. Trade openness combines imports and exports and the sum is divided by GDP (in percentage). Import values are a significant revenue base for trade taxes, particularly in developing countries including those in West Africa, that are consumption-based and import-dependent. The effects of ECOWAS and its external common tariff, to an extent, may have made international trade of significant importance to tax revenue mobilisation in member economies. Thus, the higher the value of trade openness in a net-importing country the lower the amount of trade taxes, and in turn the total tax revenue, ceteris paribus. Thus, we expect a negative effect (-). (Source: WDI).

Agriculture Value Added (AGRIC), is used as a proxy for agriculture. The origin of value added is determined by the International Standard Industrial Classification (ISIC), 1-5 which includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. In most developing regions including West Africa, the agriculture sector provides means of livelihood and employment for a majority of the job owners. The inclusion of this variable is dictated as a result of difficulties associated with taxing agriculture. A negative coefficient is therefore expected for this variable. (Source: WDI).

Real gross domestic product per capita (RGDP): This is a measure of prosperity in an economy at least per head, and it also signifies the extent of consumption that is available in an economy. Tax revenue increases with higher per capita income (+). (Source: WDI).

Urbanisation (URBAN): The number of people living in areas described as urban in each country matters for tax collection. Their proportion to total population (in %) of the entire country is used to determine the degree of urbanisation. It indicates the possibility of reaching taxpayers and ease of access to tax authorities. An economy with a high level of urban dwellers would have low levels of cost of compliance to tax obligations, including easier access to tax clinics and education (+). (Source: WDI)

Political and other institutional quality measures. For the purpose of this study political stability, control of corruption, government stability, democratic accountability, voice and accountability, regulatory quality etc. were fitted in the models . The quality of institutions is a crucial factor that determines the efficiency and effectiveness of public policy in each economy. A tax system is not an exemption when it comes to having a strong institution to drive it. Among

several measures, for example, the control of corruption as provided in the WGI, captures the extent of corruption in the public sector. A full democratic and less corrupt regime may collect taxes with ease and at a lower cost than a notoriously weak and wasteful government. It would be difficult and costlier to administer taxes in the latter. This measure basically alters the institutional environment of every tax system, and we would expect a positive effect on tax revenue (+). Both the ICRG and WGI contain reliable indices on listed variables. (Source: WGI and ICGR)

In addition to the quantitative analysis, the study utilised primary data collected from key stakeholders in the tax systems of West Africa. However, the use of two-country cases does limit the generalisability potential of the findings that emanates from the qualitative analysis. The selected key respondents during the field survey in Guinea Bissau are diverse, and the pack includes political party leaders, trade unionists, and corporate taxpayers, all of which play in the tax space. Others include representatives from the Ministry of Finance (MoF) and the National Agency for the Promotion of Investments (ANAPI), banker managers, and telecommunication directors, including the revenue administration of Guinea Bissau, Direção - Geral de Contribuições e Impostos (DGCI). Interviews with the Partido da Renovação Social (PRS) executive secretary and a senior tax official from Togo Revenue Authority (OTR) provided invaluable context to the study, and broadened the perspective on the various players involved in the development and implementation of tax policies in West Africa.

3.2 Estimation Model and Methods

A battery of econometric techniques was utilised to fit a set of secondary, quantitative panel data for the study. The modelling strategy involves the use of tax ratio as the dependent variable while political institution indicators were the primary explanations for its change. Although, the structural variables were controlled in the analysis in order to identify possible confounding effects. The data were fitted within a panel data framework with a small cross-section and periods. The estimated model is as follows:

$$Y_{it} = c_i + bZ_{i,t} + e_{i,t}$$

Where i = the number of countries in the study (=15) and t = length of time (that is 2010 - 2022 =13 periods). Y, tax ratio. For certain estimators, the dependent variable can be transformed by the logarithm of their odds. The model parameters 'c', 'b', and 'u' have some attributes that are consistent with the estimators. In all estimations, 'c' represents the intercept term for each country, while 'b' is the parameter coefficient of the explanatory variables. It can be described as an intra-country error

term and has the tendency to be absorbed by the intercept term 'c' in any given framework, depending on the underlying assumptions. The 'b' is constructed to hold values for all the cross-sections but the 'c' vector varies with the choice of estimators. The estimators included the Fixed Effects (FE), Random Effect (RE), Pooled Ordinary Least Square (POLS) and Feasible Generalised Least Square (FGLS), and a host of tests for unit root and co-integration in addition to basic statistical tools. We further examined the reliability and sensitivity of the model parameters with the use of additional estimators such as the Panel Correlated Standard Errors (PCSEs). This is necessitated to avoid omitted variable bias to achieve robustness.

Moreover, Z is the vector of explanatory variables and 'e' depicts the error term capturing the idiosyncratic shocks that are due to randomness in the variables of interest. Ideally, institutional variables have a slow rate of change, thus, shocks from a measure of institutions are usually small and negligible in the short-run. In contrast, the hyperparameters of the model's error term may fluctuate more with variations in other variables, particularly the CPI, and AGRIC. Several estimators could be applied to panel data of the type we have in this study but we recognise that econometric analysis and inference may create bias in policy inference when estimations are forced to work in a particular direction. Against this backdrop, we provide a robustness check for estimation by employing more than one estimator. Furthermore, the Hausman test, which verifies the existence of endogeneity property of a panel regression model, was utilised to choose between the estimators with more reliable results.

4. EMPIRICAL RESULT AND DISCUSSION: QUANTITATIVE EVALUATION

The section presents the main findings from the panel quantitative data with main emphasis on the effects of political institutions on tax system performance. Several regression models were fitted but only a limited set of tables containing estimates were included in this report, in order to save space. As much as possible the estimates retained at least 13 WATAF member states in all the analysis. Table 1 shows the basic statistics of the selected variables. The results indicate that most variables exhibit considerable variability, with skewness and kurtosis values suggesting departures from normality. Significant Jarque-Bera statistics (with p-values less than 0.05) for many variables indicate that their distributions deviate from the normal distribution. Exceptions are measures of levels of corruption, ethnicity, law, and degree of urbanisation etc.

The cross-sectional dependence test results[7] show significant dependence for nearly all the variables, as indicated by the Breusch-Pagan LM, Pesaran Scaled LM, and Bias-Corrected Scaled LM tests with p-values less than 0.05 for CPI, GDP per capita, government expenditure, trade openness, agricultural, urban, and government stability. However, the tax ratio does not show significant cross-sectional dependence across all tests. Similarly, the slope heterogeneity test results which reveal that models 2, 4, 5, and 7 exhibit significant slope heterogeneity, as indicated by the significant Delta and adjusted Delta values (p - values < 0.05). It thus implies that there is variability in the slopes across different cross-sections for these models, suggesting that the relationship between the dependent and independent variables differs across units. On the other hand, models 1 and 3 do not show significant slope heterogeneity, implying more uniform relationships across the cross-sections in these models.

4.1 Basic Statistics

The availability of different set of measures of political institutions as contained in the International Country Governance Risk (ICGR) database and later in the World Bank Governance Indicators (WGI) database enable rigorous analysis to be implemented. The results are presented based on the specific data and country included.

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[7] As earlier stated the several results are placed in the Appendix to save space. The Appendix is prepared as a supplementary material and is available for anyone who requests for it.

Table 1: Descriptive Statistics: Excluding Liberia and Nigeria[8]

	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Cov. (%)	Jarque-Bera	Prob.	Sum	Sum Sq. Dev.	Obs.
TAX R	13.5082	14.2846	23.2030	0.0000	3.6715	-0.5610	4.7458	367.9195	23.686***	(0.000)	1783.09	1765.89	132
LCPI	4.8428	4.7098	5.8186	4.6052	0.3043	1.7592	4.9344	1591.5002	88.663***	(0.000)	639.25	12.13	132
LGDPK	12.0150	12.8217	15.5019	6.9788	2.3551	-0.8498	2.6914	510.1744	16.410***	(0.000)	1585.98	726.58	132
GEXP	3.7011	3.4657	9.4422	1.8184	1.3985	1.5583	6.2331	264.6431	110.911***	(0.000)	488.54	256.22	132
TRADE	0.6114	0.5863	1.1504	0.3551	0.1496	1.0270	4.6344	408.6318	37.894***	(0.000)	80.71	2.93	132
AGRIC	27.3506	22.3339	60.6099	12.9471	11.9772	1.1286	3.5849	228.3562	29.901***	(0.000)	3610.28	18792.21	132
URBAN	41.2276	41.8850	63.2220	16.2080	11.6176	-0.4955	2.9727	354.8726	5.405*	(0.067)	5442.05	17680.86	132
GOVT_STAB	7.2267	7.0200	10.4200	4.9200	0.9302	0.8460	4.4613	776.8605	27.492***	(0.000)	953.92	113.36	132
CORRUP	1.9757	2.0000	3.0000	1.0000	0.4546	0.4019	2.9888	434.5530	3.5539	(0.169)	260.79	27.08	132
MIL_POL	2.0338	2.0400	3.5000	0.0000	0.8056	-1.0879	3.5022	252.4651	27.424***	(0.000)	268.46	85.01	132
LAW	2.8278	3.0000	3.5000	2.0000	0.4763	-0.0797	2.0177	593.6759	5.4472*	(0.066)	373.27	29.72	132
ETHNIC	3.1554	3.0000	5.0000	2.0000	0.9173	0.3730	2.3912	343.9814	5.0985*	(0.078)	416.51	110.23	132
DEMO_ACC	3.4861	3.1700	5.0000	1.5800	1.0263	0.0540	1.7438	339.6707	8.743**	(0.013)	460.16	137.98	132
BUR_QUA	1.0708	1.0000	2.5000	0.0000	0.9073	0.0011	1.5271	118.0178	11.9326***	(0.003)	141.34	107.83	132

[8] Nigeria and Liberia were excluded in the analysis because many significant data points were missing for the major variables. Also, a few missing data points for tax revenue and government expenditure were accounted for by interpolation. Tax Ratio is denoted by TAX; Agricultural, AGRIC; Inflation by the log of CPI; GDP per capita, GDPPK; Government Expenditure, GEXP; Trade Openness, TRADE; Government Stability, GOVT_STAB; Corruption, CORRUP; Military in Politics, MIL_POL; Law and Order, by LAW; Ethnic Tensions, by ETHNIC; Democratic Accountability, DEMO_ACC; and Bureaucracy Quality, BUR_QUA.

Table 2: Institutions and Tax Revenue Based on Random Effect and Cross-Sectional Time-Series Feasible GLS Estimations

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7	
	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS
CPI	-1.662 (0.144)	-0.742 (0.365)	-3.219*** (0.005)	-2.490*** (0.003)	-2.554** (0.021)	-1.710** (0.035)	-1.996* (0.085)	-0.901 (0.298)	-2.376** (0.031)	-1.390* (0.082)	-2.073* (0.056)	-1.157 (0.153)	-1.996* (0.097)	-0.937 (0.295)
GDPK	0.059 (0.757)	0.067 (0.655)	0.239 (0.273)	0.284* (0.091)	-0.077 (0.708)	-0.089 (0.586)	0.039 (0.841)	0.074 (0.626)	0.047 (0.844)	0.056 (0.762)	-0.105 (0.585)	-0.129 (0.387)	-0.068 (0.736)	-0.070 (0.655)
GEXP	0.660*** (0.002)	0.664*** (0.000)	0.365 (0.146)	0.251 (0.212)	0.737*** (0.001)	0.738*** (0.000)	0.634*** (0.003)	0.587*** (0.000)	0.688*** (0.002)	0.662*** (0.000)	0.814*** (0.000)	0.824*** (0.000)	0.605*** (0.007)	0.566*** (0.001)
TRADE	2.853 (0.177)	3.219** (0.049)	4.851** (0.021)	5.034*** (0.001)	3.388 (0.118)	3.243* (0.050)	3.524* (0.095)	3.614** (0.025)	4.092* (0.059)	4.256** (0.009)	3.426* (0.097)	3.700** (0.020)	3.615* (0.086)	3.923** (0.015)
AGRIC	-0.127*** (0.000)	-0.135*** (0.000)	-0.090** (0.018)	-0.087*** (0.003)	-0.130*** (0.000)	0.140*** (0.000)	-0.130*** (0.000)	0.136*** (0.000)	-0.124*** (0.000)	0.132*** (0.000)	-0.126*** (0.000)	-0.145*** (0.000)	-0.142*** (0.000)	0.154*** (0.000)
URBAN	-0.049 (0.122)	-0.054** (0.028)	-0.050 (0.110)	-0.047** (0.048)	-0.042 (0.193)	-0.039 (0.123)	-0.056* (0.099)	-0.056** (0.033)	-0.043 (0.179)	-0.043* (0.083)	-0.042 (0.187)	-0.049** (0.045)	-0.052 (0.121)	-0.057** (0.029)
GOVT_STAB	0.663** (0.038)	0.707** (0.019)												
CORRUP			2.298** (0.029)	2.628*** (0.002)										
MIL_POL					-0.387 (0.413)	-0.613 (0.126)								
LAW							0.776 (0.283)	0.863 (0.139)						
ETHNIC									0.175 (0.692)	0.162 (0.645)				
DEMO_ACC											-0.691** (0.031)	-0.820*** (0.001)		
BUR_QUA													-0.329 (0.392)	-0.414 (0.185)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Constant	17.36**	12.67**	21.90***	17.36***	24.83***	28.07***	21.88***	16.21***	24.02***	19.41***	27.263***	24.24***	25.90***	21.40***
	(0.022)	(0.037)	(0.001)	(0.001)	(0.000)	(0.000)	(0.003)	(0.005)	(0.002)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)
Model Diagnostic														
Number of Observation	132	132	132	132	132	132	132	132	132	132	132	132	132	132
Number of Group	12	12	12	12	12	12	12	12	12	12	12	12	12	12
R-squared Within	0.303		0.309		0.288		0.294		0.286		0.309		0.291	
R-squared Between	0.433		0.324		0.264		0.224		0.250		0.285		0.221	
Overall R-squared	0.306		0.309				0.289		0.283		0.308		0.286	
Mean Dependent Var.	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508	13.508
SD Dependent Var.	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672	3.672
F-test / Wald Chi-square(2)	54.69***	85.97***	55.33***	90.90***	77.51***	49.62***	50.29***	78.79***	48.90***	74.82***	55.20***	90.560***	49.70***	78.36***
Prob.	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Hausman Test		4.913		5.854		6.709		7.726		5.837		5.062		
Prob.		(0.671)		(0.440)		(0.460)		(0.259)		(0.442)		(0.536)		

Note: The *p-values* are in brackets which are ***, **, and * denoting 99%, 95%, and 90% leve ls of significance respectively.

The results in Table 6 present the effect of institutional quality on tax revenue, based on RE and FGLS estimators across seven models. Notably, the FGLS estimator consistently shows significant results for CPI is negatively significant in Models 2, 3, and 5 when using the FGLS estimator, suggesting that higher inflation is associated with lower tax revenue. Government expenditure on education is consistently positive and significant across nearly all models with both RE and FGLS estimators, indicating that increased government spending positively impacts tax revenue. Trade openness shows positive significance in multiple models under FGLS, implying that more open trade policies enhance tax revenue in West African states (a similar claim was documented in a forthcoming WATAF discussion). AGRIC is negatively significant across all models, indicating that a higher agricultural share in the economy correlates with lower tax revenue, possibly due to lower tax rates, exemptions and high informality in the sector. Urbanisation (URBAN) is also significant but has negative effect in several models under FGLS, suggesting that higher urbanisation levels that was expected to increase tax revenue could have been associated with greater challenges in tax collection or a larger informal economy in the region9.

On political institutions, democratic accountability (one of the measures of political institutional qualities) is negatively significant in Model 7 with FGLS, implying that higher democratic accountability leads to lower tax revenue, potentially due to increased demands for transparency which may have resulted in more political choices such as low tax rates, refusal to widen tax nets and increased options for public borrowing and overseas development assistance.

These results underscore the interplay between various economic and institutional factors on tax revenue, with FGLS providing a more precise estimation by addressing crosssectional dependencies. The Hausman test results indicate that RE is an appropriate model as against the fixed effect (FE) estimator, as the p-values are not significant, suggesting no systematic difference between FE and RE estimates. Additionally, the consistent significance and better fit (Wald Chi-square values) of the FGLS estimates imply that FGLS is suitable for capturing the influence of political institutional quality on tax revenue in the presence of cross-sectional dependence.

Table 3: Descriptive Statistics

	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Cov. (%)	Jarque-Bera	Prob.	Sum	Sum Sq. Dev.	Obs.
TAX	13.1472	13.8694	22.2227	0.0000	4.1084	-0.4681	3.4001	320.0096	6.651**	0.036	2024.674	2582.466	154
CPI	138.8151	112.0733	354.2962	100.00	56.6351	1.9858	6.1277	245.1042	166.114***	0.000	21655.15	497168.6	156
GDPK	664159.80	350014.0	5434176.0	655.09	1188800.00	2.8953	10.3870	55.8681	572.640****	0.000	104000000	2.19E+14	156
AGRIC	27.8099	22.9918	60.6099	12.9471	11.6191	1.0206	3.3925	239.3454	28.083****	0.000	4338.337	20925.65	156
URBAN	42.4465	43.3660	63.2220	16.208	11.1024	-0.7390	3.3240	382.3197	14.882****	0.001	6621.656	19105.66	156
GOVT_STAB	7.2009	7.0000	10.4167	4.9167	0.9233	0.8854	4.5574	779.8873	36.149***	0.000	1123.333	132.141	156
CORRUP	1.9722	2.0000	3.0000	1.0000	0.4572	0.3594	2.6769	431.4121	4.036	0.133	307.6667	32.394	156
MIL_POL	2.1034	2.0417	3.5000	0.0000	0.7856	-1.1148	3.7988	267.7491	36.462***	0.000	328.125	95.654	156
LAW	2.7121	2.5000	3.5000	2.0000	0.5199	0.0959	1.8267	521.6448	9.187**	0.010	423.0833	41.897	156
ETHNIC	3.0545	3.0000	5.0000	2.0000	0.8978	0.5095	2.5666	340.2153	7.971**	0.019	476.5	124.940	156
DEMO_ACC	3.6525	3.9167	5.5000	1.5833	1.0506	-0.1215	1.7422	347.6539	10.667***	0.005	569.7917	171.089	156
BUR_QUA	0.9931	1.0000	2.5000	0.0000	0.8844	0.1304	1.5955	112.2857	13.264***	0.001	154.9167	121.234	156

Note: The p - values are in brackets which are ***, **, and * denoting 99%, 95%, and 90% level of significance respectively. Trade and government expenditure on education were removed due to incomplete data.

4.2 Estimates with All WATAF Member States:

The preliminary analysis presented in Table 7 provides descriptive statistics for various variables, including tax revenue (TAX), Consumer Price Index (CPI), GDP per capita (GDPK), and the main political institution indicators. TAX has a mean value of 13.15, with a standard deviation of 4.11, indicating moderate variability. The CPI, with a mean of 138.82 and high skewness (1.99), shows a significant range and high variability (Std. Dev. = 56.64). GDPK exhibits extreme values (Max. = 5,434,176, Min. = 655.09) and high skewness (2.90), implying substantial economic disparity among the observations. Other institutional variables such as AGRIC, URBAN, and GOVT_STAB also demonstrate notable skewness and variability, suggesting heterogeneity in the sample. The Jarque-Bera test results indicate that most variables deviate from normality, particularly CPI, GDPK, and other key variables. Similarly, the pairwise correlations matrix between variables, such as a negative correlation between TAX and CPI ($r = -0.294$, $p < 0.01$) and between TAX and AGRIC ($r = -0.164$, $p < 0.1$). These correlations suggest that higher inflation and greater agricultural contribution are associated with lower tax revenue.

The positive correlation between TAX and GOVT_STAB ($r = 0.176$, $p < 0.1$) indicates that stable government positively influences tax revenue. Cross-sectional dependence tests show significant dependence for all variables, indicating potential spill-over effects and interconnectedness across the sample. The slope heterogeneity tests in Table 10 reveal significant heterogeneity in several models, emphasising the need for considering individual slope differences. All variables are stationary at both levels and first differences, confirming the reliability of the data-set for further econometric analysis.

Table 4: Institutional Quality and Tax Revenue Based on Random Effect and Cross-Sectional Time-Series Feasible GLS

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7	
	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS	RE	FGLS
CPI	-3.344***	-2.959***	-4.096***	-3.677***	-3.878***	-3.484***	-3.291***	-2.677***	-3.897***	-3.404***	-3.483***	-2.991***	-2.911***	-2.602***
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.007)	(0.004)
GDPK	-0.659***	-0.653***	-0.030	-0.068	-0.756***	-0.769***	-0.683***	-0.676***	-0.743***	-0.724***	-0.799***	-0.821***	-0.729***	-0.723***
	(0.000)	(0.000)	(0.891)	(0.693)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
AGRIC	-0.169***	-0.165***	-0.085**	-0.093***	-0.172***	-0.170***	-0.174***	-0.172***	-0.168***	-0.167	-0.170***	-0.175***	-0.197***	-0.193***
	(0.000)	(0.000)	(0.034)	(0.004)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
URBAN	-0.100**	-0.115***	-0.086**	-0.093***	-0.095**	-0.107***	-0.108***8	-0.125***	-0.096***	-0.109***	-0.096***	-0.112***	-0.110***	-0.123***
	(0.006)	(0.000)	(0.012)	(0.001)	(0.010)	(0.001)	(0.004)	(0.000)	(0.009)	(0.001)	(0.009)	(0.000)	(0.003)	(0.000)
GOVT_STAB	0.594*	0.640*												
	(0.081)	(0.052)												
CORRUP			4.294***	4.108***										
			(0.000)	(0.000)										
MIL_POL					-0.317	-0.402								
					(0.525)	(0.392)								
LAW							0.951	1.139**						
							(0.127)	(0.031)						
ETHNIC									-0.294	-0.172	-0.502	-0.600*		
									(0.472)	(0.639)				

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
											(0.154)	(0.060)	-0.816** (0.038)	-0.698** (0.048)
Constant	41.872*** (0.000)	40.056*** (0.000)	31.047*** (0.000)	30.240*** (0.000)	50.407*** (0.000)	49.262*** (0.000)	44.058*** (0.000)	41.063*** (0.000)	50.482*** (0.000)	47.992*** (0.000)	50.145*** (0.000)	49.182*** (0.000)	46.832*** (0.000)	45.530*** (0.000)
Model Diagnostic														
Number of Obs.	156	156	156	156	156	156	156	156	156	156	156	156	156	156
Number of Group	12	12	12	12	12	12	12	12	12	12	12	12	12	12
R-squared Within	0.185		0.300		0.169		0.180		0.170		0.180		0.193	
R-squared Between	0.559		0.390		0.562		0.552		0.554		0.557		0.526	
Overall R-squared	0.205		0.305		0.191		0.201		0.191		0.199		0.211	
Mean Dependent Var.	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220	13.220
SD Dependent Var.	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161	4.161
Wald Chi-square (5)	38.62***	53.06***	65.75***	102.93***	35.36***	48.01***	37.73***	54.07***	35.50***	47.47***	37.37***	52.62***	40.19***	52.12***
Prob.	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Hausman Test	1.340		4.428		1.287		1.757		2.760		1.313		2.051	
Prob.	(0.931)		(0.490)		(0.936)		(0.882)		(0.737)		(0.934)		(0.842)	

Note: The p - values are in brackets which are ***, **, and * denoting 99%, 95%, and 90% levels of confidence respectively.

The results from the FGLS estimation highlight significant relationships between institutional quality variables and tax revenue. The CPI is consistently negative and highly significant across all models, indicating that higher inflation rates reduce tax revenue. Similarly, the negative significance of GDP per capita suggests that higher GDP per capita is associated with lower tax revenue, possibly due to increased tax evasion or inefficiency in tax collection in wealthier economies. Agricultural contribution (AGRIC) also shows a significant negative relationship across all models, which could be due to lower tax rates or exemptions in the agricultural sector. Urbanisation (URBAN) is another significant variable with a consistent negative impact, indicating that higher levels of urbanisation may be linked to challenges in tax collection or a larger informal economy. Government Stability (GOVT_STAB), Corruption (CORRUP), and Law and Order (LAW) exhibit positive significance, suggesting that better governance, lower corruption, and stronger legal systems enhance tax revenue. On the other hand, Democratic Accountability (DEMO_ACC) and Bureaucratic Quality (BUR_QUA) are negatively significant, implying that higher democratic accountability and bureaucratic quality might be associated with lower tax revenue, potentially due to increased transparency and reduced tax evasion in West Africa states.

4.3 Sensitivity Analysis Using World Bank Governance Data[10]

The reported results in this section for establishing the robustness and strength of the previous findings are based on the necessary transformation of the dataset from the WGI following the basic statistics, cross-sectional dependency, unit root tests, co-integration analyses and others. Among others, tax revenue distribution in WATAF economies is skewed, and have moderate correlations, except for some variable combinations. The highly correlated variables have been structurally transformed to suit the models. The results show that tax ratio, AGRIC, public spending on education, TRADE, government effectiveness and regulatory quality are not cross-sectionally dependent whereas others do. Owing to the presence of cross-sectional dependence among WATAF countries, the second generational panel unit cross was checked using the CIPS and CADF approaches, and the result shows that the unit roots are on the borderline between I(0) and I(1). However, the result of the CADF test shows that a few variables which have cross-sectional independence are non-stationary using the second generational panel unit root test (as shown in Table 8).

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[10] Nearly all the tables that contain the estimated results are placed in the Appendix, as supplementary materials.

Table 5: Westerlund Test for Cointegration and ECM Panel Cointegration

	Statistics	P -value	Rejection of Ho	
Model I	-0.3985	0.3451	No	
Model II	1.5627*	0.0591	Yes	
Model III	1.3840*	0.0832	Yes	
Model IV	0.5582	0.2883	No	
Ho : no cointegration	Model I	Model II	Model III	Model IV
Gt	-5.190***	-2.894***	-10.901***	-5.824***
Ga	-0.696	-0.510	-0.438	-0.549
Pt	-7.575	-8.206	-18.834***	-4.925
Pa	-0.616	-0.344	-0.527	-0.272

Note: Null Hypothesis (Ho): No co-integration; Model I with all the structural variables; Model II, III and IV with all the structural and each of the interactive variables, except URBAN. In the lower segment, the ECM co-integration test results show evidence of co-integration among the variables. Specifically, the group statistic (Gt) and one of the panel statistics (Pt) are significant, thus discarding the null hypothesis of no cointegration.

In order to focus this section on political institutions and its taxation effects, discussion on other structural variables is omitted. The significant impact remains consistent in the model. As depicted in Table 9, the relationship between the tax ratio and the political institutional factors further shows that measures that relate to corruption, accountability, freedom of expression, respect for rule of law, transparency and the like play significant influence in explaining tax system performance in West Africa. TRADE stands out as a consistent, dominant significant explainer of tax revenue behaviour in West Africa (similar to the evidence generated in WATAF Discussion Paper, forthcoming). However, public expenditure on education (GEXP), a proxy for the level of literacy, stands next to it in significance.

Table 6: Sensitivity Analysis

Variables	Model I	Model II	Model III	Model IV
	Political Stability	Corruption Control	Voice & Accountability	Rule of Law
AGRIC	Yes	No	Yes	No
CPI	No	No	No	No
GDPP	No	No	No	No
GEXP	Yes	No	Yes	Yes
TRADE	Yes	Yes	Yes	Yes
URBAN	Yes	No	Yes	No
Pol. Institution	No	Yes	Yes	Yes
Interaction	No	No	--	--

Source: Author's Computation, 2024
Note: 'Yes' indicates that the variable(s) in question is statistically significant in the model, while 'No' denotes that it is not.

5.   RESULTS AND DISCUSSIONS: QUALITATIVE EVALUATION

This section gives an in-depth understanding of the various intricate institutional processes which nexus the tax system in the selected countries. It demonstrates that societal institutions at many levels of government are heavily involved and that taxes are levied not only by officials but also with active participation from the people, although this participation is bureaucratic and often contentious. The duties of revenue authorities and taxpayers, along with the roles of civil society organisations (CSOs), vary according to the specific stages of tax development and the prevailing circumstances. Political parties also play a crucial role in shaping tax frameworks, as their manifestos and political stability significantly influence the taxation system. Consequently, the taxation system can be seen as a blend of regressive, proportional, and progressive elements, reflecting the country's socio-economic status. In specific terms, the discussion of the taxation-political institution nexus is presented as follows.

5.1 Arms of Government and Tax Policymaking

The analysis of the dynamics and power distribution in tax policy decisions reveals a complex but balanced approach involving various branches of government. The survey data reveals a consensus among participants that each arm of government holds a significant yet balanced role in tax policy decisions, with each arm having distinct roles and levels of influence. Participants noted that the parliament plays a crucial role by deliberating on tax policy matters before passing them, following recommendations from stakeholders. This process is akin to how expenditure budget estimates are handled, suggesting a structured approach to tax policymaking within the governmental framework. In other words, no single arm completely dominates the process. The involvement of multiple government branches indicates a system of checks and balances intended to ensure that tax policies are comprehensively reviewed and debated before implementation.

> *The arms of government hold a reasonable amount of power as regards tax policy decisions and the parliament deliberates upon tax policy matters before they are passed on upon receipt of recommendations from stakeholders* - Political Party

Ostensibly, to elaborate on the role and nature of the interaction that exists between the executive and legislative, tax officers from the DGCI further noted that the legislative, executive, and judiciary branches participate in the tax system primarily through the national budget. The

executive interacts with the legislature via the MoF, and both participate in tax policy making annually through the national budget process. Their collaboration ensures that the budget, and by extension the tax policies, reflects a balanced consideration of fiscal priorities and legislative scrutiny. The participant confirmed that supplementary acts are also used when necessary.

> *In terms of their participation, they only interact with executives via MoF , through the National Budget for the tax policy for domestic tax revenue and customs. The executive and parliament participate in the national budget strictly annually.* - Tax Official

The role of different arms of government in the tax system can vary significantly by country. In Togo, for example, the interaction between the executive and parliament is described as frequent, indicating a more dynamic and possibly more contentious tax policy environment. This suggests that in some countries, tax policy formulation may involve more continuous engagement and negotiation between governmental branches, reflecting different political and administrative cultures. Another critical insight is the frequency of legislative reforms. This frequency of the legislative reform process indicates a dynamic tax policy environment where laws are regularly updated to reflect changing economic conditions, political priorities, or stakeholder inputs. Such annual revisions suggest a proactive approach to tax policy, aiming to ensure the tax system remains relevant and effective in addressing the country's fiscal needs. In essence, the data points to a balanced power structure in tax policy decisions, where the executive, legislature, and to a lesser extent, the judiciary, each play integral roles.

5.2 Stakeholders' Participation in Tax Policymaking

The interplay between different arms of government and stakeholders ensures that tax policies are not only technically sound but also politically and socially acceptable. Unfortunately, stakeholders face significant challenges in participating in tax policymaking due to the unilateral nature of government decisions. As reflected by one participant, the lack of consultation and consensus-building mechanisms among stakeholders often provide feedback only after tax laws are enacted, limiting their influence on tax policy decisions. In particular, tax officials and their unions are frequently excluded from the decision-making process. Also, there was limited participation from taxpayers, labour unions, and CSOs during the legislative phases. This sentiment is expressed by the response of the tax official who reveals the government's tendency to side-line tax officials and unions, viewing them as adversaries rather than partners. This

exclusion undermines the potential for collaborative and well-informed tax policies. Nevertheless, the analysis shows that stakeholders, including revenue authorities, taxpayers, labour and trade unions, and political parties, are actively involved in recommending tax policies after they are implemented. These groups meet, educate each other, and collaborate with civil society representatives to propose the best tax policies that would benefit the economy.

> *Somehow it is difficult for us to interfere with whatever decisions are made by the government. Because the government's decisions are often unilateral, without any consultation of various stakeholders before implementing its policy. There is no window to look for consensus before enacting any regulations.* - Political Party

Furthermore, the participant noted that various constituents, including lawyers, accountants, and other stakeholders, frequently have their say in tax officials' unions. However, conflicts of interest arise because some tax officials work concurrently as tax advisors, creating situations that jeopardise domestic revenue mobilisation. The union seeks written evidence to act against corruption and has been vocal about ethical issues. However, their influence is limited by inadequate office resources and longstanding temporary employment issues. The contributions of various categories of taxpayers are sought through their representatives and compiled for consideration by the tax authority. However, it was noted that the preferences of various constituents are not as seriously considered as they should be, with the government primarily driving tax decisions. In other words, the government takes into account its own considerations more significantly than those of various constituents. It was estimated that the tax system is about 70 per cent dependent on the government, with limited input from other societal members. Notwithstanding, it was acknowledged that post-enactment, plans are in place to conduct training and sensitisation programmes for these stakeholders to ensure effective implementation and compliance.

5.3 Civil Society Organisations' Role in Tax Policies

Despite the recognition of stakeholders' participation on paper, the implementation is often low or non-existent. For example, the drafting of VAT laws did not involve taxpayers, and communication with taxpayers and civil society organisations is hampered by poor funding. Similarly, this issue was highlighted by some participants who stated that while CSOs are present, their influence on tax policy decisions is minimal compared to the dominant role of government

officials and representatives. The marginalisation of CSOs in this context points to a top-down approach in tax policy-making, where government priorities and perspectives primarily shape the policies. Despite their limited direct influence, CSOs are involved in broader national consultations on tax policies. This indicates that CSOs have opportunities to participate in consultative processes alongside other stakeholders such as workers' representatives and civil servants. Although this involvement is a positive step towards inclusivity, the extent of their influence in shaping final policies remains questionable.

> *Civil society is invited to apart of it together with national consultation such as the worker s' rep, civil service etc . before it goes to the parliament. Civil society organisations have a very low contribution to the tax system in Togo. A few of them include OXFAM. However, taxpayers' groups do submit draft proposals of their views/feedback/suggestions for tax amendments or proposal drafts.* – Togolese Tax Officials

Furthermore, the contribution of CSOs to the tax system varies by country, with Togo exemplifying a case of minimal involvement. This reflects the challenges CSOs face in influencing tax policies in Togo, where their role is largely overshadowed by other actors. CSOs contribute by providing expertise, raising awareness, and advocating for policies that are economically beneficial and socially just. Notably, the contribution of CSOs to the tax system varies by country, with Togo exemplifying a case of minimal involvement. Despite these challenges, there is still some level of engagement, as taxpayer groups actively submit proposals and feedback on tax amendments.

5.4 Taxpayer Engagement and Influence

The corporate sector, especially significant taxpayers such as telecom corporations, banks and others, interacts with the government but frequently finds its concerns unaddressed. For example, MTN, which represents the telecoms industry, emphasised the necessity of government compliance with tax rules and regulations. They highlighted that, notwithstanding the repercussions, business taxpayers often comply with tax laws. Telecom businesses communicate with the government through their associations, negotiating tax issues even in difficult economic times. However, business-related concerns rarely have a considerable impact on tax policy decisions. MTN emphasised the cost of high property taxes on enterprises as a cause for worry. BAO, represented by the Bank of Africa, specialises in financial transactions and VAT. They

reviewed banking associations' involvement in tax affairs, as well as tax-related workshops. BAO voiced worry over high and various taxes, notably in the banking industry, and the ongoing negotiations to address these issues. They also emphasised the significance of clear communication and the significant judicial expenses connected with tax cases.

Representatives from Ecobank in Guinea-Bissau, as major taxpayers, claimed indirect but considerable involvement in tax concerns. They emphasised the significance of tax authorities considering taxpayer comments to increase clarity and avoid unclear interpretations in tax legislation. Ecobank emphasised ongoing discussions with parliament regarding tax laws, stressing the need for laws to be implemented as defined, such as with VAT (IVA). They suggested leveraging Ecobank's regional presence as a benchmark for tax administration in West Africa. It can be inferred that Ecobank participates indirectly in tax policymaking by offering comments and suggestions, urging tax authorities to acknowledge and incorporate taxpayer perspectives into legislative processes. They reveal the impact of tax certainty and the need for standardised practices among West African peers.

> *High - income taxpayers do relate with the tax authority in Guinea Bissau. In Togo, at all stage s tax authorities participate in one way or another. Moreover, the corporations and employers' associations have the privilege to submit proposals to the tax authority to consider in the draft Finance Bill. Tax payers have access to government and ministries to lodge their concerns and suggestions* - Tax Officials, Guinea Bissau and Togo.

Comparatively, it was revealed that high-income taxpayers in Guinea Bissau maintain a relationship with the tax authority, demonstrating a level of engagement and interaction with the fiscal system. This engagement indicates that affluent individuals and entities are involved in the tax process, likely due to their significant contributions and the potential impact of tax policies on their finances. In Togo, the engagement of taxpayers with the tax authority is evident at every stage of the tax process. This inclusive participation ensures that taxpayers are continuously involved, contributing to a more transparent and collaborative tax environment, and highlighting the importance of consistent taxpayer involvement in shaping and implementing tax policies. Corporations and employers' associations in Togo have the privilege to submit proposals to the tax authority for consideration in draft Finance Bills. This privilege empowers businesses and organisations to influence tax legislation directly, ensuring that their interests and concerns are represented in the policymaking process. Simply put, taxpayers in Togo have access to

government officials and ministries to lodge their concerns and suggestions. This accessibility facilitates open communication between taxpayers and the government, fostering a responsive and accountable tax administration. It underscores the importance of providing channels for taxpayers to voice their opinions and influence tax policies.

5.5 Labour Unions' Role in Tax Policy and Compliance

Labour and trade unions actively engage in raising awareness about tax policies. This role is crucial as it helps to inform and educate both the union members and the general public about tax-related issues and policies. By doing so, they ensure that their constituencies are well-informed and can make knowledgeable contributions to tax policy discussions. Similarly, tax unions play a significant role in promoting compliance among their members. They consistently communicate the importance of adhering to ethical standards and regulations. Notably, the efforts by tax unions to promote compliance are effective, resulting in a relatively high level of ethical behaviour among tax officials. Maintaining low levels of unethical conduct is crucial for the credibility and effectiveness of the tax administration. This proactive approach by the unions helps in fostering a culture of integrity and accountability.

> *The tax union talks constantly to their members about compliance. There are minimal cases of unethical conduct among tax officials. Also, the government should enhance the tax workers' take-home pay.*
> - Representative of Tax Employees Union

Similarly, the unions organise workshops to educate their members and the wider community about tax policies. These workshops provide a platform for discussing tax issues, sharing knowledge, and building a collective understanding of tax policies. This educational effort is essential for fostering an informed citizenry that can effectively participate in tax policy formulation and implementation. Furthermore, unions regularly communicate with government officials through " constant write - ups to the minister. " These communications serve as advocacy tools where unions can present their concerns, suggestions, and feedback regarding tax policies. Through continuously engaging with government authorities, they ensure that the voices and interests of their members and the general public are considered in tax policy decisions. Through their efforts, labour and trade unions act as representatives of the general public's interests in tax policy matters. They ensure that tax policies reflect the needs and concerns of the broader community. This representative role is vital for maintaining a tax system that is fair, equitable, and responsive to the needs of all citizens.

Nevertheless, the government is encouraged to improve the compensation packages for tax workers. Adequate compensation is essential not only for the welfare of tax officials but also as a deterrent against corruption. Better pay can reduce the temptation for unethical behaviour and enhance overall job satisfaction and performance. There is a noted disparity in earnings between customs officials and other revenue bodies. For instance, the tax system in Guinea Bissau reveals that the customs officers are paid more than domestic tax officers. They further stated that although a law was passed in 2015 to align salaries, it has not been implemented. This discrepancy can lead to dissatisfaction and potential issues of low morale among tax officials in other revenue bodies. Addressing this disparity is important for maintaining equity and motivation across all branches of the tax administration.

5.6 Political Parties and Tax Systems

As reflected by some participants, tax payment is encouraged as an indication of love for the country. Political parties often frame tax payment as a patriotic duty, leveraging nationalism to enhance tax compliance. This approach aims to foster a positive attitude towards taxation by linking it to national pride and responsibility. Similarly, political parties also prioritise tax education, as evidenced in the excerpt below. They educate the public about the importance of taxes and the benefits of compliance. By incorporating tax education into their agendas, political parties aim to increase awareness and understanding of tax policies, thereby fostering a more informed and compliant taxpayer base. These initiatives contribute to building a culture of tax compliance and transparency.

Additionally, political parties actively engage in legislative processes related to tax policies. They debate and advocate within parliamentary settings, representing their constituents' interests and influencing tax legislation. For example, parties like the PRS demonstrate their commitment by raising tax issues and opposing certain tax measures to ensure that tax policies align with public needs and preferences. In countries like Guinea-Bissau and Togo, political parties use taxation as a campaign strategy and provide policy input through various channels. This involvement ensures that tax policies reflect taxpayers' experiences and feedback, enhancing their relevance and effectiveness. However, political affiliations can influence the loyalty and operational focus of tax authorities, impacting the autonomy and effectiveness of tax administration. Political interference can affect business operations, including licensing and approvals, often to the detriment of businesses. Thus, the relationship between political parties and tax systems is complex, with significant implications for tax compliance and administration.

5.7 Electoral System Requirement

The electoral system mandates tax clearance certificates for individuals seeking public office, emphasising the importance of tax compliance among leaders. This requirement is consistently highlighted across various responses from participants, revealing that such regulations aim to ensure that public officials are exemplary in their tax obligations, promoting transparency and accountability. The enforcement of tax clearance requirements spans various levels of government, from sub-national to national. This illustrates the comprehensive nature of these requirements, applying uniformly across different tiers of governance. This widespread enforcement helps maintain a consistent standard of tax compliance among public officials.

The certificate of tax clearance is requested for a ny public position competition , particularly e xecutive (presidency) and legislative, and t ax clearance cert ificates are key requirements. – Political Party

Moreover, for high-level positions such as the President and Deputy President, public declaration of tax status is a specific requirement. One participant emphasised this point, stating, "Only the President and his Deputy have to declare their tax status publicly." This practice enhances public trust in leadership by ensuring that the highest officeholders are transparent about their tax contributions. The integration of tax clearance certificates into the electoral process underscores the importance of a robust tax administration. Through linking electoral eligibility to tax compliance, the system aims to cultivate a culture of fiscal responsibility among potential leaders. A party representative highlighted this broader objective, stating, "They have written in their programme the need for independent and strong tax administration." This statement underscores the commitment to reinforcing the integrity and effectiveness of tax institutions.

5.8 Manifesto Development and the Tax System

Regarding the formation of political party manifestos, the participants stated that they are written with a high regard for good leadership and are based on the interests of the people. Put in another way, political parties' manifestos are designed to reflect their ideological stance and dedication to national progress. For example, the Movement for Democratic Alternation, Group of 15 (MADEM-G15) has stated that they intend to combat poverty and inequality using legislative measures such as tax policies that are aligned with social welfare. The MADEM-G15 manifesto emphasises the necessity for an autonomous and robust tax administration to enable successful tax collection and administration. They emphasise the significance of a consistent government to establish and maintain a robust tax system. Although, manifestos are often rooted in national

constitutions, they are tailored to address public interests. Other participants reflect on how political parties integrate constitutional principles with public priorities when formulating tax policies. This approach aims to ensure that tax reforms resonate with the needs and aspirations of the electorate.

> *The manifestos are usually based on the national constitution of the party but are developed based on the interest of the people. Our manifesto is based on the national constitution. We have a vision for the country by not only reforming taxation but also other sectors. We advocate for diversification of our economy that should not only be based on cashew production. Instead of investing in fishing or cashews, there is a need to invest in other sectors, such as other crops, corn and rice as we are agrarians.* – Political Party

Manifestos align tax policy proposals with constitutional frameworks. In practice, this alignment ensures that tax reforms adhere to legal principles while addressing socioeconomic challenges and fostering national development goals. Besides the constitutional framework, the data reveals that manifestos often outline broader economic visions that encompass tax policy reforms. Participants demonstrate how political parties like the PRS advocate for economic diversification through tax reforms that support sectors beyond traditional cash crops. This approach aims to stimulate economic growth and reduce dependency on specific industries. Furthermore, manifestos are shaped by other factors, including party objectives. Participants reflected on the fact that manifesto development integrates multiple considerations, such as economic conditions, public sentiment, and strategic political positioning. This holistic approach aims to craft comprehensive tax policies that resonate with diverse stakeholder interests.

5.9   Tax Education in Political Manifestos

Political parties emphasise fiscal education in their campaigns and manifestos, highlighting the importance of good leadership. As noted by MAGEM-G15, political parties consistently highlight fiscal policy during their outreach activities. They emphasise that paying taxes is a patriotic duty, necessary for the functioning of government services, as governments do not print money. This strategy is essential for building a robust democratic framework where citizens are knowledgeable and engaged in the governance process. In reality, tax education and literacy are prioritised in most political manifestos due to the critical role of taxation in national revenue. Similarly, according to the representative of the West African Tax Administration Forum (WATAF), tax education is considered greatly because taxation is a major source of income for the

nation. Consequently, political parties use their platforms to advocate for a better understanding of tax regulations, aiming to build a more informed and compliant taxpayer base.

> *If you like your country you have to pay your tax. Because government doesn't print money. Encouraging people to pay their taxes. Also, political parties support tax administration to be a strong institution* – Political Party.

Notably, political manifestos often include specific information aimed at providing tax education to the populace. These documents incorporate information to educate the public on tax policies. An approach like this ensures that voters are well-informed about their tax responsibilities and the broader implications of tax compliance. Beyond educating the public, political parties also focus on internal education to ensure that their members are knowledgeable about tax contributions and reforms. For instance, MADEM-G15 are actively involved in promoting tax compliance and extending the tax base. The party does not shield its members from tax obligations, instead helps to broaden the tax base. In other words, education is conducted at all levels, with a dedicated department ensuring that all members are updated on their contributions. These internal education initiatives are crucial for maintaining consistency in the party's message and ensuring that members can effectively advocate for tax compliance and reforms. This internal focus helps to build a cohesive and informed party structure capable of supporting and promoting tax education and good governance.

> *Yes, tax education and literacy are considered greatly because taxation is a major source of income for the nation. Education is done at all levels. Even internally we have a department whose role is to make sure that all members are updated in their contributions.* –Political Party.

More crucial is the integration of tax education with sector-specific initiatives. Political manifestos often include initiatives to promote sectors like agriculture while also embracing tax reforms. As noted in PRS, political parties may show a strong interest in agriculture and minimal discussion on taxes, yet they integrate tax education with sectorspecific initiatives. This holistic approach allows political parties to address broader economic goals while highlighting the importance of taxation. Through demonstrating the link between tax contributions and national development, political parties encourage voters to support tax policies that benefit the economy and various sectors, such as agriculture.

5.10 Political Influence on Revenue Authority Autonomy

Despite official claims of non-interference, there is tremendous political influence over revenue authority autonomy. Participants demonstrate that, while governments publicly claim to avoid interfering with revenue authority matters, political influence is significant. This dual narrative of public non-interference against actual political influence complicates revenue authorities' ability to preserve true autonomy. This mismatch weakens the confidence in government statements and limits revenue agencies' ability to function independently, reducing their efficiency and effectiveness. According to a political party leader "politics pretend not to interfere but in fact, they influence a lot".Furthermore, government interference significantly hampers the operations and effectiveness of revenue authorities. As highlighted by some participants, political meddling disrupts the autonomy necessary for revenue authorities to function smoothly.

This interference leads to poor performance and increases the potential for corruption. The lack of autonomy prevents revenue authorities from implementing policies and procedures impartially, thereby compromising their ability to combat tax evasion and corruption effectively. In a similar manner, internal restructuring and policy changes may be constrained by political agendas, hindering efforts to modernise and improve operational efficiency. Political interference can stifle innovation and the adoption of best practices, leaving tax institutions less capable of responding to emerging challenges and improving their operations. When appointments are based on political affiliations rather than merit, it compromises the integrity of the revenue authority and its capacity to operate independently.

Government interference greatly affects the smooth running of the autonomy of the revenue authority and thereby leads to poor resultoriented abilities and also enlarges the room for corruption practices. In Togo, the tax authority is semi-autonomous and that protects the tax authorities from influences by politicians. However, there are some judicial cases related to taxation. – Political Party and Togolese Tax Officials.

The degree of autonomy granted to revenue authorities varies across countries, affecting their operations and ability to resist political interference. In Togo, for instance, the tax authority's semi-autonomous status helps protect it from political influences, as indicated by tax officials from Togo. Semi-autonomous structures can safeguard revenue authorities by providing a buffer against undue political meddling, thereby promoting judicial independence in tax-related matters. This level of autonomy allows revenue authorities to enforce tax laws more effectively and

maintain public trust in the tax administration process. In essence, the analysis reveals that political influence significantly impacts revenue authority autonomy, despite official claims of non-interference.

5.11 Role of Trade and Labour Unions in Tax Policy Enforcement

Trade associations like ANAPI, ANEP, and APA are instrumental in representing the interests of their members, such as those involved in administrative work, ship-owning, and artisanal fishing. For instance, trade associations like ANAPI are focused on the welfare of their business members. According to a participant, ANAPI advocates for the interests of businesses involved in boat ownership, fishing, and administrative work related to fishing. While their primary role is to support business welfare, their involvement in tax policy enforcement is limited and more oriented toward addressing the specific needs of their industry sectors. This indicates that while ANAPI is crucial in advocating for business interests, its influence on tax policy decisions remains minimal.

> *ANAPI is a trade association seeking the welfare of their businesses, comprising the boat, fishing and net administrative work. Health worker and teachers' unions do not talk taxes. Labour unions play a very minimal role and are often close to zero.* – Representative of ANAPI and Togolese Tax Official.

In certain cases, trade and labour unions do not have explicit statutory obligations in tax policy enforcement. As other participants pointed out, the unions' lack of institutional inclusion into the tax policy framework limits their potential to influence tax policy enforcement. Because of the lack of statutory roles, trade and labour unions have little influence over tax policy, potentially diminishing their efficacy in pushing for fair and equitable tax legislation for their members. According to tax officials in Togo, areas such as health and education see little to no engagement from labour unions in tax problems. This minimal involvement further highlights the variability in the roles of labour unions across different contexts. In regions where unions do not engage in tax policy discussions, there may be missed opportunities to advocate for more equitable tax policies that consider the needs of workers. This lack of engagement can contribute to a disconnect between tax policies and the realities faced by the workforce, potentially impacting compliance and enforcement.

From the analysis, trade unions are often perceived as adversaries by tax administrations, which limits their participation in tax policy formation. As expressed by some participants, tax laws are usually made without the involvement of trade unions, as they are seen more as enemies rather than partners. This adversarial perception hinders effective collaboration between tax authorities and trade unions, negatively affecting the overall enforcement and compliance landscape. Without meaningful participation from trade unions, tax policies may not adequately reflect the concerns and needs of the workforce, leading to potential conflicts and reduced compliance. Consequently, the analysis reveals that while trade and labour unions advocate for business welfare and engage in awareness and educational initiatives, their formal roles in tax policy enforcement are limited. The perception of unions as adversaries by tax authorities and minimal involvement in certain sectors further constrains their impact.

5.12 Impact of Political Instability on Tax Policies

Political instability, marked by frequent changes in government, disrupts the continuity and effectiveness of tax systems. As reflected in statements from ANAPI, the lack of a stable government hampers the ability to implement and maintain consistent tax policies, which is crucial for a strong tax system. Frequent government changes lead to alterations in tax laws, causing confusion and misunderstandings with business partners. This inconsistency makes it challenging for businesses to navigate the tax landscape, resulting in operational difficulties and financial uncertainties. Apparently, the widespread recognition of the detrimental effects of political instability on tax policies highlights the need for stable governance. Stable governance is essential to create and maintain a robust tax system that ensures consistency, reliability, and fairness in tax policy implementation and enforcement.

> *They are affected by the high-frequency changes of the governments. Overall, that affects a lot of their businesses, with such instability. For instance, in 2015, the then government changed the tax rates, and recently the Minister of Fisheries changed again the rules, which caused misunderstanding with their partners.* - Representative of ANAPI

Still, in political instability, tax compliance significantly impacts the business sector, where obtaining a tax clearance certificate is often crucial for operational licenses. Some participants indicate the broader application of tax clearance requirements, ensuring that businesses contribute their fair share to the tax system before being allowed to operate.

Moreover, political instability exacerbates the challenges businesses face, as frequent adjustments to tax laws create an unpredictable business environment. This unpredictability hinders companies' ability to plan and grow. The constant flux in tax policies prevents businesses from achieving stability and competitiveness. According to ANAPI, tax policy changes have significantly affected manufacturing industries, leading to both growth and substantial losses depending on the nature of the policies.

> *These changes affect a lot of our activities. That is why it is difficult for us to grow our businesses and to have big flourishing and competitive companies. It is very true that constant change in government has brought about staggering tax policies, compliance and poor revenue collection.* – Representative of ANAPI.

In synopsis, constant changes in government and resulting tax policies lead to problems with tax compliance and revenue collection. There was a consensus among participants that this instability undermines the effectiveness of the tax system, making it difficult to achieve consistent and reliable revenue streams. The acknowledgement of this problem across different participants indicates a widespread recognition of the issue's severity. It further reveals the general argument on the negative impact of political instability on tax policies. This recognition suggests an awareness of the need for stable governance to create a robust and effective tax system. It is important to add that most participants noted the influence of political factors on tax policies with reforms often hindered by political agendas and external pressures, despite internal needs for modernisation and efficiency improvements.

5.13 Attributes of the Tax System and Its Performance

Concerns were expressed regarding various characteristics that define a tax system and how effectively it achieves its objectives. These factors include tax rates, tax base, administrative efficiency, equality (fair distribution of the tax burden), simplicity (ease of compliance), transparency (clarity in tax laws and processes), and overall effectiveness in generating income for government spending. One key issue raised was the burden of high and multiple taxes, particularly affecting property and financial transactions. Participants emphasised the need for tax administrations to consider business and taxpayer feedback in policy decisions. As noted by a participant from Ecobank, businesses face excessively high taxes on property, and there is a lack of direct participation in the initial stages of tax policy development. Moreover, the tax system is highly dependent on government influence, which can adversely affect its performance. Consequently, there is a consistent call to broaden the tax base to ensure fairer tax distribution.

Suggestions include exploring property taxes, taxes on tobacco and wine imports, and considering tax amnesties.

> *There is a need to broaden the tax base. Because only a few pay; the government should also look at property tax, tobacco, imported wine; and tax amnesties, because even though my business is down and I am not making profits, I am still overpaying tax and administrative fees, which is not fair. –* Representative of ANAPI

As expressed by some participants, broadening the tax base is crucial because currently, only a few pay their fair share. Expanding the tax base to include underutilised areas could alleviate the tax burden on compliant taxpayers and increase overall revenue. This approach aims to create a more equitable tax system that supports all sectors fairly. Moreover, there is a critical need to build a sustainable tax system that supports economic development without introducing new taxes unnecessarily. Some political parties expressed their thoughts on this; they stated that some existing taxes are not being collected, highlighting inefficiencies in the current system. The focus should be on improving tax collection methods, increasing production, and implementing social services rather than introducing new taxes. This holistic approach emphasises the importance of a stable, sustainable tax system that promotes economic development and ensures fairness to all taxpayers. Sensitisation and increased taxpayer awareness are also vital components of this strategy. According to a taxpayer:

> *There is too high taxes on properties owned by businesses…. We have indirect participation in tax policy process but it's at the initial stage of tax policies. –* Corporate Taxpayer

Interestingly, cultural and socio-economic norms also influence tax preferences, particularly concerning individual income taxes. There is a distinction in tax treatment based on marital status, which reflects broader cultural and socio-economic attitudes towards family and individual responsibilities. "Except for married- versus singleindividual income taxes". This differentiation in tax preferences reveals the importance of considering personal circumstances and social norms when developing and implementing tax policies. In essence, cultural and socio-economic norms significantly influence tax preferences through the active involvement of labour unions in sensitising their members and through tax policies that differentiate based on marital status. These norms highlight the need for an insightful approach to tax policy that takes into account the socio-cultural context of taxpayers.

5.14 Recruitment and Employment Practices in Tax Administration

Political dynamics heavily influence the appointment processes of key leadership positions within revenue authorities. In other words, the appointment of key officials by political parties can significantly influence the loyalty and operational focus of tax authorities. According to some participants, political affiliations may shape administrative priorities and decisions within tax agencies. This political influence impacts the autonomy and effectiveness of tax administration, potentially affecting enforcement and compliance measures. When tax administrators are more loyal to political interests than to their mandate, it can compromise the integrity and efficiency of tax collection and enforcement. Moreover, the recruitment and employment practices within the tax authority are heavily influenced by political factors. According to the response from the MoF, the national law prevents the TA from hiring. It is the job of the civil service department or ministry. That department in liaison with the MoF organises the recruitment. This politicisation affects the authority's autonomy and efficiency. Additionally, the DG has no power to fire or sack employees and such practices hinder the ability of tax authorities to maintain a competent and efficient workforce, further complicating effective tax administration.

> *The DG has no power to fire or sack the employees, even if they were brought in unorthodoxly or unconventionally. That is one of the conspicuous reasons why the tax officials' numbers keep soaring. The DG is appointed by the council of ministers. Further to his nomination he gets approval from the minister. Dogmatically, they ought to apply for the position, nevertheless, they do not proceed like that. Conventionally, from junior to senior staff, all the recruitment is supposed to be done by advertising internally under the supervision of the DG and civil service ministry officials. Even though, the DG is not supposed to promote employees by law, they often do it, based on acquaintances.* – Representative of the Ministry of Finance.

Furthermore, committees within the MoF play crucial roles in deciding budgets and ensuring inclusivity. In other words, the MoF has a committee that includes various departments to decide on the budget. The participant noted that the committee is genderinclusive, with a 35% female representation. In the context provided, there is a notable effort towards gender inclusivity within public revenue committees. This indicates a deliberate attempt to include women in decision-making processes related to revenue allocation and expenditure. This inclusive approach extends to discussions on fiscal policies with international bodies like the World Bank and IMF. It is important to add that while tax institutions may have some autonomy in internal reforms, the overarching influence of political appointments can limit the scope and impact of these reforms.

> *We have a committee in the MoF, which gathers various departments. That committee decides about the budget. It is gender inclusive. The rate is 35% female. This is exactly what we are doing right now. Due to the fiscal pressures, we are working* – Tax Official

More so, gender diversity in committees can lead to more balanced and inclusive decisions. Women bring unique viewpoints and priorities to discussions on revenue allocation and expenditure, potentially enhancing the effectiveness and fairness of fiscal policies. The different experiences and insights that women offer can help address a broader range of issues and needs, leading to more well-rounded and effective fiscal policies. This diversity can also foster a more collaborative and equitable decision-making environment. Similarly, it reflects a commitment to gender diversity and equity in governance. It suggests a recognition of the importance of diverse perspectives in financial decision-making processes. While achieving 36% representation is commendable, there may still be room for improvement in achieving full gender parity. Efforts to further increase the representation of women could strengthen the legitimacy and effectiveness of public revenue committees. Ensuring equal opportunities and support for women in these roles can help overcome any remaining barriers to full participation.

5.15 Efficiency of Career versus Politically Appointed Tax Leadership

The preference for career tax officers over politically appointed leaders is clear, with the belief that career officers bring more efficiency to the tax authority. Career tax officers possess specialised knowledge and experience in tax administration, which can lead to better performance and more effective implementation of tax policies. Their deep understanding of the tax system and its intricacies enables them to navigate challenges more adeptly and ensure smoother operations. Politically motivated appointments in tax leadership positions can undermine the efficiency of tax authorities. As implied by some participants, political considerations often lead to the appointment of individuals who may lack the necessary expertise, resulting in inefficiencies and hindering essential reforms such as digitalisation. When leaders are chosen based on political connections rather than merit, it can compromise the effectiveness of tax administration and slow down the implementation of crucial reforms.

> *Career tax officers would be more efficient in the tax authority (DGCI). Tax laws in Guinea Bissau give room for recruitment but... Also, political consideration affects tax reforms and its digitalisation.* – Tax Official

Consequently, there is a strong argument for appointing career tax officers to leadership positions within tax authorities to enhance efficiency. The expertise and experience of career officers are seen as crucial for effective tax administration, whereas political appointments are often associated with inefficiencies and obstacles to reform. Career officers, with their specialised training and familiarity with tax laws and systems, are better equipped to drive improvements and ensure the successful execution of tax policies. Their leadership can help maintain the integrity and functionality of the tax authority, leading to better compliance and revenue collection. The appointment of career tax officers in leadership roles within tax authorities is advocated as a means to enhance efficiency and effectiveness. The specialised skills and knowledge of career officers are essential for robust tax administration, while political appointments can introduce inefficiencies and impede progress. Prioritising merit-based appointments over political considerations can strengthen tax authorities, support necessary reforms, and improve overall governance in the realm of tax administration.

5.16 The Nature of Taxes, Tax Bargaining and its Performance

The general take from the participant indicated that their tax system leans towards progressivity, with high staff retention and ongoing institutional reforms. These reforms include closer collaboration with customs, more digital operations, updating laws to ensure no taxpayer is protected unfairly, and enhancing autonomy and enforcement capabilities. The principles of regressivity, proportionality, and progressivity in tax systems play crucial roles in determining the fairness and equity of tax burdens. As expressed by the participants, the discussed tax system is progressive. This means that tax rates increase with rising income levels, placing a greater burden on those with higher earnings. Such a system is considered fairer as it redistributes wealth and supports social programmes to reduce inequality. The progressive income tax system ensures that higher-income individuals pay a larger percentage of their income in taxes compared to those with lower incomes, thereby funding public services and promoting economic equity and social justice.

> *It is tailored towards progressivity of taxes and it is favourable for the people. Our income tax system is progressive* – Representative of Ministry of Finance

Apparently, designing and maintaining a progressive tax system requires careful consideration of economic conditions, taxpayer behaviour, and social objectives. It involves balancing revenue generation with economic growth and fairness, ensuring that tax policies align with broader national development goals. Understanding the principles of regressivity, proportionality, and

progressivity is essential for crafting tax policies that promote fairness, equity, and economic stability. A progressive tax system, as described in the sources, aims to achieve these goals by ensuring that tax burdens are distributed in accordance with taxpayers' ability to pay, thereby contributing to social welfare and sustainable economic development. However, political interference, remains a significant challenge, potentially undermining the autonomy and effectiveness of the tax authority and hindering the implementation of a truly progressive and fair tax system.

Tax bargaining, a distinct aspect of tax administration, involves negotiations and discussions between taxpayers and tax authorities regarding penalties and sometimes main taxes. Here are insights gleaned from various participants: According to the tax officials' union, tax bargaining often involves consultants coordinated by the MoF. This consultation process extends to national budget considerations, highlighting the collaborative nature of fiscal decision-making. These negotiations are not conducted in isolation but are part of a broader dialogue involving multiple stakeholders, which ensures that fiscal policies are inclusive and consider the interests of various sectors. Another participant revealed that tax bargaining predominantly revolves around penalties rather than primary tax liabilities. This approach is observed across different sectors, where stakeholders negotiate terms to mitigate financial penalties imposed for non-compliance or late payment. This focus on penalties rather than main tax liabilities indicates a pragmatic approach to tax administration, where the immediate financial burdens on taxpayers are alleviated while still upholding the integrity of the tax system. According to an official, *tax bargaining is allowed as regards penalties but not main taxes*. This view cuts across all sectors.

Furthermore, pleas are submitted to tax authorities by associations or syndicates on behalf of their members. These submissions aim to secure reduced tax obligations or favourable terms, illustrating collective bargaining strategies employed by organised groups within industries. This collective approach highlights the power of organised advocacy in tax bargaining. According to participants, there are several documented cases where taxpayers negotiate with tax authorities through formal letters. These negotiations often result in substantial reductions, such as lowering penalties by up to 50%, based on specific circumstances and compliance efforts. The effectiveness of formal written negotiations reveals the importance of documentation and clear communication in the tax bargaining process. Through clearly outlining their circumstances and compliance efforts, taxpayers can make a compelling case for penalty reductions, thereby achieving significant financial relief while maintaining transparency and accountability in their dealings with tax authorities.

> *There are several cases of bargaining and feedbacks. They do write letters and can bargain to reduce to 50 per cent of the penalty* – Tax Official.

Apparently, tax bargaining practices can influence taxpayer compliance behaviour by providing avenues to rectify errors or mitigate financial burdens. However, consistent application and transparency in these negotiations are crucial to maintaining fairness and equity across taxpayers. When taxpayers perceive that the tax bargaining process is fair and transparent, they are more likely to comply with tax laws and the tax administration system and foster a culture of compliance and cooperation. Consequently, policymakers must balance flexibility in tax administration with the need for consistent enforcement of tax laws. Clear guidelines on when and how tax bargaining can occur help ensure accountability and prevent misuse of negotiation processes. Through the establishment of clear and consistent policies for tax bargaining, policymakers can ensure that the process is equitable and transparent, thereby preventing any potential misuse or favouritism and maintaining the integrity of the tax system.

5.17 Measures for Tax System Improvement

The participant suggested several measures to improve the tax system, including investing in agriculture to foster the economy, broadening the tax base beyond the harbour or port, and leveraging natural resources like phosphate and bauxite to strengthen the industrial sector and increase revenue. Stakeholders and Ecobank in particular have reflected on the pressing need for a clear interpretation of tax provisions by the tax authority. It was further stated that ambiguities in tax laws can lead to varied interpretations, resulting in inconsistencies in tax application and compliance. Clear and precise interpretations would provide clarity for taxpayers and ensure consistent enforcement of tax laws across different sectors and regions.

> *There is a need for a clear interpretation of tax provisions, to avoid multifaceted interpretations from the tax authority.* – Bank Manager

Moreover, the suggestion to implement tax laws as they are, such as the Value Added Tax (IVA), emphasises the importance of adherence to legislative frameworks without deviation or selective application. This approach fosters transparency and builds trust between taxpayers and the government, enhancing compliance and revenue collection efforts. There were calls for benchmarking. The call for benchmarking akin to international practices, particularly in West Africa where the bank operates, reflects a broader aspiration for alignment with global tax standards. Benchmarking facilitates comparative analysis and the adoption of best practices from

other jurisdictions, informing reforms and improving the efficiency and effectiveness of tax administration.

> *People might think there is an increase in the rate of IGV (VAT) at 19%, 15%, and 10%. However, some aspects of the law are not clear. Taxpayers do state that 30% of Cost Insurance Freight is very high instead of 30% on the importation. -* Tax Officials.

Implementing these suggestions can streamline tax processes, reduce disputes, and enhance overall compliance. Hence, clear interpretations reduce ambiguity, consistent implementation builds trust, and benchmarking fosters continuous improvement and adaptation to global norms. From the analysis, it can be recommended that policymakers need to prioritise legislative clarity, rigorous enforcement, and international alignment in tax reforms. These steps not only strengthen the fiscal framework but also support economic growth and stability by ensuring a fair and predictable tax environment for businesses and individuals alike. Hence, clear interpretations, consistent application of laws, and benchmarking against international standards can collectively contribute to a more efficient and equitable tax system beneficial to all stakeholders involved.

5.18 Tax Policy Debate and Legislation Processes

Tax policy development and legislative processes are crucial components of effective governance and fiscal management. As stated by some participants, this process ensures that legislative changes reflect national priorities and stakeholder input, fostering transparency and accountability. The involvement of parliament in tax policy development ensures that diverse viewpoints are considered, and the resulting laws are more likely to meet the needs and expectations of the public. As expressed by some participants, tax laws must pass through parliamentary scrutiny. This legislative requirement ensures that proposed tax measures are subjected to rigorous examination and public deliberation before enactment. The scrutiny process not only improves the quality of legislation but also enhances public trust in the tax system.

These findings resonate with the submission by Hofmerey (2023) in Kenya[11]. The authors argued that:

> *Parliamentary scrutiny and public participation in policy formation and legislation are very important to avoid unnecessary legal contests. For instance, the High Courts in Nairobi and Kitale rendered divergent judgments on petitions challenging the constitutionality of the Finance Act 2021 and the Finance Act 2022 respectively, with respect to the place of public participation in amendments introduced on the floor of the house. While one court ruled that the contested amendments violated the principles of public participation, the other court held that the amendments were in line with the original intent of the bill. The petitioners stated that while public participation was held regarding the Finance Bill 2021, there was no information given as to the basis for introducing other tax amendments while in Parliament. The contested amendments were not subjected to consultation and thus did not emanate from the public. The court held that the contested amendments were constitutionally frail because they offended the principles of public participation and consequently violated the right to fair administrative action and the principles of public finance. Further, the court noted that public participation in policy formation dictates that those most likely to be affected by a policy must have a bigger say in that policy and their views must be deliberately sought and considered. – Cited in Kanyi and Munyaka (2023).*

The extent of public participation in tax design could be limited but it is necessary for the success of the system as a whole.

> *Tax laws pass through parliamentary debates and amendments. National consultation with stakeholders on VAT etc, is also carried out.*
> - Representative of Tax Employee Union

Participants further discussed the active role of political parties in tax law debates. Parties like PRS advocate for reducing high taxes and ensuring effective implementation of existing tax laws, reflecting their understanding of fiscal policies and public sentiment. The participation of political

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[11] Refer to a jointly-authored article titled, " The paradox of public participation in tax legislation" by Kanyi, Alex and Munyaka, Ndinda on February 16, 2023 at The paradox of public participation in tax legislation - Cliffe Dekker Hofmeyr

parties in tax debates brings diverse perspectives and policy preferences to the table, enriching the legislative process. Political parties play a critical role in representing different constituencies, debating policy options, and influencing the direction of tax legislation. Furthermore, as some tax officials put it, institutional reforms and legislative updates are essential. These reforms aim to enhance the tax administration's autonomy, digital operations, and enforcement capabilities, ensuring compliance and responsiveness to evolving economic needs. Modernising tax administration through institutional reforms is vital for improving efficiency, reducing administrative burdens, and adapting to new economic realities. Legislative updates can ensure that tax laws remain relevant and effective in a changing economic landscape.

> *At the parliament, debates occur very often. The last parliament clamoured for a reduction to reduce the democracy taxes for the people. Our political party understands the tax laws and has argued for a reduction in high taxes, and implementation of the existing tax laws.* – Political Party.

In a similar sense, participants illustrated how parliament debated to pass the VAT Act, highlighting the legislative process's impact on specific tax policies and their implementation. This example demonstrates the practical outcomes of legislative processes in shaping tax policies and their operational effectiveness. The successful passage of the VAT Act showcases the importance of parliamentary debate in refining and enacting tax legislation. In Togo, as it is in Nigeria, it was revealed that tax policies are debated through parliament with inputs from both the executive branch through the MoF, and the tax authority. This collaborative approach ensures an inclusive consideration of administrative, economic, and societal implications of policy making for the tax system. In essence, the process of tax policy debate and legislation involves multiple stakeholders, including parliament, civil society, political parties, the tax revenue authorities and the executive bodies.

5.19 Tax Systems in a Globalised World

The framework of laws, policies, and practices that govern how taxes are levied, collected, and managed across national boundaries in an interconnected global economy was discussed by some participants. They address challenges such as cross-border transactions, multinational corporations' tax planning strategies, international tax treaties, and the prevention of tax evasion and avoidance. More so, perceptions of corruption, accountability gaps, and governmental inefficiencies and their impact on public trust and compliance with tax regulations were equally addressed. However, persistent challenges, such as regulatory inconsistencies and external

influences like IMF validation requirements, reveal the complexities in achieving effective tax administration. Addressing these issues requires fostering transparency, strengthening internal governance, and prioritising locally-driven reforms to rebuild public trust, improve compliance rates, and optimise revenue collection for sustainable economic development.

Moreover, participants reflect on the need for institutional reforms within domestic tax and customs administrations. This includes transitioning towards a more digitised system aimed at reducing the reliance on manual processes and streamlining operations. Highlighting historical legacies, some participants mentioned the persistence of colonialera laws that may no longer be relevant or effective in the current socio-economic context. Reforming outdated laws is essential to align the tax system with contemporary needs, improve compliance, and ensure fairness in taxation practices. According to the representative of MoF, there are instances where tax authorities face challenges in collecting revenues due to obsolete tax policies and laws. These "caduc" laws create legal barriers that hinder the TA's ability to enforce tax compliance effectively, thereby impacting revenue mobilisation efforts. The ministry mentions the existence of a fiscal court, which serves as a legal avenue for handling cases where administrative settlements for unpaid taxes are unsuccessful. This judicial recourse ensures that unresolved tax disputes are addressed through a formal legal process, providing an additional layer of accountability and fairness in the tax system.

5.20 Corruption Perception and Tax Collection Effectiveness

The analysis highlighted the negative impact of perceptions of corruption, lack of accountability, and inefficiency of the government on tax collections. These factors significantly affect the public's willingness to comply with tax regulations. MADEM-G15's focus on accountability and non-protection of its members from tax obligations reflects its commitment to reducing corruption and promoting transparency in the tax system. This approach aims to build public trust and improve tax collection efficiency. In other words, the perception of corruption within a tax administration significantly impacts its effectiveness and public trust. According to the representative of ANAPI, approximately 162 million CFA francs are lost whenever tax policies and regulations are not favourable to business associations. This loss reveals the direct financial implications of regulatory inconsistencies and their adverse effects on revenue collection.

About 162 million CFA is lost every time the policies and regulations are not in favour of the association to work. – Representative of ANAPI

Some participants suggest that corruption affects tax collection effectiveness "to a great extent." This perception highlights the widespread belief that corrupt practices undermine the fairness and efficiency of tax administration, leading to reduced compliance and revenue losses. Similarly, it was stated that corruption negatively affects tax collection "in a big way." This revelation shows that corrupt practices erode trust in the tax system, discourage compliance, and hinder the government's ability to mobilise sufficient revenue for public services and development[12]..

Moreover, leaders' reluctance to support internal proposals without external validation from institutions like the IMF reflects a dependency on foreign aid and a potential disregard for locally-driven reform initiatives. This suggests that tax administration management is more efficient when led by insiders who understand internal challenges.

Moreover, the participant also addresses the interference of politicians in the tax system, noting instances where ministers obstruct tax authorities from performing their duties impartially, particularly in dealings with specific taxpayers. Such interference can undermine the integrity of tax administration, jeopardise fairness, and erode public trust in the tax system. In conclusion, the perception and reality of corruption significantly impact tax collection effectiveness. Addressing these challenges requires fostering transparency, strengthening internal management, and prioritising locally-driven reforms to build trust, enhance compliance, and improve revenue outcomes for sustainable economic development.

5.21 Impact of Tax Treaties on National Tax Systems

Most participants were of the opinion that national tax systems can become highly polarised and politicised due to the implications of tax treaties. The presence of long-term contractual jobs within the tax administration, involving approximately 600 employees, highlights the complexity and internal dynamics influenced by these treaties. This lack of integration and the resulting polarisation undermine the efficiency and effectiveness of tax administration. Employees often remain within the tax administration, claiming official roles, which reveals the political and structural challenges within the system. This situation reflects how tax treaties can entrench

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[12] Jahnke (2017), using the Afrobarometer surveys (2011/2013), finds that bribe payment, a form of corruption practice, is negatively correlated to tax morale. (wps_no_333_corruption_and_tax_morale_in_africa_a.pdf (afdb.org)

certain bureaucratic practices and influence the internal politics of tax administration, potentially leading to inefficiencies and resistance to reform.

> *About 600 employees. Some employees are not employed but stay within the tax administration claiming to be the officials of the administration…Highly political and polarised tax systems exist.*
> – Representative of Tax Employee Union

Participants further illustrate the collaborative efforts and coordination involved in managing tax treaties. Domestic tax and customs officials, in collaboration with regional bodies like ECOWAS and experts like Mr. Barthelemy Dabre from PATF, work under the national coordination of the MoF. This coordination ensures that tax treaties are implemented effectively, facilitating international cooperation while safeguarding national interests in revenue collection and trade relations. The involvement of multiple stakeholders in managing tax treaties highlights the importance of cooperation and communication across different levels of government and regional organisations to achieve successful implementation. As the national coordinator, the MoF remains vital in overseeing the execution of tax treaties. This involves managing diplomatic negotiations, ensuring compliance with international tax standards, and leveraging treaties to optimise revenue collection without compromising national sovereignty.

The Ministry of Finance's leadership is vital in navigating the complex landscape of international tax agreements, balancing the need to attract foreign investment and protect domestic revenue bases. Effective management by the ministry can enhance the benefits of tax treaties, such as preventing double taxation and encouraging cross-border trade and investment. In conclusion, tax treaties exert a dual influence on national tax systems: they can enhance international cooperation and economic integration while also posing challenges related to political dynamics and administrative complexities. Effective management and coordination, as demonstrated by national bodies and regional partnerships, are essential to maximising the benefits of tax treaties while mitigating potential drawbacks, thereby fostering sustainable fiscal policies and international relations.

5.22   Macroeconomic Policies and Trade Liberalization Consequences

Macroeconomic policies and trade liberalisation have a significant impact on national economies, affecting trade ties, corporate operations, and societal development. As stated by the representative of ANAPI, the absence of cross-border agreements impedes commercial activities.

This lack of bilateral agreements restricts trade opportunities and economic integration between countries, affecting sectors such as shipping and fishing that rely on cross-border activities and licences. The absence of these agreements imposes considerable restrictions on firms that rely on international cooperation, resulting in decreased economic activity and missed possibilities for growth and development. For example, the fishing business in Guinea Bissau faces enormous hurdles; exporting fishery products requires licences, and the lack of these licences has resulted in no exports. This regulatory barrier affects economic growth and trade potential, especially in coastal regions dependent on fisheries as a livelihood. The stringent licensing requirements and the lack of facilitative agreements have stifled the fishing industry's ability to thrive, impacting local economies and communities reliant on this sector.

> *We don't do our business across borders because there is no agreement. The exportation of fish requires a license to operate. Cross-border relations with Senegal and the Gambia stifles the Guinea Bissau* - Representative of ANAPI.

Recognising the need for external support, participants suggest that international bodies and regional organisations like ECOWAS could alleviate trade barriers. Collaborative efforts are essential to address regulatory challenges and foster a conducive environment for cross-border trade, promoting economic stability and regional integration. Engaging with these organisations can provide the necessary framework and support to streamline regulations, reduce barriers, and enhance trade flows, thereby boosting economic growth.

Moreover, political parties emphasise the importance of public education and sensitisation in driving business growth, increasing production, and enhancing social infrastructure. These initiatives are crucial for building a resilient economy and ensuring sustainable development through informed public participation and entrepreneurship. Educating the public about trade policies, business opportunities, and regulatory requirements can empower individuals and businesses to engage more effectively in the economy, fostering innovation and growth.

5.23 Public Opinion Impact on Tax Policy Adjustments

Public opinion is another important aspect when it comes to tax policy adjustment. A common consensus among participants is that there is a perceived disconnect between the public and the government regarding tax policies. The lack of responsiveness from the government to public concerns reflects challenges in engaging citizens effectively in policy-making processes. Despite efforts to advocate for a broader tax base and exemptions for losses and specific taxes like

property taxes on houses, wine, and cigarettes, the public feels unheard, which can hinder trust in governmental tax initiatives. It was further stated that there is a succinct indication of public scepticism or lack of active engagement in tax policy adjustments. Most responses suggest a potential reluctance or dissatisfaction among the public regarding current tax policies or proposed adjustments. This sentiment reveals the importance of meaningful public consultations, transparency in decision-making, and effective communication strategies to build public trust and support for tax reforms.

Understanding and addressing public opinions are pivotal for successful tax policy adjustments. Governments must enhance mechanisms for public participation, educate citizens on tax implications, and demonstrate responsiveness to public feedback to foster a conducive environment for sustainable fiscal policies and economic growth. Through aligning tax policies with public interests and needs, governments can enhance compliance, promote fairness, and ensure equitable distribution of tax burdens, ultimately contributing to socio-economic development and public welfare. More so, public opinion and demands have led to adjustments in tax policies, with the government working to address low fiscal pressure by investing in key sectors. The participant mentioned the need for macroeconomic policies to avoid adverse consequences of trade liberalisation, including investing in agriculture and broadening the tax base through industrial development and resource exploitation

6.   POLICY & ADMINISTRATIVE IMPLICATIONS AND CONCLUSION

The findings, both from quantitative and qualitative data, reveal a complex interplay among various arms of government in the power distribution in tax system decisions. While parliament lays a crucial role in deliberating tax policy matters, the executive and judiciary also significantly influence the process. This balance suggests a system of checks and balances designed to ensure comprehensive review and debate before policy implementation. The findings are in sync with the study conducted by Slepkova et al. (2023) on tax policies and implementations, the interaction between the executive and parliament is frequent, pointing to a more dynamic and possibly contentious tax policy environment. Such interactions ensure that tax policies are not only technically sound but also politically and socially acceptable, reflecting different political and administrative cultures. It is assumed that tax policy is implemented by government bodies to regulate financial and economic processes, based on economic, organisational, legal, and control measures.

However, stakeholder participation in tax policy making faces significant challenges due to the often-unilateral nature of government decisions. Despite the active involvement of various groups such as revenue authorities, taxpayers, labour unions, and CSOs in recommending policies post-implementation, there is a notable lack of consultation during the legislative phases. This exclusion limits the potential for collaborative and wellinformed tax policies. Moreover, CSOs, although involved in broader national consultations, often find their influence minimal compared to the dominant role of government officials. This top-down approach can undermine the inclusivity and responsiveness of tax policy, despite efforts of stakeholders to contribute effectively. Existing research supports these findings, highlighting that integrating a diversity of stakeholder voices in policy making processes can lead to more legitimate and widely supported laws and rules (Crow et al. 2014).

Corporate sector engagement, particularly from significant taxpayers like telecom corporations and banks, reveals similar patterns of indirect but substantial involvement. For example, Ecobank in Guinea-Bissau emphasised the need for tax authorities to consider taxpayer feedback to avoid unclear interpretations in tax legislation. High-income taxpayers and major corporations maintain relationships with tax authorities, often submitting proposals and engaging in ongoing discussions to address business-related concerns. This level of engagement indicates a recognition of the importance of taxpayer perspectives in shaping tax policies. As opined by

Rossikhin et al. (2020), the taxpayer is paramount in the legal mechanism of tax and plays a leadership role in the dynamics of social transformations. However, the corporate sector often finds its concerns unaddressed, highlighting the need for more effective channels of communication and influence in the tax policy making process. Study by Kerr (2019) corroborates these findings, emphasising the importance of corporate feedback in creating transparent and fair tax systems.

Furthermore, the participation of labour unions illustrates the complexity of stakeholder involvement, where efforts to promote compliance and ethical conduct among tax officials are essential for maintaining the credibility and effectiveness of the tax administration. Trade associations such as ANAPI, ANEP, and APA play vital roles in representing the interests of their members across various sectors, including administrative work, shipowning, and artisanal fishing. Despite their primary role in supporting business welfare, their involvement in tax policy enforcement is rarely significant and more oriented towards addressing specific industry needs. Similarly, health workers and teachers' unions often do not engage in tax-related discussions, highlighting the little role of labour unions in this area. In many cases, trade and labour unions lack explicit statutory obligations in tax policy decisions, which limits their potential influence. This minimal involvement suggests missed opportunities for advocating equitable tax policies that consider workers' needs, contributing to a disconnect between tax policies and workforce realities, and potentially impacting compliance and enforcement. Research evidence supports this finding, noting that the involvement of labour unions in tax policy can lead to more equitable outcomes (Lei *et. al.,* 2020).

Accordingly, trade unions are often perceived as adversaries by tax administrations, which limits their participation in tax policy formation. This adversarial perception hinders effective collaboration between tax authorities and trade unions, negatively affecting overall enforcement and compliance. Without meaningful participation from trade unions, tax policies may not adequately reflect the workforce's concerns and needs, leading to potential conflicts and reduced compliance. Therefore, while trade and labour unions engage in awareness and tax education initiatives, their formal roles in tax policy enforcement remain limited. This adversarial relationship has been documented in various studies, highlighting the challenges in achieving cooperative engagement between tax authorities and labour unions (Sugiyanto and Dewi, 2023). Moreover, tax bargaining reflects a pragmatic approach aimed at alleviating immediate financial burdens on taxpayers while maintaining the integrity of the tax system.

Studies highlight that tax officials often coordinate these negotiations with consultants, overseen by the MoF, as part of broader fiscal decision-making processes that include national budget considerations (Dhyanasaridewi et al., 2023; Aboagye and Hillborn, 2020). This structured consultation ensures that fiscal policies are inclusive and consider the interests of various stakeholders, fostering a collaborative environment within tax administration. The study indicates that tax bargaining predominantly revolves around mitigating financial penalties imposed for non-compliance or late payments, rather than negotiating primary tax liabilities. This trend is consistent across different sectors, where stakeholders negotiate terms to reduce penalties by up to 50%, based on specific circumstances and compliance efforts. Formal submissions and documented cases demonstrate the effectiveness of written negotiations, emphasising the importance of clear communication and documentation in achieving significant financial relief for taxpayers. This approach not only eases immediate financial burdens but also promotes transparency and accountability in the tax bargaining process.

Political instability significantly impacts tax policies, with frequent government changes disrupting the continuity and effectiveness of tax systems. Frequent alterations in tax laws cause confusion and misunderstandings with business partners, making it challenging for businesses to navigate the tax landscape. This inconsistency leads to operational difficulties and financial uncertainties. Thus, stable governance is essential for creating and maintaining a robust tax system that ensures consistency, reliability, and fairness in tax policy implementation and enforcement. Research highlights the importance of political stability in maintaining effective tax systems, emphasising that stable governance supports better compliance and enforcement (Bakar et al., 2021).

Globally, the analysis of tax systems reveals the profound challenges and opportunities inherent in managing taxes across national boundaries. Findings show issues such as crossborder transactions, multinational corporations' tax planning strategies, and the prevention of tax evasion and avoidance, all of which complicate tax administration in an interconnected economy. Additionally, perceptions of corruption, accountability gaps, and governmental inefficiencies significantly impact public trust and compliance with tax regulations. The persistent challenges of regulatory inconsistencies and external influences, such as IMF validation requirements, further reveal the complexities of effective tax administration (Nikiforova et al., 2023). Addressing these issues requires fostering transparency, strengthening internal governance, and prioritising locally-driven reforms to rebuild public trust, improve compliance rates, and optimise revenue collection for sustainable economic development.

Moreover, the discussion emphasised the need for institutional reforms within domestic tax and customs administrations. This was also emphasised by Samuels and Duramany (2023), who stated that greater institutional and tax-related reforms are essential for sustaining increasing tax revenue collection. For instance, transitioning towards digitised systems can reduce reliance on manual processes and streamline operations, as outdated colonial-era laws often hinder effective tax collection. This study discovered that obsolete laws create legal barriers, impacting revenue mobilisation efforts and highlighting the necessity for legal reforms. The role of fiscal courts in handling unresolved tax disputes ensures accountability and fairness within the tax system, further supporting the need for modernisation and reform.

The findings also pointed to the critical impact of corruption on tax collection effectiveness, with negative perceptions significantly undermining public trust and compliance. This is in accord with previous studies which have raised concerns about corruption's impact on tax administration (Jahnke, 2019; Ogembo, 2022; Gebrihet et al., 2023). Effective tax administration management, potentially driven by insiders familiar with local challenges, and reducing political interference is vital to enhance the integrity and efficiency of the tax system. In conclusion, the findings advocate for comprehensive reforms and a transparent, accountable governance framework to foster a more effective and equitable tax system in the globalised economic landscape.

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