



Kingdom of the Netherlands



Harmonization of the Local Development Tax in the Intercommunal Area of Ouémé Plateau in Benin

A MAJOR STEP FORWARD IN TRUST AND PUBLIC-PRIVATE DIALOGUE



Consortium members





Challenges

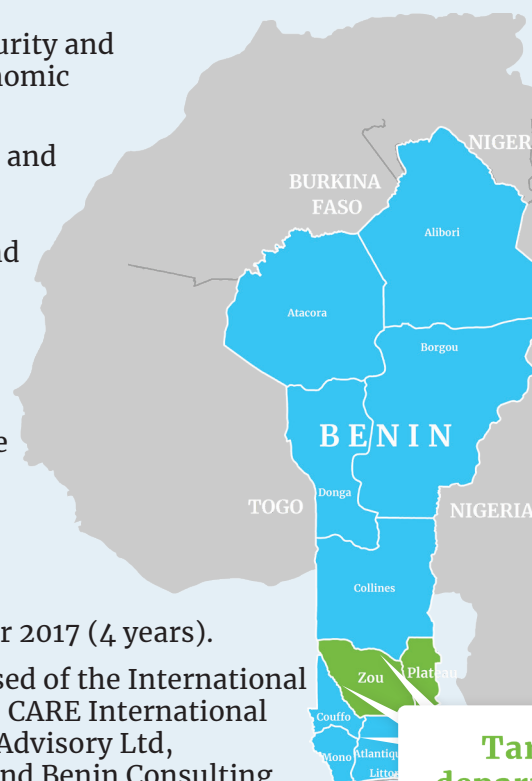
The Departments of Ouémé and Plateau in Benin border Nigeria, which is an excellent market for the sale of agricultural products from the two departments. All the municipalities are involved in agricultural trade with Nigeria. Some function as transit zones for products coming from other regions of Benin; others as places of grouping of products. Despite the importance of agricultural trade with Nigeria, as evidenced by the multitude of cross-border corridors and markets, its character is almost informal.

Trade in agricultural products constitutes a source of income for municipalities through the Local Development Tax (TDL). The Local Development Tax (TDL), although established by law in 1999 (Article 10 of law n°98-007 of January 15, 1999, on the financial regime for municipalities in the Republic of Benin), as clarified by the 2008 Finance Act, did not become operational until 2010. To date, many municipalities are experiencing difficulties in implementing the tax in accordance with the procedures laid down in the general tax code. On the other hand, producers, processors and traders often see TDL as additional costs that affect the competitiveness of marketed agricultural products. Worse, they do not know how this tax is defined, collected, and used. In addition, they indicate the existence of the variable tariffs of the TDL in different municipalities and the obligation to pay taxes several times for the same product.

The Communal Approach for the Agricultural Market (ACMA; Box 1) program facilitates consultation between the private sector (producers, processors, traders, and transporters of agricultural products) and the public sector (communal authorities) within the Intercommunal Consultation Framework (CCIC) Ouémé-Plateau, grouping 12 communes, to reflect, share, and remove obstacles to cross-border trade with Nigeria and within Benin. This framework has an economic nature with the aim to resolve problems that increase transaction costs. These include, for example, the lack or poor condition of public infrastructure, road congestion (incidental charges), and TDLs that the private sector perceives as high.

Box 1 | The ACMA Program (2013-2017)

- Overall objective: to improve food security and increase agricultural incomes for economic operators.
- Target groups: producers, processors, and traders, including 40% women, in the 22 communes of three departments bordering Nigeria: Ouémé, Plateau, and Zou.
- Target products: maize, pepper, peanut, soybean, cassava, palm nuts, palm oil, and fish.
- Donor: Embassy of the Kingdom of the Netherlands in Benin.
- Overall Budget: €10 million, of which 40% is for commercial infrastructure under municipal control.
- Duration: November 2013 to November 2017 (4 years).
- Implemented by a consortium composed of the International Fertilizer Development Center (IFDC), CARE International Benin/Togo, Sahel Capital Partners & Advisory Ltd, l'Institut Royal des Tropiques (KIT), and Benin Consulting Group International (BeCG). IFDC leads this consortium.



**Target
departments**



State of TDL Practices

The members of the CCIC Ouémé-Plateau, created in 2015, have identified the current practices of the TDL as a priority issue affecting agricultural trade in the intercommunal area. To this end, the CCIC has asked the ACMA program to conduct a study on the state of the art of TDL practices (2016) in order to have updated information (current practices of the TDL and problems experienced by the private sector).

The implementation of the TDL. The tax becomes a reality after the municipality has gone through the following stages (which is not yet the case for all 11 municipalities surveyed):

- The decision of the municipal council which fixes the rates applicable to TDL (step carried out by 10 of the 11 municipalities surveyed).
- The adoption of an order by the mayor implementing the recovery of the TDL (step carried out by 10 of the 11 municipalities).
- Communication through the organization by the commune of the information sessions of the populations on the TDL (step realized by 8 of the 11 municipalities).
- The appointment by the mayor of the collection agents of the TDL and their provision to the tax service (step carried out by 7 of the 11 municipalities).
- Enabling collection agents to administer oaths (step performed by 1 out of 11 municipalities).

Non-compliance with the regulations related to the last step exposes the municipalities to various risks of blocking the recovery of the TDL. The tax collector will be reluctant to make receipt books available to tax collectors. In return, the collecting agent will not be in a position to justify to users that he/she is entitled to collect taxes and fees on behalf of and for the benefit of the local authority. Finally, when the personal and pecuniary responsibility of the collecting agent is not formally engaged, he/she may have deviance.

Recovery of TDL. Despite these weaknesses, TDL generates significant income for the municipal budget. The Departments of Ouémé and Plateau are classified 4th out of 77 municipalities in Benin in terms of TDL's mobilization performance over the period 2012-2015. The Departments of Borgou, Alibori, Atacora, and Donga mobilized around 3,730,854,654 FCFA over the same period, or 75% of the total (5,097,401,129 FCFA) of the TDL recovered at national level. These departments are the cotton areas of the country, which suggests that an effective organization of producers around a structured agricultural sector and a good performance of agricultural production is the determining factor for the success of the TDL. The TDL recovered in the municipalities of the CCIC Ouémé-Plateau experienced a decrease of about 26% during the period of 2013-2015. As a result, TDL's contribution to these municipalities' own income is generally low, at 4% in 2015, while the situation varies from one municipality to another.

The various charges on agricultural products. It is clear that, in practice, other charges than the TDL are levied at the local level on agricultural products, namely the tax on products marketed, the parking tax, transit duties, and the inspection fee.

The rights of way and the tax on products marketed are de facto levies, that is to say, not regulated and operated by certain municipalities to improve their income. Sometimes, these taxes are implemented without the adoption of a communal decree specifying the modalities of their operationalization. Through the establishment of the TDL, the legislator wanted to eliminate the old de facto levies that were carried out by the municipalities with an objective of a more transparent and harmonized local taxation that avoids harassment of the taxpayers. Other charges (TDL, parking tax, inspection fee) are regulated levies. The inspection fee is collected for the benefit of the central government, while the TDL and the parking tax are charged to the municipal budget.

In conclusion, it is clear that there are various taxes, the nature of which varies from one municipality



to another and which sometimes apply to the same agricultural products, that a trader or a carrier may pay with different names when passing through the towns.

Private sector perception of TDL. In most of the municipalities, the private actors know little about TDL and local taxes, what raw materials or products they carry, and how they are calculated. The municipal order listing the various raw materials and products as well as the tariffs of the TDL is not always brought to the attention of the taxpayers. Secondly, the lack of awareness of the use made of the taxes collected by the town hall is strongly cited by private sector actors. In several municipalities, producers, processors, and traders also perceive the TDL as a double taxation. This situation is often experienced in municipalities where the TDL coexists with other charges on agricultural products. Finally, a certain lack of interest on the part of the municipal authorities in the day-to-day life of private actors is not well perceived by the latter.

Improvement of TDL Practices

The way to improve practices. Mayors and representatives of the private agricultural sector and municipal services discussed the state of established practices of the TDL at a workshop in September 2016. The workshop was a first opportunity for stakeholders to discuss the TDL and then identify the way forward to improve the situation. The selected actions focus on communication, lobbying/advocacy, harmonization, and recovery of the TDL (Table 1).

Table 1 | Actions for the TDL Practices Improvement

Communication	<ul style="list-style-type: none"> • Use existing contracts between the ACMA program and local radio stations to organize a series of programs on the TDL. • More targeted communication (content, audience) on the use of the commune's own incomes (including the TDL).
Lobbying-advocacy	<ul style="list-style-type: none"> • Organize lobbying-advocacy by mayors with the competent authorities for a better organization of the collection of other unregulated taxes levied.
Harmonization and recovery of TDL	<ul style="list-style-type: none"> • Mandate a joint committee to make proposals on the harmonization of the TDL (tariffs applied) in the intercommunal area. • Integrate TDL's recovery procedures into the commercial infrastructure management systems implemented with the financial support of the ACMA program.



ACMA hosted a TDL Workshop

The harmonization of the TDL. As a follow-up to the workshop, the CCIC set up and mandated a joint committee (composed of public and private sector representatives) to make proposals for the harmonization of the TDL in the intercommunal area of Ouémé-Plateau. The committee carried out an awareness-raising and information tour in the 12 communes, during which it collected information on the TDL (tariffs applied, municipal by-laws). On the basis of the information and opinions gathered, the committee proposed new TDL tariffs, which were discussed, amended, and validated at an Extraordinary General Meeting of the CCIC in November 2016. Subsequently, the assembly proposed that each commune take steps for the adoption of tariffs by the municipal councils, the adoption of municipal by-laws by the mayors, and the organization of information campaigns for taxpayers.

Results

TDL's harmonized tariffs were proposed on the basis of three criteria: the magnitude of the loss that a producing municipality could incur in relation to the very low tariff applied to this product by a non-producing municipality, the balance between the proposed new tariff and the old tariff applied if it is high, and the potential of the product to attract subsequent incomes to the municipality in relation to its volume of production (Table 2).

Table 2 | Current and Harmonized TDL Tariffs (FCFA/kg)

Municipalities	Product						
	Corn	Soybean	Pepper	Gari	Palm Kernel	Palm Oil	Fish
Adjarra	3	3	2	3	3	3	3
Adjohoun	5	5	5	5	5	5	5
Aguégués*	-	-	-	-	-	-	-
Akpro-M.	1	1	1	1	2	2	1
Avrankou	1	1	2	1	1	1	1
Bonou	5	5	2	5	5	5	5
Dangbo	1	1	1	1	2	2	1
Adja-Ouèrè	5	5	5	5	5	5	5
Ifangni	5	5	5	5	5	5	5
Kétou	3	3	2	3	5	5	3
Pobè	4	4	4	4	4	5	4
Sakété	5	5	5	5	5	5	5
Average	3.5	3.5	3.1	3.5	3.9	3.9	3.5
Harmonized tariffs	5	3	5	5	5	5	4

* The municipality did not have a system for recovering the TDL

The new harmonized tariffs imply a general increase in half of the municipalities for products such as corn, pepper, gari, palm oil, palm nuts (5 FCFA/kg), and to a lesser extent for soybean (3 FCFA/kg) and fish (4 FCFA/kg). The CCIC approved these increases because the implementation will be accompanied by an information and explanation campaign and, above all, by a better organization of the collection of the TDL, which is supposed to lead to a decrease in illicit collection practices.



Lessons Learned

The establishment of public-private dialogue on the TDL issue is a first in the history of decentralization in Benin. Producers and processors said this was the first time that mayors had listened to and consulted them on such a serious topic as TDL that had a direct impact on their agricultural trade. The mayors pointed out that without the organizations of producers and processors they would not be able to do it alone. The willingness of public and private actors to engage in dialogue on the issue of TDL is a true achievement.



Scenes of TDL Workshop

It should be noted, however, that the recovery of the harmonized TDL can be observed only in the group sales of agricultural products through the collective marketing system or the use of red palm oil and corn in particular; this represents only a very small part of the transactions carried out now. In addition, participants in these marketing mechanisms point out that those who do not generally participate in them are not doing their duty as taxpayers, which they perceive as unfair.

Some local elected traders and producers are still trying to evade payment of the TDL. Such an attitude from local elected representatives deserves to be corrected so as not to discourage other taxpayers. To this end, it is necessary to support the municipalities in pursuing consultations between public and private actors in decision making on the issue of recovery of the TDL. Likewise, the support of the municipalities in the deployment of a system of monitoring and collection of the TDL at the time of marketing (e.g., group sale and warrantage) will have to be continued.

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Contributors: Ursula KHONEN, Constant DANGBEGNON (PhD) ; Bertus WENNINK, Chantal BOSSOU AHOKPOSSI ; Agbéwonu Kosi DAVO ; Colette KIKI HOUZE-BIGA ; Valérie HOUNSOUNOU LEGBA ; Benjamin D. HOUETO ; Olga KOKODE NOUNAGNON ; Rassidatou MOUSTAFA ; Wabi OBADIMEDJI ; Edmond ZINZINDOHOUE ; Clément G. K. MEHOUENOU ; Aude Roland GLELE ; Juliette AZIAGLO ; Adjovi Hugues ; Edwidge BANKOLE ; Pacôme TOGBE ; Mariano DOSSOU-KPANOU ; Daniel Morin ; Falak TIDJANI ; Tunji AFOLABI ; Tamou Boko GOUNOU ; Sylvanus ZOLIKPO ; Andy THIGPEN ; James THIGPEN ; Julie KOHLER ; Courtney GREENE

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financed by the Embassy of the Netherlands and implemented by a consortium of five institutions - International Fertilizer Development Center (IFDC - Lead Partner), the Royal Tropical Institute (KIT), CARE International, Sahel Capital Partners & Advisory Ltd, and Benin Consulting Group International (BeCG). It has been developed (from november 2013 to 31 december 2017) in three Nigerian border departments with high agricultural potential - Ouémé, Plateau and Zou through seven value chains (VC) initially: palm oil, maize, gari, chilli and fish, then peanuts and soya. The overall objective of the ACMA programme is "the improvement of food security and the increase of agricultural incomes of the direct actors".

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