

# Legislators, State-Building and Tax Policy: Some Observations

Anthony Tsekpo



# Economic Governance

- ▶ State building may be viewed through the lenses of the central objective of public financial management, namely how to efficiently and effectively use public resources to meet the needs of the community in an equitable manner.

# Point of View of Legislators

- ▶ Legitimacy is a function of what the state is able to provide to citizens.
- ▶ The tendency is for legislators to focus on resource allocation and allocative efficiency.

# Fiscal Out-turn

- ▶ Increasingly legislators have observed divergence between planned expenditure and actual expenditure out-turn (actual expenditure out-turns may not be published but they observe projects in their constituencies are do not get implemented during the fiscal year).

# Fiscal Out-turn Explained

- ▶ Revenue shortfall
- ▶ Blocked aid pipelines (inability to complete negotiation for disbursement of loans and grants on time)
- ▶ Unplanned expenditures arising out of unforeseen natural disasters and external shocks.



# MPs Outlook on Fiscal Out-turn

- ▶ MPs become endangered species as they are frequently accused of failing to deliver on their campaign promises (they may lose re-election bids);
- ▶ MPs turn to consider that the Minister of Finance/Ministry of Finance are insensitive to the needs of the political establishment (or the party).



# MPs as Agents for Improved Fiscal Output (1)

- ▶ MPs have come to accept the fact that creating legitimacy cannot be uni-directional; effective provision of public goods and services must be matched by effective and efficient tax collection;
- ▶ MPs are taking keen interest in the discussing the revenue bill to ensure they produce the desired effect – maximum yield at minimum cost.
- ▶ The PC facilitated 3-day discussion of the flat rate VAT scheme by MPs in the Finance Committee to enable them review and make amendments to the draft bill.



# MPs as Agents for Improved Fiscal Output (2)

- ▶ MPs have become advocates for tax reforms and modernization of the tax administration; they have come to understand that tax evasion, corruption and lack of transparency in the tax system deprive government of the needed revenue, leading to political alienation, withdrawal of legitimacy and support for the regime and ultimately agitation for regime change.
- ▶ Indeed MPs take keen interest in questioning revenue authorities when they review the auditors' reports on the public in the PAC.





# MPs as Agents for Improved Fiscal Outturn (3)

- ▶ MPs want to be part of the bigger picture; in recent times they have complained bitterly of being bypassed in the formulation of poverty reduction strategy documents and the MTEF which is largely considered as the mechanism for ensuring budgetary discipline by linking policy making, planning and budgeting.



# Precondition

- ▶ MPs insist their advocacy for improved revenue mobilization must be matched by greater openness and transparency by the Ministry of Finance and Government; the power given to government to tax must be reciprocated by accurate reporting of how the taxes are used.
- ▶ Other have passed budget laws that have increased the authority of parliament in the entire budget cycle.

# Conclusion

- ▶ MPs are increasingly working to support improved revenue mobilization to enable government provide the needed public goods and services in their constituencies.
  - ▶ However, they want maximum disclosure in parliament and are working to improve their skill in order the scale up their scrutiny of government revenue and expenditure bills in parliament.
- 