WP/06/12

IMF Working Paper

Reforming External Tariffs in Central and Western African Countries

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INTERNATIONAL MONETARY FUND

 WP/06/12

IMF Working Paper

Fiscal Affairs Department

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January 2006

Abstract

This paper examines the reform of the external tariff initiated by the CEMAC and the WAEMU that is aimed at reinforcing their economic integration. Overall, there is broad compliance with the streamlined and moderate rates, but with significant deviations from the harmonized paths in several countries. WAMZ countries, except Ghana, need to undertake major reforms in order to align their external tariff structures with that of the WAEMU as planned for 2007. To promote full compliance with the harmonized external tariff policies, the paper suggests, measures need to be taken, including the creation of financial incentives, at the regional and country levels.

JEL Classification Numbers: E62, E63, H24, P43, P47

Keywords: Tax policy, Harmonization, Import tariffs, CEMAC, WAEMU, WAMZ, Central Africa, West Africa

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[1] The author is very grateful to Edouard Maciejewski for his extensive comments. He warmly recognizes the very useful comments and support of Thanos Catsambas. His special thanks go to Michael Keen, Adrienne Cheasty, Jean-Paul Bodin, James Daniel, and Thomas Dalsgaard for their helpful comments on earlier drafts. He is also greatly indebted to Seth Terkper and Olumuyiwa Adedeji for generously taking time to discuss this paper and provide insightful comments. Finally, he acknowledges the useful comments made by several other colleagues.

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I. Introduction

In recognition of distortions arising from disparate and complex tax regimes (multi-tier taxes and rates, mobility of tax base, low yield, uncertainties about price stability, weak investors' confidence, etc.), members of the West African Economic and Monetary Union (WAEMU)[2] decided to establish a common external tariff (CET)[3] in the mid-1990s. The Economic and Monetary Community of Central Africa, *Communauté Economique et Monétaire de l'Afrique Centrale* (hereinafter referred to by its acronym of CEMAC) preceded the WAEMU by harmonizing[4] this tariff starting in 1964.

The WAEMU is part of a larger group of 15 countries called the Economic Community of West African States (ECOWAS). Four of the non-WAEMU members of ECOWAS formed the West African Monetary Zone (hereinafter referred to as the WAMZ). The WAMZ has not harmonized its external tariff. Nevertheless, some of its members have tax regimes that share common features with the harmonized systems. It is useful to review their tax systems because prospects for a successful merger and enhanced regional growth would be improved if tax policies in the WAEMU and the WAMZ were convergent.

Higher tax revenue is essential for providing a stable basis for sustained delivery of good-quality and timely public services. It is also a key component of the macroeconomic surveillance framework instituted by the three groups of countries. Two of these groups (the CEMAC and the WAEMU) share common currencies. The third group (the WAMZ) is promoting the creation of a common monetary zone that would eventually merge with the WAEMU. The stability of the currencies of the three groups is being monitored by convergence criteria (Box 1). These criteria include tax revenue as a separate indicator or as a scale factor for other indicators, all of which are assigned targets. More buoyant tax revenue stemming from improved compliance with streamlined tax regimes will facilitate the observance of the convergence criteria.

With respect to the three zones, the paper explores the following questions:

- What are the key features of the harmonized external tariff in the CEMAC and the WAEMU, and how do they compare between groups?

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[2] The WAEMU comprises Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The other two groups of countries covered are the CEMAC (Cameroon, Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon) and the WAMZ (The Gambia, Ghana, Guinea, Nigeria, and Sierra Leone). The coverage of Guinea-Bissau, a member of WAEMU since 1994, and Equatorial Guinea is limited because of lack of information.

[3] The term external tariff refers here to import tariffs. Export tariffs are not harmonized. The harmonization of domestic consumption taxes is analyzed in a companion paper by Doe (2006).

[4] In this paper, the word "harmonization" is used to indicate the adoption of a common law. It does not mean that this law has been or is being effectively implemented.

Box 1. CEMAC, WAEMU, and WAMZ: Convergence Criteria

Convergence criteria are binding, quantitative macroeconomic variables that member countries of an economic and monetary zone use to monitor their performance. Indicators are nonbinding macroeconomic variables that provide additional, and in some cases more structural, information on economic performance. Compliance with the benchmarks increases the country's chances of observing the convergence criteria.

The main rationale for the convergence criteria is to induce member countries of a zone to implement policies that foster sustainable and harmonious economic growth within the zone. In this regard, fiscal policy, notably tax policy, is closely monitored, because it is a key input in price formation and therefore a major potential source of distortions of investment incentives and growth.

The **WAEMU** classified its convergence variables by degree of disciplinary actions. Noncompliance with (i) the key criterion (i.e., basic fiscal balance) enlists sanctions; (ii) the **first-order criteria** (i.e., inflation rate, public debt ratio, domestic and external arrears) will prompt instructions from the council of ministers that the country in noncompliance submit a reform program containing corrective measures within one month from notification; and (iii) **the second-order criteria** (i.e., wage bill ratio, tax ratio, domestically financed capital ratio, and current account ratio) does not elicit sanctions. The **CEMAC** uses a two-category classification, also based on the level of disciplinary actions; failure to observe five convergence criteria (same as the key and first-order criteria of the WAEMU) will prompt demand from the ministerial council to submit a corrective program while the failure to comply with the surveillance indicators does not call for action.

The **WAMZ** has set primary and secondary criteria for assessing the performance of the members' economies. The **primary criteria** are inflation rate, gross external reserves, central bank financing of the budget deficit, and overall budget deficit. The **secondary criteria** are domestic arrears, tax ratio, wage bill ratio, domestically financed capital expenditure, real interest rate, and real exchange rate. No disciplinary action is attached to noncompliance with the performance criteria of the WAMZ.

Therefore, in terms of structure, the macroeconomic surveillance framework of the CEMAC and the WAMZ is the same, with each zone having principal and secondary criteria/indicators. However, the number and nature of the criteria/indicators are different. The CEMAC seeks to observe five main performance criteria versus four for the WAMZ. Of these nine variables, only inflation is a common criterion.

In contrast, the WAEMU has a three-tier convergence framework (i.e., key, first-order, and second-order criteria). The WAEMU set of key and first-order criteria is the same as the CEMAC principal criteria. The only principal criterion that is common to the three zones is inflation. Overall, the CEMAC and the WAEMU focus less on external sector variables than the WAMZ, partly because of the agreement between the Francophone groups and France (known as the operation account), whereby the French treasury would supply foreign exchange to the BEAC (*Banque des Etats de l'Afrique Centrale*) and the BCEAO (*Banque Centrale des Etats de l'Afrique de l'Ouest*) in case of need.

- Have they been effectively put in place? If not, why?
- What are the similarities and differences in the external tariff regimes in the WAEMU and the WAMZ?
- What is the best way forward?

By way of background, the external tax system before harmonization in the CEMAC and the WAEMU is briefly presented in Section II. It is followed by an analysis of the main characteristics of the harmonized external tariff in Section III. Progress in implementing the common tariffs is discussed in Section IV. Section V highlights the common features of the external tax regimes of the WAMZ and the WAEMU and their differences. The paper ends with a call for further reforms in Section VI.

II. External Tariff Regimes in the CEMAC and the WAEMU Before Harmonization and Possible Benefits Thereafter

Francophone Central African countries have a long experience of cooperation on their external tariff dating back to the creation in December 1964 of the customs union known as *Union Douanière et Economique de l'Afrique Centrale* (UDEAC, Box 2). The single external tariff (*tarif extérieur unique*) adopted by the UDEAC in December 1965[5] was simplified in June 1993.[6]

Box 2. Evolution of the UDEAC

In June 1959, a customs union known as *Union Douanière Equatoriale* (UDE) was created to regroup Chad, the Republic of Congo (formerly Congo Brazzaville), the Central African Republic, and Gabon. Cameroon joined the union in 1962. On December 8, 1964, the five countries decided to expand their cooperation to cover economic issues by creating the *Union Douanière et Economique de l'Afrique Centrale* (UDEAC), with effect from January 1, 1966. The union sought to create a common market and promote the coordination of production and industrial programs and policies among members. More specifically, the UDEAC Treaty[1] established a customs union among members by considering their geographical space as forming a single customs territory within which there was to be free movement of people, goods, services, and capital (Article 27). The customs union aimed at:

- applying a common (in structure, base, and rates) customs duty and fiscal duty to imports from all nonmember countries (Article 28);
- imposing a complementary tax on many imported goods, at rates to be independently fixed by each member country;
- instituting free entry for imports of unprocessed products (*produits du cru*) within the union;
- imposing a special production tax (i.e., a preferential tax called *taxe unique*) on imports of industrial products from a member country; and
- taking steps to eliminate restrictive trade practices among members.

Export taxes were to remain a national responsibility (Article 34).

The present common external tariff, created in June 1993, took effect in January 1994.

The UDEAC expanded by adding another member (i.e., Equatorial Guinea) and was replaced by the CEMAC on February 5, 1998. The CEMAC, which took over the responsibilities of the UDEAC, aimed at reinforcing the competitiveness of the economies of members and facilitating their integration into the world economy.

[1] The original UDEAC Treaty of December 8, 1964 was subsequently modified by the conferences of heads of state of December 7, 1974, December 19, 1983, and December 19, 1984. The latest version of the treaty does not indicate the changes introduced on these different occasions. The above presentation is therefore based on the latest version of the UDEAC Treaty.

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[5] A common investment code was also adopted in 1965.

[6] A preferential tariff governing intra-UDEAC trade took effect on January 1, 1994.

Prior to the enactment of the current tariff in the CEMAC and the WAEMU, their tax regimes had a few common features but also notable differences.

A. Similarities

The common grounds were in tax structure, the differences in rates being quite significant. In 1993, the CEMAC and the WAEMU had three taxes in common (customs duty, fiscal duty, and the statistical tax), although not all the countries applied them (Appendix Tables 1 and 2). All 12 countries enacted a fiscal duty. All the CEMAC and most of the WAEMU countries also imposed a customs duty, Benin and Togo being the exceptions. All countries except for Cameroon and Niger levied a statistical tax.

B. Differences

Disparities existed between and within zones.

Differences between zones

The main difference in the tariff structure between the two zones was the complementary import tax that the CEMAC authorized members to levy. The rate of this protection tax was set independently by the countries.

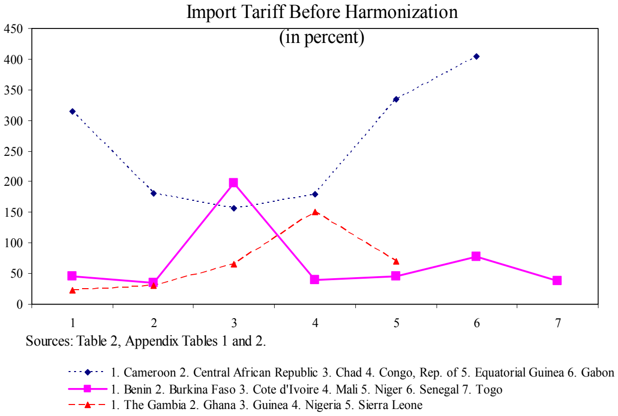
Although the CEMAC initiated cooperation in external taxation long before the WAEMU, the differentiated rates of import taxes were considerably higher in the Central African countries than in the Western ones. In 1993, the rate of customs duty was highest in the CEMAC (90 percent in the Central African Republic, Chad, and the Republic of Congo) in comparison to the WAEMU (15 percent in Côte d'Ivoire and Senegal). Likewise, the highest rate of the fiscal duty was 260 percent in Cameroon and Gabon, versus 180 percent in Côte d'Ivoire.

The rate bands of these two taxes were also wider in the CEMAC than in the WAEMU. Taking into account the complementary tariff, in 1993, the combined tariffs on imports, excluding VAT, was as high as 405 percent in Gabon (a CEMAC country) compared with 195 percent in Côte d'Ivoire.

Differences within zones

In the CEMAC, disparities in rates were significant. Gabon and Cameroon emerged as high rate countries, with a cumulative maximum tariff reaching 405 percent and 315 percent, respectively; reflecting policies to protect their relatively stronger industrial base (Figure 1). In comparison, the Central African Republic, and the Republic of Congo (180 percent), and Chad (155 percent) were least protective.

Figure 1. CEMAC, WAEMU, and WAMZ: Maximum Rate of Import Tariff Before Harmonization (in percent)



Sources: Table 2, Appendix Tables 1 and 2.

Differences were noticeable in individual tariffs across countries as well. The maximum rate for the customs duty in Cameroon and Gabon was about half of that of Chad or the Central African Republic. The opposite applied for the fiscal duty, with Cameroon and Gabon, having rates as high as 260 percent on some imports, compared to a limit of 40 percent in the other countries. The maximum rates are not generally applied. The level of the most frequently applied customs duty rate in the CEMAC countries was about one third of their highest rate, whereas the common rate for the fiscal duty was in the range of 10–30 percent compared to the maximum range of 0-260 percent.

The tariff systems in the WAEMU could be regrouped in two broad categories. Five countries (Burkina Faso, Côte d'Ivoire, Senegal, Mali, and Niger) had three taxes in common (customs duty, fiscal duty, and statistical tax[7]), whereas the other group (Benin and Togo) imposed only a fiscal duty[8] and a statistical tax. The two-category grouping, however, masks significant disparities in tax structure, rates, and exemption policies. For instance, while Burkina Faso, Niger, and Senegal applied a single rate customs duty, Côte d'Ivoire and Mali imposed multiple rates. The statistical tax had also multiple rates in Mali and Senegal, with the highest rate set at 12 percent in the latter country. The tax systems were further complicated by the imposition of surcharges.[9] Exemption schemes varied with investment codes and special agreements concluded with enterprises. Overall, Côte d'Ivoire and to a smaller extent, Senegal (the two most industrialized Francophone countries in the region) were also the most protectionist countries in the WAEMU; the least protectionist were Burkina Faso and Togo.

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[7] The statistical tax or user charge is a tax imposed to raise revenue to cover the administrative needs of compiling trade statistics (purchase of equipment, use of telephone, etc.). Part of this tax can be distributed to customs officials to promote good governance. High-rate statistical taxes reduce the competitiveness of exports.

[8] All the countries had a multiple-rated fiscal duty.

[9] For example, Senegal levied a surcharge at rates ranging between 5 percent and 20 percent on several basic goods and luxury commodities. Consumer welfare was also eroded by protecting domestic sugar manufacturers. Efficiency in domestic production was undermined in Côte d'Ivoire by the levy of surcharges on such imports as bags for cocoa and coffee packaging, oil, and tomato. Niger imposed a surcharge on imports from Nigeria.

C. Benefits from Tax Harmonization

Tax harmonization can contribute to a reduction in harmful tax competition and protectionist tendencies, an increase in investment, employment, and growth, and ultimately to an expansion in the tax base.

The tax base can increase if goods and factors of production[10] are mobile across countries. One of the main objectives of the harmonization of external tariff in the African economic unions is to promote intra-zone trade by eliminating import duties among members. The main gain for importing countries is lower selling prices, leading potentially to increased production, consumption, and base for domestic taxes. Owing to the growth in exports, the originating countries also can maintain or increase investment, employment and production, thereby contributing to the expansion of the tax bases.

The mobility of factors of production, particularly labor, in a customs union creates opportunities for increased production in the host countries, income, consumption and a larger tax base than otherwise. But the countries of origin of the migrant workers can also benefit if part of the income so generated leaks back in the form of remittances.[11] These transfers will finance economic activities (consumption and housing investment), that will contribute to an enlargement of the tax base in the recipient countries.

Has tax harmonization yielded an increase in trade within the CEMAC and the WAEMU?

This issue is beyond the scope of this paper. Indications are that this trade has not significantly increased as a result of the tax harmonization (or the 1994 devaluation of the CFA franc used in both zones). The main reason is the lack of production diversification in the countries. Although the manufacturing sector has achieved some progress in a few countries (Cameroon, Côte d'Ivoire, Senegal), the principal exports of the members of the unions are raw materials, many of which are similar in kind, while their imports are mainly manufactured goods. Their demands cannot be met by imports from other member countries. Hence, the anticipated strong expansion of tradable goods by eliminating intrazone import tariffs did not materialize.

Another important obstacle to the movements of commodities and the increase in the tax base in the Francophone zones (and more generally in Africa) is the lack of adequate communication infrastructure between countries. Transportation costs are high. In the EU,

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[10] Article 91 of the WAEMU Treaty authorizes the free movement of people (i.e., labor) within the union whereas Article 4 of the WAMU Treaty enacted the unrestricted movement of money (currency, checks, bank transfer, use of credit cards, etc.) between member countries. The CEMAC also provides for free labor movement, though conditionally (Article 27 of the *Convention régissant l'Union Economique de l'Afrique Centrale).*

[11] In the long run, the mobility of production factors pose challenges that are beyond the scope of this paper, such as, limited absorptive capacity, diminishing marginal rate of return of labor and capital in host countries, effects of technological changes, and reversal of the direction of the factor mobility.

where the transportation network is developed, cross-border trading can generate significant transfer of tax base.[12]

Disparities in tax laws create opportunities for governments to engage in tax competition in order to attract foreign investment, particularly from multinational companies. In countries where tax rates are comparatively high, prices also tend to be higher than otherwise. The higher prices result in efficiency and welfare losses for consumers. In this sense, tax competition is harmful to consumers. Low demands and profits prompt companies to seek to relocate or obtain tax concessions. To maintain employment and tax base, governments in high rate countries eventually offer tax relieves, thereby adversely affecting tax collections and weakening their ability to deliver public services. Tax competition also reduces incentives for multinational companies to lower costs and improve productivity.

The tax base can also be expanded by improving the investment climate, including reducing uncertainties about the direction of tax policy. Typically, countries form economic unions, or join existing ones, in order to enable producers to benefit from economies of scale through supplying larger markets. But tax harmonization is also desirable in such wider spaces, because it reduces uncertainties in economic decision-making by enhancing the transparency and predictability of fiscal policy. Often, to guard against these uncertainties, producers include premiums in their costs. A harmonized tax system reduces these premiums by making it easier for producers to anticipate their tax burden and therefore, their production costs and selling prices. Consumers alike can better plan their expenses with the expectation that prices will be stable at the time of payment. The combination of these behaviors creates an overall better environment for investment, employment, growth, and increased welfare.

III. Harmonization of External Tariff in the CEMAC and the WAEMU: Policy Framework

The harmonization of the external tariff in the CEMAC and the WAEMU aims at: (i) establishing a common protection of regional production vis-à-vis the rest of the world; (ii) expanding intra-zone trade; and (iii) generating revenue for government, a reflection of the small industrial bases of the countries and weaknesses in their revenue administrations. The key features of the harmonized tariffs in the two zones are consistent with modern practices: few and broad based taxes, minimal exemptions, and low rates. The Fund's advice was useful in ushering in the harmonized external tariff in the WAEMU in 2000 (Box 3). In the CEMAC, the streamlined CET that replaced the 1965 regime was adopted on June 21, 1993 and put into effect on January 1, 1994.

[12] There is a large cross-border trading between Benin and Niger on the one hand, and Nigeria (all members of ECOWAS) on the other hand, and none between Benin and Côte d'Ivoire, (both of which are members of WAEMU).

A. Common Features of External Tariff Regimes of the CEMAC and the WAEMU

Similarities in structure

The single customs duty

Prior to the creation of the single customs duty regime, all CEMAC and most WAEMU countries (Burkina Faso, Côte d'Ivoire, Mali, Niger, and Senegal) operated multiple-tier external tariff, including a fiscal duty and a customs duty. Following the lead of the CEMAC, the WAEMU instituted a single customs duty in January 2000. Concomitantly, the level of

> Box 3. IMF's Fiscal Affairs Department's Revenue Technical Assistance to the WAEMU
>
> In the WAEMU, IMF advice covered the design of new taxes, risk assessment, and revenue administration, including the review of progress toward compliance with the reformed taxes.
>
> The road map for enforcement of *the Common External Tariff (CET)* in January 2000 included: (i) the reduction of the maximum rate of the combined customs and fiscal duties to 30 percent by July 1, 1998, and to 25 percent on January 1, 1999; (ii) the classification of goods in four groups by January 1, 1999; (iii) a reduction in tariffs applied to intra-WAEMU trade; and (iv) the elimination of exemptions granted under the investment code and foreign-financed projects.
>
> Progress toward achieving these goals was strongest in Côte d'Ivoire. Mali observed the rate limit, while Niger reformed its exemption policy.
>
> On risks, using 1997 data and assuming zero elasticity of imports and unchanged domestic tax policies, the Fund teams that visited the countries estimated that the enactment of the new external tariff would generate revenue losses, in percent of GDP, amounting to 0.8 percent in Côte d'Ivoire, 0.9 percent in Mali, 1.7 percent in Senegal, and 1.8 percent in Niger.[1] Benin would gain 0.9 percent of GDP in revenue, as the reform would lead to rate hikes. The missions proposed several measures to mitigate the losses, including the reduction in tax exemptions (Benin, Mali, and Senegal), improved coordination among tax agencies (Benin and Mali), and enhanced training (Côte d'Ivoire, Mali, and Niger), more equipment, materials, and supplies, as well as financial incentives for tax officials (Côte d'Ivoire, Benin, and Niger).
>
> [1] No estimate was available for Burkina Faso and Togo.

protection was sharply reduced to enhance competitiveness, incentives for compliance with the tax laws, and customs administration. For instance, it was cut by as much as 375 percentage points and 175 percentage points in Gabon and Côte d'Ivoire, respectively.[13]

Additional protection

Cognizant of the difficulties faced by local enterprises, long-shielded from foreign competition, the WAEMU and the CEMAC offered an additional protection to selected

[13] The cumulative maximum rate of customs duty, fiscal duty, and complementary tax in Gabon dropped from 405 percent in 1993 to 30 percent in 1994. In Côte d'Ivoire, the combined fiscal and customs tariffs fell from 195 percent in 1993 to 20 percent in 2000.

products in order to ease their adjustment to the worldwide tariff reduction. This protection was in the form of a temporary surcharge in the CEMAC and a regressive protection tax (RPT) in the WAEMU.

Unlike in the WAEMU where all qualifying imports bear the same rate of RPT, CEMAC countries were free to apply rates not in excess of 30 percent. This flexibility allowed countries to set their rate in accordance with their revenue needs and administrative capacity.

Preferential intrazone trade

One of the main objectives of the tariff harmonization in both zones was to promote intracommunity trade. The nature of the protected products was the same in both zones. However, the tariffs and the duration of the preferential tariff differed between zones.

Similarities in base and rates

The external tariff covered common grounds with regard to the base, and classification of goods as well as rates.

Base

In both zones, the base was the ad valorem value of imports. All imports were to be classified in four groups based on social factors, the degree of transformation of the products, their usefulness in the production process, and ease of administration. Hence, a few mass consumption goods attracted the lowest rate. The four groups were: essential commodities in Category 1, raw materials and equipments in Category 2, intermediate and a few selected goods in Category 3, and consumer goods in Category 4. Goods that were hard to categorize were classified in the higher tariff group.

Rates

Consistent with the classification of goods in four categories, the single customs duty regime had four rates. Likewise, the service tax was also single-rated.

However, the similarities in structure and policies governing the external tariff masked striking differences.

B. Specific Features of External Tariff Regimes of the CEMAC and the WAEMU

Structure

Level of protection

Besides the customs duty and the RPT, the WAEMU granted additional protection to selected producers (agriculture, livestock, fishery, and agro industry[14]) in the form of a cyclical import tax (CIT). This tax could be imposed if the prices of the imported goods fell so as to make its domestically-produced substitutes uncompetitive (i.e., a marginal efficiency argument). By allowing import prices to be increased to levels close to domestic prices, the CIT creates disincentives for local producers to reduce costs. The permanent nature of the tax heightens the risk of considering structural improvements in production costs in world markets leading to lasting lower prices as cyclical factors that should not prompt a cost adjustment in the target sectors in the WAEMU. Set at 10 percent, the rate of the CIT enables the WAEMU to offer a greater and undesirable protective niche than the CEMAC.[15]

Community solidarity tax (*Prélèvement Communautaire de Solidarité,* PCS)

The elimination of customs duties on intra-WAEMU trade led to a significant revenue loss for countries that are large importers from other member countries (Mali, Niger, and Burkina Faso). To compensate for this loss, the PCS was instituted and is levied on all taxable imports,[16] including goods of category 0, at the rate of 1 percent. Part of the proceeds from this tax may be used to finance the cost of eliminating regional disparities, shortfalls due to unforeseen exogenous factors, and the budgets of community institutions.

The CEMAC also levies a 1 percent tax on all non-CEMAC imports to finance its institutions.

[14] The agro industry appeared to have been the most protected of all the sectors because besides the common external tariff, it had benefited from the regressive protection tax (RPT) and the cyclical import tax (CIT).

[15] The main beneficiaries are Côte d'Ivoire and Senegal, the two most industrialized countries in WAEMU, which have long shielded their producers behind high tariffs. In contrast, in the CEMAC, only Cameroon has a relatively diversified production and generally competitive prices (owing to abundant, educated and fairly low-paid labor, and higher productivity). Cameroonian producers and more generally those of the CEMAC have faced and adapted to strong foreign competition over a longer period. In effect, the Central African countries under review have applied moderate external tariff since 1994, whereas a major tariff reduction in WAEMU took place only in 2000.

[16] Foreign-financed imports, relief and diplomatic imports, transit commodities, imports of petroleum products, and intra-WAEMU imports, are excluded from the base of the community solidarity tax (Articles 17 and 18 of *Acte additionnel* 04/96).

Other levies

The CEMAC law explicitly prohibits the imposition of other taxes apart from the CET (i.e., customs duty and temporary surcharge) and the service tax (Article 2 of the Appendix to Act 7/93/UDEAC/556/SE1). The WAEMU act does not give explicit instructions in this regard. As a result, the WAEMU levies a tax for the larger ECOWAS organization.

Differences

Base

Although both zones have a four-tier tax structure and use the four-digit HS[17] code, classifications in subcategories may differ between the two groups of countries.[18]

Rates

The CEMAC instituted moderate tariffs much earlier than the WAEMU. In 1994, the rate of customs duty applicable to products classified in categories 1, 2, 3, and 4 were set at 5 percent, 10 percent, 20 percent, and 30 percent, respectively (Table 1). In comparison, a harmonized reduction in tariffs in the WAEMU occurred only six years later. However, even in the WAEMU, high tariffs were cut to moderate levels by 1996, except in Senegal, where the combined rate of customs and fiscal duties amounted to 60 percent. The largest rollback of protection took place in Côte d'Ivoire where the combined rate of customs and fiscal duties fell by 160 percentage points between 1993 and 1996 to 35 percent.

Table 1. CEMAC-WAEMU: Customs Duty Rates
(In percent)

Category of products	Nature	CEMAC 1994	WAEMU 2000
Category 1	Essential goods	5	0
Category 2	Raw materials and equipments	10	5
Category 3	Intermediate and selected goods	20	10
Category 4	Other consumer goods	30	20

Sources: Acte 5/94/UDEAC/556/CD/56 et Règlement 2/97/CM/UEMOA.

[17] HS stands for Harmonized System, a classification system established by the United Nations Conference on Trade and Development (UNCTAD).

[18] For instance, while the same four-digit nomenclature is used by all countries to designate wristwatches, countries may further differentiate them on the basis of such criteria as luxury, antique, collectors' item, water-resistant, etc. Hence, depending on the subcategory of classification, the import tax base in terms of per unit value may differ between zones.

Currently, the harmonized rate structure for the customs duty is higher in the CEMAC than in the WAEMU by as much as 10 percentage points. The lower rate structure in the WAEMU, after harmonization in 2000, reflects greater efforts to enhance competitiveness and reduce incentives for expansion of the informal sector.[19]

Other levies

The WAEMU external tariff law levies an explicit service tax, namely a statistical tax. The CEMAC also authorizes the imposition of a service tax (Article 3 of Appendix to Act 7/93/UDEAC/556/SE1), but this tax is considered as a national tax.

Exemptions

Both zones recognize that curtailing exemptions is essential for limiting the negative impact of the tariff reduction. Hence, their tariff laws call for a rollback of tax exemptions. However, this objective was not achieved because of lack of consensus on a common investment code. The CEMAC is, nevertheless, more cohesive on this issue because its external tariff act prohibits exemptions beyond those listed in the tax law.[20] The failure to control exemptions is a major source of revenue leakage in both zones.

IV. Implementation of Harmonized Tariff in Francophone Countries

The performance of each group of countries is assessed relative to its harmonized objectives.

A. CEMAC

The taxation of imports from nonmember countries was harmonized in the form of a four-tier customs duty and a temporary surcharge aimed at protecting vulnerable industries. Countries could also impose a service charge at a rate of their choice. All the CEMAC countries adopted the new customs duty at the prescribed rates (Appendix Table 3). However, it is not certain that the goods were classified according to the prescribed code. .Most of the countries also levy the service tax at moderate rates (1–2 percent). Nonetheless, this seeming harmony hides significant departures from the common objectives in several countries. Indeed, in addition to the common customs duty, Equatorial Guinea imposes a fiscal duty at rates ranging between 15 percent and 40 percent. Chad levies an additional import tax at the high rate of 25 percent on sugar and a tax on animals and plants, which is earmarked for a rural action fund. In the Central African Republic, imports bear two additional taxes, each at the rate of 0.25 percent, destined for the computerization of the ministry of finance and the council of customs brokers. Tax-exempt imports are charged a high processing fee of

[19] The higher tariffs in the CEMAC are consistent with the ability-to-pay principle (per capita income is higher in the CEMAC than in WAEMU because of oil production and income).

[20] There are indications that some countries are not complying with this provision of the common external tariff, because they continue to grant tax exemptions over and above those authorized under the CEMAC law.

8 percent in the Central African Republic. Cameroon also imposes a tax on imports that is earmarked for the computerization of the ministry of finance. Only Gabon appears to apply the harmonized external tariff without any significant deviation.

Neither the CEMAC nor the WAEMU regulates export taxes. While these taxes erode the competitiveness of the exported products, for revenue and equity purposes, several governments levy them (Cameroon, the Central African Republic, the Republic of Congo, Equatorial Guinea, and Gabon). Cameroon and the Central African Republic also levy a quality control tax.

B. WAEMU

The WAEMU countries have implemented the harmonized tariff structure consisting of a single customs duty, a statistical tax, a CIT, and a RPT (Appendix Table 4).[21] Imports are being taxed in accordance with the four-tier category classification. As in the CEMAC, the mapping of the categories of goods may not exactly conform to the WAEMU directive.

The expiry of the RPT, originally scheduled for end-2003, has been postponed to end-2005. Producers in half of the member countries (Burkina Faso, Côte d'Ivoire, Mali, and Senegal) benefited from this tax. Fewer (Côte d'Ivoire, Mali, Senegal) sought an additional protection in the form of a CIT. The other countries (Benin, Guinea-Bissau, Niger, and Togo) did not request additional protection under the RPT or the CIT, a reflection of the low degree of diversification of their economies.

As in the CEMAC, deviations from the norm of the external tariff exist in the WAEMU. In addition to the harmonized customs duty, countries like Senegal and Benin imposes other taxes, some at high rates.[22] Togo also imposes a high rate stamp duty (4 percent) on imports on top of the 1 percent statistical tax authorized by the WAEMU. Burkina Faso levies a toll tax on all imports at variable rates. Niger seems to be the only WAEMU country that has an import tariff structure that is in compliance with the WAEMU provisions.

Most WAEMU countries have export taxes, with different names and bases: exit tax and road tax in Benin, single exit tax (called *DUS* in French) in Côte d'Ivoire, special re-export tax in Niger and Togo.

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[21] Both the CEMAC and the WAEMU apply community taxes that are used to finance the budget of the institutions of the union and, in the case of WAEMU, also partly to compensate for revenue losses due to the elimination of intra-WAEMU import tariffs.

[22] For instance, Senegal levies a surcharge at the rate of 20 percent on imported banana, rice, onions, potato, cigarettes, and 10 percent on imported millet and sorghum. Imported textiles also attract a special tax. Benin levies a host of import taxes outside of the WAEMU framework. Most notably, all imports bear a 4 percent stamp duty (in addition to the statistical tax of 1 percent). Imported consumer goods, such as television and radio sets, and passenger vehicles are singled out for special levies.

C. Assessment of Implementation of Harmonized Tariffs in Two Zones

On the whole, there is broad compliance with the common external tariff in both zones. All WAEMU countries are applying the four-tier customs duty, and the statistical tax. The temporary protection tax was phased out in the CEMAC but extended in the WAEMU. Several countries in the West African zone sought an additional protection under the CIT provision.

There were also significant departures from the norms of the external tariff in several countries (Equatorial Guinea, Chad, the Central African Republic, Senegal, and Benin). The deviations were in terms of additional import taxes (five in Benin, three in the Central African Republic and Chad), and in respect of the type of goods (mass consumption products), the nature of the base (generally broad), the rate (up to 20 percent in Senegal, 40 percent in Equatorial Guinea), and the nature of the recipient (central administration, parastatals). Benin and Togo imposed a stamp duty which in effect is an additional statistical tax. The imposition of surcharges at high rates on imports from other WAEMU countries hinders the expansion of intra-WAEMU trade. All these deviations from the harmonized tariff translate into price distortions that can lead to the introduction of nontariff barriers in the importing countries and create uncertainties about the effectiveness of the common tax policies. The failure to comply fully with the common tax regulations reflects institutional weaknesses and lack of incentives for compliance.

Weaknesses in the institutional framework

The present institutional framework in both zones is top-heavy on policymaking to the detriment of implementation and enforcement (Box 4). The two main decision-making authorities of the union are the conference of heads of state and the council of ministers.[23]

The effective commitment and drive for result can only come from the heads of states. Their active support, indifference or resistance to key policies determine the outcome of the common policies.

The current treaties yield extensive legislative authority to the executive branch of government, with little counter-weight from other sources of power. The concentration of legislative and executive authority in the hands of governments complicates accountability as it makes it hard to attribute poor performance to erroneous policy design or lack of commitment to implementation.

The limited results of the integration process is also due to the lack of prioritization of the extensive list of economic development and financial subjects that the CEMAC Executive Secretariat and the WAEMU Commission are expected to review and recommend for

[23] The only technical organs are the Executive Secretariat in the CEMAC and the Commission in WAEMU.

Box 4. Institutional Framework of the CEMAC and the WAEMU

The highest authority in the CEMAC and the WAEMU, namely the **Conference of heads of state,** has the same power in both unions. It determines the economic and financial policies of the union and gives policy directions to the councils of ministers. The WAEMU treaty assigns explicit responsibilities to the Conference of heads of state in respect of the harmonization of legislations, including tax laws (Article 60). The treaty set priorities, objectives and guidelines for tax harmonization. The CEMAC treaty is more general in this regard, limiting the scope of policy decisions of the Conference of heads of state to giving broad orientations. The higher degree of delineation of responsibilities in the WAEMU should lead to more clarity and accountability in policy formulation. The decisions of the conference called "acts" are binding on member states in both the CEMAC and the WAEMU.

Council of ministers. In the CEMAC and the WAEMU, the Council of ministers (a decision-making body) is responsible for the harmonization of tax policy in the unions. It is assisted in both zones by a **committee of experts**, composed of representatives of member states, tasked with reviewing and preparing the agenda for the meetings of the Council of ministers.

The **CEMAC Executive Secretariat** (appointed for five years) has extensive responsibilities. These include: (i) the administration of the union; (ii) recommendations for policy reforms in all domains covered by the treaty; (iii) the enforcement, unlike the WAEMU Commission, of the CEMAC decisions; and (iv) the preparation of progress reports on achieving the objectives of the union.

The **WAEMU Commission** (the administrative body of the union), like in the CEMAC, is responsible for making recommendations on economic matters and submitting a progress report on economic integration to the regional parliament. However, a key difference with the CEMAC is that the commission must also forward a copy of its report to national legislatures. This provision is important because the report enlightens national parliaments on the performance of their own governments in respect of community objectives and the experience of other countries. This promotes and stimulates good performance as progress in other countries is examined for lessons.

The WAEMU treaty, unlike in the CEMAC, does not empower the commission to ensure effective implementation of the decisions.

Judicial oversight and control. The Court of Justice of the WAEMU and the Judicial Chamber[1] of the CEMAC are responsible for interpreting the treaties of the unions. The external control of government operations is the responsibility of the auditor general provided for by the treaties. While the Court of Justice and the auditor general are two separate institutions in the WAEMU, they are combined in the CEMAC. The decisions of the Court of Justice and the Judicial Chamber are final and enforceable.

[1] Members of the Court of Justice and the Judicial Chamber are appointed for a six-year term by the conference of heads of state.

reforms. Another contributory factor to the slow progress is the lack of expertise of the administrative bodies in their many areas of responsibilities.

Compliance incentives

The modern features of the reformed taxes should normally promote awareness of, and compliance by, taxpayers. The transfer of the tax authority to supranational institutions is also conducive to more stability and predictability of tax policy. This reduces uncertainty in investment decision-making in the private sector. The simplification of the tax system should also facilitate revenue administration.

Under the present arrangement, the regional courts are responsible for assessing compliance of union members with the community regulations. Noncompliance is virtually cost-free because no penalty or sanction is attached to the failure to comply fully with the tax directives.

The planned integration of the economies of the WAEMU and the WAMZ calls for a review of the tax policy in the latter group in order to assess its distance from the WAEMU tax regimes and the conditions for effective implementation by the WAMZ countries of the WAEMU model. This is the subject of the next section.

V. External Tariff Regimes in the WAMZ

In comparison with the Francophone zone, the border tax systems of the WAMZ can be classified in two groups. The first group, comprising Ghana only, put in place the WAEMU tax reform (a single customs duty applied to similarly classified imports, Table 2).[24] Ghana levies a surcharge on selected products[25] and also a statistical tax at the same 1 percent rate as in the WAEMU. As in Côte d'Ivoire, Ghana imposes an export tax on cocoa, logs, and lumber. The tariff regime of the second group, formed by the remaining four WAMZ countries, shows significant disparities compared with the WAEMU/CEMAC model.

Table 2. WAMZ: External Tariff Regimes 1/

Type of tax	The Gambia Dec. 2003	Ghana Dec. 2002	Guinea Dec. 2002	Nigeria Oct. 2002	Sierra Leone April 2004
	(In Percent)				
Customs duty	0-18	0, 5, 10, 20	2, 6, 7	2.5-150	5, 15, 40
Fiscal duty			6-8		
Surcharge on imports	5	10	8-50		30
Export tax					
Cocoa		100			
Logs		20			
Lumber		10			
Gold and diamond			3		2.5
Statistical tax		1			

Source: Article IV Consultation Reports of the Fund.

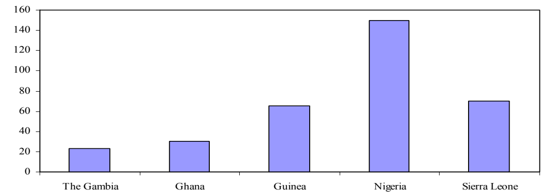
1/ All rates are ad valorem.

[24] The items included in each category may not be the same as in the WAEMU and the CEMAC.

[25] These include fruits and vegetables, frozen meat, poultry and dairy products, beer, wheat, soap, cooking oil, and clothing.

Although The Gambia and Nigeria impose only one import duty, they have a large number of categories of taxable commodities (for instance, 14 groups in Nigeria compared to four in the WAEMU/CEMAC). Tax administration is likely to be more complicated in these countries than in the Francophone zone. Concerning rates, while the maximum rate is moderate in The Gambia (18 percent), it is prohibitive in Nigeria (150 percent, Figure 2). The maximum rate applicable to some raw materials in Nigeria is higher than the maximum rate on consumer goods in the WAEMU (25 percent against 20 percent). This rate differential encourages illegal trade and undermines tax collection in Nigeria. While Guinea[26] and Sierra Leone impose customs duty on only three categories of goods, the groupings of these goods differ significantly from those of the WAEMU/CEMAC. For instance, Sierra Leone applies the same tariff (5 percent) to raw materials and most consumer goods, while imports of consumer goods in the WAEMU attract a 20 percent tariff. Likewise, Sierra Leone imposes a tariff of 40 percent on luxury goods,[27] a category that is not isolated in the WAEMU/CEMAC. Another disparity lies in the number of tariffs imposed. Whereas the WAEMU/CEMAC has one single customs duty, Guinea has three tariffs (i.e., a customs duty, a fiscal duty, and a so-called single fiscal duty applicable to raw materials, petroleum products and cigarettes).

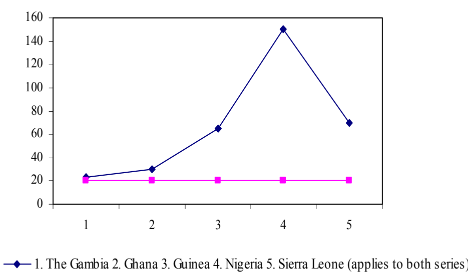
Figure 2. WAMZ: Maximum Rate of Import Tariff Before Common External Tariff (CET)
(in percent)



Source: Table 2.

As in the WAEMU/CEMAC, all the WAMZ countries, except Nigeria, impose a surcharge on selected imports, the lists of which differ significantly between countries.[28] Overall, the cumulative rate of import tariffs of The Gambia and Ghana are closer to the WAEMU maximum rate (Figure 3). In contrast, there is a wide difference in rates between Nigeria and the WAEMU.

Figure 3. WAMZ: Rate Differential from WAEMU CET
(in percent)



Sources: Tables 1 and 2.

[26] Guinea is reported to have adopted the WAEMU external tariff regime with effect from July 2005. The other WAMZ members (The Gambia, Nigeria, and Sierra Leone) intend to put it into place by 2007.

[27] Include cars, camera, films, and leather clothes.

[28] In The Gambia, the complexity of the tariff regime is compounded by the combination of specific and ad valorem surcharges. Cigarettes and alcoholic beverages fetch specific rates, whereas new vehicles attract an ad valorem rate and importers of used ones pay a specific rate. In Guinea, the list includes beer and alcoholic beverages (50 percent tariff), flour and wine (25 percent), soft drinks (20 percent), video (10 percent), oil (10 percent), and paints (5 percent).

The disharmony in external tariff in WAMZ should not, however, deter from efforts at converging toward the WAEMU regime of external tariff because, as mentioned above, the customs regimes in the Francophone zones were also disparate, complex and nontransparent before harmonization. The key lesson from the WAEMU and CEMAC experiences is that political will is essential for reforming the external tariff. Revenue losses can be mitigated by repealing exemptions.

VI. UNFINISHED AGENDA

The elimination of internal tariff barriers and the reduction in rates in the CEMAC and the WAEMU should stimulate investment, employment, and growth. The limitation of import categories to four and revamping of the import tax structure to only two taxes in the CEMAC and three in the WAEMU is in line with international tenets, and should facilitate administration and compliance. The main issue is the effective implementation of the common policies by all members of the unions. In this regard, several CEMAC and WAEMU countries fall short of expectations in terms of achievements (i.e., significant improvements in competitiveness, increased employment, higher exports to non-WAEMU countries, growing intra-community trade and buoyant tax revenue). Actions can be taken to improve compliance.

A. Institutional Framework

Ideally, there should be a supranational agency endowed with the power to enforce compliance of member countries with community regulations. However, this option is not realistic, because the member countries are not likely to relinquish such power. Another alternative is to establish a system of financial rewards and sanctions in an attempt to stimulate voluntary compliance. The latter option could be implemented through the creation of a central fund in each zone. At present, the profits made by the common central banks (in the CEMAC and the WAEMU) are distributed. The automatic release of dividends to all member countries without conditionality will cease. Profits of the central banks and other regional institutions like development banks, and the community levies (PCS in the WAEMU, PC in CEMAC)[29] will be used to finance CEMAC and WAEMU central funds.[30] After appropriations for the budgets of the regional institutions, the resources of the central fund will be distributed to members that are in full compliance with the community regulations. Noncomplying countries will forfeit their share of the distribution. The assessment will be made by the regional courts, which should be staffed with judges of impeccable credentials of competence and independence.

[29] To ensure collection and surrender of the community taxes, the CEMAC Executive Secretariat and the WAEMU Commission can set up in each country a small unit tasked with collecting the community levies at point of entry and transferring the proceeds to the central fund.

[30] In the WAMZ, the ECOWAS central fund could be financed by the balance of the community levy and a share of the central bank profit of each member country. Budgetary contributions will be required in the absence of sufficient profits or in the event of losses.

B. Design Reforms

The CIT in the WAEMU is a disincentive for domestic producers in selected sectors (agriculture, livestock, fisheries, and agro-industries) to reduce their production costs. Therefore, it deprives consumers of the benefits of efficiency gains in global trade and should be eliminated.[31] It is also desirable to review the sanctions for noncompliance with the common regulations, which at present are few and harmless. Graduated but stronger sanctions need to be considered (downgrading from member status to observer; suspension from participating in meetings, including the conference of heads of state and ministerial councils; publication of appraisal reports on noncomplying members, etc.).

C. Compliance Actions

Compliance with the harmonized external tariff in the WAEMU appears to be deviation-free in Niger. Togo also seems to have implemented the main elements of the external tariff.[32] In the CEMAC, Gabon is the only country that appears to have satisfactorily complied with the key provisions of the reformed tariff. In both zones, the main departure is the imposition of these surcharges, in several cases at high rates. Hence, the key measure to take is the elimination of surcharges and other disguised import taxes levied by the CEMAC and WAEMU countries (particularly Chad, Gabon, and Senegal; see Box 5).[33] The effective implementation of the CET by Equatorial Guinea is also required.

In regard to the WAMZ, it is desirable that its members implement, as did Ghana, the WAEMU tariff reform. Such a decision will entail, notably (i) a sharp reduction in protection in Nigeria; (ii) the elimination of fiscal duty in Guinea; and (iii) an overhaul of external tariffs in The Gambia and Sierra Leone.

[31] The repeal may be phased over a few years to facilitate the adjustment (i.e., measures to reduce domestic production costs). During this period, the revenue collected should be considered regional (to curtail incentive for imposing the tax), not national, receipts and deposited, for instance, in the proposed central fund.

[32] Togo levies a high stamp duty on imports.

[33] The disparities are greatest in Chad with a 25 percent surcharge on imported sugar; Gabon with a 20 percent additional tax on imported edible fats and oil, soap, poultry products, cigarettes, and flour; and Senegal with a 20 percent surcharge on imported onions, potato, banana, rice, and cigarettes.

Box 5. CEMAC and WAEMU: Measures to Enhance Compliance with Harmonized Tariff

In order to bring their current tax regimes into full compliance with the harmonized external tariff, the Francophone countries need to take measures as indicated below.

Cameroon
- eliminate the additional import tax of 0.45 percent earmarked for the computerization of the ministry of finance; and
- remove the quality control tax of 0.95 percent.

Central African Republic
- remove the additional import taxes, each at 0.25 percent, earmarked for the Council of Customs Brokers, and the computerization of the ministry of finance; and
- eliminate the exemption-processing fee of 8 percent levied on tax-exempt imports.

Chad
- eliminate the supplementary tax of 25 percent on imported sugar;
- remove the additional 1 percent tax on imported animal, and plants earmarked for the Rural Action Fund; and
- eliminate the import prepayment tax of 4 percent.

Equatorial Guinea
- implement the CET; and
- eliminate the fiscal duty of 15–40 percent on imports.

Gabon
- eliminate the 20 percent surcharge on imported edible fats and oil, soap, poultry products, cigarettes, and flour.

Benin
- remove the 5 percent surcharge on imported television sets; and
- the additional 0.15 percent tax on imports earmarked for road works.

Burkina Faso
- eliminate taxes levied at specific rates for the Chamber of Commerce on imports, particularly on rice, sugar, cement, metal products, and vehicles.

Côte d'Ivoire
- no available information on eventual deviations from the harmonized taxes.

Senegal
- eliminate the 1 percent surcharge on selected imported textiles; and
- remove the import tax surcharge of 10 percent on millet, and sorghum, and 20 percent on onions, potato, banana, rice, and cigarettes.

Togo
- eliminate the stamp duty of 4 percent on imports.

Appendix Table 1. CEMAC: Structure of Import Taxes

	Cameroon				Central African Republic)				Chad			
	1993		1996		1993		1996		1992		1996	
	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)
Import taxes												
Customs duty	Multiple	2.5-45	4	5,10,20,30	Multiple	2.5-90	4	5,10,20,30	Multiple	0-90	4	5,10,20,30
Fiscal duty	Multiple	0-260			Multiple	10-40			Multiple	10-40		
Complementary import tax	Multiple	5-10			Multiple	10-50			Multiple	5-10		
Import surcharge									3	5,10,15		
Statistical tax					1	1	1	1.1	1	1	1	2
Solidarity levy								2				

	Republic of Congo				Equatorial Guinea				Gabon			
	1993		1996 1/		1993		1997		1993		1996	
	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)
Import taxes												
Customs duty	Multiple	2.5-90			Multiple	2.5-45	4	5,10,20,30	Multiple	2.5-45	4	5,10,20,30
Fiscal duty	Multiple	10-40			Multiple	0-260	Multiple	15-40	Multiple	0-260		
Complementary import tax	Multiple	10-50							Multiple	5-100		
Import surcharge					Multiple	25-30	Multiple	20-35				
Statistical tax		0.2									1	2
Solidarity levy												

Source: Fund Article IV Consultation Reports.

Appendix Table 2. WAEMU: Main Import-Based Taxes Before Harmonization

	Benin				Burkina Faso			
	1993		1996		1993		1996	
	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)
Customs duty					1	5	1	5
Fiscal duty	12	0-46	4	0, 5, 10, 20	3	0, 4, 26	3	0, 4, 26
Statistical tax				2		4		4
VAT	1	18	1	18	2	0, 15	2	0, 15
Solidarity levy		1		1		1		Repealed

	Côte d'Ivoire				Mali			
	1993		1996		1993		1996	
	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)
Customs duty	3	5, 10, 15	1	5	2	0, 5	1	0, 5
Fiscal duty	39	10 - 180	7	0 - 30	7	0-30	3	0, 10, 25
Statistical tax	1	3	1	3	2	3, 5	2	3, 5
VAT	4	5, 11, 25, 35	3	0, 11, 20	3	0, 10, 15	3	0, 10, 15
Solidarity levy					1	1	1	1

	Niger				Senegal				Togo			
	1993		1996		1993		1996		1994		1996	
	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)	Number of rates	Rates bracket (%)
Customs duty	1	5		Repealed	1	15	1	10				
Fiscal duty	Multiple	3-40	3	5, 10, 30	4	10, 20, 30, 50	3	20, 30, 50	4	5, 10, 20, 35	3	5, 10, 20
Statistical tax					2	6, 12	1	5	1	3	1	3
VAT	2	0, 17	2	0, 17	4	0, 7, 20, 30	3	0, 10, 20	3	0, 7, 18		
Solidarity levy	1	3	1	5								

Sources: Article IV Consultation Reports of the Fund.

Appendix Table 3. CEMAC: Summary of Common External Tariff

	Cameroon 2004	CAR 2002	Chad 2001	Republic of Congo 1/	E. Guinea 2003	Gabon 2003
Customs duty: general merchandise						
Classification of goods	yes	yes	yes		yes	yes
Application of harmonized rates	yes	yes	yes		yes	yes
Temporary surcharge						
Date of end of application surcharge		June 2000				Selective application 2/
Statistical tax						
Base		SGS-certified imports	All imports			Imports and
Rate		1.00%	2%			2%
Exemptions		yes	yes			
Regional integration tax						
Base	Non-CEMAC imports					
Rate	1%	1% of imports of cat. III 2.5% for excise goods				Non-CEMAC
Exemptions	yes					
Export duty						
Base	Export value of logs	Fob or reference value			Fob value	Fob value
Rate	17.50%	Variable 3/			Variable 4/	Variable 5/
Other import/export taxes						
Fiscal duty						
Base					All imports 6/	
Rate					15%-40%	
Council of customs brokers						
Base		Imports and exports				
Rate		0.25%				
Computerization of the MoF						
Base	Imports and exports	Imports and exports				
Rate	0.45%	0.25%				
Exemption processing fee						
Base		Tax-exempt imports				
Rate		8.00%				
Supplementary tax						
Base			Selected imports			
Rate			25%			
Storage and custody tax						
Base			Merchandise not cleared			
Rate			CFAF 30/day/50 kgs			
Transit tax						
Base	Petroleum products		Petroleum products	Value of goods	Fob value	
Rate	Variable		0.80%	3%, 5%	3%, 5%	

Appendix Table 3. CEMAC: Summary of Common External Tariff (Concluded)

	Cameroon 2004	CAR 2002	Chad 2001	Republic of Congo 1/	E. Guinea 2003	Gabon 2003
Animal products tax						
Base			Imports from non-UDEAC			
Rate			0.4% of UDEAC rate			
Rural action fund tax						
Base			Imported animals and plants			
Rate			1%			
Research and control tax						
Base			Exports			
Rate			0.50%			
Exit tax						
Base			Exports of animals and plant products			
Rate			0.5%-30%			
Quality control						
Base	Value of selected goods	Value of goods				
Rate	0.95%	0.3% for cotton 0.5% for others 7/				
Stumpage fee						
Base	Exports value				Export value of logs	Value of logs
Rate	2.50%				1%, 2.7%	3% to 9%
Reforestation fee						
Base					Fob value of exported logs	
Rate					5%	
Factory gate tax						
Base	Exports value					
Rate	2.25%					
Road tax						
Base					Fob value of exported logs	
Rate					2.5%	

Sources: Article IV Consultation Reports of the Fund (the year appearing under the name of the country is that of the report).

1/ The data for the Republic of Congo are not available partly because of several years of civil war.
2/ A 20% tax is levied on edible fats and oils, soap, poultry products, cigarettes and flour. Since end-2003, this tax has been discontinued for mineral water and industrial lubricants.
3/ The rates are 10.75% for timber, 8.15% for coffee, 6.08% for cotton, 4.75% for processed wood, 5% for diamonds, 3% for gold, 0.3% for cotton and 0.5% for other items.
4/ The rates are 1% for coffee and cocoa, 15.8% for logs (plus CFAF 650 per cubic meter), 9% for plywood (plus CFAF 650 per cubic meter).
5/ The rates are 3.5% for manganese and 20% for logs.
6/ Except alcohol, tobacco, and wine, for which the rates are specific.
7/ Including coffee, pepper, cocoa, tobacco, and rubber.

Appendix Table 4. WAEMU: Summary of Common External Tariff

	Benin **2004**	**Burkina Faso** **2003**	**Côte d'Ivoire** **2003**	**Guinea Bissau** **2002**	**Mali** **2003**	**Niger** **2004**	**Senegal** **2004**	**Togo** **2003**
Customs duty: general merchandise								
Classification of goods	yes	yes	yes	yes	yes	yes	yes	yes
Application of harmonized rates	yes	yes	yes	yes	yes	yes	yes	yes
Statistical tax								
Base	All imports for local market, transit and re-exports	All imports	All imports		All imports/exports	All imports/exports	All non-WAEMU imports	All imports
Rate	1%	1%	1%		1%	1% (imports), 3% (exports)	1%	1%
Exemptions	yes						yes	no
Regional integration tax								
PCS								
Base	Non-WAEMU imports	Non-WAEMU imports	Non-WAEMU imports		Non-WAEMU imports	Non-WAEMU imports	Non-WAEMU imports	Non-WAEMU imports
Rate	1%	1%	1%		0.50%	1%	1%	1%
Exemptions	yes	yes	yes		yes	yes	yes	no
ECOWAS levy								
Base	Non-ECOWAS imports	Non-ECOWAS imports			Non-ECOWAS imports	Non-ECOWAS imports	Non-ECOWAS imports	Non ECOWAS imports
Rate	0.5%	0.5%			0.5%	0.5%	0.5%	1%-4%
Exemptions	yes	yes				yes	yes	no
Declining protection tax (TDP)								
Base		Selected imports			Selected imports		Selected imports	no
Rate		2.5% - 5% 1/			10%-20%		2.5% - 5% 1/	
Exemptions					yes			
Cyclical import tax (CIT)								no
Base					Sugar, wheat flour, rice		Selected non-WAEMU	
Rate					Variable		Variable 2/	
Exemptions							yes	
Export duty								
Base			Weight	Value of cashew nuts				
Rate			Variable 3/	10%				
Other import/export taxes								
Information technology tax								
Base	Customs declaration							
Rate	CFAF 2000/declaration							
Radio tax								
Base	Imports of radio sets							
Rate	CFAF 500/set							
Television tax								
Base	Value of imported TV set							
Rate	5%							
Temporary import tax								
Base	Foreign passenger vehicle							
Rate	CFAF 5,000/vehicle							
Special re-export tax								
Base	Value of selected items					Value of re-exports		Sales in airport shops
Rate	8%					Varies with destination		1%-4%
Toll tax								
Base		All imports						
Rate		Variable 4/						
Tax on textiles								
Base							Selected imported textiles	
Rate							1%	
Surcharges								
Base							Selected imports	
Rate							10%, 20% 5/	
Transit tax								
Base	Selected goods in transit							
Rate	Variable rates 6/							
Exit tax								
Base	Value of exports							
Rate	Variable rate							
Road tax								
Base	All imports & exports							
Rate	0.15%							
Stamp duty								
Base	Statistical tax							All imports
Rate	4%							4%
Additional import tax								
Base			Volume					
Rate			CFAF 2,200/liter					

Sources: Article IV Consultation Reports of the Fund (the year shown under the name of the country is that of the report).

1/ Declining rate starting in July 1999.

2/ The rate is 10% for soybeans, rapeseeds, groundnuts oils. This tax is also levied on sugar, flour, rice and cigarettes.

3/ The rate (in CFAF/kg) is 160 for cocoa, 10 for coffee, cashew and shea nuts, 1% - 25% for logs. The rate on cola nuts is ad valorem and set at 14%.

4/ Tax levied for the Chamber of Commerce at a rate of CFAF 75/ton on rice, sugar, and cement; CFAF 150 per ton on metal products; CFAF 3,000 per vehicle, and CFAF 500/ton for other imports.

5/ The rate is 10% for millet and sorghum and 20% for onions, potatoes, bananas, cigarettes, and rice.

6/ Specific tax ranging from CFAF 200 to CFAF 1,500 per item. Applied to wool and fine hair fabric, synthetic fiber fabric, bed and table linen, tobacco products, and alcoholic beverages.

The rate is CFAF 5,000 per truck for trucks carrying 1.5 ton of merchandise.

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