

# Terms of reference for the constitution of a consolidated fiscal database for African countries

## *Background*

In March 2018 in Kigali, Rwanda, heads of state from 44 African countries met at an Extraordinary summit of the African Union, to sign the framework agreement forming a new African Continental Free Trade Area (AfCFTA). To date, 52 countries have signed the agreement and 19 have already ratified it. When adopted by all 55 members states of the African Union, the AfCFTA would establish one of the largest free trade areas in the world, covering over 1.2 billion people and \$2.5 trillion in GDP.

In line with the Abuja Treaty of 1991, the aim of the AfCFTA is to create a single continental market for goods and services, harmonize different trade liberalization processes undergoing in the continent, in order to foster employment, promote diversification and boost African economies. Also, the CFTA is particularly relevant for agricultural products, as one of the main objectives of the 2014 Malabo declaration is to triple agricultural trade within the continent by 2025.

To better support the AfCFTA process with evidence-based dialogue, IFPRI through AGRODEP has established a Task force which will provide policy makers and researchers with state-of-the-art analytical tools. One of the areas to focus on identified by the Task force is how to properly take into account in the modeling tools the fiscal cost of the AfCFTA for African countries. Indeed, many African countries have low rate of effective taxation due to an inefficient tax collection system (Decaluwe et al, 2005)<sup>1</sup>. Therefore, considering that the tariff revenue is equal to the product of nominal tariff and trade flows yields a significant overestimation.

In MIRAGRODEP, the core model used by the Task force to assess the implementation of the AfCFTA, an effort has already been made in the past to duplicate effective tariff revenue as indicated by IMF reports, using either country-sector specific efficiency ratios or country-wide ones. This effort needs now to be extended to as many African countries as possible and requires a reliable and detailed fiscal database at the continental level.

## *Objective*

The objective of this work is to come up with a consolidated fiscal database for African countries, using different -national and international – sources. The dataset will be focused on indirect taxes: customs duties, value added taxes, excises and export taxes. The data gathered will be used to better calibrate the MIRAGRODEP model, in order to properly assess the impact on public revenues (fiscal cost) of the AfCFTA for the implementing countries.

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<sup>1</sup> Decaluwe, B., D. Laborde, H. Maisonnave and V. Robichaud (2008), “Regional CGE modeling for West Africa: an EPA Study”, Report for the EC and ECOWAS secretariats

### ***Activities***

The main activities to be carried out include the following:

- Constitute a database for all African countries with the four main indirect taxes: customs duties, VAT, excise taxes and export taxes
- For each country break down as much as possible VAT and excises between the import component and the domestic one. In case the breakdown is impossible, indicate whether customs duties include part of VAT and excise taxes or not
- Provide a dataset on nominal VAT rates for African countries (if the country uses two rates, indicate this precision)
- Prepare a document describing the datasets (methodology and sources)

### ***Outputs and Deliverables***

The outputs of this study will be

- A data set (an excel file containing all the information used to process the raw data). An example is attached to this call and can be viewed [here](#).
- A report describing the methodology of the study (description of sources and treatments of raw data)

The consultant will use known and reliable sources to do this work. These sources may include (but not limited to):

- The IMF [Government Finance Statistics](#) (GFS) and the different country reports under Article IV consultations
- The Government Revenue Dataset managed by the [International Centre for Tax and Development](#)
- Government operations tables published by countries and regional central banks
- The tax database maintained by the [FERDI](#) think tank
- The review undertaken by [PricewaterhouseCoopers](#)

### ***Budget***

The total payment for the work is USD 3,000.

### ***Reimbursable Expenses***

IFPRI will not reimburse any expenditure.

### ***In-Kind Support***

IFPRI will not provide any in-kind support to Collaborator in connection with work performed.

***Timeframe and Schedule of Deliverables and Payments***

Payments shall be made upon receipt of the final report.

The work will be carried out according to the schedule set forth below.

<b>Deliverables</b>	<b>Due date</b>
Signed contract	March 31, 2019
First version of the report	April 30, 2019
Review of the report	May 10, 2019
Final version of the report	May 20, 2019