



STATES & LOCAL FINANCE

The IGR Initiative

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RELATIONSHIPS ARE NOT only attractive to involved parties when they are contingent on the win-win principle but more sustainable. A win-win foundation usually creates the right platform for shared responsibilities and benefits through a reinforcing dynamic feedback loop regarded as the virtuous circle. In its simplistic form, the virtuous circle describes the beneficial outcomes of an event on an agent leading to another favourable outcome on another interrelated agent and promoting even further benefits on the first agent in a continuous improvement cycle. Following this explanation, such a virtual circle of continuous improvement is possible if the critical stakeholders in subnational IGR expansion, namely the state and local governments, taxpayers, citizens purchasing public utilities and the civic society, can collaborate. By communicating with each other and working together, the beneficial lot of each party in the relationship would be amplified. First, the stakeholders would have a better understanding of each other. Second, the more apparent it is for each stakeholder to appreciate the challenges, the purpose of being, and other conditions determining how they interrelate, the easier it is to minimise the conflicts among them. Third, such improved understanding would naturally lead to improvements

in consensus-building where the framework that can drive it exists.

Sadly, all stakeholders in the subnational IGR expansion process appear to lose out consistently on these virtuous circle opportunities and are more enmeshed in a vicious cycle. The low trust level among them seems to be the biggest culprit. Most Nigerians, particularly taxpayers, do not trust the government. It is even worse when revenue-generating institutions, primarily considered the proboscis for sucking public resources into the hands of profligate leaders, are in the picture. The severity of the trust crisis manifests in the elevated level of tax evasion, particularly at subnational levels across the country. But government agents seem to care less about the underlying reasons for large-scale tax evasion and continue to deploy high-handed tactics for collection from those available. There is, therefore, a lingering history of no cooperation and some measure of latent conflict consequent on this trust deficit. The asymmetries of political power, knowledge, information, and resources further complicate the situation. While SNG agents unquestionably appear to wield more political power than other stakeholders, they are also more likely to lack meaningful information and knowledge concerning taxpayers, the utility purchasing public, and the civic society necessary for optimising independent revenue generation. Wherever it is possible, utilising the opportunities of the "tax avoidance" clause, taxpayers withhold all information necessary that would make them pay more in obligations.

In general, no single subnational government entity possesses all the authority, resources, or knowledge required to develop and carry out IGR expansion initiatives comprehensively. Much better outcomes in this respect would require the engagement of other actors with substantial know-how but, in turn, interdependent on other stakeholders to successfully drive such initiatives. Ideally, power decentralisation and shared ownership of the process in which taxpayers, the organised private sector and civic society see themselves as stakeholders in the process of sharing ideas relevant to overall decision-making would result in optimised win-win outcomes. That is how collaborative governance rallies all hands on deck to boost subnational IGR while improving stakeholder expectations. Under such arrangements, tax policies, laws, taxable assets, and utility pricing decisions are only reachable through a shared understanding of concerned stakeholders who would work together to agree on acceptable rates, utility charges

Boosting subnational IGR through collaborative governance

and taxable assets. Undisputedly, state and local government entities implementing this governance mechanism, would always find it easier to identify problems, policy solutions and better ways of implementing strategies for change.

Ideally, three critical success factor groups should be present to implement collaborative governance in subnational IGR expansion effectively. The first is the group providing incentives for stakeholders to be part of the process. There must be policy and attendant stakeholder problems to fix. For instance, on the side of the government, there are such overriding needs as increasing the taxpayer compliance rate, the tax rates and perhaps the charges paid on utilities provided by the government. However, the taxpaying community may be desirous of more tax holidays and significant drops in tax rates and utility charges. Civil society groups may also demand increased accountability and transparency regarding previously collected tax revenue to reassure the paying public of the need to trust the government more and sustain their compliance. At the same time, these needs may vary across geographies, sectors, and other demographics. This hypothetical idea of the need for support justifies collaborative governance. But two additional elements may be necessary to strengthen the "incentives to collaborate", namely the presence of pre-existing conflicts around those issues needing support and resolution. The other element is that no single stakeholder, particularly the subnational government, possesses all the constitutional authority, knowledge, and other resources to resolve their challenges completely.

The second category group is leadership. Gathering different stakeholders into a meaningful collaboration platform would be impossible without adequate leadership. It takes strong leadership to appreciate the gaps and imbalances in the competencies, knowledge, resources, and political authority required to resolve - own - problems comprehensively. Again, strong leadership evokes a solid trust environment. Taxpayers, for instance, would be more open to revealing how they evade taxes to the tax authorities when they believe that the information would be used strictly for finding solutions rather than hunting them down. In the same vein, the tax authorities may be more disposed to associational taxation if they are confident there would be transparency and professionalism. Generally, the higher the individual stakeholder trust level, the more the overall trust environment improves. This trust environment deficit is substantially the underlying reason for the poor impact of several subnational IRS public-private sector dialogues. Historically, while the IRS would leverage such dialogue sessions to

obtain insights into how it would improve its hunting for defaulters, many taxpayers [individual and corporate] naïvely tell it all and become more vulnerable. In the end, neither party utilises the information shared to improve the process for a win-win, collaboratively.

Apart from the trans-stakeholder group trust environment, within-the-stakeholder group or institutional trust environments are key to influencing the quality of the collective trust system. If the internal IRS system supports a high-quality collaborative spirit and a relatively elevated tendency to joint decision-making, it would be easier to share power in a collaborative environment external to its system. The same applies to other participating stakeholders and organisations within their groups. No one gives what he does not have.

The third category is the platform for collaboration. The platform for collaboration is typically a forum for stakeholder problem identification, shared understanding across various stakeholder groups, the design and development of policies, and the resolution of challenges for every stakeholder's benefit. The collaborative platform can take several shapes and forms, but the most effective appears to be face-to-face dialogue. Most public-private dialogues are ideally for this kind of collaboration and a resulting shared theory of change. Sadly, that usually fails as each participating stakeholder group seemingly abandons the collective good to maximise its benefits. The resultant effects are often the heightening of the pre-existing subliminal conflicts and further frustration of possible windows of cooperation.

An effective platform for collaboration would also require solid consensus-building mechanisms and networks. Subnational IRS working with other participating groups, can maximise potential benefits for all by using a feasible consensus-building strategy to achieve a collective win over individual stakeholders. Building a consensus for collaborative governance entails subnational IRS making sincere efforts to consider the interests of all parties and seek harmony in agreement. As easy as it sounds, its feasibility is far from that. Consensus-building under conditions of asymmetric power, resources and competencies is exceptionally challenging. There is always the temptation not to surrender some of the supposed advantages. But, regardless of each stakeholder group's relative independence, it is in the interest of all participating stakeholder groups to trade in and combine some of those advantages to obtain mutually beneficial outcomes. That is the idea behind collaborative networks. Collaborative networks comprise several independent organisations, geographically spread out and with divergent objectives, working together to accomplish beneficial common goals.

Successfully implementing collaborative governance to boost subnational IGR requires some critical considerations. The first is accurately modelling stakeholder relations in the IGR expansion process. Distinctly communicated relationship models, including the pattern of cause and effect within the relationship, ideally strengthen the shared understanding of each partner in the collaborating network and their roles and challenges. The second is the clarification and enhancement of the symbiotic process in subnational revenue policy expectations and the service delivery expectations of the paying public within a collaborative governance environment. Elevating the level of this symbiosis would not only correct the traditional perceptions but also improve the view of each of the stakeholders in the collaborative governance network. The third is maximally leveraging all dialogue opportunities for IGR policy and service delivery expectations, trade-offs, and alignments, including shared deployment of power, resources, information, and expertise within the network. The fourth is promoting trust, proactively preventing and managing extant conflict, and clarifying all issues to minimise ambiguities among stakeholders. The fifth is the regular conduct of collaborative governance impact assessments to determine how as a virtuous circle, it creates beneficial outcomes for all members of the network and the society at large.

Finally, part of why the IRS may find it more challenging to create the spaces required for collaboration is first because of the inadequate recognition of interdependence among the stakeholders in the IGR expansion process. Regardless of the backing of the law to collect taxes, the subnational IRS can never fully succeed in achieving this objective without some level of cooperation from other stakeholders who can massively reject it. There are several ways citizens can legitimately protest compliance with tax laws to frustrate revenue-generation objectives. On the other hand, the citizens know that it is not in their interest to provide goods that governments could make available more efficiently privately. Therefore, they need to cooperate in tax payments for such to be possible. Beyond interdependency, collaborative governance must ride on the back of shared ownership to be successful. It requires the commitment of all stakeholders to pursue and achieve common targets and goals collectively. But even that is not possible in the absence of openness and trust.

On processes in...

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- reservation of Name Form;
- the proposed name;
- passport size photographs of the owners;
- the general nature of the business or proposed activities;
- the full address of the principal's place of business and place of business of every other subsidiaries;
- where the registration to be effected is that of a firm; the present forenames and surnames, nationality, age, sex, occupation and usual residential address of each of the individuals who are to become partners, and the corporate name and registered office of such corporation which is an intending partner as the case might be;
- the proposed date of commencement of the business or activities;
- certificates of professional qualification where the business is professional in nature.
- Where one of the partners is a non-Nigerian and intends to work in Nigeria, evidence of his immigration status.

To be continued next week

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