ABSTRACT
Since 2007, e-government has been one of the solutions put forward by the Malagasy government to cope with the bureaucratic dysfunctions of the public administration, in particular, the tax administration procedures. The decision of integrating IT system within the context of reform program has been taken after Madagascar’s participation in the World Summit on the Information Society in 2003. The overall goal of the reform program is mainly to get rid of flaws in the tax administration. In the context of globalization, it is also acknowledged that the IT system plays a critical role to create adequate environment not only in order to improve enterprises competitiveness which are the main taxpayers but also to simplify the organization of domestic tax collections. In this respect, the modernization of management practices in the tax administration impacts the relationships between the State, private sector and civil society. This paper aims at highlighting the extent to which e-government contributes to the improvement of the enterprises competitiveness which are the main taxpayers. In spite of the Malagasy government commitment to effectively implement the reform program, the tax administration is not yet able to achieve its goals due to the predominance of informal sector.

Categories and Subject Descriptors
K.4.1 [Public Policy Issues]; K.5.2 [Taxation]

General Terms
Management, Performance

Keywords
E-government, Dematerialization, Taxpayers, Reform Program, Informal Sector, Synergy, e-Tax Administration

1. INTRODUCTION
The Malagasy public administration is reputed for its sluggishness and inefficiency vis-à-vis the citizens. The results of these bureaucratic impediments are the poor quality of public services which is far from meeting the users’ expectations. This inefficient public administration, in general, and the tax administration, in particular, is therefore one of the factors hindering the achievement of visible results in terms of attracting foreign investments and thereafter contributing to economic growth and development.

To solve this problem of poor governance, the Malagasy government has implemented economic and administrative reform program towards better services to meet the citizens’ needs and to ensure greater transparency, accountability and efficiency. The reform program has been launched with support from the IMF and the World Bank in setting up good governance.

Reform programs have been undertaken since 2007 by the tax administration through the modernization of its services and managerial practices, as well as the development of modern IT system to support the core process of revenue administration. The integration of the IT system is considered not only useful for improving the quality of public administration services but also, as a development tool as it was defined according to the resolutions of the World Summit on the Information Society in 2003. Within the context of good governance, this system of e-government attempts first to simplify administrative procedures within the tax administration, and then to improve tax revenues collection. Thus, in the process of e-government implementation, the main question is then how the IT system can contribute to reach these goals.

1.1 Theoretical Concept
Michael Porter in his book "The Competitive Advantages of Nations" (1990) emphasized the vital role of the State in promoting economic development by attracting investments through the promotion of healthy and stable environment. According to the author, the role of the state is central to economic governance in regulating the private sector’s activities. In this respect, key factors related to the business environment will be considered in order to improve the firms’ performance.

1.2 Methodology of Research
The methodology outlined below was used for this study of electronic tax administration system:

- Research and consultation of documents related to e-government in the tax administration;
- Interviews with public officers and decision-makers at the tax administration level, at the National Agency for the Implementation of e-Government (ANRE), at the Reform Program for Effective Administration (PGDI) and with taxpayers mainly firms managers;
- Contact with the Group of Firms, Trade- unions and Associations which are grouping firms ;
• Survey of taxpayers mainly managers of large firms using electronic tax filing system;
• Research on Internet in order to get information on the best practices of e-government in other countries.

After this brief presentation of the context and the methodology of research, this paper consists of three parts: I. Main achievements and outcomes of the e-government in the tax administration; II. Assessment of the IT system in the tax administration; and III. Policy Recommendations for the effective use of IT system at the “tax administration” level which is the main condition of enterprises performance.

2. MAIN ACHIEVEMENTS AND OUTCOMES OF THE E-GOVERNMENT

As it is stated by literature, there is a close relationship between taxation and the quality of governance. Since 2007, the IT system has been implemented as working tools of the tax administration into the governance processes. However, surveys conducted at the General Directorate of Taxes revealed that its objective is no longer limited to the tax revenue collection but also to economic objective. The promotion of the e-government in this tax administration contributes, on the first hand, to the administration efficiency in terms of productivity, time and cost, and on the other hand, to the improvement of firms performance (as the main taxpayers), especially within the globalization context where competition is very hard. In the first part of this study, will be presented: (i) the main achievements of the tax administration and then (ii) the outcomes of the tax reform program.

2.1 Main Achievements of the Tax Administration

2.1.1 Shift from “Government “to” e-Government”

As part of the e-government implementation in Madagascar, tax administration is already committed to upgrading its working tools through the integration of IT system, network operation, Intranet and Internet. The shift from government to e-government has resulted in many changes especially in terms of speeding up the procedures.

2.1.2 Simplification and Modernization of Tax Administrative Procedures by the Implementation of Online Services (e-Services)

The reform program proves to be the most relevant prerequisite as far as tax payment availability, tax data security, and fighting corruption are concerned. In practice, taxpayers (which are mainly large firms) are required to submit their tax declarations electronically through the SIGTAS (Standard Integrated Government Tax Administration System) software.

2.1.3 Simplifying and Securing Tax Registration

This simplification concerns the management of Tax Identification Number (TIN) (attribution, update, consultation) as well the development of the web interface (TINONLINE).

2.1.4 Tax Payment through Banking System

To increase transparency, the implementation of tax payments through the banking system is also another reform effort in the fiscal area.

2.1.5 Capacity Building of Public Agents

Training of agents is also considered as a priority in order to improve the management of fiscal operations.

2.2 Outcomes

This section highlights the outcomes of the tax reform since 2007 and also the main indicators related to the tax revenues collections and the rate of fiscal pressure.

2.2.1 Outcomes of the Electronic Tax Administration

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolution of the rate of fiscal pressure</td>
<td>15 % in 2011, 10,9 %</td>
</tr>
<tr>
<td>Number of regions equipped with the SIGTAS software</td>
<td></td>
</tr>
<tr>
<td>22 regions</td>
<td>Region of Analamanga</td>
</tr>
<tr>
<td></td>
<td>Region of Vakinankaratra</td>
</tr>
<tr>
<td>Time spent by taxpayers for submitting tax declaration</td>
<td></td>
</tr>
<tr>
<td>Simplification and modernization of the administrative procedures</td>
<td>Online tax declaration (No queue so saving time) but problem of connection.</td>
</tr>
<tr>
<td>Reduction of cost for the taxpayers</td>
<td>Without travel cost</td>
</tr>
</tbody>
</table>

2.2.2 Evolution of Tax Revenues (2005-2011)

Figure 1. Evolution of tax revenues from 2005 to 2011 (1 USD = Ar. 2,000). Source: General Directorate of Taxes, 2012

This figure shows us the increase of tax revenues from 2006 to 2011. In 2008, even the amount of tax revenues doubled, since 2009, due to the political crisis, the amount of tax revenues was stabilized.

2.2.3 Evolution of Tax Revenues (2005-2011)

---

1 Enterprises with a turnover higher than 2 billions of Ariary are classified as large enterprises; Small Enterprises have a turnover of less than 20 millions of Ariary and medium enterprises, between 2 billions of Ariary and 20 millions of Ariary.
According to the International Monetary Fund report, in 2008, Madagascar’s rate of fiscal pressure (around 13%) was very high compared to the previous period. However, it was the lowest compared to that of Sub-Saharan Africa countries which was 15.7%. In 2011, if the goal was 15% in Madagascar, the outcome was 11%.

For this year 2013, the main objective for the rate of fiscal pressure is around 11% while the average of the low income countries in Sub-Saharan Africa is estimated at 18%. Despite many efforts to speed up the reform program through e-government, the tax base is still low compared to that of other Sub-Saharan African countries.

In general, the tax system remains an acute problem in Madagascar. Approximately 90% of the tax revenues of the State originate actually from large firms in 2010. For the small enterprises, they contributed only for 8% of the total of tax revenues. Thus, a large number of enterprises are tax evaders. From the survey at the National Institute of Statistics, the great majority of individual production units are in the informal sector even if they contribute to the creation of 3, 312,000 jobs. Furthermore, the informal sector contributed significantly to the economic development of the country by creating also Value Added Taxes around Ariary billion 4,480 and it represented around 24% of GDP in 2012. This problem remains an important feature of Madagascar’s economy.

3. ASSESSMENT OF E-GOVERNMENT WITHIN THE TAX ADMINISTRATION
This part consists of two points: (i) the strengths and (ii) the weaknesses of the tax reform program.

3.1 Strengths of the E-government in the tax administration
Two facts deserve to be mentioned as significant outcomes of the use of the IT system in the tax administration. Firstly, the Intranet and Internet tools have been introduced since 2005 and have allowed enterprises to access to any information and supports they need. Secondly, the simplification of administrative procedures by submitting tax declaration electronically and payment through banking system have been also initiated by the tax administration since 2009.

3.2 Weaknesses of the E-government in the tax administration

3.2.1 Misunderstanding Of E-Government by the Tax Administration Managers
During the interviews with IT experts in the General Directorate of Taxation, the decision-makers do not recognize the value of the computer scientists’ skills.

3.2.2 Lack of Taxpayers’ Ethic
Despite the training, the majority of taxpayers send only their tax declaration just before the deadline.

3.2.3 Shortage of IT skills
It has been noticed that there is a lack of computer science skills at the regional tax services centers in Madagascar.

3.2.4 Lack of Internet Coverage and Failure of Electricity in Some Regions
The Internet coverage in the country remains low and even in some regions, the connection is not working in an effective way.

3.2.5 Non Approval of the Law on Dematerialization
Despite the effort to implement the law on the dematerialization since 2008, the normative document is not until now subject to validation by the Parliament.

3.2.6 High Number of Enterprises in the Informal Sector, Tax Evasion and Inequity
The high percentage of enterprises especially small enterprises in the informal sector (last census 70% in 2010 according to the National Institute of Statistics) leads to a high number of tax evasion.

3.2.7 Tax Reform and Corruption
According to the International Transparency, it was revealed that in 2012, the situation has deteriorated because Madagascar was ranked 118 out of 175 in the world in terms of corruption (the score was 32 out of 100).

3.2.8 Tax Reform and Business Environment/Political Crisis/Special Account
Last few days, when the election date is known, the GEM grouping the majority of taxpayers has transferred the taxes to the state treasury. If many efforts have been done to implement E-government, other factor constrained its effective implementation such as the business environment.

4. POLICY RECOMMENDATIONS
To overcome the main weaknesses stated above which may jeopardize the e-government success, the main recommendations presented below would provide the basis of effective e-tax administration. These recommendations are:

- Sensitization of taxpayers and improvement of business climate
- Capacity building of the tax administration agents
- Establishment of a pool of IT skills within the public administration in general
- Providing computers to the regional tax service centers
- Spreading the deadline according to the types of taxpayers
- Promoting a synergy between the State and the other development actors.

---

2 Journal Midi Madagascar n° 9129, 29-08-2013
5. CONCLUSION
Reform program on E-government in the tax administration has already set up the basic principles of good governance such as transparency, citizen participation and social accountability through the introduction of IT system. Despite the previous efforts, the only tax administration cannot succeed this huge challenge without the contribution of other development actors. In this regard, synergy with other sectors must be put into practice. Thus, the effective commitment of all the actors at all levels is essential in terms of E-government. It is not only a matter of technology but also a matter of political will in order to get “performing enterprises”.

Taking into account the main problems during the tax reform process, in order to perform enterprises, within a nation, the collective commitment of all the actors (the State, the private sector, civil society, parliament, academic and international organization) is vital. Thus, they should work together, as a system, to set up E-government effectiveness and as a result, to achieve the Millennium Development Goal.

6. REFERENCES