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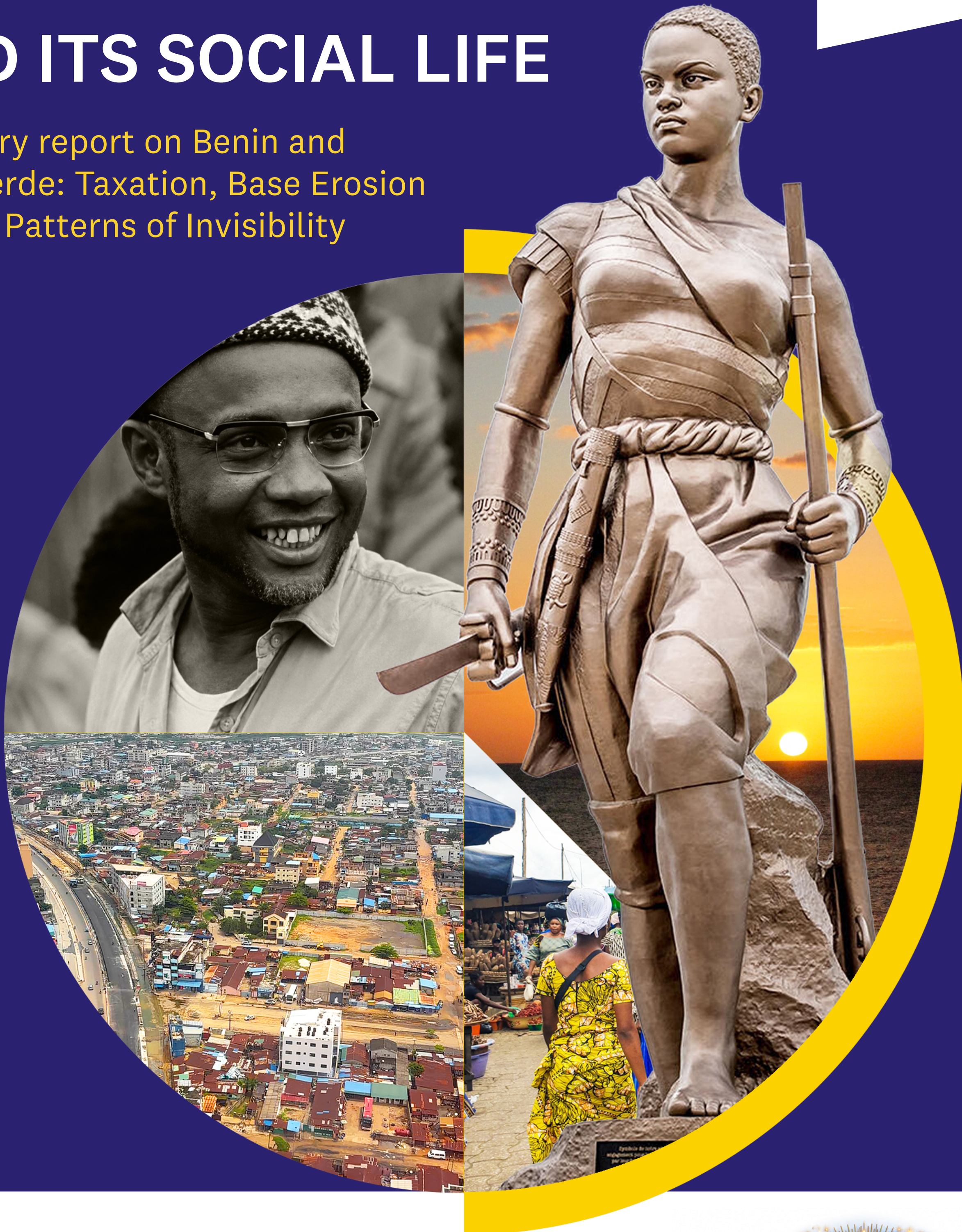
# THE TAX SYSTEM AND ITS SOCIAL LIFE

## A country report on Benin and Cabo Verde: Taxation, Base Erosion and the Patterns of Invisibility



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# The Tax System and Its Social Life: A Country Report on Benin and Cabo Verde: Taxation, Base Erosion and the Patterns of Invisibility

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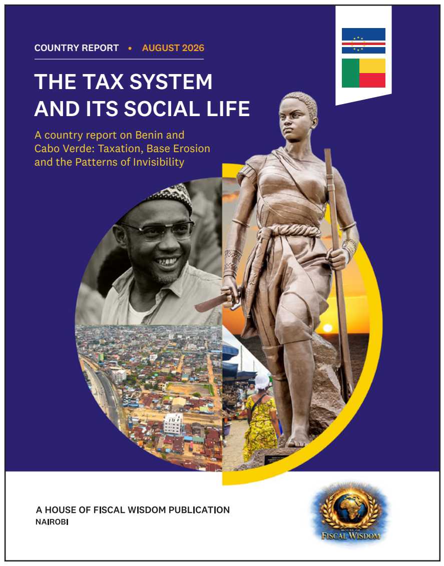


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# Abbreviations

| | |
|---|---|
| BCEAO | Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States) |
| CENTIF | Cellule Nationale de Traitement des Informations Financières (National Financial Information Processing Unit) |
| CFA | Communauté Financière Africaine (African Financial Community) franc |
| CRIET | Cour de Répression des Infractions Économiques et du Terrorisme (Court for the Repression of Economic Offences and Terrorism) |
| DGI | Direction Générale des Impôts (Directorate General of Taxes) |
| GDP | Gross domestic product |
| HS | Harmonised System |
| ICAC | International Cotton Advisory Committee |
| MTN | MTN Group, a telecommunications company |
| PAIGC | Partido Africano para a Independência da Guiné e Cabo Verde (African Party for the Independence of Guinea and Cabo Verde) |
| PBOC | People's Bank of China |
| RMB | Renminbi, the currency of China |
| SIGIBE | Système Intégré de Gestion des Impôts du Bénin (Integrated Tax Management System of Benin) |
| UEMOA | Union Économique et Monétaire Ouest Africaine (West African Economic and Monetary Union) |
| UIF | Unidade de Informação Financeira (Financial Intelligence Unit) |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| USD | United States dollar |
| VAT | Value added tax |

# Acknowledgements

This report results from the willingness of public officials and institutional representatives in Benin and Cabo Verde who spoke candidly about the mechanisms through which their fiscal systems are built, tested and, at points, evaded. In Cotonou, the author is grateful to the Director General of Taxes and the audit team of the Medium Taxpayers Office, the Head of Administration and the Deputy Director General, and colleagues at the Direction Générale des Impôts (Directorate General of Taxes); to a senior officer of the Direction Générale des Douanes (Directorate General of Customs); to officers of the Cellule Nationale de Traitement des Informations Financières (National Financial Information Processing Unit); and to the President of the Cour de Répression des Infractions Économiques et du Terrorisme (Court for the Repression of Economic Offences and Terrorism). In Praia, the author thanks the Director General of the Unidade de Informação Financeira (Financial Intelligence Unit); officials of the Ministry of Finance; the officer responsible for money laundering supervision at the Banco de Cabo Verde (Bank of Cabo Verde); Cabo Verde TradeInvest; and the Câmara de Comércio de Sotavento (Sotavento Chamber of Commerce). Their openness, offered without any assurance of how their accounts would be used beyond fair and careful representation, is the empirical foundation on which the analysis in this report stands. Particular thanks are owed to Kora G. Yaya and Yakoub Musa, whose support in arranging and facilitating the Benin interviews was indispensable to the work conducted in Cotonou, and to Frederic Mbassa, whose equivalent support made the Praia interviews possible.

*The Amazon Monument depicting a young female warrior armed with a rifle and a sword in a defiant, battle-ready pose in the city of Cotonou in southern Benin. Photo courtesy of the author*

# 1 Introduction: The Argument and the Journey

Every state in the world operates a tax system, and every textbook describes one in roughly the same way: a set of laws that define what is owed, an administration that assesses and collects it, and a treasury into which the proceeds flow. This report is about the distance between that description and the ground. Its argument, developed through two countries, is that a tax system is not a machine that a state installs but a social arrangement that a society either sustains or quietly declines to sustain. The laws can be modern, the software current, the officials competent and candid, and the system will still leak wherever the political and social realities on which it silently depends have not been built. How a tax system is constructed reflects the politics of the state that built it; whether it functions reflects the society it is asked to govern. Base erosion, on this view, is never only an accounting phenomenon. It is the fiscal trace of history, of institutional design, of who was ever given a reason to believe that the receipt in their hand had something to do with the school down the road.

I tested this argument in the field. In July 2026 I travelled to Benin and to Cabo Verde as part of a wider study of tax-related illicit financial flows in African agriculture and trade undertaken for the United Nations Development Programme. In Cotonou I sat with the Director General of Taxes and the audit team of the Medium Taxpayers Office of the Direction Générale des Impôts; with the Head of Administration and the Deputy Director General of the same institution; with a senior officer of the Direction Générale des Douanes; with five officers of the Cellule Nationale de Traitement des Informations Financières, the financial intelligence unit; and with the President of the Cour de Répression des Infractions Économiques et du Terrorisme, the court that tries the country's economic crimes[1]. In Praia I sat with the Director General of the Unidade de Informação Financeira, the financial intelligence unit; with officials of the Ministry of Finance; with the officer responsible for money laundering supervision at the Banco de Cabo Verde; with Cabo Verde TradeInvest, the investment promotion agency; and with the Câmara de Comércio de Sotavento, the chamber of commerce for the leeward islands[2]. Each institution described, with a candour that surprised me, the mechanisms through which value leaves its country untaxed, the instruments it has built in response, and the places where those instruments stop.

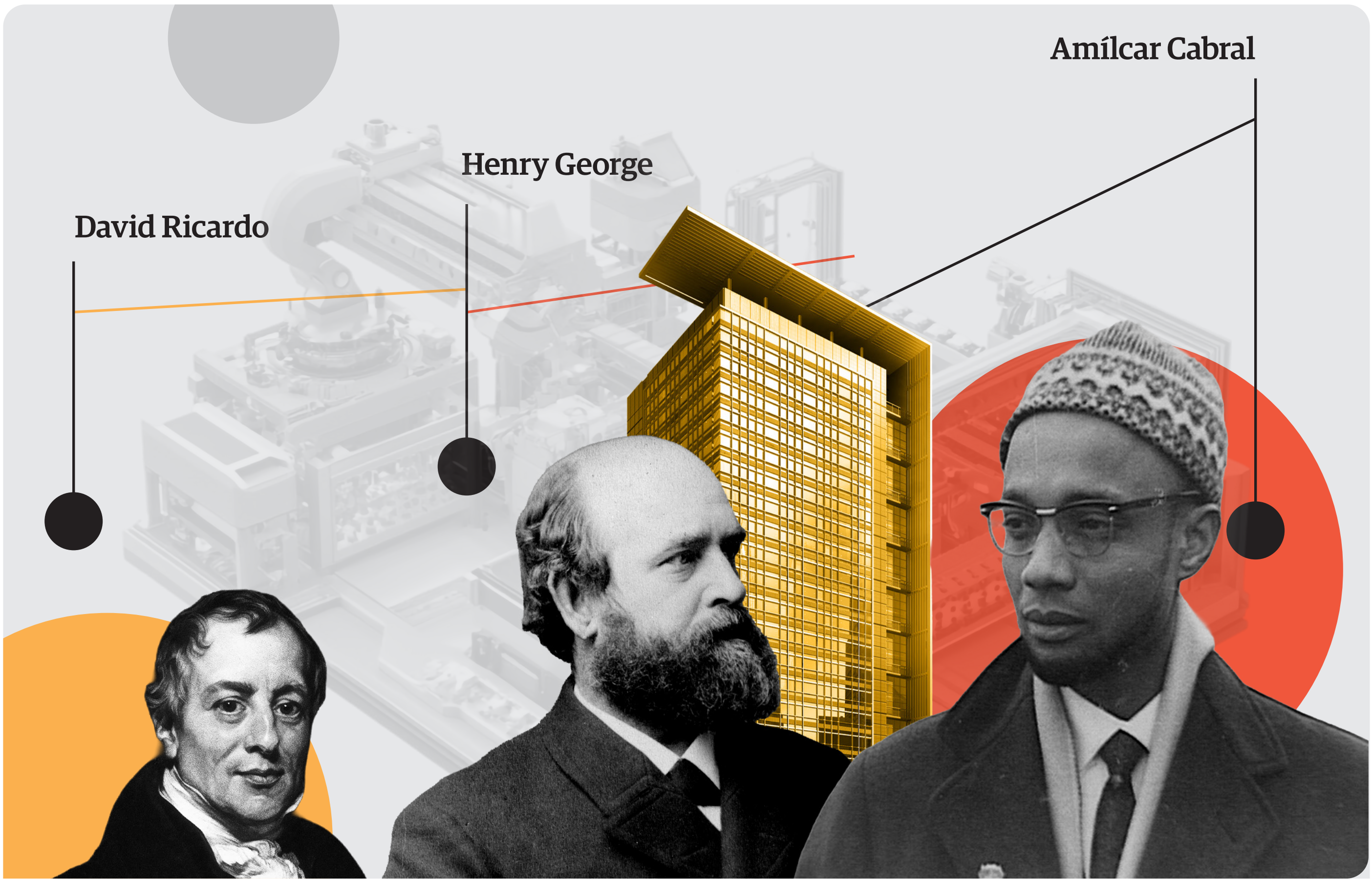
But the interviews are only half of the method. The other half was conducted on foot: in the fetish market above Cotonou's great Dantokpa market, where the ritual economy of Vodun trades in cash beyond any register; at the Temple of Pythons in Ouidah, where I paid an entrance fee to the shrine of a national religion and received nothing in writing; in Abomey, among the royal palaces and the household altars; on a government boat whose fare was an opening bid rather than a price; at a petrol station in Praia where my cash could not buy a receipt but a card could; in a café where a cashier wrote

1. Interviews conducted in Cotonou: Director General of Taxes and the audit team of the Medium Taxpayers Office, Direction Générale des Impôts (Directorate General of Taxes), 6 July 2026; five officers of the Cellule Nationale de Traitement des Informations Financières (National Financial Information Processing Unit) (CENTIF), 8 July 2026; Head of Administration and Deputy Director General, Direction Générale des Impôts (Directorate General of Taxes), 9 July 2026; senior officer, Direction Générale des Douanes (Directorate General of Customs), 9 July 2026; President, Cour de Répression des Infractions Économiques et du Terrorisme (Court for the Repression of Economic Offences and Terrorism) (CRIET), 10 July 2026. Statements are drawn from the author's contemporaneous notes and reported as the officials' accounts.

2. Interviews conducted in Praia: Director General, Unidade de Informação Financeira (Financial Intelligence Unit) (UIF), 14 July 2026; Câmara de Comércio de Sotavento (Sotavento Chamber of Commerce), 15 July 2026; Cabo Verde TradeInvest, 15 July 2026; officials of the Ministry of Finance, 16 July 2026; officer, Department for the Prevention of Money Laundering and Terrorism Financing, Banco de Cabo Verde (Bank of Cabo Verde), 16 July 2026. Statements are drawn from the author's contemporaneous notes and reported as the officials' accounts.

my purchase on a post-it note because receipts for cash purchase did not exist at her till; and in a taxi whose driver promised, with entire sincerity, to drop the receipt at my hotel later. None of these encounters involved large sums. All of them involved the same question, put to the fiscal system from below: does the record exist, and who is it for? This report moves between the two halves of the method deliberately, because the argument lives in their connection. The billion-franc mechanisms described in the ministries and the post-it note written in the café are ends of a single thread.

The report proceeds as follows. Sections 2 and 3 travel through Benin and Cabo Verde in turn, each beginning with the economy as it presents itself, moving through the system the state has constructed and what its own officials see escaping it, and ending at the places where the fiscal order is negotiated by hand. Section 4 steps back and reads the two countries through three thinkers who, across two centuries, asked the questions these journeys pose: David Ricardo, on why the wages of the poor cannot carry a state; Henry George, on why poverty persists amid progress and where the taxable surplus actually sits; and Amílcar Cabral, the liberation theorist of these very coasts, on what taxation meant under colonialism and what it must mean after it. Section 5 widens the lens to the global economy, because nothing observed in either country stays in either country: the cotton, the cashew, the tuna, the rice, the payments and the untaxed margins all travel, and the reader is implicated in where they arrive. Section 6 draws the lessons together. Throughout this report, what officials told me is reported as their account; what I saw is reported as observation; what the trade data shows is reported with its method; and none of it is presented as adjudicated wrongdoing by any named person or firm. The analysis is critical, but its criticism is directed at structures, and the structures are documented.




*An artist's illustration of the three economists whose ideology have shaped ideas in the two state economies; Benin and Cabo Verde. Illustration out-scourced*

# 2 Benin: The Fiscal State and Its Shadows

## 2.1 Arriving in the Two Economies

Cotonou announces its economic structure before any statistic can. The port dominates the shoreline, and the roads that leave it carry the trade of a region: Benin is the maritime gateway for Niger and Burkina Faso, the western flank of Nigeria's vast consumer market, and the exporter of Africa's largest cotton crop. Alongside this recorded economy runs another one, visible within minutes of arrival: the roadside fuel sellers with their glass jars of smuggled Nigerian petrol, the market women whose entire commerce is conducted in cash, the moto-taxis, the head-loaded goods moving through Dantokpa market in volumes no ledger will ever capture.

The statistics confirm what the street displays. Benin's tax revenues stand at roughly 13 per cent of national output, among the lowest ratios in West Africa; the informal sector accounts for an estimated nine in every ten jobs; and the border with Nigeria runs for 809 kilometres, most of it beyond effective surveillance, with a further 651 kilometres shared with Togo[3]. Two economies, then, in the same streets: one that writes things down and one that does not, and a fiscal state whose entire predicament consists in the ratio between them.

What a visitor cannot see, and what this study went to find, is the third economy: the one that writes things down incorrectly. Benin's cotton, nearly half of its merchandise exports, is sold overwhelmingly to the spinning mills of Bangladesh, and in the exceptional price year of 2022 the values declared at the Port of Cotonou imply a gap of up to USD 88 million against the world benchmark price for the same fibre. Benin's cashew presents the cleanest evidence of its kind in the wider study: in 2023 Benin's customs recorded USD 81 million of cashew exports to India, while India's customs recorded USD 113 million of cashew arriving from Benin, a gross discrepancy of USD 32 million, and after every allowance for freight and insurance roughly USD 22 million of that gap has no innocent explanation[4]. The third economy is the subject of the chapters that this report distils; the journey was undertaken to understand why it thrives, and the answer turned out to lie as much in the cities of Ouidah and Abomey as in the customs code.

## 2.2 The Constructed System: What the State Has Built

It must be said clearly, because the popular image of African tax administration obscures it: Benin has built, in a decade, a fiscal apparatus that many wealthier states would recognise as modern. The Direction Générale des Impôts digitalised its core functions, registration, declaration and payment, in 2017, and introduced a standardised electronic invoice in 2018, administered through the SIGIBE system[5]. The results are the most arresting numbers I recorded anywhere on either mission: value added tax collections rose from under CFA 400 billion in 2016 to approximately CFA 1,300 to 1,400 billion by 2025[6]. Whatever share of that increase belongs to growth and inflation, the administration's own attribution is emphatic, and its logic is the logic of this entire report: where transactions were made visible, revenue followed.

The customs administration, for its part, operates scanners at the port, the airport and two land frontiers, channels consignments through green, yellow and red lanes using a risk-targeting engine developed in Benin

3. Coface Country Risk File, Benin (2025), on tax revenues of approximately 13 per cent of GDP and informal employment of approximately 90 per cent; border lengths as given by the audit team of the Medium Taxpayers Office, interview of 6 July 2026.

whose selection criteria the administration describes as incorporating artificial intelligence, and automatically treats any new operator entering a sector as a risk to be examined.

Valuation itself has been delegated for a decade to a private company, Bénin Control, operating the state's import verification programme, whose certifications precede the application of duty and whose adjustments, a senior customs officer told me with a candour I have tried to honour, run routinely upward, because the trader's interest is always to declare less. Transit cargo bound for Niger carries electronic tracking devices. The financial intelligence unit, CENTIF, receives reports from the banks, screens accounts whose funds have no explained activity, and forwards what it finds to the tax administration.

And the system yields. The most important single fact I carried out of Cotonou is a recovery figure: suspicious transaction reports indicating potential tax abuse, forwarded by CENTIF to the DGI, produced a tax audit that recovered approximately CFA 4 billion, with approximately CFA 10 billion frozen in 2024[7]. The audit team of the Medium Taxpayers Office described to me a completed transfer pricing audit in the telecommunications sector in which the management and consultancy fees paid by a foreign-affiliated operator were tested against what MTN and Moov were paying, found to be inflated, and corrected using the transactional net margin method. This is not a state without instruments. It is a state whose instruments work wherever they reach, which sharpens rather than softens the question the rest of this section pursues: why do they reach so little?

## 2.3 What the Officials See: Base Erosion in the Words of Those Who Fight It

The officials I interviewed described base erosion as a set of practices they encounter weekly, and their inventory deserves to be set out in their own institutional voices, because its coherence is itself a finding.

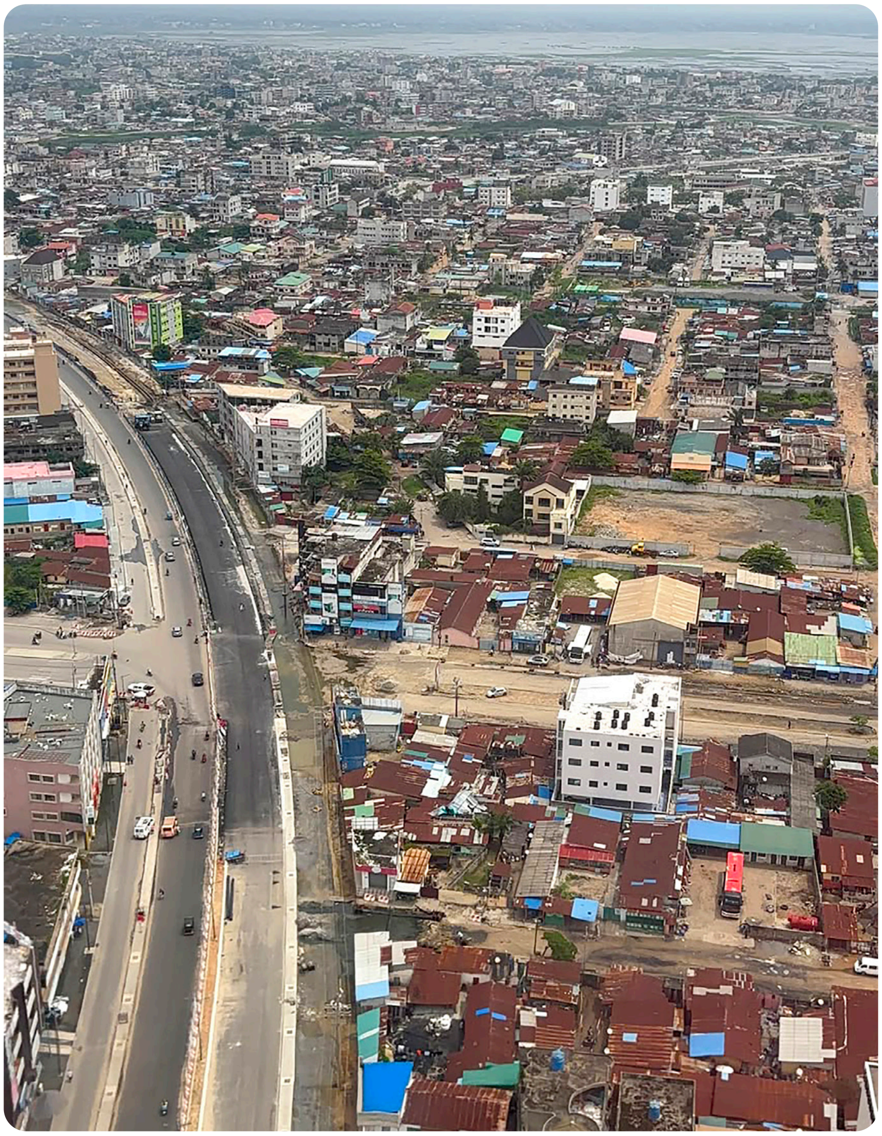
The tax administration's leadership began with an admission that frames everything: illicit financial flows are a reality in Benin, the fight against them is written into the national revenue strategy, and yet the administration cannot state what it loses to them or what its countermeasures recover, because the studies that would permit quantification have never been done. What it can describe is mechanism. Some traders issue no invoice at all to final customers; some claim their invoicing devices have broken down; some businesses procure invoices from other businesses for transactions that never occurred, so as to deduct value added tax they never bore; and some duplicate the security codes of genuine invoices onto further invoices whose sales then vanish from declared turnover. The frauds, in other words, have evolved with the instrument, attacking in turn its coverage, its content and its integrity. Beyond the invoice's perimeter lies a larger darkness that the leadership named precisely: foreign trade is not yet integrated into the invoicing system, customs and tax records remain unconnected, payments in cash or even by cheque are invisible on the day of the transaction, and the agricultural sector, the very heart of the economy this study examines, has historically been exempt from income taxation and is therefore barely touched by audit at all. The exemption, they acknowledged, does not merely forgo revenue; it disables the instrument that would detect flows within the sector, and the admin-

[4] Trendeconomy / UN Comtrade, HS 080131 bilateral data for 2023 (Benin declared exports to India USD 81 million; India declared imports from Benin USD 113 million), with the freight-adjusted residual computed in Chapter Two of the underlying study; cotton benchmark analysis against the Cotlook A Index (ICAC reference series) in the same chapter.

[5]. A standardised electronic invoice is worth explaining, because its fiscal significance lies in its mechanism rather than in its name. Registered traders are required to issue invoices through a certified machine or software that transmits each sale to the tax administration as it is made, so that the transaction enters the administration's system at the moment of the sale rather than at the moment the trader chooses to declare it. The instrument therefore converts the taxpayer's own record into the administration's record. It follows that what such a system captures is determined by its coverage rather than by its design, which is the point pursued in the remainder of this section.

[6] Interview with the Head of Administration and the Deputy Director General, Direction Générale des Impôts, Cotonou, 9 July 2026.

[7] Interview with officers of CENTIF, Cotonou, 8 July 2026. The sums stated as recovered and frozen are as given by the officers.



*An aerial view of Cotonou. Though Porto-Novo is the official capital, Cotonou serves as the de facto seat of government. Photo courtesy of the author*

istration is now reflecting on trimming it, beginning with those who speculate in agricultural commodities.

The customs officer described the border to me as a problem of two kinds, physical and financial, and it is worth taking them in that order, because the second is where the argument of this report is decided. At Nikki in the north, goods entering from Nigeria, construction materials prominent among them, are declared below their market price as a matter of course; the duty follows the invoice, and the invoice lies. Along more than 800 kilometres of frontier, no statistics exist for what is lost. Transit cargo declared for Niger is partially dumped inside Benin for untaxed sale, a fraud the Port of Cotonou now detects through an arrangement of almost pre-modern ingenuity: observers follow the trucks and compare the tonnage loaded with the tonnage that arrives, so that a load of 200 tonnes delivering 120 identifies both the crime and the stretch of road on which it happened. Goods landed for re-export to Nigeria are sold quietly out of the warehouses instead.

The financial border is the harder of the two, because the payments beneath this trade have detached themselves from the visible financial system altogether. The Medium Taxpayers Office described Chinese rice-trading networks whose orders and settlements travel entirely through WeChat, leaving no trace in any Beninese bank. Naming the platform, however, conceals the mechanism, and it is the mechanism an administration would need in order to act, so it is set out here. WeChat is not merely a messaging application. It carries an embedded payment function, and a wallet within that function is opened against a verified identity and, in ordinary practice, against a mainland Chinese bank account[8]. A wallet is therefore a component of the Chinese financial system carried in the pocket of a trader standing in Cotonou. Where the Beninese importer and the Chinese supplier are both connected to that system, whether in their own names, through relatives, through agents or through others in the same commercial network, the price of a consignment of rice is settled by a transfer from one wallet to the other. That transfer is a book entry inside the operator's own ledger, denominated in renminbi, passing between two accounts held in China against funds deposited in China and supervised by the Chinese central bank. The goods travel to Benin, the money never leaves China, and the two halves of the transaction are separated by design rather than by concealment.

Fiscal invisibility follows from that architecture, and it is worth naming exactly where each instrument of the state fails to engage, because each failure points to a different remedy. The importer has no outbound transfer for the exchange regulations to capture, because nothing was remitted through an authorised intermediary, and the entire apparatus of external financial control in the West African Economic and Monetary Union is built upon transfers that an authorised intermediary executes[9]. No Beninese bank has processed anything, so no reporting institution is placed in a position to file the suspicious transaction report on which CENTIF, a reactive unit, depends. No entry reaches the electronic invoicing system, because that system records sales made in Benin and not settlements made in Guangzhou. The three windows through which the Beninese state ordinarily observes a commercial transaction, the bank, the invoice and the exchange control, are each open onto a place where the transaction is not. What remains visible in Benin is a physical consignment at the port and the cash it earns on the domestic market, and the relation between the two, which is the price actually paid, is precisely the fact the fiscal system requires and cannot reach.

This explains the answer that so struck the auditors. Asked how goods of substantial value were financed when no money is recorded as having left the country, the traders reply that the supplier extended a loan, and the bank statements show no such loan, because the credit is not a transaction but an explanation offered to fill a documentary gap. The obligation was discharged in a ledger the production of which no Beninese authority can compel. Some networks dispense with the platform and settle in cryptocurrency, which achieves the same separation of the goods from their payment by another route, so that the choice between the two is a matter of convenience rather than of kind.

The customs officer added the older technology, and the comparison repays attention. Hawala is the trust-based transfer system through which, particularly in the second-hand vehicle trade, large sums cross borders without touching a bank, the obligation being settled instead by offsetting entries between brokers who periodically net their positions against one another[10]. A 2016 law criminalising undeclared transfers reaches only the couriers unlucky enough to be searched at Kraké. What the platform and the broker have in common is the structure rather than the technology. In both, value passes between countries through the movement of nothing whatever across the frontier, the debt being extinguished by an entry in a private record. Benin has therefore not been overtaken by a novel financial technology so much as it has met a very old one wearing a corporate interface, and the enforcement response that reaches the courier at Kraké was designed for a world in which value had to travel physically in order to travel at all.

Between these accounts sits the scheme that most clearly joins the physical and financial borders: farmers, paid an administered price by the state export enterprise for their cashew and soya at a level well below what Nigerian buyers pay, smuggle their harvest across the frontier in what the study concluded is not deviance but arbitrage, a flow that pricing policy itself creates and enforcement is then asked to chase.

[8]. WeChat, operated by Tencent, combines a messaging application with an embedded payment function, Weixin Pay or WeChat Pay. Chinese regulation requires that every payment account be verified against the identity of its holder: see the Administrative Measures for the Payment Services Provided by Non-financial Institutions, the anti-money-laundering and counter-terrorist-financing measures applicable to payment institutions, and the Administrative Measures for the Online Payment Business of Non-bank Payment Institutions, which took effect on 1 July 2016. Accounts that have not completed that verification are restricted from precisely the functions at issue here, namely transfer, receipt and withdrawal. Although the platform has since been opened to inbound travellers verifying by passport and binding foreign cards, its transfer functions run through the mainland banking system. The consequence relevant to this report is that a wallet-to-wallet transfer moves renminbi between two accounts anchored in Chinese banks, recorded in the operator's own ledger and supervised by the People's Bank of China, which since 2019 has held the customer reserve funds of non-bank payment institutions centrally. Nothing in the mechanism is unlawful, and the same architecture carries an immense volume of ordinary domestic payment in China. It is set out here because an instrument that is fully transparent to one state's authorities may be wholly opaque to another's, and it is that asymmetry, rather than any defect in the instrument, that the Beninese officials were describing.

[9]. Reglement n. 09/2010/CM/UEMOA of 1 October 2010 on the external financial relations of the member states of the West African Economic and Monetary Union, together with BCEAO Instruction n. 01/07/2011/RFE of 13 July 2011 on the execution of settlements with foreign countries and with non-residents. The architecture rests on the intermediaire agree, the authorised intermediary, defined as a credit institution established in a member state and approved by the minister responsible for finance, through which settlements with parties outside the franc zone are executed, domiciled and evidenced. The domiciliation of imports and the supporting-document requirements both attach to transfers executed by such an intermediary. Where no intermediary executes anything, the controls have nothing to attach to. This is a structural feature of the regime rather than a gap in its drafting, since the regime was designed for a world in which cross-border value could move only through a bank.

The value added tax completes this circle at the point where the export leaves, and the officials in Cotonou described the mechanism to me directly. Exports are zero rated under Benin's VAT, as they are almost everywhere, on the orthodox reasoning that a consumption tax should fall where consumption occurs and that no state should export its own tax. The consequence is that the foreign traders who dominate the cashew and soya export trade charge no VAT on what they ship and are entitled to claim back from the treasury whatever VAT they bore on their inputs. In a fully documented economy that refund is a neutral book entry. In Benin it becomes something else, because the goods are bought from an agricultural sector that is exempt from income taxation, stands largely outside the invoicing system and is paid in cash, so the genuine input VAT embedded in the purchase is modest. The refund claims must therefore rest on invoices, and the tax administration itself described to me a functioning market in invoices for transactions that never occurred. A refund window fed by procurable paper turns the treasury into a counter at which fabricated VAT can be exchanged for real money. The arrangement then compounds the misinvoicing already established in these trades. The same consignment of cashew that leaves Cotonou under a declared value which the mirror statistics contradict can still anchor a refund claim, so the state pays money out on a trade whose true value it never saw and never taxed. Zero rating, a rule designed to keep the tax at home, here escorts the revenue out of the country along with the nuts.

The financial intelligence unit and the economic crimes court closed the circle from the enforcement side. CENTIF's officers confirmed tax-related flows concentrated in commercial agriculture and in the rice, fish and chicken import trades, with Nigeria recurrent in the base erosion they observe; confirmed that the unit is reactive by design, seeing only what banks and other reporting institutions flag to it; and confirmed the silence at the perimeter, having never once received a report from a construction company, while lawyers do not report and estate agents do not share what they know. The President of the CRIET explained why the silence

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matters. As the formal financial system has tightened under international standards, the holders of illicit funds have moved into the spaces where questions are not asked: into commerce, and above all into agriculture, acquiring land, presenting themselves as farmers, keeping no records of turnover or profit. Farms, he said, are becoming warehouses. His court answers with the severest instrument in the study: patrimonial sanctions that confiscate the assets of the convicted, past, current and even future, reaching lawful property once illicit property is exhausted. Between the exempt farm and the confiscating court lies the entire institutional question of this report: everything in between, the reporting, the registers, the routine reading of one record against another, is where the system is thinnest.

## 2.4 The Human Hand: Ouidah, Abomey and the Government Boat

It is a long way, on paper, from these mechanisms to a python temple. It is a short way on the ground, and the connection is the theme of this report. In Ouidah, the historic coastal town from which enslaved people were marched to the ships and in which the Vodun religion has one of its greatest sanctuaries, I visited the Temple of Pythons. There is an entrance fee, and I paid it. No receipt was issued, although a book of receipts lay on the table in front of the attendant, and when I asked for one, I was waved away. This was a government-recognised site of national cultural significance, in a town where the state is building, on a scale visible from the road, a major museum to the very tradition the temple

[10.] Hawala and comparable arrangements are treated in the international standards as informal value transfer systems: see Financial Action Task Force, The Role of Hawala and Other Similar Service Providers in Money Laundering and Terrorist Financing (October 2013). Their defining feature is that the obligation is settled by offsetting entries between brokers rather than by the movement of funds across a frontier. The comparison drawn in the text is functional and is not intended to suggest that a licensed payment platform and an unlicensed broker occupy the same legal position.

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*Dried and mounted fauna, including feline and crocodilian remains, displayed for sale in the ritual economy of Vodun above Cotonou's Dantokpa market. Photographs taken by the author during fieldwork, July 2026.*

royal palaces stand among neighbourhoods dense with household altars, small payments moved constantly, for entry, for guidance, for photographs, for blessing, and not one of them generated a record. The private economy behaved identically but more courteously: taxi drivers wrote receipts by hand when asked, on paper carrying no code, no number, no connection to any system that could ever be checked.

It would be easy to file these encounters under petty corruption or underdevelopment, and both filings would miss the point. What I was observing was the fiscal system as most citizens meet it: a system in which the record of a transaction is not an automatic property of the transaction but a favour, an improvisation or an ambush; in which the price of access to a public thing is set by the person standing at the door; and in which the state itself, at its own sites, on its own boats, collects

[11]. The Vodun Days festival has been held at Ouidah each January since its first edition on 9 and 10 January 2024, as a national event supported by the Government of Benin; the national Vodun holiday falls on 10 January. See Mairie de Ouidah, Vodun Days, https://ouidah.mairie.bj/actualite/vodun-days; Ecofin Agency, 'The historical city of Ouidah to host Vodun Days on January 9 and 10, 2024'. The museum construction at Ouidah is reported here as observed by the author in July 2026.

money in exactly the manner it penalises when traders do the same. The DGI's standardised invoice, the pride of the system described in section 2.2, governs a defined commercial world; these transactions live outside it, not because they are hidden, since they happen in daylight, at famous sites and in front of officials, but because no instrument has ever been extended to them and no expectation ever created around them. The fiscal frontier of Benin, I came to understand, is not only the 809 kilometers facing Nigeria. It is the last metre between the visitor and the doorkeeper, replicated millions of times a day, and on that frontier the state has posted no one at all.

## 2.5 The Vodun Economy: Taxation and the Sacred

Nothing prepared me for the fetish market. Above the ordinary commerce of Cotonou's Dantokpa market, one of the largest open markets in West Africa, is the market of Vodun: stall upon stall of the materials of ritual. There were dried rats and bats in their hundreds, snakes and the papery lengths of their shed skins, and the severed heads of crocodiles, hyenas, cheetahs and monkeys, desiccated and long dead, arranged in rows like a taxidermist's catalogue with the glass removed. Carved figures, bundles of herbs, cowries, the instruments and ingredients of a living religious practice that the constitution protects, the calendar honours with a national holiday on 10 January, and the government now celebrates each year at the Vodun Days festival in Ouidah, an international event of state since January 2024.[11] Every object in that market is sold for cash. No price is displayed; every price is made in the negotiation. At the entrance to the Vodun section a man levies his own toll: foreigners pay to enter, at a figure he sets and defends and, under protest, reduces, while nationals pass freely. He issues no receipt. He is not an official, and yet he administers, with complete effectiveness, a discriminatory tariff on access to a market, which is more than the state manages at the same doorway. No officer I interviewed, in any institution, could tell me what revenue the state collects from this economy. The honest answer appears to be none, and no one knows its size.

The temptation is to treat this as exotic marginalia. It is the opposite: it is the analytical centre of the Beninese case, for three reasons. First, scale and structure. The ritual economy is not a residue; it is a supply chain, reaching from hunters and gatherers in the north through wholesalers to the stalls of Dantokpa and onward to practitioners in Abomey whose neighbourhoods are, as I saw, dense with altars, and outward to the wider Vodun world of the diaspora. It is import-adjacent, export-adjacent, labour-intensive and entirely cash-settled: precisely the profile that every official I interviewed identified, in other sectors, as the highest-risk configuration for flows the state cannot see. Second, history. The fiscal relationship between the Beninese state and this economy is not blank; it is scarred. Colonial Dahomey met Vodun with missionary hostility and met the population with the head tax, the impôt de capitation that forced subsistence households into cash-crop labour to pay a coloniser's levy; the post-colonial Marxist state of the 1970s and 1980s suppressed the religion outright as superstition; rehabilitation came only with the democratic renewal of the 1990s, the Ouidah festival of 1993 and the national holiday that followed.[12] A community whose practice was taxed by no state but persecuted by two has no reason to experience registration as a service. Documentation, in this economy's memory, is what precedes confiscation. The trader who keeps no register and the gatekeeper who issues no receipt are not evading a fiscal contract; they are declining one that was never offered on acceptable terms.

Third, and most revealing, is what the state has chosen to do instead. It has not attempted to tax the Vodun economy. It has decided to monumentalise it: a museum rising at Ouidah, a festival of state with presidential attendance, an international tourism strategy in which Vodun is the national brand. The fiscal logic is perfectly legible. The ritual economy itself is illegible to the state, culturally defended and politically untouchable; the tourist economy that can be built around it is visible, ticketed, concessioned and taxable in the ordinary way. The state, unable to tax the sacred, is building a taxable perimeter fence of hotels, entrance tickets and festival contracts around it. As fiscal strategy this is shrewd, and as a development choice it may be right. But it should be named for what it is: a decision about where the tax system ends, taken not on grounds of economics but on grounds of politics, history and the sacred. There is no better illustration of this report's theme. The boundary of Benin's tax base was not drawn by the Code Général des Impôts. It was drawn by the memory of the head tax, the persecution of a religion, and the negotiation between a modernising state and the oldest institution in its territory, and the museum now under construction

# 3 Cabo Verde: The Transit State and the Personal Receipt

## 3.1 Arriving in the Archipelago

Cabo Verde is everything Benin is not. Ten volcanic islands in the Atlantic, 500 kilometres from the African coast; no 807-kilometre land border, indeed no land border at all; a population of some half a million; a currency pegged to the euro; a middle-income economy resting on tourism, remittances and a single significant export industry, the tuna processed at Mindelo for the European market. Where Benin's fiscal problem announces itself in crowds and borders, Cabo Verde's announces itself in silence. Walking the shoreline of Praia in July 2026 I passed construction site after construction site in states of arrested motion: foundations poured and abandoned, walls half-raised with vegetation growing through them, and beside the functioning Pestana Trópico hotel a completed, state-owned hotel standing closed and empty. The officer responsible for money laundering supervision at the central bank later told me, without my raising it, that in his institution's assessment the accelerated construction visible in parts of the city includes laundered funds, and that real estate is the most vulnerable sector in the country. The landscape, in other words, was not scenery. It was evidence.

The Director General of the financial intelligence unit gave me the frame within which that evidence makes sense. Cabo Verde, he said, is a transit state. The predicate crimes behind the money his unit sees are committed elsewhere; the country's role is passage and conversion. Money is moved out, not accumulated, there being, in his phrase, no luxuries here to spend it on. His unit's most persistent red flag is outbound foreign currency; its recurring pattern is the bank account opened and emptied within a day. In a pegged, banked, archipelagic economy, value cannot walk across a bush frontier as it does in Benin; it must pass through interfaces, the invoice, the company registry, the property deed, the international transfer, and it is at those interfaces, the interviews confirmed one after another, that the Cabo Verdean fiscal system leaks.

## 3.2 The Constructed System and Its Perimeter

Cabo Verde's formal apparatus, like Benin's, is more modern than its size would suggest. Electronic invoicing has been mandatory since 2020; the customs system is a standard international installation; the escudo's peg to the euro means that foreign currency leaving the country passes through observable banking channels; the treaty network now includes, as the Ministry of Finance confirmed to me and the public record verifies, a double taxation convention in force with Spain, the home of the tuna industry's parent companies and the largest source of inbound investment. The institutions exist and cooperate: the financial intelligence unit exchanges information through the Egmont network; customs reports large cash movements; the tax authority writes to the unit with lists of entities of interest and receives answers.

The interviews mapped the perimeter of this system

[12] On the colonial capitation tax in Dahomey and French West Africa and its function in forcing cash-crop and wage labour, see the standard histories of French colonial fiscal policy; on the suppression of Vodun under the Marxist-Leninist government of 1974 to 1989 and its public rehabilitation from the early 1990s, including the Ouidah 92 festival of 1993 and the institution of the national holiday, see the historiography of religion and state in Benin. These are offered as historical context for the fiscal analysis, not as original findings of this study.

with remarkable consistency, each institution candidly describing the point at which its own sight ends. The financial intelligence unit sees suspicious transactions, but only from designated reporting sectors, and the sectors that matter most are not designated: tourism, the engine of the economy, files no reports at all, and in five years of reporting not a single fisheries or agricultural enterprise has appeared in a suspicious transaction report, a silence that measures the reporting perimeter rather than the sector's virtue. The central bank supervises, but, as its officer put it to me with a frankness I have quoted throughout this study, everything is based on inspections: without an inspection there is no information, supervision does not operate in real time, and a team too small to inspect more than a fraction of its perimeter had, at the time of interview, applied its risk methodology to four of the country's eight financial institutions.

The investment promotion agency welcomes capital but conducts no due diligence on it, does not examine corporate structures for offshore parents or conduits, refers nothing to the financial intelligence unit, and reasons, in the words recorded in my notes, that if the banks clear the money there is nothing to worry about. The chamber of commerce described the gate that faces domestic business: a licence that cannot be renewed without tax clearance, and companies that respond to the gate not by regularising but by continuing informally, or by abandoning the indebted company altogether and incorporating a fresh one, the tax debt stranded behind them, a manoeuvre nothing prevents because no register connects the new company to the owners of the old. And the Ministry of Finance contributed the scheme that ties the whole geography together: importers without authorisation renting the authorisation of compliant companies, importing through them, taking back the goods, selling without any declaration and remitting the proceeds abroad, a mechanism whose reality is attested by the seizure of approximately USD 500,000 at the airport in connection with it.

The pattern across these accounts is the same one Benin taught, translated into an island register. Each institution is competent within its lit area. The flows live in the dark between the lamps, and the dark is not accidental: it is the product of perimeters drawn by law, registers never built, and gates that police entities rather than the people behind them.

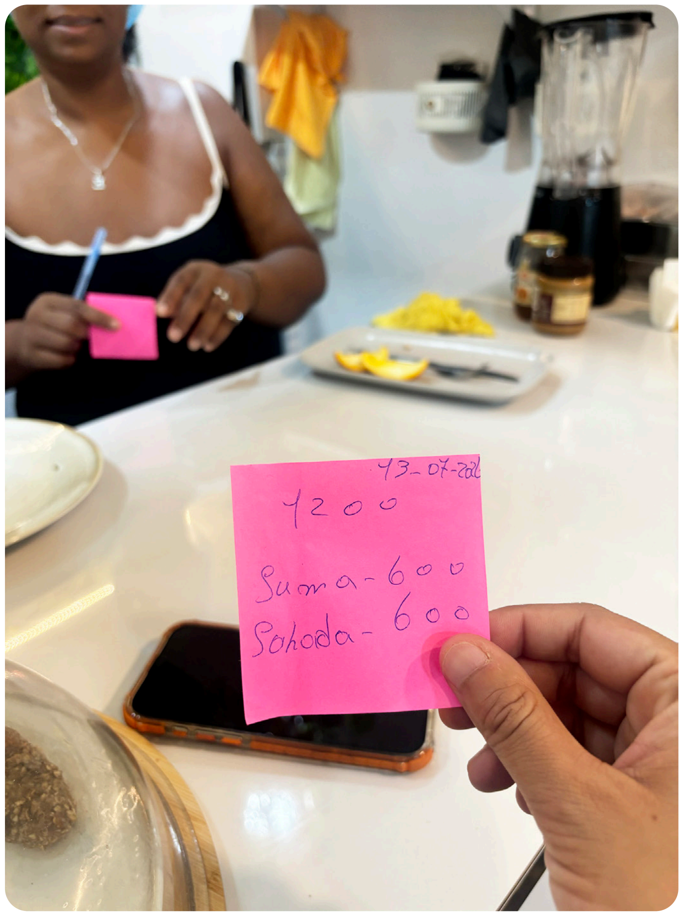
Two of the examples given to me in Praia repay closer analysis, because together they show what the gate actually polices. The first is the company that applies to renew its licence, fails for want of tax clearance, and responds not by settling its debt but by incorporating a second company that applies afresh with a clean history. The manoeuvre has a name, phoenixing, and it is used below.[13] Nothing in the manoeuvre is hidden; the new company sits in the public registry beside the abandoned one. The gate does exactly what it was built to do, which is to examine the entity standing before it. What it cannot do is examine the person behind the entity, because no register of beneficial ownership connects the new company to the owners of the old, and so the sanction attaches to a legal shell that costs almost nothing to discard while the business, the premises and the customers continue undisturbed. A tax clearance requirement without an ownership register is not an enforcement instrument; it is an invitation to serial incorporation, and the tax debt it was meant to collect is stranded in a company that no longer trades. The second example runs the same logic through foreign trade. A foreign company that holds no declaration of its own sells its goods to a local company that has one; the goods enter and move under the local company's paper; the local company then resells them and reports no sales at all. Every document in the chain is genuine, which is precisely the point. The declaration has become a rentable asset, valuable because it is checked, and the transaction it covers disappears because the one instrument that would record it, the invoice at resale, is never issued. In both examples the scheme does not defeat the state's documents; it uses them. A control regime that verifies paper but not people converts its own controls into property, and a market will always form in property of that kind.

[13] The manœuvre is known in the insolvency and revenue literature as phœnixing: the transfer of a trading business out of an indebted company into a newly incorporated one under the same control, the liabilities being left behind in the abandoned shell. The expression is used in that sense at section 6 below.

## 3.3 The Human Hand: The Petrol Station, the Post-it and the Taxi Driver

And then there is the last metre, which in Cabo Verde I met three times in three days. At a petrol station shop in Praia I paid in cash and asked for a receipt. The answer was direct: for cash purchases there is no receipt; a receipt comes only with card payment. Reflect on what that sentence means. The record of the transaction was perfectly available, the till could produce it, but the shop had arranged its practice so that the state's document attached only to the payment channel the state can see anyway. Cash, invisible to the bank, was kept invisible to the till. The machine that forces the record is the card network, a private, foreign infrastructure; where it is not engaged, the national fiscal instrument simply does not fire. At a small café the encounter softened into something almost poignant. I asked for a receipt; the cashier explained that no receipts were available; and then she took a post-it note and wrote on it, by hand, what I had bought and what I had paid, and gave it to me. She was not refusing the fiscal relationship. She was improvising it. The will to attest existed; the system had never reached her counter. And a taxi driver, asked for a receipt, told me he had run out of them, and offered, with complete sincerity, to drop one at my hotel reception later (he never did). The receipt, in his practice, was not the record of a transaction generated at the transaction. It was a document of courtesy, detachable from the event it described, deliverable like a postcard.

Three small encounters, one structure. In each, the record of the transaction was contingent on something personal: the payment instrument I happened to hold, the goodwill of a cashier, the diligence of a driver with my hotel's address. In none was the record an automatic property of the sale, and in none did anyone imagine the state was owed it. These are the same facts the Director General of the financial intelligence unit described at the scale of suspicious transaction reports and the central bank at the scale of inspections: a fiscal order in which visibility is the exception that must be specially produced, rather than the default from which concealment deviates. The post-it note is the artefact this report returns to most often, and it is not offered as a curiosity. It is the fiscal contract in embryo, drafted by a cashier whose own till had never been asked to draft one.




*A transaction attested by hand: the cashier's post-it note receipt, Praia, July 2026. Photograph by the author.*

Those three encounters showed a record failing for want of an instrument that had never reached the counter. A fourth case, which came to me not on the street but in a meeting with an official of the United Nations Development Programme in Praia, shows something the first three could not, namely an instrument kept away from the counter by a regulatory settlement. [14] It belongs in this section because the taxi driver of the preceding paragraph is not a solitary individual with an empty receipt book but a participant in a trade whose invisibility has been arranged. The business is closed. Entry to it is controlled, that control is upheld through enforcement against those who ply without permission, and the ride

*Lighthouse before the entrance of Praia, the capital city of Cape Verde*

hailing platforms that operate in nearly every other African capital, Uber, Yango and Bolt among them, are present nowhere in Cabo Verde.

Yet the closure has not produced the predation the word monopoly usually carries. Fares are uniform and settled by distance rather than by the passenger's face: a journey within Praia costs between 150 and 400 escudos depending on how far one travels, the longer run from Cidade Velha into the capital costs about 2,000 escudos, and the national and the foreigner pay the same. The trade is honest at the meter and closed at the gate, and that combination locates the rent precisely. Where a monopoly cannot take its profit from the fare, it takes it at the point of entry, in whatever is paid, formally or otherwise, for permission to ply at all, and no part of that entry price appears in any fiscal record.

The exclusion of the platforms carries a second cost that the fairness of the fares conceals, and it is this cost that makes a taxi rank a matter for a report on taxation rather than a note on transport policy. A ride hailing application is, among other things, an invoicing machine, recording every journey, every price and every driver's turnover as a matter of course, and its absence preserves the taxi economy as exactly the kind of cash trade whose receipt my own driver could only promise to deliver to my hotel later. The application records those things because its own commercial model requires the record, not because any revenue authority demanded it, so that where such a platform operates the state acquires a register of a cash trade at no administrative cost to itself. The regulatory decision that closed the rank was therefore, whatever else it was, a decision about the visibility of an entire sector, and it was taken for reasons in which taxation played no part. A closed rank keeps the fares fair and the records empty, and the fiscal consequence arrives afterwards, unbidden and unmeasured, as the residue of a choice that was never made about revenue.

[14] This account of the taxi trade was given to the author in interview in Praia in July 2026 and is reported, in accordance with the method stated in the introduction, as the account of the official who gave it. It has not been independently verified. Nothing in it is advanced as an allegation of unlawful conduct by any individual officer or institution: enforcement against operators who ply without a licence is an ordinary and lawful regulatory function, and the analysis offered here concerns the fiscal consequences of a closure so maintained rather than the propriety of maintaining it. As to the absence of ride hailing platforms, the author could identify no such service operating in Cabo Verde at the time of the fieldwork, and the statement is made as an observation of that date.

# 4 Theory: Ricardo's Wage, George's Rent and Cabral's Tax

## 4.1 Ricardo in Cotonou: Why the Base Cannot Be the Poor

David Ricardo's political economy begins from a brutal observation: in an economy with abundant labour, wages tend toward subsistence, the amount required to keep the labourer and her family alive and working.[15] From this he derived a proposition about taxation that every finance ministry in a poor country rediscovers annually: you cannot durably tax subsistence. A tax on wages at subsistence must either be passed upward, to profits, or paid in hunger; a tax on the necessities the poor consume is a wage tax wearing a disguise. The taxable capacity of an economy therefore resides not in the mass of its labouring population but in its surpluses, in Ricardo's world the rents of land and the profits of stock, and a state that cannot reach the surplus will either starve fiscally or tax cruelly.

Benin is a Ricardian economy with the theory's implications on open display. Agriculture sustains the livelihoods 70% per cent, although the modelled labour force statistics, which count only recorded employment, put the share of employment in agriculture at closer to a quarter. The distance between those two measurements is itself a datum of this report, and much of the livelihood in question is won at margins close to subsistence;[16] the cotton farmgate price is administered downward from the export price; the state export enterprise pays cashew and soya farmers so much less than the Nigerian market that the harvest walks across the border. The Ricardian question for such an economy is: where is the surplus? And the answer of this study's evidence is exact: the surplus is at the export interface, in the margin between the declared price at Cotonou and the world price at Dhaka or Delhi; in the trading and processing profits of the chains; in the rents of the zone, the licence and the market stall. Base erosion is therefore not one fiscal problem among many for Benin. When USD 22 million of cashew value in one corridor in one year is captured offshore, what has been taken is precisely the surplus, the only fund Ricardo's logic permits the state to tax without taxing hunger. And what the state does when the surplus escapes is what Ricardo predicted it must do: it falls back on consumption, on the value added tax that now carries the revenue system at 18 per cent, a tax whose burden reaches every subsistence household that the income tax, quite rightly, never touches. The regressivity of the Beninese revenue mix is not a design preference. It is the arithmetical consequence of losing the surplus, and every misinvoiced consignment pushes the system further down onto the people least able to carry it.

15. David Ricardo, On the Principles of Political Economy and Taxation (1817), chapters V (On Wages), VIII to XVI (On Taxes): wages tend to the level required for subsistence; taxes on wages and on necessaries cannot rest on subsistence labour and are shifted to profits; taxable capacity resides in the economy's surplus.

16. The two figures measure different things and are often conflated. Estimates that agriculture supports or sustains upwards of seventy per cent of Benin's population describe household dependence on agricultural livelihoods. The modelled labour force statistics record a far smaller share of employment in agriculture, approximately 28 per cent of total employment in 2023: World Bank, World Development Indicators, employment in agriculture as a percentage of total employment, drawing on the International Labour Organization modelled estimates. The divergence is not a conflict between sources. It is a measurement of the same invisibility this report describes, since subsistence cultivation and unpaid family labour on the land are precisely what a survey of recorded employment is least equipped to count.

## 4.2 George in Praia: Progress, Poverty and the Rents Nobody Taxes

Henry George stood in the booming San Francisco of the 1870s and asked the question that titles his great book: why does poverty deepen as progress advances?[17] His answer was that the gains of progress are captured as rent, the return not to work or enterprise but to the ownership of what nobody produced: land above all, and by extension every position of artificial scarcity, the licence, the franchise, the privileged location, the gate. Where rent is untaxed, progress enriches the owners of position, speculation outpaces production, and labour and capital carry the fiscal burden that rent escapes.

I did not expect to meet Henry George on these journeys, and I met him everywhere. He was on the Praia shoreline, where the value of a beachfront position is great enough to raise foundations and half-buildings whose completion is optional, because the speculative gain and the laundering utility lie in the position and the spend, not the hotel; a landscape of arrested construction is exactly what an economy looks like when rent, not production, is the prize, and the state confirmed as much when its central bank told me the construction is known to include laundering and its transfer tax turned out to rest on declared values nobody verifies. He was in Sal and Boa Vista, where Nordic and European buyers sustain a property cycle whose rents flow through offshore platforms untaxed at source. He was at the gate of the Vodun market in Cotonou, where a man with no title but position itself levies a private toll on foreigners, the purest rent I have ever paid. He was in the import licence in Praia whose artificial scarcity is so valuable that a market exists in renting it. And he was, above all, in what the two states do not tax: Benin's land registry records beneficial ownership that the tax system barely uses; Cabo Verde's property market turns on deed values that understate at will; neither state captures more than a fraction of the location rents its geography, its beaches, its port position and its licensing regimes create. George's remedy, tax the rents and relieve labour, reads in these two countries like an unopened letter. The surpluses that Ricardo says are the only taxable fund take, in the twenty-first century, precisely the forms George catalogued: land, position, licence and privilege, and it is precisely these that the fiscal systems of both countries are least equipped to see. The stalled buildings of Praia are not a puzzle. They are Progress and Poverty, chapter by chapter, in concrete.

The taxi rank of Praia deserves its own entry in this report, because George wrote about exactly this. Progress and Poverty treats monopoly as rent's twin. Wherever competition is excluded by privilege rather than outdone by better service, the value of the exclusion is a rent, identical in its economics to the rent of land, and George's conclusion was that value created by restriction rather than by labour is the natural object of taxation, while undertakings that are monopolies by their nature ought to be treated as public functions rather than as private tributes. The Praia taxi trade is a small and unusually instructive case. Its regulated and equal fares mean that the monopoly's rent is not collected from passengers at the kerb; it is collected at the gate, in the value of being one of those permitted to drive, a value protected, on the account given to the author in Praia, by public enforcement against those who would ply without permission. A licence to ply that keeps Uber, Yango and Bolt off the islands is worth exactly what that exclusion is worth, and that worth is taxed nowhere and recorded nowhere. George's question survives a century and a half unaltered: never whether the rent of privilege exists, only who collects it. In Praia, on the evidence available to this study, it is collected at the gate rather than at the kerb, in a trade whose fares are otherwise a model of fairness, and a state searching for its missing base might begin by asking what the gate itself would fetch if the state, rather than the gatekeeper, were the one charging for entry.

17. Henry George, Progress and Poverty (1879): the persistence of poverty amid advancing wealth is explained by the capture of the gains of progress as rent by the owners of land and of positions of artificial scarcity; the remedy is to shift taxation onto rent and away from labour and production.

## 4.3 Cabral Between the Two: Taxation, Domination and the Return to the Source

Between Benin and Cabo Verde stands a thinker who belongs to both coasts and completes what Ricardo and George cannot supply: an account of why the fiscal contract in these societies must be built rather than assumed. Amílcar Cabral, agronomist of the Portuguese empire and leader of the liberation of Guinea-Bissau and Cabo Verde, understood colonial taxation from underneath. In the Portuguese and French colonies alike, the tax was not a contribution to shared purposes; it was an instrument of domination, the head tax and hut tax that drove subsistence households into forced labour and cash-crop production, collected by chiefs conscripted into the coloniser's service, funding an apparatus whose purpose was the population's own subjugation.[18] Cabral's response was not merely to denounce the colonial tax but to build its opposite: in the liberated zones of Guinea-Bissau his movement abolished the colonial levies and demonstrated, through people's stores, clinics and schools, what collective provision without extraction could look like, an embryonic fiscal contract in which legitimacy preceded and produced contribution. And his deepest teaching, the essays on national culture, insists that no institution imposed on a people against their culture will stand: liberation, he argued, is necessarily a return to the source, an upward movement rooted in the culture people actually live, or it is nothing.[19]

Cabral explains the two journeys of this report as no economist can. His analysis accounts for the Vodun market: a religious economy that met the state first as head-tax collector and then as persecutor will not register itself for the convenience of an administration, and a tax system that ignores this history and simply extends its forms will harvest not revenue but refusal. It accounts equally for the post-it note and the courteous taxi driver of Praia: in societies where the tax was historically the coloniser's demand, the receipt never became the citizen's document, the small paper by which an individual audits the state; it remained the state's paper, to be produced for the state's convenience or not at all, and the cashier who improvised one by hand was performing, unknowingly, the very act of fiscal citizenship the system has never asked of her. And he explains what a remedy must look like. The lesson of the liberated zones is that people contribute to what visibly returns to them, and the lesson of the return to the source is that the instruments must meet the society where it is. A receipt regime that reaches the café till, a register that respects the Vodun trader enough to ask nothing about her rituals and everything about her rent, a visible line from the port's revenue to the village's school: these are not administrative details. They are, in Cabral's exact sense, the decolonisation of the tax system, the conversion of an inherited instrument of extraction into an owned instrument of self-rule. Both states have begun it, Benin's electronic invoice and Cabo Verde's pending reforms are nothing else, and both have stopped at the point where the society itself must be enlisted, which is the point this report's observations mark with a post-it note and an unreceipted temple fee.

18. On taxation in the Portuguese African colonies and in French West Africa as an instrument of forced labour and cash-crop compulsion, see the histories of the indigénat and of Portuguese colonial labour law; Amílcar Cabral's analyses of Portuguese colonial extraction are collected in Revolution in Guinea (1969) and Unity and Struggle (1979). In the liberated zones administered by the PAIGC, colonial taxes were abolished and collective provision organised through people's stores, clinics and schools.

19. Amílcar Cabral, 'National Liberation and Culture' (1970) and Return to the Source: Selected Speeches (1973): national liberation is necessarily an act of culture, and institutions that are not rooted in the culture of the people cannot be sustained by them.

# 5 The Global Economy in a Handwritten Receipt

It would be a misreading of everything above to conclude that these are the domestic difficulties of two small states. Every mechanism this report documents is one half of a transaction whose other half is held by the global economy. The cotton declared low at Cotonou is spun in Bangladesh into garments for the fashion retailers of Europe; the shirt carries, invisibly, the difference between the declared and the true price of Beninese fibre, a difference that funded no school in Parakou. The cashew that leaves Benin at USD 81 million and arrives in India at USD 113 million is roasted, salted and sold in the snack aisles of the world, and the gross discrepancy of USD 32 million, of which some USD 22 million survives every allowance for freight and insurance, is somewhere in that supply chain's accounts and nowhere in Benin's. The tuna processed at Mindelo enters European supermarkets through Spanish parent companies whose intra-group prices determine what an archipelago of half a million people can tax; the study found the treaty machinery to test those prices in force and unused. The rice on Cotonou's tables was ordered and paid for by a transfer between two wallets held in China, in a ledger no Beninese authority can compel the production of; the payment architecture of one great power's consumer internet has become the invisibility infrastructure of a West African import trade. The stalled buildings of Praia hold, on the supervisor's own account, value that entered from elsewhere seeking quiet conversion; the world's tightened banking rules did not stop those funds, they redirected them into African concrete.

Even the hawala transfers and the crypto settlements are the local face of global systems, trust networks and blockchains that span continents precisely because formal finance excludes or watches too many of their users.

Seen from this angle, the two countries are not peripheral cases of a global problem; they are load-bearing nodes of the global economy performing a function the global economy quietly demands: the under-priced supply


of commodities, the discreet conversion of value, the absorptive market for goods whose payment trail must not exist. The invisibility this report has mapped, the unlinked registers, the exempt sectors, the unnumbered receipts, is not a local failure that global trade happens to encounter. It is a resource that global trade actively uses, as surely as it uses the ports. This is why the fight against illicit financial flows cannot be a purely domestic assignment handed to the world's least-resourced administrations, and equally why it cannot be deferred until global reform completes.

The corrective architecture is necessarily double. Domestically, the work is what this study's recommendations set out: connect the records, build the registers, extend the instruments to the last metre. Internationally, the work is to stop pricing African production in rooms Africa cannot see: the exchange of information the treaties promise, the country-by-country reports the multinationals already file, the minimum taxes that make profit-shifting sterile, and the United Nations tax negotiations in which, for the first time, the states this report describes sit as rule-makers rather than rule-takers. The handwritten receipt in Praia and the transfer pricing file in Madrid are documents of a single system. It will be repaired at both ends or at neither.

# 6 What Benin and Cabo Verde Teach Us

1

The first lesson is that a tax system is a social arrangement before it is a legal one. Benin and Cabo Verde have both built modern fiscal machinery, and in both countries the machinery works exactly as far as the surrounding social arrangement carries it: to the edge of the designated sector, the perimeter of the invoicing system, the door of the temple, the counter of the café. Beyond those lines the system does not fail; it simply ceases to exist, because a tax system exists only where people, institutions and instruments jointly sustain it. The construction of a tax system is a political act, and its functioning is a social achievement, renewed or withheld in millions of daily encounters of which my unreceipted entrance fees were a minute sample.

2

The second lesson is that invisibility is manufactured, and its patterns can be catalogued. Nothing this report found was hidden in any strong sense. The fetish market operates in daylight; the stalled buildings line the shore; the WeChat rice trade is common knowledge; the phoenix companies are registered in the public registry, one after another. What protected all of them was manufactured blindness: sectors exempted from tax and excluded from reporting, registers never built or never connected, payment channels beyond domestic sight, gates that examine documents but not the people behind them, and a division of institutional labour so complete that each authority could truthfully say the darkness lay just outside its own mandate. The fiscal state was not defeated; it was designed, by accretion and by choice, not to look.

3

The third lesson is Ricardian and Georgist together: the burden has been resting on the wrong base. In both countries the surplus that could carry the state, the export margin, the land rent, the location premium, the licence value, the tourism yield, escapes through the mechanisms this study documents, and the fiscal weight settles instead on consumption and on the compliant, the value added tax paid by the subsistence household, the licence fees of the small trader who cannot afford to phoenix, the visible small firm that carries what the invisible large operator does not. This inversion, taxing the base and losing the surplus, is the deep structure of fiscal injustice in both economies, and it is why base erosion belongs at the centre of any serious account of African poverty rather than in the technical annexes.

4

The fourth lesson is Cabral's, and it is the one the interviews taught most unexpectedly. Legitimacy precedes compliance, historically and causally. The economies that refuse documentation in both countries, the ritual market, the cash café, the informal trader, are not populated by cheats; they are populated by communities to whom the fiscal state has historically presented itself as taker, persecutor or stranger, and who have therefore never received the thing that makes documentation rational: evidence that the record serves the recorded. The most efficient fiscal reform available to either state may not be another enforcement instrument but the deliberate construction of visible return, the school signposted to the port revenue that built it, because the receipt becomes universal only when it becomes worth keeping.

5

The fifth lesson is that the officials are ahead of their systems. Nearly everything Benin and Cabo Verde would each need to do was described to me, requested outright or already begun by the officials of the two countries themselves: the customs officer who wants a suspicious transaction report of his own; the tax administration reflecting on the agricultural exemption; the financial intelligence officers who know exactly which professions never report; the court confiscating the future assets of the convicted; the ministry that told me, unprompted, where its own system goes blind. The binding constraint in neither country is knowledge or will at the technical level. It is the connective and political tissue above it, the mandates, registers, data links and budgetary choices that only governments can supply.

6

The sixth lesson is that the fiscal shadows of Benin and Cabo Verde are stitched into the global economy: into the shirt, the snack, the tin of tuna, the holiday apartment, the remittance app. The world participates daily in the flows this report describes and shares responsibility, through its trading rules, its secrecy jurisdictions, its platforms and its prices, for the invisibility they travel in. What Benin and Cabo Verde teach, finally, is that this is not a story about distant administrative weakness. It is a story about a single, connected economic order, observed from the two ends of it at once: from the negotiating table where a multinational's transfer price is set, and from a café counter in Praia where a cashier wrote out the truth of a transaction by hand and gave it to a stranger. Between those two documents runs the whole architecture of the world's unequal fiscal order. This report has tried to walk the distance between them, and to show that it can be closed.

# 7 Conclusion

This report began with a claim and ends having tested it in two countries: a tax system is constructed by politics and sustained, or not, by social realities. Benin and Cabo Verde were chosen for the study because of their commodity chains, but what they revealed goes beyond cotton, cashew and tuna. Both states have built genuinely modern fiscal machinery, and in both the machinery stops at boundaries that no statute drew. In Benin the boundary runs along an exempt agricultural sector, an unintegrated customs interface, a payment economy migrating onto foreign platforms, and a ritual economy whose refusal of documentation is the settled verdict of its own history with the state. In Cabo Verde it runs along the perimeter of the reporting sectors, an unverified property market, an unscreened investment gateway, and a retail economy in which the receipt remains a favour rather than a routine. These boundaries, not the capacity of the officials working within them, are where both countries' revenue is lost, and they are also where it can be regained, because every boundary identified in this report was drawn by a decision that a decision can redraw.

The path this evidence supports is specific. For Benin, it means extending the instrument that has already trebled its VAT collections to the places it has never reached, the customs declaration, the payment channel and the small transaction; reconsidering the agricultural exemption that locks the audit function out of the country's largest sector; and approaching the cash economies of culture and belief not with the register first but with the visible return first, so that documentation arrives as membership rather than surveillance. For Cabo Verde, it means building the registers that let its institutions see through companies, deeds and licences to the people behind them, and converting cooperation that today travels by letter into standing connections between the financial intelligence unit, the tax authority, customs and the central bank. For both, it means shifting the fiscal burden

toward the surpluses and rents this report has located, at the export interface, in land and position, in the licence and the concession, and away from the subsistence base that Ricardo showed can never carry a state and that currently carries too much of both.

The wider significance of the two cases lies in what they demonstrate about the fight against illicit financial flows everywhere. The flows are not sophisticated beyond understanding; they were described to me, mechanism by mechanism, by the officials who confront them. They are not beyond measurement; this study measured them, corridor by corridor. And they are not immovable; the recoveries already recorded in Benin show revenue returning the moment two institutions of the same state connected what each separately knew. What stands between these countries and their own resources is a finite set of unbuilt registers, unlinked systems, unextended instruments and unearned trust, each of them within reach of a government's ordinary powers. The cashier in Praia who wrote my receipt by hand had already done her part; she attested a transaction in her own way. The remainder of the work belongs to the two states, and this report has set out where it lies.

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## About the House of Fiscal Wisdom

The House of Fiscal Wisdom (HFW) emerges as a critical institutional response to the profound inadequacies of the current international fiscal and financial architecture. which has systematically failed to address the interconnected crises of unfair trade regimes, eroded tax bases, unsustainable debt burdens, climate vulnerabilities, illicit financial flows, economic instability, digitally enabled extraction and misaligned investment priorities that perpetuate global inequality.

Through its Global Commission on Financing Development, HFW challenges the technocratic orthodoxies that have confined fiscal policy discourse to narrow elites. It instead seeks to democratise these conversations through inclusive and diverse stakeholder engagement spanning fiscal decision-makers, diplomats, the private sector, civil society, scholars, youth and marginalised voices.

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