

First African Fiscal Policy Forum

Inequalities in Taxing Rights

📅 Thursday 16 December 2021 📍 Virtual Meeting ⌚ 02:00 PM (South African Standard Time)

Track it!
STOP IT! Get it!



Co-Organized by:



in collaboration with:



The BEPS
Monitoring
Group

Background

Illicit Financial Flows (IFFs) out of Africa, estimated by the UN to be around \$88.6 billion or 3.7% of its GDP, continue at an alarming pace and hamper the ability of African countries to finance their development, including the provision of adequate infrastructure and basic public services, as well as the creation of an enabling environment for the private sector to thrive. The amount lost due to IFFs is almost half of Africa's annual SDG finance gap of \$200 billion and almost a quarter of the \$2.4 trillion that sub-Saharan African countries will need by 2030 for climate change adaptation and mitigation. Consequently, every step that African countries take to curb and stem IFFs would go a long way in addressing the continent's huge funding gap.

Following the report of the High-level Panel (HLP) on Illicit Financial Flows from Africa led by His Excellency, Mr. Thabo Mbeki, the former President of the Republic of South Africa, and the African Union Assembly's Special Declaration on IFFs from Africa of January 2015 where African countries committed to implementing the recommendations of the HLP, the progress achieved on the continent in combatting IFFs remains unclear. That said, the AU's Agenda 2063 calls on the continent "to take full responsibility for financing its development", including eliminating illicit capital outflows and promoting the involvement of civil society organizations to track and bring back any illicit capital outflows.

Since the publishing of the HLP Report, important efforts and processes that can have an impact on domestic resource mobilization in Africa have been and continue to be undertaken at the national, continental and global levels. At the global level, notable efforts are the BEPS 2.0 from the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) led by the Organisation for Economic Cooperation and Development (OECD), the Report of the United Nations High-level Panel on Financial Accountability, Transparency and Integrity (UN-FACTI) and the Article 12 B of the United Nations Committee of Experts on International Cooperation in Tax Matters which provides an alternative solution for taxing the digital economy.

However, there are concerns that some of these global efforts and processes have failed to take into consideration the peculiarities of the continent. In addition to this, African countries are not adequately represented in these processes nor have their demands and concerns been fully addressed. For example, Nigeria and Kenya refused to endorse and sign the proposed solutions offered by the Inclusive Framework on BEPS citing issues related to unfairness, limited revenue gains, the giving up of unilateral tax measures and concerns relating to dispute resolution.

Against this background, the Coalition for Dialogue on Africa (CODA) and the South Centre, together with other key stakeholders are co-organising a series of dialogues to discuss and address the issues related to stemming IFFs from Africa.

CODA was established in Addis Ababa (2009) as an independent and international but African-owned forum that identifies and discusses issues of importance to Africa's development within a global context. It operates as a special initiative of the African Union (AU), African Development Bank (AfDB), United Nations Economic Commission for Africa (UNECA) and African Export-Import Bank (AFREXIMBANK). CODA serves as the secretariat of the Thabo Mbeki led High-Level Panel on Illicit Financial Flows from Africa and convenes the Consortium to Stem IFFs from Africa.

The South Centre, which is also chaired by Thabo Mbeki, is an intergovernmental policy research think-tank composed of and accountable to developing country Member States. It conducts policy-oriented research on key policy development issues, and supports developing countries to effectively participate in international negotiating processes that are relevant to the achievement of SDGs. The Centre promotes the unity of the South in such processes while recognizing the diversity of national interests and priorities.

CODA is aware that tax revenues are the most important component of domestic resources and raising them has been at the center of many national reforms, as well as regional and international initiatives. In as much as these efforts may have helped to boost revenue collection in African countries, it nevertheless remains the case that the region's tax to GDP ratio is still among the lowest in the world. Further, Africa is heavily dependent on Multinational Enterprises (MNEs) for revenue. Corporate income tax on average accounts for 15.6% of total revenue and MNEs contribute almost 78% of the total tax revenue. This makes it all the more imperative that MNEs pay their fair share of taxes. Currently, CODA is carrying out national assessments of African countries on their efforts towards curbing IFFs.

In the first phase of the dialogue series, there will be three meetings to be held with stakeholders. The first meeting will focus on the recent proposed solutions and recommendations for digital economy taxation from the Inclusive Framework on BEPS, the alternative of Article 12B by the UN Tax Committee and the recommendations of the UN FACTI Panel ; the second meeting will examine the role of stakeholders and the representation of African countries in these global processes; and the third meeting will focus on recommendations on a best approach to ensuring that there is legitimacy and effectiveness of Africa's representation at the global level and recommendations on how African countries should respond to these solutions.

There is a consensus that for Africa to achieve meaningful results in its effort to mobilize resources domestically and effectively stem IFFs, global processes have to be fair, truly inclusive and transparent. Furthermore, it is also important that the frameworks adopted by African countries should be administratively feasible and the recommendations and proposals take into consideration the peculiarities of African countries.

Objectives of the dialogue series

The main objective of this dialogue series is to bring together key stakeholders to discuss the current global processes towards combatting IFFs, re-allocation of taxing rights, the role of African regional institutions, the importance and place of Africa's voice and representation in these processes.

The dialogue series will examine the legitimacy of these processes, including the nature of Africa's representation in the global conversations and the outcome of the processes with respect to Africa's interest.

The specific objectives are:

- To discuss the findings of the CODA country assessments on efforts to tackle IFFs in Africa
- To analyse the UN FACTI Panel recommendations
- To discuss the UN Tax Committee's digital tax solution, Article 12B
- To interrogate the content of the solutions proposed by the Inclusive Framework on BEPS and their implications for African countries
- To engage relevant stakeholders and discuss why Nigeria and Kenya refused to endorse the Inclusive Framework's two-pillar solution
- To recommend options available to African countries.

Format and Structure of the Dialogue Series

The event will be conducted virtually. Participants will include high-level officials from ministries of finance, tax administrations, financial intelligence authorities, African central banks and other relevant organisations working on IFFs; experts; African regional organizations including the Regional Economic Communities (RECs); representatives of the private sector, and civil society actors.

Venue and Dates of the Dialogue Series

Virtual Meeting will be held on Thursday 16 December 2021,
at 02:00 PM (South African Standard Time)

Expected Outputs

- Increased awareness on the ostracising nature of the ongoing global process to Africa
- Stronger action and policies to improve the nature of Africa's representation in these global conversations and processes
- Roadmap for the development of a Common African Position on global processes
- Recommendations on the re-allocation of taxing rights