Africa Tax *Spotlight*

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Tax Competition in Africa

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Editorial

Amadu Sidi Bah

Welcome to the third issue of the Africa Tax Spotlight. The theme of the issue is 'tax competition' with a special focus on the West African region. The publication of the issue comes at a time when Sub Saharan African governments are prioritizing efforts to reform and develop their tax regulatory systems in order to enhance the full potentials of domestic resource mobilization. This is amidst strategic priorities by governments to fill the gap between targeted or desired investment needs and locally-mobilized revenues for financing national and international human development targets.

In pursuit of strategies to expand revenue streams, taxing foreign investment profits is being given an overwhelming emphasis in tax policy design, rate and structure. As result, wide-ranging tax incentives have been largely deployed as a means to increase the volume and intensity of foreign investments. The rate at which this occurs is in response to the mobility of multinational companies and elimination of barriers to global capital in order to influence the location and investment decisions of multinational corporations.

In recent times, adherence to the Monterrey Consensus for promoting foreign direct investments (FDI) has seen total foreign investments trebled since the post 2001 decline. But what have been the anticipated benefits of increased FDI to economic growth and to anticipated revenue flows in sub Saharan Africa? What has been the impact of its spill over technology, employment and its contribution to development in host countries?

Regardless of the optimisms of FDI inflows, corporate investment returns to treasuries of many West African countries have shown disappointing performance. With the exceptions of Ghana and Liberia, tax revenues as a share of the gross domestic product fall below 20 percent in the rest of West African countries. The impact of low revenues performance is even more revealing in countries such as Sierra Leone, Guinea and Burkina Faso where revenue performance stagnates around 10 percent and even below in terms of government revenues to their respective GDPs.

Although the extent of corporate tax contributions to the

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overall revenue baskets is difficult to ascertain, it is clear that corporate investment returns have had little impact. Studies of corporate tax rates and incentives in resource-rich countries such as Sierra Leone, Zambia, South Africa and the Democratic Republic of Congo have indicated significant tax revenue loss in the range of billions of dollars. Majority of these revenue losses comes from wide ranging forms of tax incentives. To explain this in some details requires a closer look at the range of tax incentives that are offered to encourage investment to specific sectors and locations. Largely discretionary-driven and opaquely manipulated, the use of wide ranging and unregulated tax incentives has pitched tax competition between and among countries to attract multinational companies, fuelling a *race to the bottom*. The harmful nature of this trend manifests in the extent to which many countries are prepared to grant tax rebates or eliminate tax for some companies that have aided the establishment of the export processing zones (EPZ). In East Africa for example, massive revenue loss have been associated with the harmful nature of tax competition in the flower industry.

The contributors of the issue have sought to deal with some of these critical issues. Evidence from case studies in Sierra Leone, Ghana and Nigeria tends to point to the negative trends of incentive-based taxation. These trends are by-products of competitive tax policies that are harmful to long term growth and investment in the West African sub region. In addition, the case studies highlight fears of massive revenue leakages from corporate tax evasion practices and threats posed to tax gains already made in other streams of the revenue sector. In addressing this, some have argued for a tax policy reform that pays equal attention to diversified forms of corporate tax revenues in non-mining sectors such as the mobile telecommunications sector in Nigeria. Others have prioritized a focus on reforming the tax administration for greater tax collection efficiency and effectiveness as well as prudence in public finance management in all countries. More importantly, there is a serious recognition for the importance of implementing a harmonized regional tax policy framework that would level off tax rates across the West African economic agreement zone.

Beyond the focus on the problem in West Africa, there exists a greater need than before for a workable robust international mechanisms to reduce tax competition and for trade policies to improve the development impact of FDI. Other international mechanisms have been recommended to tackle multidimensional issues such as: control of transfer price manipulations; requirement of comprehensive disclosure of profits and expenditures; mechanisms to ensure greater transparency in contractual terms for investments; and promotion of internal country policy to enhance the development impact of investments.

Seen from this perspective, there are other country-level policy measures that can be taken to reduce the burden of tax incentives without damaging the prospects of FDI inflows. As tax analysts argue, attracting FDI also depends on host countries' characteristics, market size, infrastructure as well as economic and political stability. FDI flows are sensitive to the extent of the country's democratization efforts and the consolidation of rule of law. The minimal the degree of economic and political risks in host countries, the greater the degree to foster enabling economic conditions that could significantly minimize the tax incentives mechanisms.

The fight against corporate evasive tax practices has started with the launch of tax justice campaigns from Christian Aid, Tax Justice Network (TJN) among others. The global tax justice campaign is pushing for urgent amendments to the existing global financial reporting and regulatory mechanisms, such as the country by country reporting of corporate financial transactions in host and home countries. The tax campaign trend is gathering momentum as manifested in the recently organized regional and international conferences in Ghana and Kenya spearheaded by TJN-A, its international supporting development partners such as Christian Aid and host country civil society organizations. The pan African conference on taxation and development held in Nairobi in March 2010 marks an important development in efforts by academics, civil society activists and other stakeholders within and beyond Africa to embark on tax justice campaigns at different levels. In addition, country level studies are being done in Ghana, Cameroon, Kenya and recently in Sierra Leone that have sought to assess the nature and scope of the problems and how they can be tackled. The international coalition is growing and this upsurge in international interests offers good hope in the long run.

The debate is by no means over. The issue only serves to re-ignite attention to the issue of tax competition in terms of the impacts of low corporate tax income to revenue portfolios of sub Saharan African countries. Moreover, the issue joins the clarion call for promoting and domesticating on-going continental and sub-regional levels that seek to strengthen a more accountable, transparent and effective tax system that benefit every citizen across the continent.

Amadu Sidi Bah

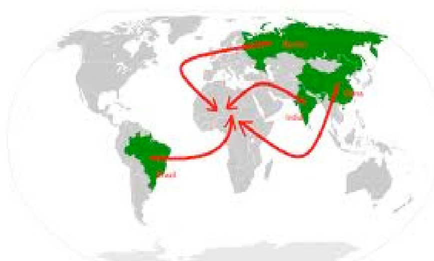
Christian Aid, Sierra Leone

Tax Incentives: Tool for Attracting Foreign Direct Investment in Nigeria

Globalization is knitting separate national economies into a single world economy. That is occurring as a result of rising inter-state trade and investment flows, greater labour mobility, and rapid transfers of technology. As economic integration increases, individuals and businesses gain greater freedom to take advantage of foreign economic opportunities. That, in turn, increases the sensitivity of investors to taxation. Countries feel pressured to reduce tax rates to avoid eroding their tax bases. Within this context, international "tax competition" is increasing as capital and labour mobility rises. Most countries in West Africa have pursued tax reforms to ensure that their economies remain attractive for foreign investment. Having limited economic options, the countries in the region have made tax competition a central part of their development strategy to attract and retain the companies in their countries.

Tax Incentives

The Nigerian Government has put in place a number of invest-



ment from within and outside the country. While some of these incentives cover all sectors, other are limited to some specific sectors. The nature and application of these incentives have been considerably simplified. The incentives include: tax holidays, initial capital allowance, and free duty on equipment. (See Table 1 below)

Foreign Direct Investment Reforms and trends

Indeed, Africa as a whole – sub-Saharan Africa (SSA) in particu-

Incentives	Oil and Gas	Agriculture	Solid Minerals	Energy	Telecommunication	Transport
Tax Holiday	5-7 Years	5-7 Years	5-7 Years	5-7 Years	5-7 Years	5-7 Years
Initial Capital Allowance	15%	100%	20%		30%	30%
Income Tax	30%	30%	20-30%	30%	30%	30%
Duty (Equipment)	Free	Free	Free	Free	Free	Free
VAT (Equipment)	Free	Free	Free	Free	Free	Free
Repayment of Foreign Loan (Tax Exempt) 5-7	70%	70%	70%	70%	70%	70%
7 Years and above	100%	100%	100%	100%	100%	100%

Table 1: Tax Incentives in Nigeria Source: NIPC(2009)

lar – has not benefited much from the Foreign Direct Investment (FDI) boom for many reasons, ranging from negative image of the region, to poor infrastructure, corruption and foreign exchange shortages, an unfriendly macroeconomic policy environment, among others (Asiedu, 2005).

Nigeria is one of the few countries that have consistently benefited from the FDI inflow to Africa as reflected in Table 2. Nigeria's share of FDI inflow to Africa averaged around 20%, from 21.43% in 2000 to a low level of 13.02% in 2005, up to 24.45% in 2006. UNCTAD (2009) showed Nigeria as the continent's top FDI recipient.

Prior to the early 1970s, foreign investment played a major role in the Nigerian economy. Until 1972, for example, much of the non-agricultural sector was controlled by large foreign owned trading companies that had a monopoly on the distribution of imported goods. Between 1963 and 1972 an average of 65% of total capital was in foreign hands (Jerome and Ogunkola, 2004).

The Nigeria Enterprise Promotion Decree NEPD was promulgated in 1972 to limit foreign equity participation in manufacturing and commercial sectors to a maximum of 60%. In 1977 a second indigenization decree was promulgated to further limit foreign equity participation in Nigeria business to 40%. Hence, between 1972 and 1995 official policy toward FDI was restrictive. The regulatory environment discouraged foreign participation resulting in an average flow of only 0.79% of GDP from 1973 to 1978 (Ayanwale, 2007). The adoption of the structural adjustment programme in 1986 initiated the process of termination of the hostile policies towards FDI. A new industrial policy was introduced in 1989 with the debt to equity conversion scheme as a component of portfolio investment. The Industrial Development Coordinating Committee (IDCC) was established in 1988 as a one-step agency for facilitating and attracting foreign investment flow.

This was followed in 1995 by the repeal of the Nigeria Enterprises Promotion Decree and its replacement with the Nigerian Investment Promotion Commission (NIPC) Decree 16 of 1995. The NIPC absorbed and replaced the IDCC and provided for a foreign investor to set up a business in Nigeria with 100% ownership.

Table 2: Nigeria: Net foreign direct investment inflow (US$ million)

Year	World	Africa	% of World	Nigeria	% of Africa
1990-2000 (Annual Average)	492674	6890	1.39	1477	21.43
2005	973329	38222	3.92	4978	13.02
2006	1461074	57058	3.90	13956	24.45
2007	1978838	69170	3.49	12454	18.00
2008	1697353	87647	5.16	20279	23.13

Source: UNCTAD (2009) Foreign Direct Investment Database

The NIPC absorbed and replaced the IDCC and provided for a foreign investor to set up a business in Nigeria with 100% ownership.

Upon provision of relevant documents, NIPC will approve the application within 14 days (as opposed to four weeks under IDCC) or advise the applicant otherwise. Furthermore, in consonance with the NIPC decree, the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree 17 of 1995 was promulgated to enable foreigners to invest in enterprise in Nigeria or in money-market instruments with foreign capital that is legally brought into the country. The decree permits free regulation of dividends accruing from such investment or of capital in event of sale or liquidation. An export processing zone (EPZ) scheme adopted in 1999 allows interested persons to set up industries and businesses within demarcated zones, particularly with the objective of exporting the goods and services manufactured or produced within the zone.

Sectoral analysis of FDI inflow in Nigeria

Agriculture, transport, building and construction remained the least attractive hosts of FDI in Nigeria if the report from the privatization programme is anything to go by (CBN, 2004). However, the transport and communication sector seem to have succeeded in attracting the interest of foreign investors, especially the telecommunication sector. Nigeria is currently described as the fastest growing mobile phone market in the world. Since 2001, when the mobile telecommunication operators were licensed, the rate of subscription has gone up and does not show any sign of abating; in fact, MTN (Nigeria) – the leading mobile phone operator – has acquired another line having oversubscribed the original line. The three major operators – MTN, Zain, and Globacom – are currently engaged in neck and neck competition that has forced the rates down and in the process fostered consumer satisfaction. But the the effect of this development is yet to be translated to the rest of the economy. FDI in Nigeria has traditionally been concentrated in the extractive industries, but data reveals a diminishing attention to the mining and quarrying sector, from about 51% in 1970–1974 to 30.7% in 2000/01 (Ayanwale, 2007). The current sustained upward trend in the FDI inflow is due largely to the privatization and commercialization exercise of the government whereby public enterprises are put up for sale to the investing public. This exercise has attracted considerable inflows since 1999. For example, the deregulation of the telecommunication sector by granting licenses and tax holidays for global system for mobile communications (GSM) operators in 1999 caused the FDI in the telecommunications sector to increase from a mere US$50 million at the end of 1999 to about US$12.5 billion by the end of 2008 ((NCC 2009). The NIPC attributed over 75% of this increase to mobile telephone network investors.

Who benefits and who looses?

1) Since tax policy appears to have some effect on the location decisions of multinational firms, especially within regional markets, the concern is that countries may end up in a bidding war, favoring multinational firms at the expense of the state and the welfare of its citizens.

2) Beyond the risk of a bidding war, tax incentives are likely to reduce fiscal revenue and create frequent opportunities for illicit behavior by companies and tax administrators. These issues have become crucial in developing countries, which face more severe budgetary constraints and corruption than do industrial countries.

tax incentives are likely to reduce fiscal revenue and create frequent opportunities for illicit behavior by companies and tax administrators.

3) Tax incentives also have many other, less obvious costs. They can distort the allocation of resources by attracting investors looking exclusively for short term profits, especially in countries where the basic fundamentals (such as political and macroeconomic stability) are not yet in place.

4) Another problem with incentive measures relates to the cost and difficulty of administering them effectively. Nondiscretionary regimes, which grant incentives to any company meeting clearly stated requirements, are easier to administer.

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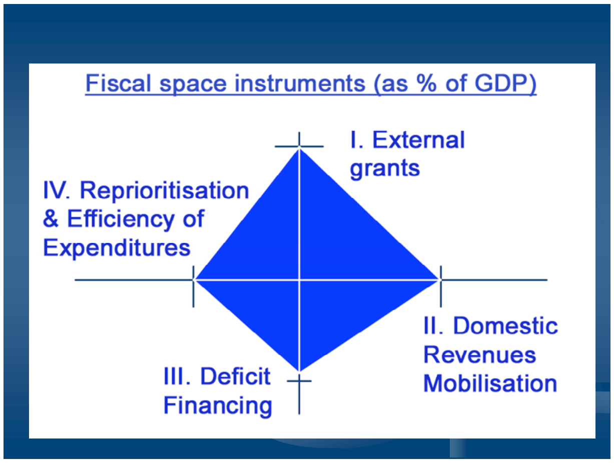
Taxation, Citizenship and National Development

There is a raging debate as to how to finance national development, especially social sector spending. The key question is how we can secure enough fiscal space and improve absorptive capacity for the government to increase spending on the social sector (education, water and health) towards achieving the MDGs and other development targets without being held back by current fiscal policy stance of the International Financial Institutions. It is against this background that African Heads of States, under the auspices of the African Union, met in Abuja in 2001 and recommended the allocation of 15% of

Figure 1: The Fiscal Space Diamond



Source: IMF (2008), UNDP (2008)

government budget to health and again declared their commitment to universal access to quality health in 2006.

The fiscal and investment options for financing the MDGs and other development targets

To help policymakers and others think through the options and viable instruments, the IMF approach of using Fiscal Space Diamond is a useful diagnostic tool. The fiscal diamond tool is like a four-legged (quadrants) shape with each quadrant assigned one of: 1) Domestic Resource Mobilisation, 2) Reprioritization and Efficiency of Expenditures and 3) Deficit Financing and 4) ODA.

Domestic Resource Mobilisation

Domestic resource mobilization includes privatization receipts, tax and non-tax revenue collection. However in discussing the feasibility of relying on domestic resource mobilisation for funding MDGs and other development targets, serious consideration should be given to the following issues: 1) Should/can tax/GDP ratio be increased? If so, how can this be done while ensuring that the burden on the poor is minimized? 2) Should VAT be introduced -if absent- or increased further if already present? 3) To what extent is privatization of public assets feasible without undermining MDG achievement?

In considering raising tax rates/levels in Developing Countries a number of Challenges raise their heads. These include: 1) Large informal sectors – transactions not fully accounted for, 2) Narrow and rigid tax structure- lower tax-GDP ratios and greater reliance on indirect taxes rather than direct taxes, 3) Banking sector not fully developed, credit markets are imperfect, 4) Weak institutions including Financial system that is unable to mobilize and channel savings, a political system with weak governance structures that are unable to take tough decisions regarding raising revenues and plugging leakages in tax collection.

Tax-GDP ratios between the period 1996-2002 shows that while developed countries raise about 33.8%, transitional countries raise 31.4%, developing countries are able to raise only 19.2%.

In discussing the potential of taxation to raise resources for social spending, it must be remembered that the scope is limited, especially using current approaches of coercion rather than consent taxation thus tax revenues are currently low and unstable in developing countries. According to Jha (2007), Tax-GDP ratios between the period 1996-2002 shows that while developed countries raise about 33.8%, transitional countries raise 31.4%, developing countries are able to raise only 19.2%. Whereas developing countries derive one third of tax revenue from income taxes, developed countries raise over 50% from this source. Developing countries sources are therefore more unstable.

For example the coefficient of variation in Latin America is 55% while in developed countries it is between 15-17%. Given this situation, it is imperative to increase tax-GDP ratios over the medium and long run and ensure a stable tax base. Also the overall resource base needs to be enhanced through: 1) Encouraging savings and its investment in the domestic economy, 2) Increased employment intensity and capital accumulation and

3) Using privatisation revenues & revenues from commodity price boom for pro-poor initiatives including education, health, water and productive assets for the poor.

Reprioritization & Efficiency of Expenditures

Key issues of consideration here Include reprioritization of current expenditures based on the extent expenditures contribute to MDGs and value-for-money considerations. Key questions to ask include: 1) What is the ratio of current/capital expenditures? 2) What is the share of expenditures that can be classified as pro-poor? 3) To what extent can the government enhance the value for money for goods and services it provides?

According to the Human Development Report (1991), four Human Development Expenditure Ratios are useful reference points. These 4 ratios in the 1991 HDR include: 1) **The Public Expenditure Ratio (PER) ratio of public expenditure to national income** - (distinguishing between current and capital expenditure), 2) **Social Allocation Ratio (SAR):** the percentage of public expenditure earmarked for social services – (necessary to include essential infrastructure and dichotomy between social and economic self defeating), 3) **Social Priority Ratio (SPR)**: the percentage of social expenditure devoted to human priority concerns, 4) **Human Expenditure Ratio (HER)**: the percentage of national income devoted to human priority concerns.

The 1991 report states that a **Public Expenditure Ratio at around 25%, Social Allocation**

Ratio at 40%, Social Priority ratio at 50%, and Human Expenditure ratio at least at 5% are necessary to ensure adequate resources for human development priority sectors in a country.

Even though these ratios are useful guides, levels of spending alone cannot tell much. Countries can have the same level of spending but different outcomes achieved. The pattern of expenditure and efficiency of use are the most important as well as the time span over which investments are sustained over a long period. For example according to the Human Development Report (2007/2008), Rwanda, Malawi, Indonesia and China made different levels of investment in education but have different adult literacy rates as in table 1 below.

	Adult literacy	Expenditure
Rwanda	64.9%	3.8%
Malawi	64.1%	5.8%
Indonesia	90.4%	0.9%
China	90.9%	

Whereas Malawi made the highest investment of 5.8% of GDP in education, it still had only 64% literacy while China and Indonesia made only 1.9% and 0.9% of GDP investments respectively and both had over 90% literacy rates.

Pattern of Expenditure

To illustrate the importance of the pattern of expenditure, Chu et al 2000, using data from 55 studies in 25 developing countries on central government spending for Education & Health had the following to say: 1) Education is well targeted in Asia & Latin America but poorly targeted in Sub-Saharan Africa, middle East & transition economies, 2) Primary education is well targeted, but secondary education reveals only a mixed picture across regions, 3) Tertiary education mostly benefits the richest quintile, and 4) Health spending is poorly targeted in Sub-Saharan Africa and transition economies.

Plugging Leakages

Leakages from the health and education budgets have been identified as key areas where large savings can be made to free up resources for investment towards the attainment of the MDGs and other development targets. For this to happen, transparency and accountability of governance structures is very important. High level of leakages limits the benefits from expenditure as any increase in budget allocation only adds to a leaking basket. Series of studies, Uganda - Public

Expenditure Tracking Survey (PETS) supported by the World Bank enabled the reduction in leakages in primary education grants between 1991-95 and 2001 from 90% to 20%. Similar PERs studies in Ghana for 2000 and 2004 by the IMF/World bank revealed similar leakages from the health and education sectors but with little effort to reduce this like what happened in Uganda. This partly is the reason for CSOs continuous call for the legislation of the Right to Information and the legal protection of people who provide vital and critical information to help pug these leakages in the system. Similar campaigns in India and elsewhere have detected leakages in government programmes.

Deficit Financing

Deficit financing for social sector includes net domestic financing and net foreign financing. The key issues include:1) What are the needs for public investment? 2) What is the case/room for additional borrowing? 3) What is the level of internal and external debt? 4) What are the potentials for access to international capital market? 5) What is the level of investments and savings? 6) To what extent do the savings contribute to investments? If savings are low, why? How to reduce obstacles to savings? How to improve channelling of savings for public investment?

A target of Zero current / recurrent deficits should be regarded as a target over the whole economic cycle and not just the current year or short-term. This requires that we move from the notion of 'Fiscal squeeze' and expenditure compression to 'Fiscal Space'.

A number of studies in 7 countries revealed that high public investment does not seem to have had any adverse effect on fiscal deficit during the 1990s and early 2000s.

A number of studies in 7 countries revealed that high public investment does not seem to have had any adverse effect on fiscal deficit during the 1990s and early 2000s. Taking the examples of China, Cambodia, Mongolia and Vietnam who experienced deflation or near deflation, fiscal deficit in these countries ranged between 4-9% of GDP with positive results on poverty. For instance, in Vietnam poverty fell from 58% to 37% between 1993 and 1998 and per capita income growth was 5%. Inflation continued to decline during 1996-2002 towards zero and a fiscal deficit of level of 4% was attained (Prabhu, 2008).

External Support

This area of possible funding Includes grant aid and debt relief with the key issues being: 1) what is the medium and long term debt sustainability? 2) Is the country benefiting from a debt relief programme? 3) At what point does the country qualify for debt relief? 4) What have been the patterns (level, nature -project versus programme-, origin, predictability) of aid and what can it be like in the foreseeable future?

External budget support is subject to volatility and therefore cannot be relied upon for funding even though it can be used to temporarily fill gaps pending as the government awaits for tax or other resources. Because of this unpredictability, some governments do not want to commit to certain investments that will require continuous cash outlays they may not have, for example for maintenance and repairs, staff costs, etc that they cannot sustain in the future.

sub-Saharan Africa will require an additional one million health workers to deliver towards the MDGs while the global shortfall is estimated at four million additional workers.

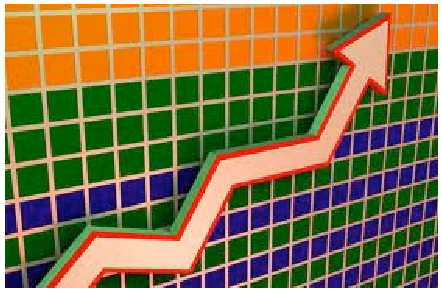
Debt relief is a onetime measure and therefore cannot be relied upon for long term planning, especially in reaching the MDG targets. Their small size per annum and over years rather than a lump sum means that their effect on the budget is minimal compared to the seize of resources needed to meet the MDGs and other development targets in poor countries. As an illustration, it was estimated that between 1989 and 2003, low income countries received a total of $100 billion debt relief (Nicolas Depetris Chauvin and Aart Kraay, 2005)

Aid should be seen mainly as a gap filling measure. Even though it can lead to enhanced investments in human development, the conditionalities that usually come with it sometimes undermine the achievement of MDGs and other development targets, and may even lead to social unrest in some countries. Sometimes the burden of managing multiple donors worsens the already weak capacity of recipient poor government systems and thus reduces their absorptive capacities for donor funds. It is for this reason that in some countries like Ghana, donors have now moved from sectoral and sector-wide approaches to a multi-donor Budget Support (MDBS) whereby all resources from donors are put into the government budget against agreed performance targets. The Paris Declaration of donors to align their policies and increase ODA to a minimum of 0.7 % of GDP will also provide resources and free up space for investments towards achieving their MDGs and other development targets.

In terms of the amount of resources required to achieve the MDGs alone, ODA estimates by the Millennium Project puts the figure at 135 billion USD in 2006 rising to 195 billion USD in 2015. This requires the doubling of ODA but within agreed limit of 0.7% of GDP.

Absorptive capacity

Absorptive capacity can be discussed around the ability of a country to generate revenues locally, receive foreign assistance, spend efficiently and effectively, record and report timely and accurately on resources given the quantity and



quality of human resources, infrastructure and policy and other institutional capacity.

Using the health sector as an example, the Conference of Health Ministers(2009) noted that the limited human resources in the health sectors of most African countries is affecting adversely the ability of countries to receive and spend financial assistance. It was further noted that Africa has only 2% of the global health workforce and 1% of expenditure in health and therefore are least equipped to respond adequately to the challenges of meeting the MDGs and quality health for all.

Africa has only 2% of the global health workforce and 1% of expenditure in health and therefore are least equipped to respond adequately to the challenges of meeting the MDGs

According to Vujicic (2006) using the number of health workers per thousand population, the Joint learning Initiative (2004) estimates that sub-Saharan Africa will require an additional one million health workers to deliver towards the MDGs while the global shortfall is estimated at four million additional workers.

Systems of resource allocation, use, recording, auditing monitoring, evaluation and reporting are also critical for absorbing and using increased resource flows for national development. Series of public expenditure surveys by both the public sector and CSOs reveal that there are serious leakages from the health and education systems for example, sometimes as high as 70 to 80% of inputs meant for these sectors in the case of Uganda, Ghana and Sierra Leone.

Donors also add to the low absorptive capacity of countries. Managing multiple donors requiring different negotiation times, operation of different bank accounts, reporting, etc over-burden an already weak system as the most talented are taken away from their core function of delivering on the mandate of the institution. The move to multi-donor budget support (MDBS) whereby donors put their money in the government budget and agree on broad performance targets for monitoring performance, may be a better way to reduce the burden on countries. The Paris Declaration putting pressure on donors to harmonise their instruments is another that could also help increase absorptive capacity.

Taxation, Aid or Natural Resource Revenues: What is The Best Way for National Development?

In the literature at least, two reasons have been assigned justifying taxation as the best tool for national development: 1) Developing state capacity for effective revenue generation and service delivery, and 2) State building, thus shaping state-citizens relations and democratisation. For some, Margaret Levi (1988:1), "the history of state revenue production is the history of the evolution of the state. " If taxation is so important for nation building, why is taxation rarely central in economic and policy debates in developing and/or aid dependent countries?

The politics of taxation tend to take place in non-public arenas, typically, small lobby groups pressuring for exemptions, for rate reductions on imports, or bargaining with officials or ministers about tax liabilities. The expected major debates in Parliament about tax issues or about tax reforms are rare as are statements by political parties about their tax policies. Central government taxation is therefore shaped by technical staff (from Ministry of Finance, Revenue Agencies, IFI and donor advisors) rather than by Parliament, the representatives of the people.
Local government taxation is a major exception to this to some extent, as for example around election time, local government taxation is often high on the political agenda of both national and local politicians with some making promises that have the potential effect of undermining local government capacity to tax to remain viable. The politicisation of local government taxes undermines tax collection efforts and erodes their legitimacy and credibility.

The preposition on taxation and governance takes the following forms:1) Bargaining over taxes is central to building relations of accountability between state and citizens based on mutual rights and obligations, 2) The emergence of a representative government is more likely when the state faces incentives to increase income through bargaining with citizens than through foreign aid and natural resource rents and 3) For taxation to have a positive effect on accountability, taxes must be 'felt' by a majority of citizens.

Two main questions arise in the link between taxation and governance in developing countries like Ghana: 1) how do taxation and sources of public revenue affect sate building and governance in contemporary developing countries-Coercion versus consent? and 2) What are the key political considerations involved in constructing arrangements that enable governments of contemporary developing countries to tax more effectively, more equitably and more sustainably?

According to Levi (1988, 1997, 2006) the Social fiscal contract has to do with the idea of bargaining and negotiation over taxes, whereby a pattern of accountability based on reciprocity and mutual obligations between state and society is established. This argument is underlined by the concept that Rulers are predators who maximize revenue under constraints while citizens try to minimize payments. Quasi-voluntary compliance will occur when taxpayers have confidence that rulers keep their part of the 'contract' and other constituents keep theirs.

The second is the historical institutionalism perspective, especially dealing with Political domestic institutions and historical development of tax systems. Steinmo (1993)'Taxation and democracy' (Sweden, USA & UK) gives credit to periods of war for raising the overall tax take, but tax systems differ in systematic ways that can be explained by Constitutions, Electoral rules and Parliamentary committees. These democratic institutions affect the relative bargaining power of those most interested in tax outcomes, the information available to them and their incentives for seeking particular kinds of tax policy.

The third is the Political economy perspective bordering

What are the key political considerations involved in constructing arrangements that enable governments of contemporary developing countries to tax more effectively, more equitably and more sustainably?

Three perspectives inform the discussion on taxation and state-building. First is the new institutionalism perspective, especially those dealing with Fiscal contract and quasi-voluntary compliance of citizens.

on Taxation and accountability and the concept of 'Unearned' versus 'earned' revenues. In Moore (1998, 2004, 2008) the emergence of a representative government is 'more likely' when citizens finance their state through taxes, than through natural resource rents and aid. Taxes are 'earned income' which depends on the state's bureaucratic efforts to raise revenues and the degree of reciprocity between citizens and state, for example services in exchange for tax payment. Democratic governance is undermined when a state relies on a high degree of 'unearned' income derived from aid or natural resource rents and minimal efforts are used to raise revenues by direct forms of taxation agreed with citizens through political involvement Fjeldstad (2003; Fjeldstad & Therkildsen 2008; Bernstein & Lu 2008), touching especially on sun-national taxation hold that Taxation in poor agrarian economies tends to be coercive and conflictual, and the overall tax take tends to remain low as a result.

A number of studies have tried to investigate the link between tax systems and democracy. Cheibub (1998) has looked at regime type and the ability of the government to tax but found that Regime type has no independent effect on the government's ability to tax. Fauvelle-Aymar (1999) however found that Autocracies have higher levels of taxation than democracies, while Boix (2001) also found that taxation grows more rapidly in democracies. Ross (2004) and Mahon (2005) found support for the fiscal contract idea. They found statistical evidence between increases in tax burden and within a few years, increases in the degree of democracy.

The taxation-governance nexus, coupled with an effective industrialization policy/practice arena is therefore the critical area of engagement for policy makers and change agents to develop continuous dialogue for sustainable national development.

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ISODEC, Ghana

Replacing Baskets With Buckets in Ghana's Domestic Revenue Mobilisation Efforts: *What's oil got to do with it?*

Taxation as a pillar of democracy

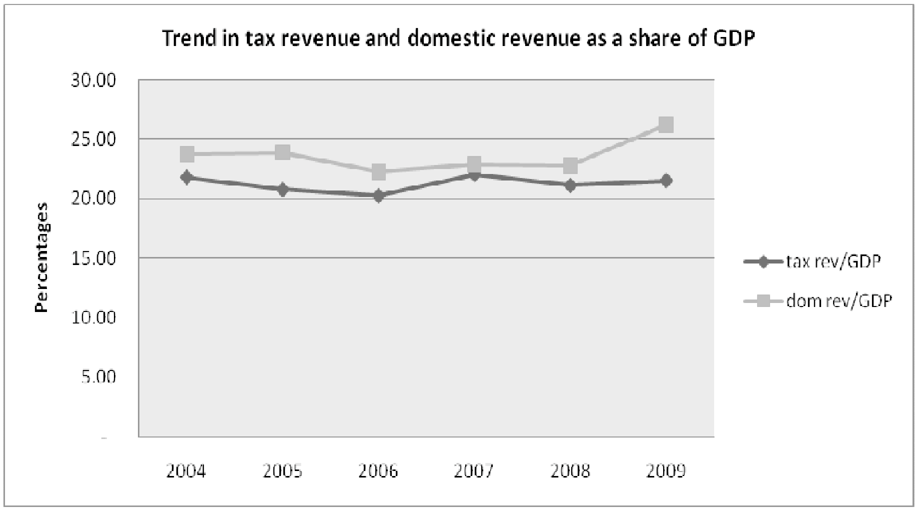
Since Ghana's independence in 1957, several other countries have followed suit in sub Saharan Africa. That political independence (though less than perfect) has been largely attained in Africa has been less a subject of contestation, although the same cannot be said of the economic independence of the continent. The latter is loosely defined as the ability of African country governments to steer their own economic affairs towards meeting the socio-economic needs of their citizens with little external support. The role of domestic revenue mobilization through taxation cannot be downplayed in the quest for attaining economic independence.

Taxation redistributes incomes and prices of goods and services. Production, employment, profitability, consumption, savings and and investment are all influenced by the tax system designed and how it is implemented. The nature and design of the tax regime in any country plays a major role in determining winners and losers in the economy (i.e. those who benefit or otherwise from the process of production, distribution and consumption of goods and services).

Apart from seeing taxation as a means for pursuing socio-economic transformation, it is regarded as a powerful tool for promoting accountability of a state to its citizens. Taxation binds a government to its people and vice versa. Any money transferred to a government from its citizens usually on the basis of law must be accounted for on that same basis. It is incumbent on the government to account to its citizens whatever resources it has put to use. The interface that a good tax system creates contributes to the development of democracy (i.e "… a government for the people…"). A good tax system facilitates a symbiotic relationship between citizens and their governments. Citizens pay taxes to benefit from services that respond to their needs while government receives revenue for development and ensures accountability with regard to revenue management.

Consequently, an erosion of the space and ability of a government to tax its citizens contributes to an erosion of the space for promoting democracy and thus good citizenship. Whoever takes the place of the citizenry as contributors to the government's revenue base automatically becomes the one to whom government responds to and ultimately becomes accountable to.

Fig 1.0 Tax revenue and domestic revenue as a share of nominal GDP



Source: 2010 Budget Statement and Economic Policy of the Government of Ghana

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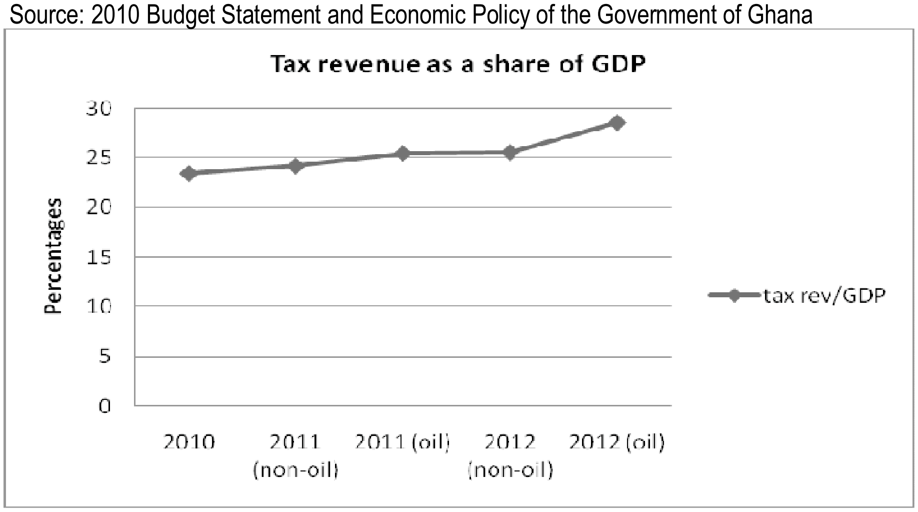

Fig 2.0 Trends in tax revenue projections as a share of nominal GDP

Taxation in Ghana: trends, challenges and prospects

Compared to the crisis era of the 1980s, Ghana's domestic revenue mobilisation efforts have seen some improvement. From as low as 5% in the 1980s, Ghana's tax revenue as a share of GDP is now just over of 20% albeit earning the country an enviable position among its neighbours. With the country set to begin commercial production of oil in the last quarter of 2010, there are concerns that tax revenues are going to be sacrificed – call it a Dutch Disease of domestic revenue dimension.

From figure 1, tax revenue as a share of GDP for 2008 to 2009 shows a levelling off. Should this give cause for concern? First of all, the minimal deviation of the tax revenue to GDP ratios from the 20% line in the last several years should be expected. It confirms that there have been limited disturbances and jolts to economic activity as well as the tax structure (both policy and administration) in recent times. Even the food, financial and fuel crisis seemed to have been contained although taxes on some food products were eased during the heat of the crisis

There are also those who question the level of control the government has over the tax regime. The initial volumes of the Aggregation of Mining Benefits report under the Extractive Industries Transparency Initiative indicate weaknesses in government's ability to collect the appropriate revenues from mining companies. Similarly, in 2003, the clout of the international financial institutions gave Ghanaians a rude awakening when the passage of a law that imposed tariffs on imported rice and poultry products was reversed without recourse to the constitutionally-mandated procedures for seeking redress. The failure to attract investors to key sectors of the economy even in the face of generous tax incentives makes one wonder whether revenue baskets are not being sent to running taps for water.

Prospects for Ghana's enhanced domestic revenue mobilization: any glimmer of hope?

Despite the challenges, there exists many opportunities to avert the crisis of Ghana's going down the same lane of countries that have wrecked their domestic revenue sources in the face of the discovery of oil.

First of all, it is commendable that government hopes to increase the share of tax revenue to GDP from the current level to close to nearly 30% by 2012. Recent efforts to improve the management of domestic revenue are welcome. These include automation of tax collection and management processes, the establishment of a Ghana Revenue Authority (GRA) which brings together all revenue collection agencies, the curtailment of defective tax exemptions, the setting up of a Tariffs Advisory Board, among others. Tax policy revisions such as the increase in mineral royalties from 3 to 5%, restoration of import duties on food products (that was eliminated in 2008 during the food crisis), a shift from ad-valorem taxes to specific taxes on tobacco and drinks, higher fees and charges and increases in capital gains taxes are projected to impact positively on domestic revenue base (IMF, 2010).

Conclusion

The prospect of increased oil revenue needs to complement traditional sources of domestic revenue instead of allowing the discovery of oil to overshadow already existing potential revenue sources. This would involve strengthening the capacity of GRA to enable it improve upon revenue projections and collection. For instance, it is documented that rental income and property taxes could yield an additional 1-2% of tax to GDP in Ghana (Wilson Pritchard, 2009). Furthermore, given that Ghana's oil find is off-shore, GRA and the Environmental Protection Agency (EPA) would need all the logistical support to ensure effective monitoring of the production process.

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Tax Incentives and Foreign Direct Investments; Implications for the Sierra Leone Economy

Introduction

Over the past two decades, many developing countries, including Sierra Leone, have focused enormous attention on attracting increased inflow of foreign direct investment (FDI). Among a host of policy measures undertaken is the provision of tax incentives and other types of tax inducement mechanisms. This is because, FDI inflows has been perceived as an engine of growth as it provides much needed capital for

Large-scale wheat farming

investment in developing countries, increases competition in the host country's industries and aids local firms in becoming more productive by adopting more efficient technology or by investing in human and /or physical capital. Foreign Direct Investment is also seen as providing access to foreign markets, facilitating transfers of needed technology and generally contributing to building the institutional capacity of the host country firms.

In statutory terms, a tax incentive is a special tax provision granted to qualifying investment projects (however determined) that represents a statutorily favorable deviation from a corresponding provision applicable to investment projects in general (i.e. projects that receive no special tax provision). An implication of this definition is that any tax provision that is applicable to all investment projects does not constitute a tax incentive. In effective terms, a tax incentive is considered as a special tax provision granted to qualified investment projects, provision that has the effect of lowering the tax burden that would have been borne by investors in the absence of the special tax provision.

There is a wide spectrum of FDI incentives. These include tax incentives, guarantee against arbitrary treatment in case of nationalisation, government provision of such utilities as water, power and communication at subsidised prices or free of cost; tariffs or quotas set for competing imports; reduction/ elimination of import duties on inputs; interest rate subsidies; guarantee for loans and coverage for exchange rate risks; wage subsidies; training grants and relaxation of legal obligations towards employees.

Types of Tax Incentives

Various governments around the world have resorted to different tax incentives mechanisms in order to attract foreign direct investment. Firstly, Governments may offer exemptions from, or reduce rates of corporate income or profits tax in order to attract FDI into specific sectors or regions. Complete exemption is usually reserved for enterprises operating in the offshore sector or located in export processing zones. Reduced corporate income tax rates are widely used as an incentive applicable to certain types of promoted activity or to the income there from.

Government may also provide tax holidays which are common forms of tax incentives used by developing countries and countries in transition to attract FDI. Under tax holidays provisions, 'newly-established firms that qualify are exempted from paying corporate income tax for a specified period of time. The provisions may exempt firms from other tax liabilities as well.

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Tax holidays eliminate tax on net revenues from investment projects over the holiday period. Tax holidays periods can vary from one year to twenty years.

Investment allowances, which are deductions from taxable income based on some percentage of new investment, are also used in some countries to encourage private sector investment. Investment allowances may apply to all forms of capital investment or they may be restricted to specific categories, such as machineries or technologically advanced equipments, or to capital investment in certain activities, such as research and development. The allowance is usually expressed as a percentage of the qualifying investment. In most African countries, the investment allowances may range from 50 to 100 percent.

Whilst an investment allowance reduces taxable income, an investment tax credit is set against the tax payable: thus, for example, if the relevant corporate income tax rate is 40 per cent, an investment allowance of 50 per cent of the amount invested equates to an investment credit of 20 per cent of that amount. In some countries, investment tax credits may only be claimed in the year they are earned.

A good number of countries provide reduced or zero rates of withholding tax as an incentive for FDI, either generally or to promote particular objectives such as transfer of technology. Exemption from withholding tax is sometimes given in the case of interest on loans made at preferential rates or in the case of royalties or technical assistance fees paid in respect of technology transfers. It is also quite common for dividends paid out of exempt profits – for example, profits earned during a tax holiday period – to be exempt from withholding tax, This last incentive is not commonly employed by most African Countries as means of attracting FDI.

Some countries provide incentives for the reinvestment of profits. This can be done in two ways. First, the tax liability of the enterprise itself can be reduced by allowing a deduction for the amount reinvested (or a proportion thereof) from the profits otherwise taxable. Second, the shareholder, or parent company, can be given a refund of the tax paid by the local enterprise up to a stated proportion of the amount reinvested (whether in the original enterprise that made the profit or in some other qualifying enterprise).

Tax Incentives and Loss of Fiscal Revenues

The principal purpose of taxes is to raise the revenues necessary to finance government programs. There are other functions such as changing the behavior of taxpayers, improving income distribution, stabilizing the economy, and promoting economic growth. Tax expenditures, however, are another means to achieve some of the government objectives such as reducing socio-economic inequalities by investments in social and economic sectors that may help promote employment . As a result, tax policy measures which may include tax exemptions, deductions, credits, deferrals of tax payments or subsidies provided to particular entities, are often considered as tax instruments that may be employed to influence government policy objectives. These special tax instruments or measures provide special tax incentives that are applied with varying degrees to stimulate both domestic and foreign investments in the hope of mobilizing needed revenues in support of government policy goals.

Like many other cash-trapped governments in Africa, the Government of Sierra Leone have been granting tax concessions as a means to encourage much needed investments in education, agriculture, energy, mining among other sectors. The implementation of these tax incentives measures have not been without significant revenue losses to the state attributable to certain tax provisions. These include tax laws or any other law or any administrative order or agreements which allow special exclusion, exemption, or deduction from the tax base. In a variety of circumstances, tax concessions may also provide special credit preferential rates of tax or a deferral of tax liability that includes tax holidays, duty exemptions, sales tax exemptions, exemptions from royalty and exemptions/ preferential rates as well as exemptions on the Pay As You Earn (PAYE). They have been generally applied to a specific taxpayer, group of taxpayers, industry or location of firms. For instance, except for tax privileges accorded under internationally agreed Treaties and Conventions-UN (Privileges and Immunities) Act, 1947, international NGOs and their consultants, mining and agriculture are the two categories that attract tax incentives most.

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However, the system under

Table 1: Revenue Loss Duty Free Concessions in Sierra Leone 2004 -2010 (Billion Leones)

Period	Embassies	Public Int. Org	Non-Gov Org	Mining/Exploration Com	Others	Total
2004	15.070	23.980	9.533	3.146	5.815	**57.545**
2005	8.526	20.096	10.091	8.014	8.498	**55.226**
2006	8.395	13.179	13.949	2.281	8.339	**46.145**
2007	4.400	6.672	7.362	6.622	14.924	**39.982**
2008	4.252	17.137	9.609	7.868	19.534	**58.403**
2009	6.472	16.490	6.598	6.152	24.265	**59.807**
2010	4.785	12.445	5.242	18.952	23.381	**64.807**
Total	**51.902**	**110.003**	**62.387**	**53.037**	**104.759**	**382.090**

which these tax incentives are provided in Sierra Leone is on a case-to-case basis without any unified approach or any broad policy framework and uniform legal basis. Majority of these are provided by individual government ministries with limited parliamentary oversight and without any analysis of the costs of these to the overall budget. A major setback in this way of administering tax incentives is that it does not follow any unified legal, policy and institutional mechanism, nor do many of these tax incentives fall within the confines of the tax laws, which limits property monitoring by the National Revenue Authority (NRA) to ensure that concessionaires comply with the various conditions required for claiming tax incentives. Beside, since these incentives are granted by individual government ministries with no uniform legal basis and broad policy framework, apparently, decisions to grant these incentives could be discretionary and may also favour one set of investments or concessionaires over the others. This however compromises the efficiency criteria for any tax system that starves off revenue flows to the government treasury.

Tax incentives, as part of tax policies of a state, therefore should be an issue of concern for all citizens and policy makers given the resultant loss of national revenue and its negative impact on the realization of socio-economic targets of the state. With the current financial crisis hitting world major economies, inflow of foreign aid has significantly declined over the years, putting more pressure on government to address the growing budget deficit. However, given the government's interest in attracting FDI through tax incentives, there has been significant loss of government revenue through duty waivers, tax holidays and many others. This may have affected the revenue collection efforts of the National Revenue Authority. The extent of the problems is quite revealing in terms of revenue loss attributed to wide range of concessions granted by past and present political regimes. For Example, between 2004 and the first half of 2010, the government of Sierra Leone has lost Le382.09 billion (US $ 0.992 billion) through granting of duty free concessions (see table 1). Of this amount, Le 51.902 billion (13.6%) was due to duty concessions to Embassies, Le 110.0 billion (28.8 %) to Public International Organizations, Le 62.38 billion (16.3%) to Non-Governmental Organizations, Le 53.04 billion (13.8%) to Mining/ Exploration Companies, and Le 104.76 billion (27.2%) to other categories.

In Sierra Leone, the loss of state revenue through tax incentives alone has resulted in huge budget deficits over the years. Financing such budget deficits has led to increased government borrowing from both international and domestic sources with major cost to the socio economic reconstruction and development.

Increased domestic borrowing to finance budget deficit may affect private sector development. .High budget deficits may result to decreases in foreign investment and economic growth. Financing budget deficits by printing money is not a viable option as it may provide a recipe for domestic inflation,

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Low revenue generation as a result of tax incentives amounts to reducing the State's ability to address poverty reduction due to low spending on education, health ,water supply, infrastructural development, and many other social amenities. This has over the years resulted in high illiteracy rate, poor health conditions of the populace, uneasy access to safe drinking water, poor infrastructure, and inefficient service delivery by the national government.

Conclusion

The scramble for foreign direct investment in Africa over the past two decades has been associated with an unreasonable loss of state revenue through tax incentives measures that have fuelled the phenomenon of unhealthy tax competition within and across countries in the West African sub region. The resultant low revenue mobilization following the intense competition for FDI inflows in Sierra Leone has amounted to huge budget deficits which in turn led to various shades of macroeconomic instability which has largely affected private sector development in many countries in the West African sub region. This has largely undermined economic growth through poor infrastructure, low levels of education, and poor health conditions of the populace. Thus, the competition for FDI inflows through the provision of tax incentives is an unnecessary evil for a resource-rich, yet low revenue earning country like Sierra Leone that needs much financial resources to address the challenges of post conflict development.

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The Paradox of Incentive-based Taxation and Enhancing Revenue Mobilization in Africa: The Impacts on Corporate Taxation in the Sierra Leone

Introduction

Across Africa, tax policy reforms and measures have brought unprecedented challenges to enhanced domestic revenue collection for cash-trapped governments. Despite relative economic growth and modest rise of tax revenues in some countries, the contribution of corporate taxation to tax revenue portfolios and to Gross domestic products (GDP) remains an overwhelming concern and paradox to many others. A major problem lies in the nature and design of tax regime and its negative correlations to the cost and benefits of incentive-based taxation to public revenue mobilization in Africa. The urge by governments to diversify new revenue stream for attracting foreign direct investments inflows have led to the increased use of tax incentives to attract and retain corporate capital and investments (David, 2007). This is predicated on the assumption that

attracting foreign direct investments (FDI) will bridge domestic and foreign investment gaps and bring about a host of other benefits as jobs, export opportunities and new technologies. The Monterrey consensus that promotes FDI has given new impetus to the steady growth of foreign investments. In 2008, FDI grew to a record high level of US 88 billions - a 27% increase from 2007 in Africa. In the same year, In terms of the global share of FDI, investment flows registered a significant rise to 5.2%, up from 2.9% in 2007 (African Economic Outlook 2010).

However, experiences across regions show the contrary. The consistent decline of corporate tax revenues among other traditional streams of domestic resources in almost all of Africa is shocking to say the least. For example, the continent has received a little share of global inflows a little over an annual average of 2% between 2000-2004 as compared to 4.4% in the 1970s (The United Nations Conference on Trade and Development, 2005). Even though the full extent of the prevalence of the problem is yet to be fully assessed, there is over-

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2. The trends and manifestation of the threats of incentive -based taxation to enhanced revenue mobilization: Experiences from West Africa

In recent times, the revenue growth rate in the West African region has been associated with tax policy reforms that have broadened the sources of tax revenues. Domestic resource enhancement lies at the heart of economic prosperity, providing a sustainable source of income for state's increased spending on basic services, infrastructure and redistribution of income to narrow the inequality gaps. In its more than 50 years of independence, Ghana has made impressive strides in reaching the status of middle-income status (Dottey, 2009). Compared with the average for the West African sub-region, Ghana's tax structure characterized by personal income tax, corporate tax and indirect tax comprised largely from the Value Added Tax (VAT) has now averaged around 20% of the GDP (Prichard, 2009). In Nigeria, the share of FDI inflow only manage to increase around 20% in 2000 from a low level of 13.2% in 2005 (The United Nations Conference on Trade and Development (UNCTAD), 2009). In Sierra Leone, tax revenues reached its highest peak between 1999 to 2004 since 1970s. Tax collection over the last few years fell below expected levels as evidenced by a drop_from 9.2% of GDP in 2007 to a modest increase of 9.7 % in 2009 (Budget Advocacy Network, 2010). To what extent has been the contribution of corporate income tax to the national revenue basket, given the enormous focus on attracting direct foreign investments with a broadened tax incentives system? What role should it be playing?

Compared with the average for the West African sub-region, Ghana's tax structure characterized by personal income tax, corporate tax and indirect tax comprised largely from the Value Added Tax (VAT) has now averaged around 20% of the GDP

A tax incentive is being defined as any departure from notional benchmarks of corporate income tax systems (Keen Michael and Mansour Mario 2009). Tax incentives are mostly associated with several financial inducement measures. They are mainly designed to attract investors to act in a particular manner in consistency with governments' investment goals and development plan (Dottey, 2009). Tax incentives range from governments' lowering their corporate tax rate, to tax holidays, tax exemptions, or creation of export processing zones, including various forms of concessionary and negotiated tax rates (Tax Justice Briefing Paper, 2006). These have been applied mainly in the trade, manufacturing and in the mineral extractive sectors.

The trend of Incentive-based taxation appears to have direct links with the dramatic increase in FDI inflows to developing countries in recent decades. Driven by role of the World Bank's and IMF policies to promote FDI without the need to raise tax rate, low and middle-income countries have pursued

tax reforms that have lowered their revenue streams over the last twenty five years (Marshall, 2009). Invariably, the irrational use of tax incentive mechanisms to attract FDI, given the mobility of investment firms and elimination of barriers to global capital flow has led to an unfettered tax competition between and among countries since the 1990s (Moriset, 2003). Tax competition takes many forms with different impact to enhanced revenue mobilization. Some of which are more damaging than others. Moreover, because of its unregulated nature, the granting of unspecified tax incentives by countries has fuelled *the race to the bottom*. Regardless of whether or not tax incentives have any effect on FDI location decisions or not, or whether they benefit host countries remains an unresolved dilemma. By and large, the race to the bottom ignores the need for a clear distinction to be made between maximizing FDI flows and maximizing their contribution to development (Woodward *Unknown date*).

2.1 The harmful nature of tax competition to incentive-based taxation

Tax competition has arisen as a direct result of un-refereed race of poor countries in a mad rush to attract needed foreign revenues to supplement domestic revenues. Paradoxically, corporate tax income is even more important in resource-rich countries in sub Saharan African because of its inherent potentials to provide additional revenues from rents extracted from both mineral and non-mineral sectors. Evidently, mineral revenues if responsibly managed offer a lot of potentials to boost up domestic revenue mobilization and help fill critical finance gaps than dependence on foreign aid and grants or loans. For most countries in Sub Saharan Africa, recovering their economies to be able to move out of poverty would require an accelerate growth rate of 90% (David, 2007). Yet this does not happen. The drivers of tax competition to incentive-based taxation take many forms. Four most significant ones have been identified and are summarized as follows:

1). The reckless and rampant use of granting tax holidays. More than 70% of African countries including those in West African region grant tax holidays compared to only 20% of OECD countries (Madies and Dethier, 2010). The duration of the tax holidays is manipulative and can be as long as ever imagined. For example, Senegal is known to offer 50 year tax holidays as an incentive to secure corporate income revenues (Keen Michael and Mansour Mario 2009)

2). Unprecedented lowering of corporate income tax rate. Compared to Canada which is adopting measures to scale back incentives, low –income countries including West Africa

Table 1-: Composition of Domestic Revenue, with mining contribution-2006-2009

	2006 (%)	2007 (%)	2008 (%)	2009 (%)
Income Tax	27.82	27.23	28.37	28.01
• Company Tax	13.04	9.57	8.51	8.77
• PAYE	11.65	13.80	14.19	14.57
• Other Taxes	3.13	3.86	5.67	4.66
Customs and Excise	56.26	57.44	53.54	55.68
• Import Duties	39.95	46.90	38.52	39.79
• Excise duties on Petroleum	11.78	7.73	10.16	10.72
• Other Excise	2.55	1.13	1.67	1.83
• Domestic Sales Tax	1.98	1.68	2.50	2.61
Mines	2.97	3.46	3.78	3.55
• Royalty on Rutile	0.23	0.07	0.24	0.24
• Royalty on Bauxite	0.21	0.36	0.43	0.42
• Licences	2.53	3.03	3.10	2.89
Other Department	4.94	5.47	6.54	5.94
• Royalties on Fisheries	0.82	0.72	0.67	0.70
• Parastatals	1.68	1.06	0.71	0.54
• Other Revenue	2.45	3.70	5.16	4.71
Road Charges and Vehicle Licences	8.00	6.40	7.77	6.82

Source: Generated from 2006 – 2009 Sierra Leone National Budgets have their corporate tax income more reduced since the 1990s (Keen Michael and Mansour Mario, 2009)

3). The introduction of export production zones (EPZ). These are regions carved out for special commercial entities that enjoy the benefit of less taxation and other tax regulatory systems (Tax Justice Network Briefing, 2006). It is estimated that, while in 1980 there was only one EPZ, by 2005, the number has arisen to 17 which has posed more significant threat to revenue base in many African countries (Keen Michael and Mansour Mario 2009). Nigeria created its own EPZ in 1999 while experiences in Ghana shows that not one of these is effective in deepening long term investments (Dottey, 2009) It is estimated that this practice has cost countries US$70m in revenue loss annually (Dotty 2009)

4). Incentive based taxation linked to illicit capital outflows from uncontrolled practices of tax evasion, tax exemptions transfer mispricing, and falsified invoicing including others. In many cases, because tax regulatory systems in poor countries are weak and in addition, lack sophisticated systems to investigate complex and highly-invisible tax evasion cases, they tend to be victims of significant illicit capital outflows (McNaire, 2010). In the mineral sector alone, the treasury departments of poor countries such as Ghana and Sierra Leone have lost US $68m, US$359 and US$30M a year respectively (Breaking the Curse Report, 2009)

The phenomenon of incentive based taxation and its impact on corporate revenues in mineral-dependent countries in the West African region is striking. Rather than enjoying revenue windfalls that has been brought about by the increased market value of mineral in the period from 2002 to 2008, the high incidence of tax incentives loop-

holes under which tax evasive practices thrive have robbed these countries of millions of dollars in forgone revenues. These forgone revenues would have provided needed resources to roll back the epidemics of preventable diseases, increase quality and affordable education and build needed infrastructure and social amenities to its citizens.

The paradox of record boom in metal and mineral prices is visible in the poor balance sheet of mining taxation in Ghana and Sierra Leone. Rather than enjoying revenue windfalls that has been brought about by the increased market value of mineral in the period from 2002 to 2008, the high incidence of tax incentives loopholes under which tax evasive practices thrive have robbed these countries of millions of dollars in forgone revenues.

3. The impact of corporate income tax within the mining sector in Sierra Leone

Sierra Leone's corporate income tax is the lowest contributor to the overall national revenue basket. Fuelled by high dependence on foreign sources of revenue such as grants and loans and budgetary support by its international development partners (DfID, WB, IMF, AfDB), the tax revenue ratio to the GDP constitutes a mere 11.3% in 2009 as compared to an average 18% for sub-Saharan Africa (Budget Advocacy Network 2010). This was a reduction of what was achieved in 2005, 2006 and 2008 though there was a marginal improvement in 2007 (Budget Advocacy Network Report, 2010). Even with the modest improvement in revenue collection efforts, analysis of tax revenue trends reveals that the greatest contributor to the revenue baskets has been revenues derived mainly from customs and excise followed by personal income tax which from 2006 increased from 11.6% to 15.49%. Conversely, corporate income tax has been reducing since 2006 to only 8.25% of domestic revenue in 2009 (Budget Advocacy Network Report 2009).

What does this tell us about the contribution of corporate income tax from the mineral sector? The table below reveals the percentage contribution of the different sources of domestic revenues, giving also additional reasons for the underdevelopment and endemic poverty especially in Sierra Leone, regardless of its mineral wealth endowments.

Corporate tax levy on the four major industrial scale mining companies amounts to a paltry figure of US$ 131 million of the total export. The total tax (Corporate and PAYE) contribution by the mining companies is estimated at around US$1.6M. This is despite the fact that mining accounts for over 90% of exports.

Incentive-based taxation is fuelled by many factors and it is beyond the scope of the paper to enumerate all. What remain as an overwhelming concern are the discretionary powers granted to individual government authorities to determine corporate tax in total disregard to tax regulatory laws, the weakness of the tax collection regimes and the rampant abuse of the tax exemptions offered to corporate entities by high-powered groups and individuals. This trend is evident in the recently ratified mining agreements to London Mining and the African Mineral Limited which contain low tax provisions that are in contravention of the income tax laws (NACE, 2010)

Incentive-based taxation is fuelled by many factors and it is beyond the scope of the paper to enumerate all. What remains the fact however is the discretionary powers granted to individual government authorities to determine corporate tax in total disregard to tax regulatory laws

4. Potentials for increased revenue mobilization from corporate taxation: What is required?

Despite existing threats of corporate income loss in Sierra Leone in part also to the newly discovered oil reserves, there are prospects nonetheless. At the continental level, the current efforts by the African Union to establish the Africa Mining Partnership are commendable moves if they are well-intentioned and implemented rather than lip service. Additionally, The United Nations' Economic Commission is currently leading efforts to finalize the development of a mining code for Africa. This would help ensure that mining fiscal regimes are enacted to protect communities, while maximizing remittances from mining corporate entities to government coffers. Again what further measures are needed?

Scaling down the incentive elements in corporate tax is one difficult option but it can be pursued. What is required is a coordinated response for mechanisms that can tackle the problems from a multidimensional approach: control of transfer price manipulations; requirement of comprehensive disclosure of profits and expenditures; mechanisms to ensure greater transparency in contractual terms for investments and promotion of internal country policy to enhance the development impact of investments. The potential benefits are that if these measures are unilaterally coordinated among sub Saharan countries with robust consequences of limiting movement outside the agreement areas, it will greatly reduce the incentives to freely move capital to different jurisdictions.

5. Conclusions

The controversy over whether or not incentive-based taxation attracts FDI is not yet over. This is underscored by the fact

that while the volume of direct investment has increased in Africa over the last decades, it has accounted for differential impacts on the economy and poverty situations of African sub-Saharan countries. The development of export promotion strategies in many countries signals both positive and negative trends in encouraging the trends of incentive-based taxation and tax competition. At the end, it is how the rules of competition are defined and adhered to and the extent to which collaborative mechanisms for harmonization of tax regime is build that determines who gains and who looses. By and large, lasting reforms to economies of the region depends on the extent to which the severity of the problems is recognized and action taken to tackle them.

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TJN Across the Globe

Agir chez nous contre les paradis fiscaux

'Stop paradis fiscaux' clame depuis septembre dernier l'ONG de solidarité internationale CCFD-Terre Solidaire aux côtes d'autres organisations de la société civile française. Avec une déclinaison d'outils de mobilisation assez novateurs, la campagne de mobilisation contre les paradis fiscaux a porté, durant le premier semestre 2010, des résultats encourageants, et prometteurs. Tant à Bruxelles qu'à Paris.

C'est une campagne de mobilisation qui déjà, en 2008, avait convaincu un à un une majorité d'eurodéputés français de l'intérêt, pour le financement du développement des pays les plus pauvres, d'une transparence pays par pays des multinationales. Depuis, les deux autres institutions clés de l'Union Européenne ont fait des pas dans ce même sens : la Commission évoquait pour la première fois en avril dernier l'intérêt de la fiscalité et du reporting pays par pays dans son Plan d'Action annuel pour le développement en vue des Objectifs du Millénaire ; le dernier Conseil européen des ministres du développement, en date du 14 juin, évoque également le reporting pays par pays ainsi que plusieurs des propositions de la société civile. Reste enfin à convaincre au niveau des chefs d'Etat européens, et la mobilisation des citoyens jouera encore une fois un rôle clé.

C'est bien pour équilibrer le rapport de force et convaincre au plus haut niveau du gouvernement français, hôte du G20 en 2011, qu'une coalition d'ONG et de syndicats se sont engagés dans la campagne de mobilisation Stop paradis fiscaux. Au-delà de la pétition « Appel Stop paradis fiscaux » déjà forte de près de 40000 signataires, cette campagne vise à rendre le citoyen acteur de la mondialisation. A l'aide d'une déclinaison d'outils offerts par la campagne, tout titulaire de compte peut demander à sa banque des explications sur ses activités dans les paradis fiscaux. Les syndicalistes eux, sont invités à utiliser leurs droits au sein de l'entreprise pour obtenir de leur direction qu'elle détaille dans son rapport annuel l'état des activités pays par pays. Les dirigeants de petites et moyennes entreprises sont également conviés par la campagne à mettre en place cette transparence pays par pays dans leur société. Les élus locaux n'ont pas été oubliés puisque traitant, par le biais de leur collectivité, avec de nombreuses banques et entreprises multinationales, ces derniers ont été appelés à imposer le reporting pays par pays à leurs partenaires financiers.

Le développement de ce dernier outil au cours des élections régionales d'avril dernier est notamment à l'origine d'un engagement juridique de la nouvelle équipe d'élus de la région parisienne: suite à la délibération du 17 juin dernier, la première région économique d'europe ne travaillera plus avec les banques installées dans les paradis fiscaux listés par la France, et surtout, intimera à ses banques partenaires une transparence pays par pays sous peine de non attribution de marchés publics.

Global Strategy Meeting of the 'Towards Tax Justice Programme' Manila, Philippines 5-6 August, 2010

The 'Towards Tax Justice' (TTJ) project was launched in December 2008, bringing together civil society actors from four different continents, and eight different organisations: Action for Economic Reforms (Philippines), Afrodad (Zimbabwe), Christian Aid (UK), ISODEC (Ghana), Jubilee South Asia Pacific Movement on Debt and Development (Philippines), Poder Ciudadano (Argentina, SOMO (Netherlands) and of course Tax Justice Network - Africa. The meeting was attended by the participating organisations of the Towards Tax Justice Project, together with Asian and Pacific groups working on debt issues, members of the Jubilee South Asia Pacific network, who were holding a regional tax training meeting in the same week, representatives of CCFD-Terre Solidaire and Action Aid UK.

TJN Across the Globe

The objectives of the meeting were two-fold: on one hand it was an internal meeting of the TTJ project to define the road ahead in completing the programme and establishing effective regional secretarial facilities, on the other hand, it also discussed how the network should develop in the future, and take part into a consultation of a key part of our core TJN outreach strategy for 2011-2015. The outreach strategy is titled *Mobilising for Tax Justice*, and will carry TJN on the road through to the completion point of MDGs.

These objectives are firmly part of the declaration of the Tax Justice Network, which in part 1 article 5 states that:

"These trends threaten democracy and development. A process of tax competition at the global level undermines the social contract previously set within the national arena, as states compete to offer tax exemptions to capital. Tax havens grow more numerous, the world's richest financial centres get even richer, taxes paid by large corporations fall, and ordinary citizens bear the cost. We call upon all concerned to meet this challenge, by building global and national campaigns for tax justice."

While the Tax Justice Network is most known for efforts around ending financial secrecy by doing advocacy work around G20 summits, and proposals for country-by-country reporting at the OECD, these mainly developed country institutions are not the only advocacy targets, we also maintain that advocacy should be taking place on all levels: national, regional - even on the electoral constituency.

Our network is like one of artisanal fishermen, who gather together in spreading their tax nets ever wider and deeper in the offshore waters in the Philippines, after having gone fishing in the deep and dark lakes of Switzerland, in the pirate waters of East Africa, and among the piranhas of the river Pará in Brazil. As we learn and share skills in tax advocacy, we can then take back our skills and apply them in our own shores.

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http://www.taxjustice.net/cms/upload/pdf/e_declaration.pdf

La société civile pousse le gouvernement français à s'engager pour plus de transparence dans le système financier international

Du 18 au 22 juin 2010, des représentants de la société civile des quatre coins du monde ont participé à une série d'activités visant à engager le gouvernement français à prendre position pour plus de transparence dans le système financier international et surtout à mettre le sujet à l'agenda du G20 de novembre 2011 quand la France assurera la présidence du forum.

Les activités comprenaient un colloque organisé par le CCFD-Terre Solidaire au Palais Bourbon (Assemblée Nationale Française) le 18 juin 2010. Le thème du colloque était '**Paradis fiscaux et développement : Quels enjeux pour le G20**.' Plus de 100 personnes provenant de secteurs variés ont participé au colloque. Les intervenants au colloque comprenaient : François d'Aubert (Délégué général à la lutte contre les territoires non coopératifs et président du groupe d'évaluation des juridictions non coopératives du forum global de l'OCDE), Jean Merckaert (CCFD-Terre Solidaire et Coordinateur de la plate-forme paradis fiscaux et judicaires), John Christensen (directeur du Tax Justice Network), Silvia Mariela Mendez (économiste, membre de Jubilee Equateur et du réseau Latindadd, Sandra Kidwingira (animatrice du Tax Justice Network en Afrique francophone, , Christian Chavagneux (rédacteur en chef adjoint de Alternatives Economiques), Dereje Alemayehu (Président du Réseau pour la Justice Fiscale – Afrique), Tom Cardamone (directeur de Global Financial Integrity, Serge Tomasi (directeur de l'économie globale et des stratégies de développement de la direction générale

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de la mondialisation, ministère français des Affaires Etrangères) et Pascal Canfin (député européen à la Commission des Affaires économiques et monétaires).

Un groupe comprenant des représentants du CCFD- Terre Solidaire, Tax Justice Network, Latindad, Tax Justice Network - Africa, Oxfam France, Transparency International, Global Financial Integrity a aussi effectué une série de visites auprès de différents responsables français y compris des responsables du ministère des affaires étrangères, du ministère de l'économie, de l'industrie et de l'emploi, de l'Elysée et du Parti Socialiste français. Au cours de ces échanges les représentants des différentes organisations

(« les paradis fiscaux ») pour assainir l'économie mondiale et financer le développement' (http://ccfd-terresolidaire.org/campagne-paradisfiscaux/) et résumé les principales demandes contenues dans le document qui étaient **:une publication des comptes pays par pays pour les compagnies multinationales, un registre des bénéficiaires effectifs de toutes les sociétés, trusts, fondations et associations caritatives et une coopération judiciaire et fiscale effective.**

Le résultat principal de ces activités a été une assurance des différents responsables rencontrés que le gouvernement français est conscient de l'impact de l'opacité en matière

financière non seulement sur les économies des pays en développement mais aussi celles des pays développées. Les responsables rencontrés ont affirmé que le gouvernement français a déjà pris un certain nombre de mesures visant à rendre le système financier international plus transparent comme par exemple l'établissement d'une liste française des territoires non-coopératifs dans lesquels il devient plus coûteux pour les entreprises et banques françaises d'opérer.

Ca$hback

TJN is working with Speak-it Films, the production company behind the award-winning film Black Gold, which changed the way millions of people think about their coffee and became a clarion call for trade justice across the world.

Speak-it Films' new project, "Cashback" (working title), will be a cinematic feature-documentary thriller about illicit financial flows. It will tell the story of how money is drained out of developing countries by a network of bankers, accountants, and lawyers into secret, offshore Western bank accounts, undermining the lives of millions of people. It is estimated that for every dollar of aid that goes in to developing countries ten dollars comes out under the table.
How does this happen? Why is no-one paying attention? This landmark film will peel away the secrecy to reveal one of the 21st century's biggest scandals.
Cashback is intended for a mainstream cinema release in 2012 and will act as urgent wake up call to the public and will also become a powerful tool for organisations to use for lobbying and public mobilisation.
The release of the film will be supported by a 5 year global outreach campaign co-ordinated by TJN and our colleagues across the world.

We are now inviting the TJN community, who are committed to changing the status-quo, to be part of this groundbreaking project. If you are an individual, NGO, business or funding organisation and would like to become a funding partner please get in touch and join us on the CASHBACK journey.

Please contact
info@taxjustice.org

Or visit http://www.tippingpointfilmfund.com/projects/cashback/

News & Events

Tax Justice Southern Africa Policy Round Table

The Africa Forum and Network on Debt and Development (AFRODAD) in collaboration with the Tax Justice Network-Africa(TJN-A) and the Institute for Democracy in South Africa (IDASA) hosted a two day policy round table on the ***14th and 15th of September 2010*** in Braamfontein, Johannesburg, South Africa. Under the theme ***Issues and Opportunities for Policy Engagement for Southern Africa***, the policy roundtable brought together tax policy experts from the southern Africa region to deliberate on issues of taxation policy as they relate to the efforts of the region to raise domestic resources to finance their development. Also invited were members of Parliament, Researchers, Tax practitioners from the private sector and representatives from relevant government ministries and regional institutions.

The roundtable took place against a backdrop of the increasing reliance of governments on tax as a source to finance government expenditure. The Policy round table was expected to: deepen the understanding and capacity of policy makers from the South Africa Region on the importance of domestic resource mobilization and specifically tax to the region's economic development; Create a platform for participants to share experience, expertise and best practice on their efforts to mobilize tax revenues; and Provide an opportunity to identify areas of common concern including exploring of common opportunities and challenges.

The round table sought to achieve following outcomes: a shared analysis and understanding of the policy issues raised and or implicated in the different financial regimes including reform agenda at regional level; a shared understanding among participants on common agenda and positions regarding domestic resource mobilization in the South African Region; and an agreement on common strategy for engagement in the tax policy formulation and implementation in the region.

At the end of the meeting, participants adopted a joint declaration with recommendations to African states, members of parliament, the South African government, the African Union/ other regional bodies and African civil society to work towards more tax justice and development on the continent.

Atelier régional sur la fiscalité en Afrique centrale

L'atelier régional sur la fiscalité en Afrique centrale initialement prévu pour juin 2010 a été reporté à Septembre 2010 pour des raisons logistiques. L'atelier s'est déroulé à la Maison Provinciale CICM Mvolyé à Yaoundé au Cameroun du 7 au 9 septembre 2010. Le thème de l'atelier était 'RECETTES FISCALES POUR LA REDUCTION DE LA PAUVRETE EN AFRIQUE CENTRALE.' L'Atelier était organisé par le Réseau pour la Justice Fiscale-Afrique en partenariat avec le Centre Régional Africain pour le Développement Endogène et Communautaire mandaté par Dynamique Citoyenne (une plateforme d'organisations de la société civile camerounaise). Un total de 45 participants ont participé à l'atelier. Les participants comprenaient majoritairement des représentants d'organisations de la société civile provenant des pays suivants : Centrafrique, Gabon, République Démocratique du Congo, République du Congo, Tchad et Cameroun. Le Réseau pour la Justice Fiscale était représenté par son Président, Dr. Dereje Alemayehu et la Coordinatrice Assistante, Sandra Kidwingira. L'objectif principal de la réunion était de lancer le débat sur la justice fiscale en Afrique Centrale. Les résultats principaux de l'atelier ont été : la 'DECLARATION DE YAOUNDE SUR LA FISCALITE ET LE DEVELOPPEMENT' stipulant les engagements des organisations représentées ainsi que leur recommandations par rapport à la thématique et des esquisses de stratégies pour un plaidoyer en vue d'une justice fiscale dans la région.

Profile: ISODEC (interview with Bishop Akolgo,Director ISODEC)

Could you give us a brief background of the Integrated Social Development Centre? What are the areas of work?

ISODEC started as a public service delivery organization. The initial focus was then on the provision of pro-poor welfare services and on monitoring the quality, access and delivery of essential services to citizens at both national and sub national levels. Over time, we discovered that service delivery could not bring about the kind of socio-economic pro-poor changes we desired, without looking at national policy instruments and especially how these are implemented. This led us to evaluate our strategy that compelled us to tackle large issues relating to national development policies of which the national budget is the key instrument. We further discovered that even with the budget, the scope of government's spending portfolio was restricted, compounded by considerable leakages in the systems including tax leakages and the policy prescriptions of international financial institutions such as the IMF and the World Bank especially those that apply to governance of natural resources and the fiscal regime. We then decided to join the international tax campaign as part of our economic justice work

What are the current areas of ISODEC work?

We have three core programmes with three cross-cutting thematic areas. Our three core programmes are: Essential Services; Economic Justice; and Policy Alternative. Our three cut crossing thematic areas are: Human Rights; Environment/Climate change; and Gender. All our activities are built in around and within these strategic focus areas.

Why are you particularly interested on issues of tax justice in Africa?

My interest on issues of tax justice emanates from the angle of tax burden and the fairness in the distribution of that tax burden. What we want to see is fairness in how the tax burden is shared, in such a way that tax rate and structure ensure that citizens are able to pay their tax obligations while also affording decent living conditions. Second, is the governance implication of tax collection and revenue management. Tax authorities and the government must ensure that they are more accountable for revenues derived from citizens. Third is the fact that countries that derive less revenues from taxation domestically, but are nonetheless dependent on international aid loose autonomy and are restricted from acting in compensatory ways towards their most vulnerable masses of citizens in terms of fulfilling their basic rights and entitlements.

What we want to see is fairness in how the tax burden is shared, in such a way that tax rate and structure ensure that citizens are able to pay their tax obligations while also affording decent living conditions.

In your opinion, what role should civil society organizations play in achieving tax justice in Africa

First and foremost, we must build their capacity to understand economic policy making including the role of the state and the role of transnational corporation and the role of international financial institutions such as the IMF and the World Bank. Their skills must also be enhanced in understanding mineral agreements and contracts and potentials of tax looses from poorly designed tax systems and their administration. CSOs could also potentially play a role in accelerating their mobilization and networking efforts towards building a strong social movement nationally, regionally and internationally to fight for tax justice. This would mean putting pressure on government and multi national corporations to pay their due taxes; discouraging tax havens and money laundering; and mobilizing citizens' awareness to resist regressive tax systems that take more from the poor and less the rich.

How would you describe and evaluate the progress in recent African public policies (at both national and regional levels) towards more justice, democracy and development for the continent?

I think, since the 80s to date, the development policy space in most of sub-Saharan Africa has been hijacked by the neo liberal agenda that emphasized a reduced role of the state and increased freedom of the market. This has largely constricted the ability of the state to fulfill its constitutional and welfare mandates especially in generating enough resources to provide basic social services to its citizens and also using its fiscal tools to stimulate both foreign and domestic investment into the critical sectors of the economy. These policy failures have rendered many governments incapable to deal with issues of poverty, marginalization and social exclusion which in turn have bred increasing levels of both interstate and intra state violent conflicts. In addition, many states have been weakened by their incapacity to mediate contesting interests over limited resources. By and large, the continent has recorded very frightening low levels of human and economic development statistics over the years in comparison with the rest of the world.

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What are in your view the most urgent steps that must be undertaken to ensure that African countries can finance their own development? Who should undertake these?

First and foremost, government and policy makers should recognize the need and urgency for tax-based public finance, reducing their dependence on aid so that they can reclaim their policy autonomy space. Citizens' awareness of how mineral agreements are negotiated must be raised in terms of how poorly negotiated contracts and corruption within the mining regulatory systems could deprive them of their basic human and livelihood rights. In the long run, natural resources are depletable which means that only investments in alternative assets may guarantee sustainable benefits after mining activities phased out. Government and policy makers must be able to show positive results for tax revenues in order to encourage citizens to have and build their confidence in the state's ability to cater for their needs in return for taxes collected. And CSOs have to recognize and take their roles of oversight to hold government and companies to account on issues of taxation so that citizens enjoy services provided by government and financed through corporate taxes. Multinational companies should recognize that their license to operate and resources used are societal-owned and therefore it is incumbent to them to pay their taxes.

Citizens' awareness of how mineral agreements are negotiated must be raised in terms of how poorly negotiated contracts and corruption within the mining regulatory systems could deprive them of their basic human and livelihood rights.

What vision do you have for ISODEC to join such an international campaign to achieve all of the above aspirations?

We provide capacity enhancement for various non-state groups both in Ghana and across the sub-region. We also provide the needed technical support towards building a movement for social justice. We will build an international coalition in the short term to engage companies and governments to promote tax transparency and accountability throughout the region and in the rest of Africa.

DECLARATION DE YAOUNDE SUR LA FISCALITE ET LE DEVELOPPEMENT

DECLARATION DES OSC A L'ISSUE DES TRAVAUX DE L'ATELIER REGIONAL SUR LA FISCALITE EN AFRIQUE CENTRALE DU 7 AU 9 SEPTEMBRE 2010, A YAOUNDE

Nous, Organisations de la Société Civile (OSC) de l'Afrique Centrale (CAMEROUN, GABON REPUBLIQUE CENTRAFRICAINE, REPUBLIQUE DEMOCRATIQUE DU CONGO, REPUBLIQUE DU CONGO et REPUBLIQUE du TCHAD) réunies en Atelier de sensibilisation, de conscientisation, de renforcement des capacités et de stratégie de plaidoyer sur la place centrale qu'occupent les recettes fiscales dans le développement de la sous-région, atelier tenu à Yaoundé (Cameroun), du 7 au 9 septembre 2010, sous la houlette du Réseau pour la Justice Fiscale - Afrique (RJF-A) et en collaboration avec le Centre Régional Africain pour le Développement Endogène et Communautaire (CRADEC), mandaté par Dynamique Citoyenne :

- **Considérant** le niveau de pauvreté préoccupant des populations dans les différents États de la sous région Afrique centrale ;
- **Considérant** les défis de mobilisation et de gestion des ressources financières pour le financement des stratégies nationales de réduction de la pauvreté dans les États de la région Afrique centrale;
- **Considérant** les engagements et les efforts de la communauté internationale dans l'atteinte des Objectifs du Millénaire pour Développement(OMD) d'ici à l'horizon 2015;
- **Considérant** les effets de la crise financière internationale sur les engagements de la Déclaration de Paris et le Plan d'Action d'Accra;
- **Réaffirmant** l'intérêt de l'adoption des normes obligatoires pour garantir la transparence au niveau de la chaîne des valeurs;
- **Soulignant** le fort potentiel de ressources naturelles dans les pays de la sous région Afrique centrale;
- **Soulignant** l'implication des OSC dans la mise en œuvre de l'Initiative de Transparence dans les Industries Extractives (ITIE) dans les pays de la sous région Afrique centrale;
- **Soulignant** la place centrale qu'occupent les recettes fiscales et douanières dans le financement des budgets nationaux;
- **Se réjouissant** de la prise de conscience et des engagements de la communauté internationale sur les pratiques fiscales rédhibitoires notamment sur les investissements et les échanges commerciaux entre les partenaires et les pays de la sous région Afrique centrale;
- **Saluons** à sa juste mesure les efforts du G20 en matière de lutte contre la fraude fiscale, l'évasion fiscale, la fuite des capitaux, les biens mal acquis aux dépens des économies faibles et des populations pauvres du Sud en général et de la région Afrique centrale en particulier;
- **Saluons** avec emphase les efforts des organisations de la société civile des différentes régions pour un plaidoyer en faveur d'une justice fiscale pour le développement du continent en général et de la sous-région en particulier;
- **Déclarons** notre engagement comme OSC africaines dans le soutien du plaidoyer pour une justice fiscale dans leurs pays respectifs, la sous région Afrique centrale et sur la scène internationale;
- **Encourageons** les OSC nationales dans leur élan d'appropriation du plaidoyer pour une justice fiscale;
- **Nous engageons,** à tout mettre en œuvre pour intensifier le processus en cours par la sensibilisation des parties prenantes, l'analyse des politiques fiscales et des propositions sur le plan national et régional;
- **Mettons** en place un réseau régional d'Afrique centrale sur la justice fiscale à partir des initiatives de suivi des politiques publiques nationales dont le Secrétariat est établi au CRADEC au Cameroun et les points focaux dans chacun des pays présents;
- **Endossons** la Déclaration de Nairobi sur la Fiscalité et le Développement.

Recommandons

1. Aux gouvernements de la sous région Afrique centrale et leurs partenaires

(i). L'adoption des politiques fiscales permettant une collecte optimale des recettes et l'arrêt des fuites illicites des capitaux pour le développement;

(ii). La publication des rapports nationaux sur le système fiscal pouvant servir de base pour appuyer la campagne nationale, régionale et internationale et accroître les connaissances et la compréhension des parties prenantes;

(iii). La mise sur pieds d'un processus participatif, transparent et responsable pour la réforme fiscale;

(iv). L'éducation des citoyens sur l'importance de la fiscalité pour le développement;

(v). Le renforcement des capacités des organisations de la société civile pour le suivi des politiques fiscales;

(vi). La ratification de la convention de l'Union africaine pour la lutte contre la corruption;

(vii). La protection des membres de la société civile impliqués dans la campagne pour la justice fiscale;

2. Aux Organisations facilitatrices du présent atelier régional TJN-A, CRADEC et leurs partenaires;

(i). Le suivi des plans d'actions nationaux et régional;

(ii). L'accompagnement des plans d'action nationaux et régional dans la recherche des guichets de financement et la mise à disposition des informations aux OSC nationales et au réseau sous régional sur la justice fiscale pour le développement;

(iii). L'appui technique à la production des enquêtes, des études et des publications relatives à la fiscalité intérieure, la fiscalité internationale et la fiscalité des industries extractives;

Fait à Yaoundé, le 9 septembre 2010.