



# **Domestic Resource Mobilization: Harnessing the Potentials in West Africa**

By

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# Outline

- Background
- Fiscal harmonization in ECOWAS
- Strategies for effective Domestic Resource Mobilization
- Way forward/Expectations from Member States



# Background

- The Economic Community of West African States (ECOWAS) was established on 28<sup>th</sup> of May 1975 with the purpose of promoting regional cooperation and economic integration;
- ECOWAS comprises of 15 Member States (MS): Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo;
- ECOWAS has since gradually widened the scope of its activities. Presently it conducts political, cultural and social activities as well as conflict resolution and prevention tasks, and strengthening the involvement of civil society in regional processes.



# Background <sup>(1)</sup>

- Article 3 of the Revised Treaty of ECOWAS signed on 24<sup>th</sup> July 1993 in Cotonou restated the Community's objectives including the harmonization and coordination of national policies and the promotion of programmes, projects and activities in the areas of trade, taxation, creation of an Economic Union;
- In 2007, ECOWAS changed its central institution from an Executive Secretariat into a Commission, which has made the organization more effective and given the regional integration process a new dynamic.



# Fiscal harmonization in ECOWAS

## ■ Value Added Tax

- Protocol A/P2/7/96 establishing Value Added Tax (VAT) in ECOWAS Member States;
- Directive C/DIR.1/05/09 harmonizing ECOWAS Member States' legislations on Value Added Tax (VAT);
- Directive C/DIR.2/12/17 harmonizing VAT Exemptions.

## ■ Excise Duty

- Directive C/DIR.2/05/09 harmonizing legislations of ECOWAS Member States on Excise Duties;
- Directive C/DIR.1/12/17 harmonizing Excise duties on Tobacco products in ECOWAS Member States.

# Fiscal harmonization in ECOWAS <sup>(1)</sup>



- Directive C/DIR.1/12/13 on **ECOWAS Fiscal Transition Programme (FTP)**– Tax and customs reforms programme developed to assist MS to seamlessly transit from Customs duties to domestic taxes in order to compensate for possible customs revenue losses due to the liberalization of trade in the Community and the conclusion of international trade instruments.
- Draft Enabling Rules for the Institutional framework for the monitoring and steering of the implementation of the ECOWAS FTP.
- Draft Directive on the harmonization of laws establishing a system for tracking, tracing and tax verification of manufactured or imported Tobacco products in ECOWAS MS.
- Draft Supplementary Act adopting community rules on the taxation of income, capital and inheritance and the rules for their application within ECOWAS.
- Draft Regulation on Exchange of Information in ECOWAS MS.

# Fiscal harmonization in ECOWAS <sup>(2)</sup>



- **Capacity Development measures:**
  - Risk-based audit skills of 213 Tax Auditors enhanced to audit complex sectors such as Finance and Insurance, Oil and Gas, Mining and Telecommunications
  - Collaborated with WATAF to develop the skills of Tax Auditors in Transfer Pricing
  - Sponsored 13 Officers from The Gambia, Ghana, Niger, Nigeria, Senegal and Togo to participate in an international conference on BEPS and illicit trade (**other MS did not respond to the invitation**)
  - At the institutional level the Commission has provided technical assistance to WATAF in organizing most of its General Assemblies
  - Institutional capacity of WATAF enhanced through study visit to ATAF in 2017

# Strategies for effective Domestic Resource Mobilization



## ■ *Institutional Level*

- Simplify legislations to facilitate compliance
- Broaden the Tax base
- Curtail and monitor tax exemptions
- Clean and update registered Taxpayer database
- Introduce Taxpayers Identification numbers
- Segment taxpayers into Large, Medium and Small to deliver tailor made services to each of the groups
- Create an enabling environment to facilitate voluntary compliance
- Uphold transparency in revenue generation to promote compliance
- Reduce the cost of compliance
- Improve taxpayer education
- Introduce exchange of information with other ECOWAS MS



# Strategies for effective Domestic Resource Mobilization <sup>(1)</sup>



## ■ *Individual level*

- Develop a service oriented work force
- Develop the capacity of Tax Auditors in risk-based audit skills to audit multinational companies in complex sectors such as Oil and Gas, Telecommunications and Mining
- Strengthen capacity in tax policy making
- Promote the integrity of Tax administrators

# Way Forward/Expectations from Tax Administrations



- Need for all Tax administrations to undertake the TADAT assessment to identify their strengths and weaknesses
- The TADAT assessment report could be used as the entry point for further reforms
- **Political and top management commitment is key to the successful implementation of any reform.**



Thank you for you time  
and Attention!