



**OUTCOME STATEMENT  
WATAF 2<sup>ND</sup> REGIONAL DIALOGUE  
UNDER THE THEME  
**PROMOTING TRANSPARENCY IN THE GOVERNANCE OF TAX INCENTIVES IN  
WEST AFRICA**  
**21 OCTOBER 2020****

## **INTRODUCTION**

1. From across the West African Region mainly from Ministries of Finance and Tax Administrations of 15 ECOWAS member countries, Development Partners, Civil Society Organizations, Regional Parliamentarians, the academia and tax practitioners met virtually on 21 October, to attend the High-Level Policy Dialogue on Promoting Transparency in the Governance of Tax Incentives in West Africa. The HLPD was hosted to bring together diverse stakeholders from tax administrations, Ministry of Finance and Planning, academia, Civil Society Organisations (CSOs), parliamentarians and the ECOWAS Commission to share experience and expectations from West Africa on the path to take towards formulating sound fiscal policy frameworks domestically and sub-regionally to better utilise the use of tax incentives in order to prevent tax revenue leakages and attract needed inflow of Foreign Direct Investments (FDIs).
2. Attendees highlighted the necessity of leveraging shared experiences to have tax incentive regimes in West Africa that are well managed and produces the right result in terms of providing socio and economic benefits to WATAF member countries. Additionally, the meeting discussed various aspects and options relevant for managing tax incentives which included among others, ceding fiscal policy formulation authority to Ministries of Finance and administration of tax incentives to Revenue Authorities; establishing efficient and effective tax incentive monitoring mechanisms alongside building a whole of government approach to issues relating to tax incentives. Participants were actively engaged in this historic event and resolved to build on their synergies to jointly design strong and virile tax incentive regimes.
3. The meeting was hosted by WATAF with support from OSIWA and Ford Foundation.
4. The opening ceremony was presided over by Mr Philippe K. Tchodie, the WATAF Chairman/Commissioner General of the Office Togolais des Recettes who commended WATAF for hosting the event. He stated that the historic gathering afforded WATAF member countries opportunity to share experiences to better manage and utilize potentials inherent in using tax incentives to achieve economic development most especially in the wake of the COVID-19. Mr. Babatunde

Oladapo, Executive Secretary, WATAF in his remarks, reiterated the Forum's commitment to providing the platform for knowledge sharing among tax administrations and diverse stakeholders on topical issues relevant to promoting taxation as the hub of economic development in West Africa.

5. Following the opening and deliberations of the HLPD under the theme: **Promoting Transparency in the Governance of Tax Incentives in West Africa**. Outcomes and Resolutions are highlighted in the following paragraphs:

## **OUTCOMES & RESOLUTIONS**

6. The meeting acknowledged the importance of a whole of government approach and multi stakeholder engagement to the achievement of the aspirations of the AU Agenda 2063. In particular, the roles of Regional Economic Communities (REC), in this instance the ECOWAS Commission and its agent the ECOWAS Bank for Investment and Development (EBID) as enabling agents for promoting economic development in West Africa was highlighted
7. Participants identified huge infrastructure funding gaps in the various member states; high debt to GDP ratio among ECOWAS member countries who are mostly low income countries; low tax base in member states among others as challenges in meeting the AU 2063 goals. To mitigate these, the meeting agreed that to widen the tax base, governments in West Africa must provide incentives to bring more people into the tax net; reposition banks in the countries to become global players; and reiterated the need for the Pan African Financial Institutions (African Monetary Fund, African Investment Bank and the African Central Bank) to become operational through the pursuit of appropriate policies for macroeconomic convergence and the contribution of the required capital by member States.
8. Participants at the HLPD having identified the challenges posed by the multiplicity of unproductive tax incentives in the sub-region with the attendant facilitation of massive tax revenue leakages that has limited governments' capacity to mobilize resources therefore called for the harmonization of tax incentive policies among West African countries. Furthermore, participants acknowledged the success recorded in the adoption of the ECOWAS Common External Tariff (CET), which was described as a step in the right direction and harped on the need for the formulation of a sub-regional tax incentives guidelines while stressing that more should be done to rationalise and coordinate policies on tax incentives in West Africa.
9. In addition, the panel recommended that as West African countries seek to increase tax revenue to meet Domestic Revenue Mobilisation targets post-COVID-19 pandemic, the West African region through ECOWAS must seek to agree on a tax incentives policy that discourages trading tax revenue for additional investment as this "race to the bottom" makes all countries worse off.
10. The HLPD agreed that to improve transparency in the administration of tax incentives, governments must systematically conduct cost-effectiveness analysis

and subject tax exemption measures to scrutiny by the Parliament and citizens in all ECOWAS member states.

11. Participants agreed that for West Africa to reap the benefits of tax incentives a new approach to the use of tax incentives that will inculcate the values of monitoring and evaluation must evolve mainly to encourage economic diversification towards mainstream industries such as manufacturing and value-added services industries while discouraging over-reliance on extractive industries.
12. As a further step to monitor the performance of tax incentives, the HLPD recommended the establishment of a sub-regional and national system for monitoring transparency in tax incentives which would provide baseline information for assessment study of tax incentives and a medium for disseminating good practices in West Africa.
13. The meeting recognized the importance of tax expenditure reporting in promoting transparency in the management of tax incentives and therefore called on West African governments to adopt this practice in order to curb abuses often associated with the administration of this fiscal policy while also, recommending that tax expenditure reporting be adopted as standard practice and made an integral part of the annual budget process by member countries.
14. The HLPD recognizing the paucity of legal instruments regulating tax incentives in most West African countries now therefore calls for more robust and strengthened parliamentary engagements to improve laws and policies thereby providing enabling tools to foster expansion of the tax bases and plug revenue leakages.
15. Whereas tax administration and policy formulation involve concerted use of capacity across institutions, lack of building on institution synergies and collaboration is recognized as unutilized opportunity within the West African region. To ensure increased participation, avoid duplication, promote coordination and collaboration, participants now therefore recognize the need to forge closer ties among tax practitioners and institutions like the West African Union of Tax Institutes, unions of tax institutes and chartered accountants, among other practitioners. Pooling technical resources is expected to help amass the requisite expertise to fill capacity gaps in tax policies and administration such as taxing the digital economy and international taxation associated with transfer pricing, base erosion, profit shifting and double taxation agreements.
16. The meeting emphasized the need for tax administrations and Ministries of Finance to work together as partners in progress as a necessary panacea for the formulation of enduring and positively impactful tax policies. Additionally, participants recommended the involvement of tax officials at all levels of tax policy formulation process as an essential ingredient in promoting buy-in and support during implementation process. Additionally, the panel recommended constant dialogue and communication between the two institutions whether at the initial stage of policy formulation or a later stage of policy implementation to iron out possible areas of misunderstanding and conflict while also, noting that increasing tax awareness among other arms of government such as the legislature and judiciary would ensure the development of strong tax policy.

17. Finally, participants appreciated WATAF for taking the initiative to organize the High-Level Dialogue on a topic of great importance to all and charged WATAF to sustain the organization of the event annually as a veritable platform for debating contemporary tax issues by diverse stakeholders alongside forging vibrant collaborations between tax policy and tax administrators.

Going by the level of engagement during the HLPD on Tax Incentives in West Africa and the quality of recommendations received from participants captured in the outcome statement, it is clear that if these are adopted by tax policy makers, the practice and administration of tax incentives in West Africa would yield better results.