



United Nations

Department of
Economic and
Social Affairs



Concept Note

UN-WATAF Roundtable on the Role of Parliamentarians in Domestic Revenue Mobilisation in the Post-COVID Era

The Gambia: 7 – 8 November 2022

Background

Now more than ever, governments need effective domestic revenue mobilisation for economic growth and development to aid in the post-pandemic recovery and beyond. This objective cannot be achieved without an appropriate legal framework for taxation. This is increasingly pertinent, especially in face of the grim social and economic conditions that the West African subregion and specifically, The Gambia have faced in the past few years, which were exacerbated by the economic downturn caused by dwindling commodity prices and the COVID-19 pandemic.

Problems in existing tax legislation arise from different sources, including new tax policy choices, obsolete provisions, changes in the economy, improved techniques of tax avoidance (including as a result of new business models), and historical unfavourable choices in policy drafting, and administration. More generally, for some developing countries, the lack of institutionalised experience with tax legislation means that the process often does not move forward as smoothly as it should and also does not involve adequate expert consultation at relevant stages of the process, including industry/sector experts. To ensure that the tax laws are able to respond to each of these problems, continuous reviews of the tax laws in consultation with relevant experts should be undertaken by Parliaments.

Alternative fiscal instruments are primarily targeted at funding the budget and in turn raising the requisite resources to provide the country and its citizens with the much-needed financing for sustainable development. They serve as an interim measure till a comprehensive recodification can be conducted. Parliament should engage to look into this area and ensure consistent review of the document to safeguard against loopholes in or as a result of the instrument.

However, to be truly effective, the review process should ensure the tax laws are as stable as possible. Stable tax laws create certainty for investors as they are able to recognise and appreciate amendments to tax laws, thereby reducing the compliance burden. However, the review process should also ensure that tax laws respond to new ways of doing business and close loopholes that may promote tax leakage. Some areas of key consideration include overly generous provisions, such as those on tax incentives, which, if not properly evaluated and monitored, may result in tax base erosion.

The problem of tax base erosion is further compounded by insufficient transparency and clarity in the legal provisions and governance of tax incentives. The granting of tax incentives for investment purposes is sometimes done by governments outside of tax laws and sometimes under multiple pieces of legislation; and, in some cases, the ultimate oversight body may not be clear to allow for proper evaluation and monitoring. Adequate analysis of the costs and benefits of such tax incentives in a national context (i.e. revenue impact analysis) is an important tool in the tax policy and legislative decision-making process.

Tax base erosion through tax avoidance or evasion as a result of treaty-shopping is another risk that many African countries face. The role of parliament in such cases may at times involve checks to ensure that the proper ratification processes were followed. Nonetheless, it is critical for parliamentarians to understand the policy implications of the tax treaty provisions, well before ratification and commencement.

A whole-of-government approach is crucial as an overarching lever in ensuring effective and efficient tax systems. Parliaments, as one of the key state institutions in a democratic system of governance, have a critical role to play in promoting good governance by optimally performing their primary functions of legislation, representation, and oversight of the executive.

Parliamentary scrutiny should constitute terms of reference that specifically recognise the need to enquire into the relative complexity of tax proposals and their appropriateness. Therefore, steps should be taken to ensure that consultations among different experts are as extensive as possible.

Parliament should be in a position to undertake an effective appraisal of tax proposals in terms of the policy, technical details, and implementation, and to assess the relative complexity that the proposals involve. Consequently, parliamentarians can actively engage in the development and implementation of laws, policies and practices that promote transparency, acceptability and a sustainable tax system.

It is vital to provide avenues to aid the legislature's understanding of tax administrative functions, in order for them to support reforms in the tax system, provide quality

oversight, set ambitious but realistic targets for tax authorities, and promote transparency and accountability in their conduct.

Another emerging issue in Africa that will be of relevance to Parliamentarians is their role in the context of regional integration. For example, what are some of the key tax and revenue considerations of the African Continental Free Trade Agreement (AfCFTA)? What is the role of Parliamentarians in the process?

Against this backdrop, the United Nations and the West African Tax Administration Forum (WATAF) are organising a roundtable event to help familiarise members of Parliament to tax administration and policy, and the practice of revenue mobilisation in The Gambia.

This event will draw on the role of the United Nations in tax policy and administration through years of established expert guidance to developing countries on various aspects that are relevant to uphold effective domestic resource mobilisation for sustainable development. The United Nations Committee of Experts on International Cooperation in Tax Matters provides practical guidance on a wide range of domestic and international tax issues and makes recommendations on capacity building. Such issues include tax treaty negotiation, transfer pricing, dispute avoidance and resolution, and emerging issues such as environmental taxation, with an emphasis on carbon taxation. The UNDESA/FSDO capacity development programme in tax and domestic resource mobilisation complements the work of the Committee and responds to Member States' requests.

WATAF's tax leadership in West Africa will help bring the above aspects into perspective, ensuring the leveraging of the regional dimension through the sharing of experiences and lessons from other countries in the region on role of parliamentarians in effective domestic resource mobilization.

The roundtable will explore selected topics including the following:

1. Sound tax policies as the foundation of an effective and efficient tax system and tax policy challenges and their impact on legislative processes.
2. Comparative review of selected WATAF member countries' tax incentive regimes viz-a-viz Gambia's regime.
3. Contemporary issues in international taxation, including the policy and practical aspects of taxation in an increasingly digitalised and globalised world.
4. How to address tax base erosion and profit shifting in West African countries (including break-out sessions).
5. Understanding the key implications of the AfCFTA on the tax base of the Gambia and the role of Parliamentarians in domesticating the Continental Agreement.

Agenda:

Day 1: Two paper presentations/discussions and Q & A

Day 2: Two paper presentation/discussion and Q & A

Interactive session: to allow the Parliamentarians to share perspectives on their overarching roles in the fiscal space discussed in the presentations.

Target Audience:

Target audience: Members of the following Gambia National Assembly Commissions:

- **Finance and Public Accounts Committee:** Nine (9) members
Areas of expertise:
- **Subsidiary Legislation Committee:** Nine (9) members
Field of intervention/Competence:
- **Select Committee on Trade and Regional Integration:** Twelve (12) members
- **Foreign Affairs Standing Committee:** Nine (9) members
- Any other interested parties at the Gambia National Assembly

Furthermore, the roundtable will provide a good platform for parliamentarians and Ministry of Finance officials to discuss and share experiences and perspectives on effective domestic resource mobilisation considerations for the country.

The roundtable will be facilitated by experts in tax policy and administration from the United Nations, WATAF, African government tax officials and academia.

Prospective Facilitators:

- Seth Terkper – Executive Director, PFM-TAX AFRICA NETWORK & Former Minister of Finance, Ghana
- Emily Muyaa – Chief of Capacity Building, DESA/FSDO
- Belema Obuoforibo – Director, CSAT, IBFD (Netherlands)
- Yankuba Darboe – Commissioner-General, Gambia Revenue Authority / WATAF Chairman
- Abiodun Adegboye – WATAF Consultant
- Jacques Sasseville – DESA/FSDO Consultant