



**WATAF 4<sup>th</sup> HIGH LEVEL POLICY DIALOGUE ON  
"BOOSTING TAX REVENUE ADMINISTRATION THROUGH EFFICIENT LEADERSHIP AND  
GOOD CORPORATE GOVERNANCE"**

**COTONOU, 21- 22 SEPTEMBER 2022.**

**OUTCOME STATEMENT**

**INTRODUCTION**

1. On 21 and 22 September 2022, several stakeholders from the Economic Community of West African States (ECOWAS) tax administrations, tax experts from the academia, international tax organisations, civil society organisations, regional financial institutions, development partners, and many other stakeholders, met in Cotonou and via videoconference, to share their experiences and thoughts on the need to improve tax administrations' efforts in mobilising revenue to enhance efforts related to the development of West African countries. Additionally, domestic tax resources are the primary sustainable source of development financing that provides better and more accurate budget forecasts.
2. Given that the fiscal potential has yet to be fully mastered in a growing technology-driven economic environment, and in light of the Sustainable Development Goals (SDGs), Tax administration leaders and other stakeholders are compelled to reconsider appropriate leadership and governance in order to improve and strengthen performance in mobilising their own resources over external funding.
3. The event which was held at the AZALAI Hotel in Cotonou, Benin, was facilitated by the West African Tax Administration Forum (WATAF) with the support of institutions such as the

Federal Inland Revenue Service (FIRS), Nigeria, the ECOWAS Commission, the ECOWAS Bank for Investment and Development (EBID), African Development Bank (AfDB), International Bureau of Fiscal Documentation (IBFD), World Bank Group (WBG), Organisation for Economic Co-operation and Development (OECD), Open Society Initiative for West Africa (OSF AFRICA), Network of Tax Organisations (NTO), etc.

4. The opening ceremony of the WATAF 4<sup>th</sup> High Level Political Dialogue recorded five (5) keynote addresses notably those of the WATAF Executive Secretary, Mr. Babatunde OLADAPO; the Director General of Taxation of Benin, Mr. Nicolas YENOUSSEI; the WATAF Chairman, Mr. Yankuba DARBOE; the representative of the African Development Bank (AfDB), Ms. Koudeidiatou ISSABRE-SOW and that of the Chief of Staff to the Minister of Economy and Finance of Benin, Mr. Hermann Orou TAKOU.

5. The main theme of the 4<sup>th</sup> High Level Policy Dialogue was "*Boosting Tax Revenue through Efficient Leadership and Good Corporate Governance*" and was the subject of several discussions under seven (07) sub-themes by seven (07) different panels. The panels presented the findings, challenges and prospects for tax administrations in African countries for each theme. Following the deliberations, recommendations were made to help define the roles and responsibilities of each of the stakeholders so that the West African tax administrations can effectively integrate the best leadership and good governance practices in order to effectively meet the requirements of governments in terms of domestic revenue mobilisation.

## **OUTCOMES / RECOMMENDATIONS**

### **➤ PANEL 1: Leading a 21<sup>st</sup> Century Tax Administration in Africa: Challenges and Prospects**

6. The speakers on this panel first addressed the findings, challenges, and prospects related to the management of a tax administration in Africa. The panel noted that technological, economic and societal changes in recent years have significantly influenced the mode of business operations. Most economic transactions are carried out electronically, either to place orders or to make payments.

7. In light of these significant changes, the traditional tax collection process has become increasingly ineffective as taxpayers easily bypass it. In this context, the need for tax administrations to develop a new and more appropriate operational leadership is paramount. Thus, the discussions enabled the Panel to identify several challenges, notably in the field of technology, taxpayer consent to tax texts, tax compliance, and double taxation.

8. At the end of the discussions, the Forum recommended capacity building for tax officials to provide more effective controls, as well as effective skills management through better working conditions to encourage officials to remain in tax administrations. Tax administrations, therefore, need strong leadership to harness emerging technological developments to improve tax compliance, which goes beyond tax filing to a wider range of processes, many of which take place outside the traditional scope of tax administration.

➔ **PANEL 2: Good Governance in Tax Administration: Impacts on Domestic Revenue Mobilisation in Africa**

9. Strengthening governance provisions enables tax administrations to operate effectively and to address the trust gap vis-à-vis taxpayers, which often results in high levels of non-compliance in African countries. Thus, the Panel addressed good governance practices in tax administrations and the role played by quality assurance mechanisms, including internal audit, enterprise risk management, the Board Secretariat, anti-corruption units and internal affairs.

10. The Panel also addressed emerging governance challenges, including digitalisation and COVID-19 with its implications for governance practices, in particular, with regard to business continuity and recovery management. The aim is to share experiences in building stronger governance practices and in building resilient organisations that are able to achieve their corporate objectives even when facing major risks and threats affecting their performance.

11. At the end of the discussions, the Forum highlighted the importance of implementing and adhering to the guiding principles of good governance within tax administrations. Also, the panel identified leadership as the most important principle, followed by the way resources are used, accountability, citizen action, stakeholder involvement in decision making, communication, promoting compliance, monitoring and innovation. In addition, the Forum recommended that the Bretton Woods Institutions should provide more technical assistance to tax administrations in mobilising their internal resources to improve their performance.

⇒ **PANEL 3: Rethinking the Framework of Administrative and Legislative Supervision of Tax Administration to advance Organisational Management**

12. The administrative supervision and control of tax administration are shared between the tax administration Boards, the Ministry of Finance or any other Ministry designated to provide the necessary supervision, and the legislative authority. These government officials are expected to perform the checks and balances needed to ensure that TAs adopts flexible policies focused on human and material resource management, effective stakeholder engagement and other strategies to achieve corporate goals. In most cases, the necessary requirements for carrying out this important responsibility are either lacking or under-utilised. Thus, the panel identified critical success factors for effective and efficient administrative and legislative supervision of tax administration in Africa after outlining various factors that undermine the performance of administrative and legislative supervision within the administrations such as Parliamentarians lack of adequate knowledge of tax.

13. During the discussions, the Panel pointed out that in order to meet the challenges of digitalisation, the issue of good governance should enable tax administrations to rethink the framework of administrative and legislative supervision in order to enhance organisational management. This involves increasing the commitment of public sector actors i.e members of government, parliamentarians, but also the private sector. It was advised that the Board of Directors of Tax Administrations, as vested authorities, should not play a day-to-day operational function but rather a strategic and pivotal role.

14. At the end of the discussions, the Forum recommended that citizen education programmes on tax compliance be developed; that supervision programmes should be prepared taking into account the risks and challenges; that tax supervisors should be trained in tax supervision; that the informal sector should be taken into account; that innovative strategies should be implemented to improve the conditions of taxpayers, and that a tax fairness barometer should be established to enable parliamentarians to check whether tax laws are properly observed.

⇒ **PANEL 4: *Promotion of Ethics in Tax Administration to Improve Organisational Performance***

15. The development of ethical practices in tax administration systems plays an important role given that they are government entities responsible for collecting state revenues,

regardless of the institutional structure of the government institution (autonomous, dependent on the country's Ministry of Finance or on another institution). They play a dual role: providing services to their citizens in terms of day-to-day tax management and ensuring that taxpayers comply with their tax obligations.

**16.** The discussions contributed to promoting, among **WATAF** member countries, ethics as a key business value and the development of strategies at the regional level to sustain it as an institutional value and, of course, as part of the institutional strategy. This will also include the promotion of good governance in tax administration in order to improve organisational performance.

**17.** Additionally, the Panel noted that despite the remarkable efforts made by tax administrations, ethical issues regarding their staff still persist. Ineffective internal control, salary inequalities, low pay for key positions, low staff turnover, insufficient staff retention and development mechanisms, stressful working conditions, as well as high pressure on tax officials to raise more revenue without institutional support, were also identified as the main reasons behind tax officials' integrity related challenges.

**18.** The panel also noted the link between the ethical and corruption related problems and the cyber-attack on tax administrations' data. As a result, participants were urged to focus more on the individual than on institutions, to make significant changes both internally and externally in dealing with corruption-related issues. The need for appropriate legal and institutional frameworks to guide policy-making was also highlighted as a key element in the fight against corruption.

**19.** At the end of the discussions, the Forum recommended the implementation of ethics committees and strategic operational plans in the administrations, the promotion of values such as impartiality, neutrality, integrity and confidentiality of agents, the proper remuneration of agents through the definition of a sustained independence grid, all within a framework of cooperation between the public and private sectors.

➔ **PANEL 5: Fostering Good Corporate Governance in Tax Administration through Cooperative Compliance: Private Sector and Tax Administration Perspectives**

**20.** The Panel began this discussion by recalling that tax administrations are an integral part of a changing environment in which large businesses operate and, in order to operate effectively, they need to adopt a dynamic approach to tax compliance management. Tax authorities are therefore shifting their relationships with businesses to one based on trust, transparency and a shared commitment to facilitate the effective and timely collection of tax revenue. On the other hand, from the private sector's perspective, the issue of transparency and the judicious use of revenues is a key prerequisite for paying taxes, as it is believed that if arrangements are put in place, trust in governance will lead to increased voluntary compliance.

**21.** In an effort to create the right balance regarding expectations, the Panel stressed that an improved relationship between tax administrations, taxpayers and tax intermediaries and the promotion of good corporate governance is a vital issue for both tax administrations and large companies. In this way, tax administrations will be in a better position to identify compliance risks and help businesses to improve the level of confidence through a continuous open dialogue.

**22.** Furthermore, the Panel established the connection between the effective and expedient performance of the tax administration and the taxpayers. This is only possible by highlighting not only the context and history of the relationship between these two actors, but above all the indicators and values of trust. Cooperation between the tax administration and the private sector should therefore aim at promoting a more efficient tax system, i.e. one in which the taxpayer pays his taxes according to his ability to pay. This cooperation must therefore enable the taxpayer to be confident not only that he or she is paying taxes on the basis of fiscal justice and equity, but also and above all that his or her contribution is intended to be used for carrying out projects of general interest.

**23.** At the end of the discussions, the Forum recommended that good governance be encouraged through cooperative compliance between the private sector and the tax administration. Negotiation of a new social tax contract is becoming increasingly necessary in the context of substantive tax reforms, where African states are called upon to increase transparency and public accountability of their activities.

**➤ PANEL 6: Improving the Use, Exchange, and Security of Taxpayer Information in the Era of Big Data**

**24.** Tax administrations collect and share a great deal of information with public and private third parties and with taxpayers. Part of this information exchange takes place with foreign tax administrations and concerns mainly financial information.

**25.** The development and maintenance of these data flows is an important area of investment, bringing opportunities and benefits to tax administration, such as

- Increasing transparency in international taxation, through better understanding and knowledge of transactions by multinational enterprises, greater information flow between countries and fairer international taxation;
- Services tailored to taxpayers' needs: taxpayer profiling provides targeted services, such as proactive communications, and greater accuracy and detail in the information held by the tax administration to promote transparency;
- Preventing and combating tax evasion through better risk profiling of taxpayers, which enables the detection of abnormal behaviour and increases the accuracy of tax control activities.

**26.** As a preventive measure against the breach of confidential tax data, tax administrations should implement a structured set of measures to ensure an adequate level of security and data protection, together with technology partners.

**27.** The Dialogue provided an opportunity to examine existing practices, technologies and data protection systems, as well as the structure of global co-operation on the exchange and protection of taxpayer information.

**28.** First, the Panel highlighted the importance of information in operating a tax administration, but also for the taxpayer, in a context of sharing data through the international tax cooperation mechanism, facilitated by technology. The Panel discussed the role of technology in data management, which can be defined as access, maintenance, storage and exploitation of data. Secondly, the Panel highlighted the challenges of personal data and underlined the security of taxpayer information through laws, procedures, and systems.

**29.** At the end of the discussions, the Forum recommended a toolkit that will enable each stakeholder to identify their rights and duties. The Forum also advocated for equality, equity, transparency and integrity within tax administrations in order to contribute to the strengthening

of trust between tax administrations and the private sector. Furthermore, the Forum recommended the strict respect of confidentiality in the systems for receiving, storing, processing and using taxpayer information in order to strengthen trust with taxpayers. Finally, the Forum recommended improving the legal and institutional framework of tax jurisdictions.

### ➔ **PANEL 7: Role of International Tax Organisations in advancing Corporate Best Practices in Tax Administration**

**30.** As the need for increased collaboration between tax administrations grows, the Network of Tax Organisations (NTO) which is a global network of regional and international revenue organisations, was established in 2018 to, among other objectives:

- Promote capacity building by organising peer learning activities between networks, supporting staff exchanges between the secretariats of NTO member organisations and facilitating access to external experts. This enables NTO members to learn from each other and provide better services to tax administrations worldwide.
- To strengthen internal collaboration within its member organisations by offering joint activities and promoting knowledge sharing between tax administrations through the provision of regionally relevant services, products and information.

**31.** The Dialogue examined the extent to which NTO members have been able to fulfil their mandate(s) to promote best business practice in tax administration through capacity building initiatives in their respective jurisdictions and collectively as a group. In addition, it highlighted the future aspirations of the NTO.

**32.** Thus, the Panel looked at the role of international tax organisations in promoting best practices in business for tax administration. In this regard, the experiences of ATAF, CREDAF, CATA, CIAT and WATAF were shared in promoting best business practices in administration through capacity building initiatives in their respective jurisdictions.

**33.** At the end of the discussions, the Forum recommended strengthening the involvement of tax administrations in international tax organisations.

## **CONCLUSION**

In a nutshell, the WATAF 4<sup>th</sup> High Level Policy Dialogue, held at Azalaï Hotel in Cotonou, Benin, on 21 and 22 September 2022, addressed issues related to good governance, leadership,



technological change, ethics, fairness, corruption, quality of cooperation between tax administrations and taxpayers, security of information systems and data, and engagement of tax administrations in international organisations, security of information systems and data, and the involvement of tax administrations in international tax organisations, and recommended good practices and values whose implementation will contribute to improving and strengthening the performance of tax administrations in West African countries in terms of domestic tax revenue mobilisation.

These are the outcomes of the deliberations of the WATAF 4<sup>th</sup> High Level Policy Dialogue.

