



WEST AFRICAN TAX | FORUM DES ADMINISTRATIONS
ADMINISTRATION FORUM | FISCALES OUEST AFRICAINES
...Engaging for development ...S'engager pour le développement

WATAF DOMESTIC REVENUE MOBILISATION FRAMEWORK

A Business Case for
WATAF DRM Framework

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INTRODUCTION

The West African Tax Administration Forum (WATAF) is an organisation that provides a platform for West African tax authorities to collaborate on knowledge and experience sharing and information exchange to assist member countries effectively and efficiently administer their tax legislations for purposes of collecting all lawful revenues to finance national development and provide social services to citizens.

The objectives of WATAF are, among other things, to encourage strong collaboration amongst all member countries in knowledge and experience sharing and information exchange towards improving the quality of tax administration, ensure that all West African countries speak with one voice on tax policy and administration matters, work towards ensuring that the needs and experiences of the West African countries are reflected in decisions taken by tax administration bodies at international and multilateral levels, and have a structure dedicated to taxation under the auspices of the ECOWAS secretariat.

Over the last ten years, WATAF has successfully provided and continues to provide capacity building and other services to its member countries. Some of the services that WATAF has provided include training in the following areas:

- Taxpayer services
- Data analytics and data management
- Human resources
- Taxation of the digital economy
- Taxation of the telecom sector
- Taxation of the financial services sector
- Taxation of high- net- worth individuals
- Taxation of the informal sector
- Country-to-country technical assistance
- Compliance risk management
- Computer- assisted audit tools and techniques
- Etc.

In addition to these and many other services, WATAF has created platforms for tax audit managers and compliance risk managers, respectively, to collaborate and share knowledge and information that assist them in their respective tax authorities to assess and mitigate taxpayer compliance risks and audit high- risk taxpayers for purposes of reducing the compliance gap and improving voluntary and full taxpayer compliance.

These initiatives are intended for West African tax authorities to collect optimal revenues to finance national development and provide social services to citizens. The big picture for WATAF is a culture of optimal tax compliance that is supported by the full digitalisation of tax services to reduce compliance costs and improve the quality of tax administration.

This big picture has been envisioned and articulated in the WATAF Domestic Revenue Mobilisation (DRM) Framework, which it believes will provide a step-by-step guide that assists member countries in identifying and undertaking national initiatives that generate substantial, sustainable, feasible, and acceptable revenue to finance national development in West Africa.

OBJECTIVES AND BUSINESS CASE

The objectives of this document are to first provide a general case for the DRM framework and, second, to provide a case for the WATAF DRM Framework. It has been argued and well-articulated that domestic revenue provides the most important source of revenue to finance national development in developing countries. Two main arguments support this assessment:

The first is that developing countries have large sources of untapped revenue that can provide substantial, sustainable, feasible, and acceptable sources of funds to finance developments and provide social services to citizens. Domestic revenue mobilisation is relatively cheap, safe, and sustainable.

The second and most important argument is that there is now an international aid fatigue that is exacerbated by rightist movements and nationalism in major donor countries, including the USA and across the European Union (EU). While the focus has been mostly on Brexit and the rise of Donald Trump, the far right has been strengthening throughout the West. These inward-looking forces share sentiments of anti-globalisation, anti-immigration and have a limited foreign aid appetite.

These arguments and many other factors must alert leaders and key stakeholders in developing countries to focus inward on raising revenue to finance development and provide much needed social services to their citizens.

Against these backdrops, WATAF has developed a DRM framework for its member tax authorities. While several countries, especially in East Africa and elsewhere, have developed and implemented their own DRM, most fall short of a well-structured, principled, action-oriented, cross-country, and long-term view of revenue generation in the following ways:

- Most DRM strategies are not strategically well-structured and are, for the most part, augmentations of daily tax administration. In this regard, the WATAF DRM Framework provides a well-structured, step-by-step strategic guide for the basis, architecture, strategy, tools, and guidelines for the formulation and implementation of a successful DRM strategy. The Framework proposes a DRM governing board that provides strategic oversight of national DRM initiatives and a DRM secretariat that provides daily administrative functions for DRM initiatives. WATAF will also provide a bird's-eye view of DRM formulation and implementation across the region. For instance, WATAF will provide secretariat level oversight to track the stages of DRM programmes and assist countries in acquiring the skills and expertise needed to conduct economic analysis, forecasting, assessment, and hosting of national dialogues and symposia to gather and gauge all potential national initiatives in member countries.
- The underpinning motivation of any DRM must be optimal revenue generation both in the short and long term. This must be guided by principles and shared philosophy articulated and demonstrated by all actors in an economy. Most DRM fall short of having a foundation and shared philosophy for a national culture of optimal tax compliance that is supported by effective and efficient tax administration.

OBJECTIVES AND BUSINESS CASE

- Most DRM strategies are short termism in that they essentially milk existing taxpayers either by additional tax burden or increases in tax rates. This strategy overly focuses on current revenue collection at the expense of future revenue collection. In this regard, the WATAF DRM Framework proposes expanding the tax base by bringing into the tax net individuals and businesses that are not complying with their obligations to do so, identifying new sources of taxation, and strengthening growth through cooperatives, public-private partnerships, and many other business models. The Framework also proposes that tax authorities focus on minimising revenue loss due to tax incentives, base erosion and profit shifting, illicit financial flows related to taxation, and combating aggressive tax evasion and avoidance schemes. The Framework proposes that each country formulate and implement policies that induce economic growth in the private sector, stimulate employment, and reduce income inequality.
- Most DRMs are nationally formulated and implemented within each country without the benefit of shared practices and expertise within the region and globally. While WATAF recognises that each country is unique and therefore tax administration may, in some cases, be different in different countries, it also recognises the benefits that a well-formulated DRM can achieve from cross-country and regional experience and practices. In this respect, the WATAF DRM Framework. WATAF member countries operate a single customs regime and have many commonalities in business and trade, including cross-border trade and transactions. With the effective use of automatic information exchange and joint audit and enforcement exercises, each country can benefit from shared experience.
- Finally, most DRMs are not action-oriented in that they essentially provide a wish-list of targets and activities that a country hopes to achieve. The WATAF DRM Framework provides detailed step-by-step guidelines and a to-do list that a well-formulated DRM strategy must contain. This road-map approach, though much more formal, can also be customised at the country level to fit the power, authority, and responsibility structure of any country.

CONCLUSION

Domestic revenue provides the most important source of untapped revenue that is substantial, sustainable, feasible, and acceptable for financing national development and providing social services to citizens. It also addresses the risk of overdependence on overseas development assistance and the issues of international aid fatigue, and far-right shift, and nationalism in the West.

It is against these issues and the lack of a strategically well-structured, sound basis, long-term view, and action-oriented cross-country DRM strategy that WATAF has developed its DRM Framework to assist member countries identifying and undertaking national initiatives that garner substantial, sustainable, feasible, and acceptable revenue for national development.

Finally, and most importantly, WATAF believes that having a framework that provides a step-by-step guide and to-do list of activities and initiatives is the first and crucial step to achieving the goal of optimal revenue collection for national development and the achievement of AU Agenda 2063 and UN SDGs 2030.



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