

Public Resource Mobilisation and Aid in Africa

African Economic Outlook 2010

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AEO partners + coverage

Lead partner
(since 2007/08)



Other partners



Experts Network

= 10 Independent African Think Tanks

Financial partners

(European Development Fund)



From 47 to 50 countries

= 99.5% of Africa's GDP

= 97.3% of its population

Focusing on key structural issues every year

Special annual focus:

2003: Privatisation

2004: Energy

2005: SMEs

2006: Transport

2007: Water and sanitation

2008: Technical & vocational skills development

2009: Innovation and ICT

2010: Public Resource Mobilisation and Aid



Public Resource Mobilization and Aid

1

Why Public Resource Mobilization

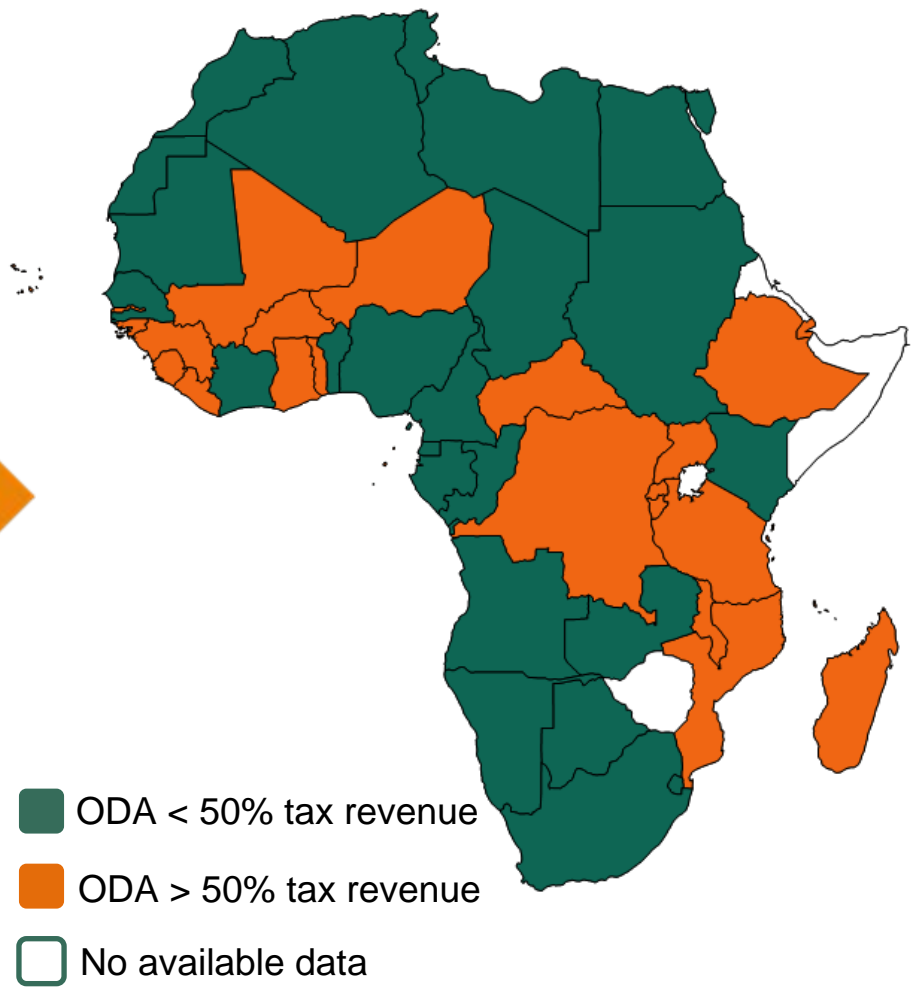
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Taxes in Africa: some stylized Facts

3

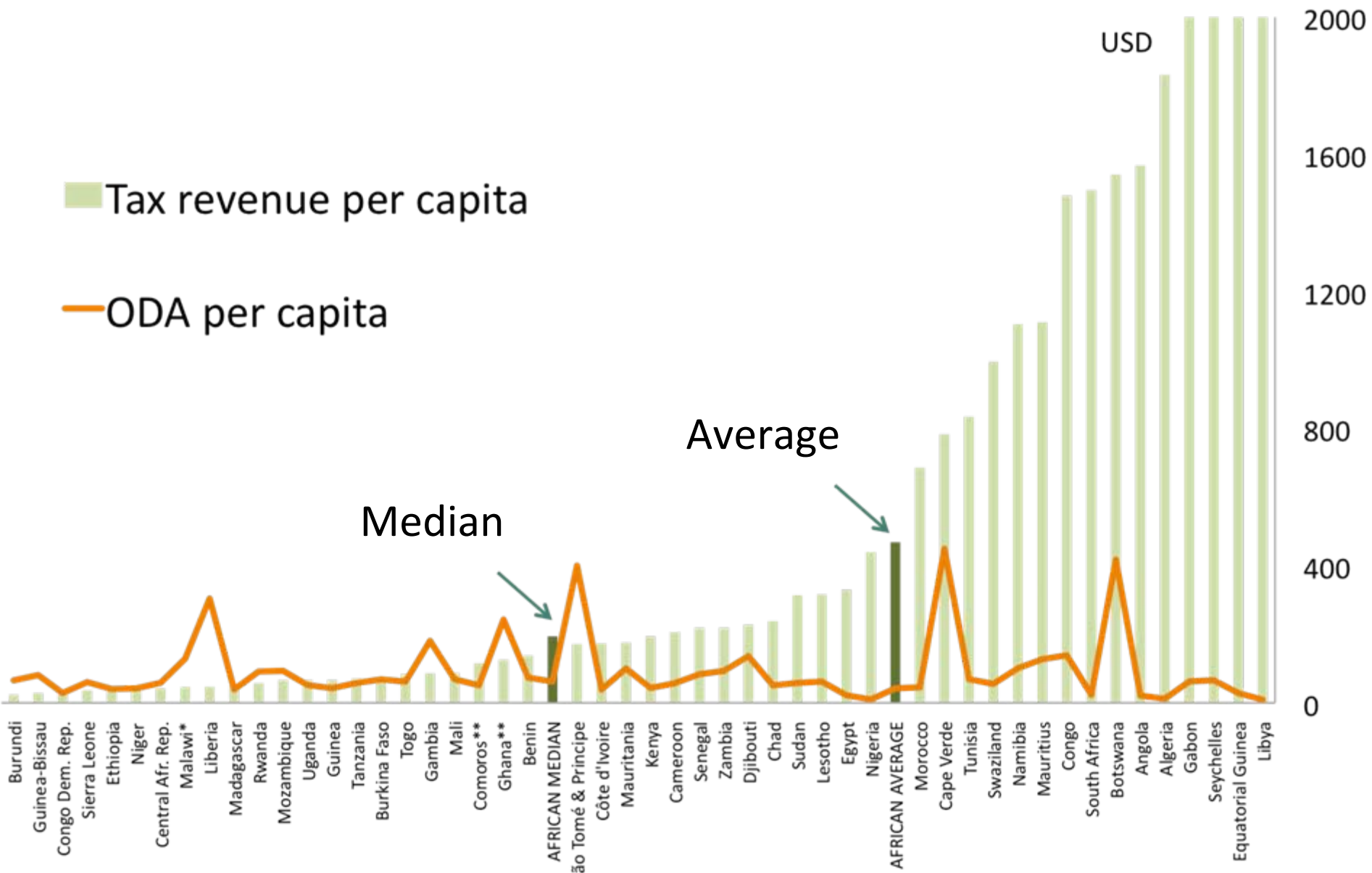
Policy options

The cornerstone of broad-based development



2. SOME STYLISTED FACTS

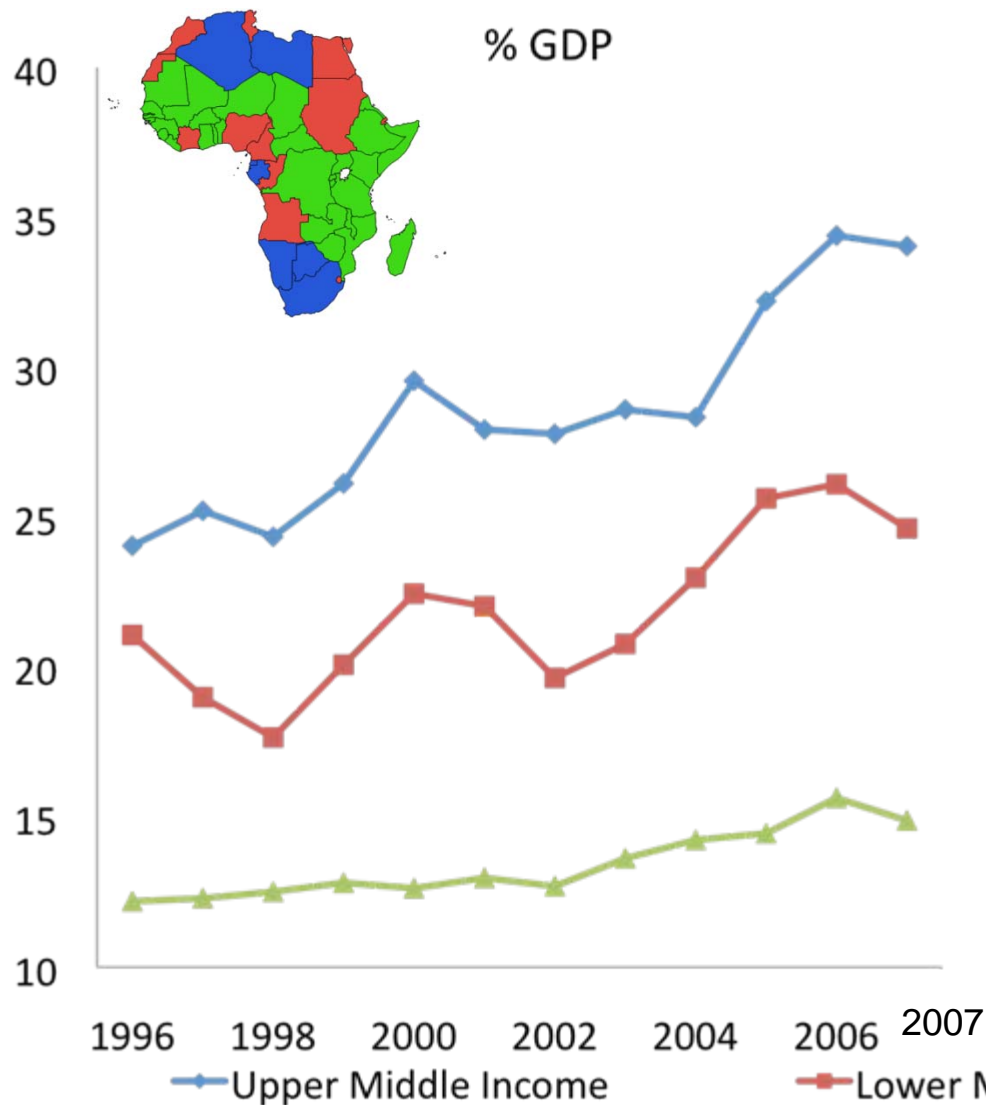
Mobilising Africa's public resources: can and must be achieved



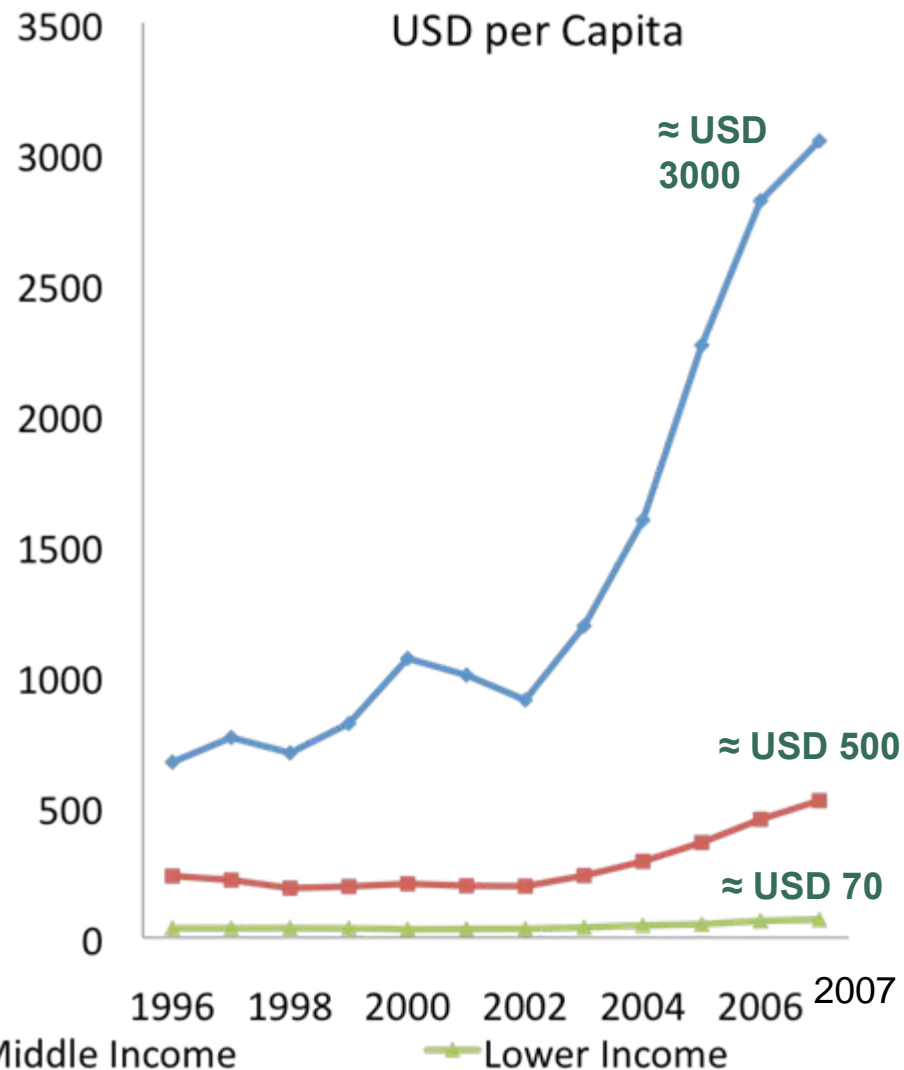
Source: Development Centre, based on AEO country survey's, 2010.

Encouraging trends considering income levels

Taxes as a share of GDP in Africa

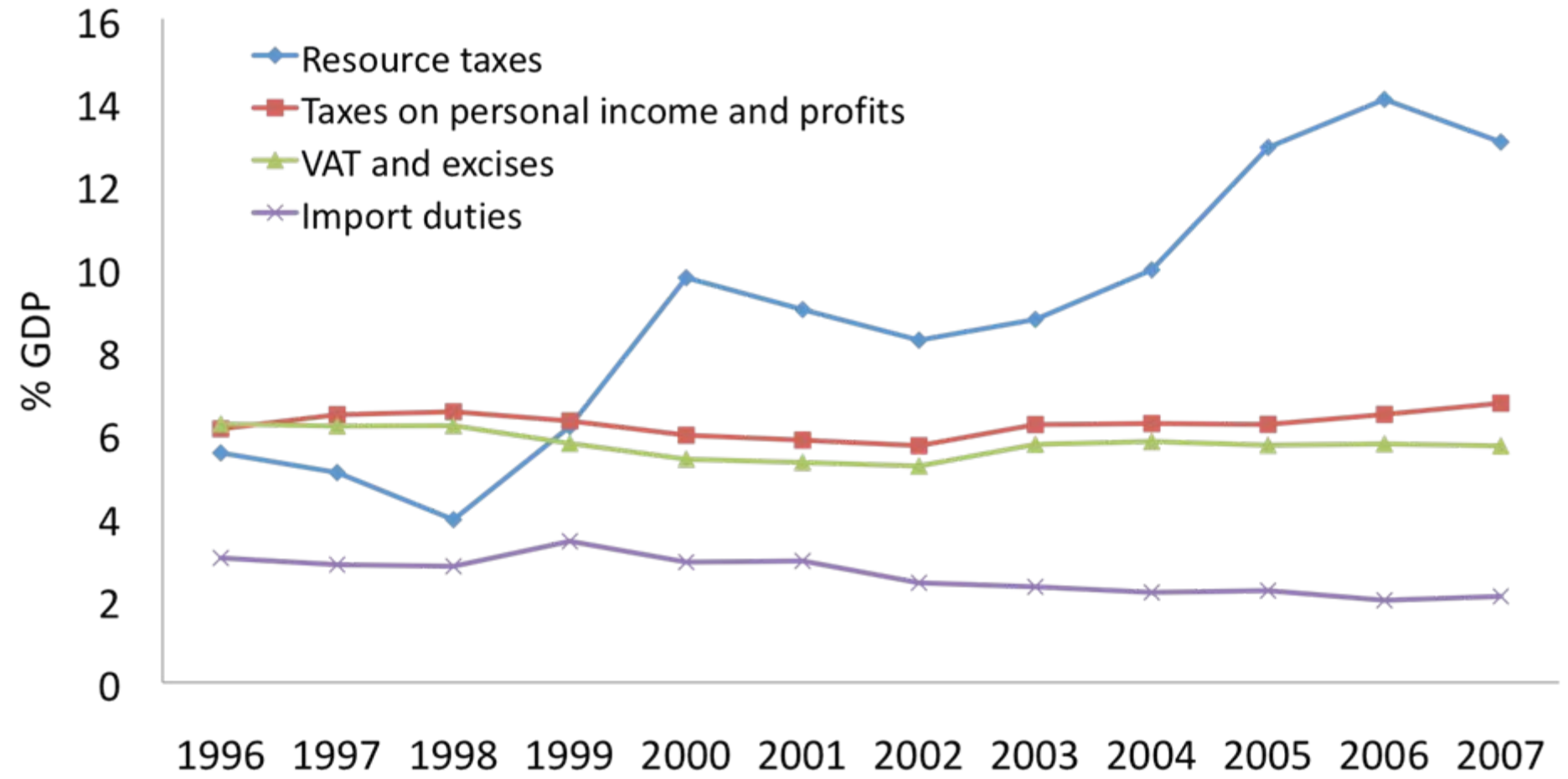


Average tax collection per capita in Africa



But driven by volatile and unbalanced sources of income

Compared to Germany:
 Tax share = 36.4% of GDP
 Taxes on income and profits = 11.6% of GDP
 VAT = 10.5% of GDP
 Residual taxes = 14.3% of GDP

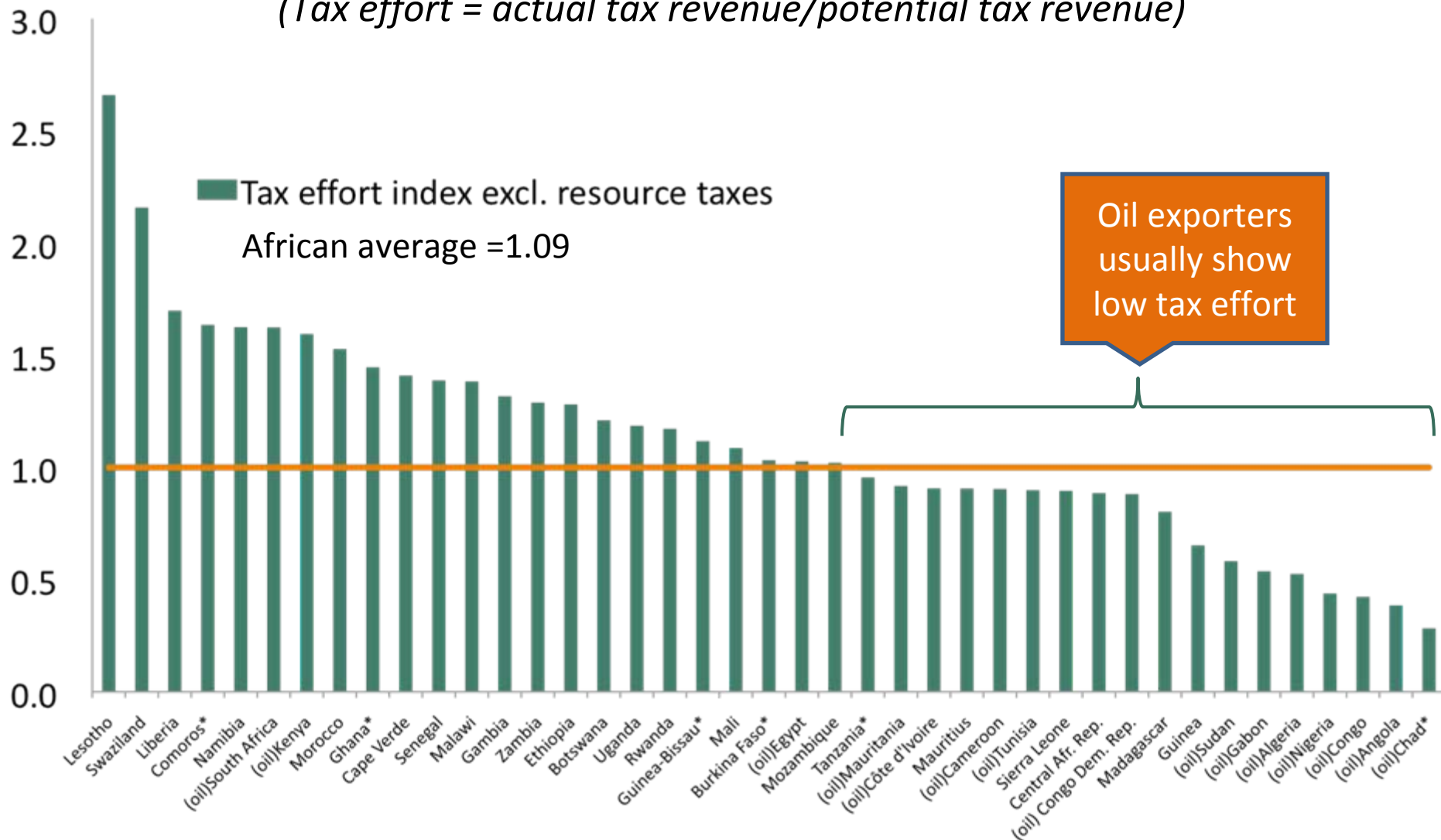


Source: Development Centre, based on AEO country survey's, 2010.

2. SOME STYLISTED FACTS

Yet several reformers show resource abundance not necessary

Some non resource-rich countries have performed better in terms of tax effort
(*Tax effort = actual tax revenue/potential tax revenue*)



Four Challenges for African Tax Policy Makers

1. Inadequate **capacity**

Small staff, low pay, IT, governance ...

2. Low to very low **fiscal legitimacy**

Health, infrastructure, education ...

3. Shallow **tax base**

Informal sector = about 75%

4. Unbalanced **tax mix**

Some overtaxed, some undertaxed

Micro, small and medium enterprises = low fiscal potential

Micro / small informal



- High collection costs
- Low fiscal returns
- Already pay VAT

Formal SMEs



- Few exemption benefits
- Tend to be abusively taxed
- « Missing middle »

Big transactions and enterprises have a high fiscal potential

Big informal transactions



- Fraud and exemptions

Multinationals



Low collection costs

High fiscal returns

- Effective tax rates < nominal tax rates
- Lack of transparency

At national level

In the short run

- **Tax big informal and formal transactions better**
 - **Fight fraud and fiscal evasion**

In the medium / long run

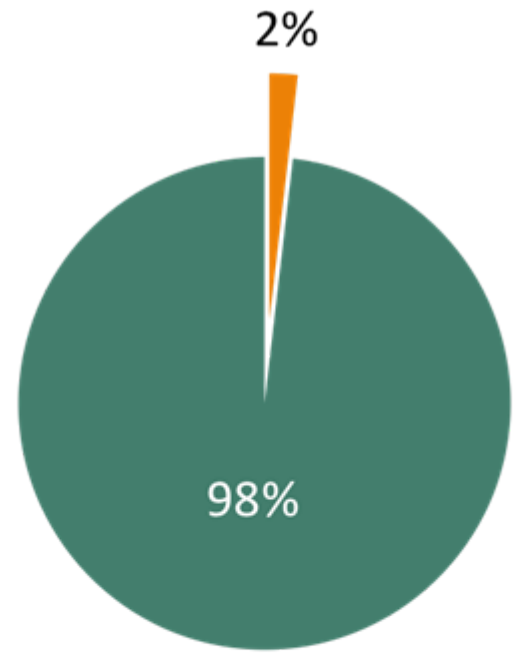
- **Stimulate private sector development**
- **Moderate, broad-based effective tax rates**
 - **Strengthen administrative capacity**
- **Build fiscal legitimacy by improving quality of expenditure**

A high multiplier, yet neglected in technical cooperation

Collection costs as a % of collected tax revenues

Country	Average Cost - revenue ratio
Sudan	5.7%
Ethiopia	5.3%
Congo RDC	5.2%
Rwanda	3.2%
Tanzania	3.2%
South Africa	1.2%
Argentina	1.8%
Ecuador	1.0%
Costa Rica	0.8%

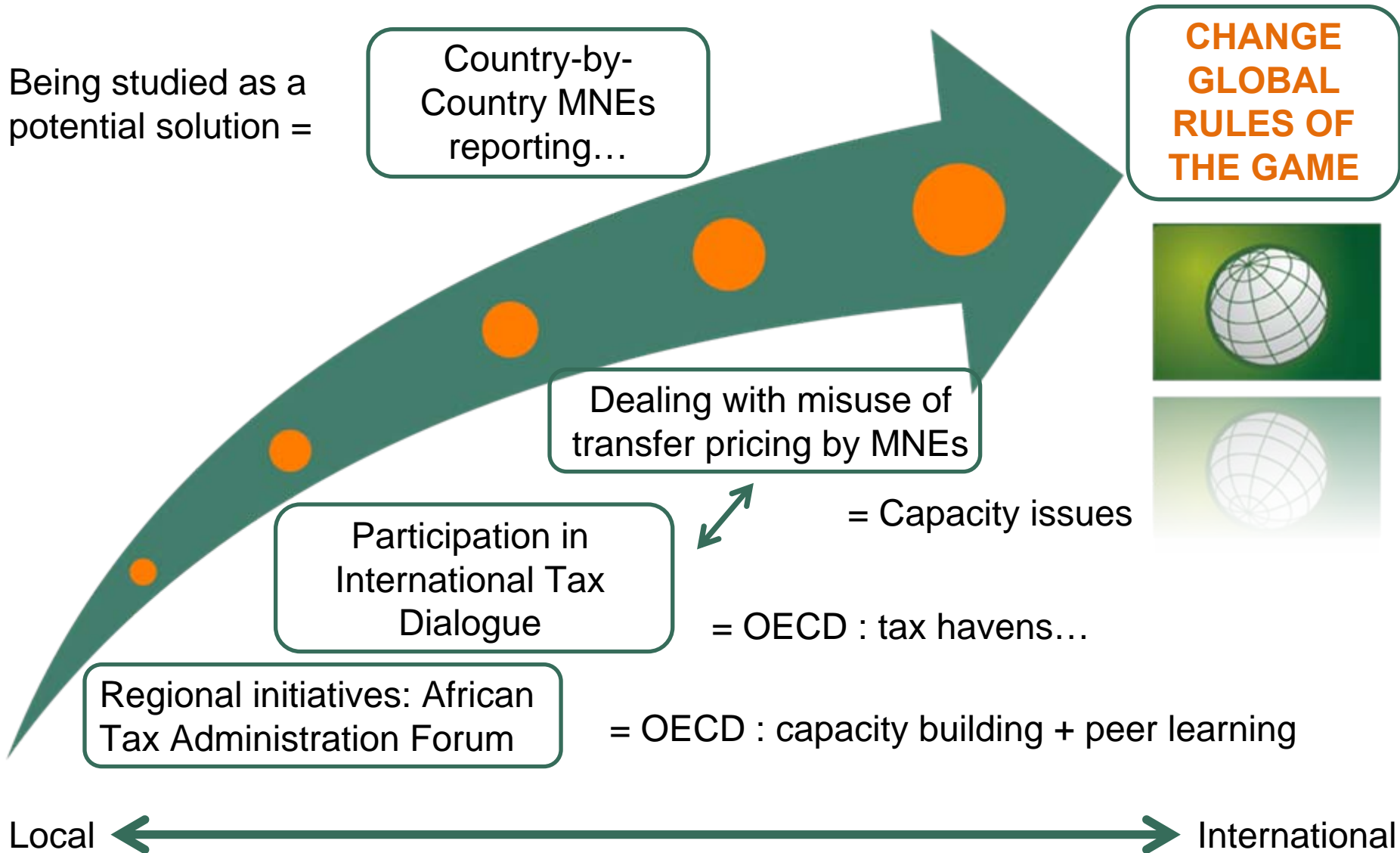
yet



- Technical cooperation to "Public Sector Financial Management" in Africa
- Total technical cooperation to other sectors in Africa

3. POLICY OPTIONS

The voice of Africa must be heard in the international tax dialogue



Thank you

 www.AfricanEconomicOutlook.org



Untapped resources for resource-rich countries...

- Some non resource-rich countries have performed better in terms of tax effort (*Tax effort = actual tax revenue/potential tax revenue*)

