2023

COLLECTION OF ESSAYS

ON THE AFRICAN FISCAL LANDSCAPE

COMMITTEE ON FISCAL STUDIES

We are the home for African researchers who study, share and perpetuate knowledge on fiscal law and policy.

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Authors Biography

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Mukasiri Sibanda	A prominent figure in the realm of natural resource governance and climate change, recognised for his role in shaping opinions and driving discussions on fiscal justice, transparency, and accountability. As the coordinator of the Stop the Bleeding Campaign, he spearheads a pan-African civil society movement striving for a just and prosperous Africa through responsible resource utilization and robust institutions. With a diverse background encompassing chartered governance, accountancy, and socioeconomic justice advocacy, Mukasiri has amassed a decade of expertise in areas such as tax justice, illicit financial flows, and artisanal mining. He is also a proficient climate financing expert, adept at mobilising green development funds and fostering stakeholder engagement. Mukasiri's far-reaching impact extends to his influential blog and collaborative efforts with government, civil society, media, and corporate sectors, showcasing his prowess in research, program management, and fostering meaningful relationships.
Roselilly N. Ushewokunze	A social and economic justice activist from Zimbabwe. She is interested in natural resource management, debt, development and taxation specifically on how they affect women.
Julius Okoth	A dedicated Social Justice Activist and Community Organiser based in Kenya. Currently serving as the coordinator of Kenyans for Tax Justice Movement, he leads a diverse coalition of grassroots individuals and groups striving for equitable social and economic policies, especially in the realm of tax, through a human rights lens. Armed with experiences from the International Tax Justice Academy and Nairobi Money Trail Training, Julius is a passionate advocate for non-violent methods in pursuing rights and justice, rejecting violence and injustices. His influential online presence, vocal blogging, and engagement with various platforms highlight his commitment to sharing stories, building relationships, and fostering peaceful alternatives. Over a decade of community organizing, training, and movement incubation underscores his profound impact on shaping agendas and advocating for change.
Aderemi Medupin	A seasoned Development Economist whose expertise encompasses a range of disciplines including Socio-Economic Research, Monitoring and Evaluation, Management Consulting, and Training. With a notable career trajectory that spans roles within the United Nations Development Programme and other diverse cultural contexts, he brings a wealth of experience in international political economy, human resource planning, and cross-cultural dynamics. Beyond his academic pursuits, Aderemi has contributed to contemporary discourse through a series of insightful Opinion pieces, underscoring

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Misusera Mukasa

An accomplished Economist, Policy Analyst, and Poverty Eradication Specialist with a Master's degree in Economic Policy and Planning. With a wealth of experience spanning community development, project planning, and organisational strengthening, Misusera has contributed significantly to various initiatives in Uganda and beyond. His expertise in economic development, tax justice, and rural development is underscored by his involvement in organizations like Citizens Watch IT Uganda and his role in implementing impactful projects, such as the World Bank-funded Financing for Development initiative. As a skilled researcher, communicator, and facilitator, he has made meaningful contributions to training, advocacy, and transparency efforts. With diverse roles ranging from teaching to management and consultancy, Misusera remains committed to promoting positive change and sustainable development in his country and beyond.

Maria Osula

A dedicated advocate for women's and youth engagement in peace and security initiatives throughout Africa. With a profound focus on the economic dimensions of peace and conflict, Maria's extensive decade-long career has seen her collaborate with national and international NGOs, as well as continental faith-based organizations, to drive policy changes for sustainable conflict transformation across 10 African nations. Her expertise lies in effecting transformative peacebuilding solutions in fragile conflict contexts, particularly through her efforts to involve young people and women in decision-making processes from local to regional levels. Presently, as the head of Norwegian Church Aid's Eastern Africa Regional Peace Programme, Maria has successfully amplified marginalized voices, contributing to peace advocacy, mediation, and economic reform. She is currently leading an intervention examining the intricate intersections of peace, conflict, and economics, focusing on debt, illicit financial flows, trade, and tax justice.

Foreword

Domestic resource mobilization is critical for African countries to reduce overreliance on foreign aid, loans and grants. Generating revenue internally provides greater policy autonomy and enables countries to invest in national priorities for sustainable development. However, limited revenue collection persists due to challenges like informality, illicit financial flows, ineffective tax incentives and corruption. This collection of essays explores strategies and reforms to improve domestic resource mobilization in Africa in a just and accountable manner.

Several essays in this collection written by African researchers who attended our capacity development course on 'Redefining Africa's Financial Landscape and Fostering Sustainable Development' highlight the need to leverage tax reforms to widen the revenue base. Taxing the digital economy, removing redundant tax incentives and exemptions, combating fiscal corruption and promoting stakeholder participation are recommended. Progressive, transparent and equitable taxation can balance economic, social and environmental goals. Beyond taxation, transforming and diversifying African economies into manufacturing and up the value chain is proposed to structurally strengthen revenue capacity. Given the significant role of faith organizations in service delivery, assessing religious revenue sources like tithe, alms and offertory is also suggested.

Cutting across the essays is the emphasis on good governance, accountability and constructive collaboration between government, private sector and civil society. Trust in public institutions must be reinforced by efficient, transparent and fair use of mobilized domestic resources. Global rules and corporate practices undermining African tax bases need reform. With strategic policies and collective action, domestic resources can be harnessed to finance Africa's sustainable development. This collection highlights the following priorities and trade-offs necessary for an enabling environment:

Essay 1 by Yevedo Victor Gbessemehlan discusses how governments can work with the private sector and civil society to create an enabling environment for inclusive and sustainable economic growth. It highlights the challenges of public financial resource mobilization in Africa and the critical roles of policy, regulation and taxation. It emphasizes the need for collaboration based on mutual trust and accountability between these actors to maximize revenue potential, ensure tax justice, and channel investment towards productive sectors. The essay uses the BENKADI project in West Africa as an example of successful public-private-civil society collaboration on climate resilience.

Essay 2 by Mukasiri Sibanda argues for improving governance of tax incentives as a strategy to widen the revenue base in Africa. It analyzes the problem of tax incentives eroding the tax base despite Africa's massive illicit financial outflows. The essay recommends transparency and accountability in granting tax incentives, limiting incentives in the extractives sector, and balancing incentives with revenue needs. It advocates a new fiscal social contract between government, companies and citizens to prioritize human development spending.

Essay 3 by Roselilly N. Ushewokunze discusses taxing the digital economy as an opportunity for domestic resource mobilization in Zimbabwe. It highlights challenges like informality, tax base erosion and profit shifting that limit revenue collection. The essay argues that Zimbabwe can leverage digital taxation reforms to increase revenues, promote economic and tax justice, and enhance digital inclusion. However, international consensus and local technological capacity are needed for effective implementation.

Essay 4 by Julius Okoth focuses on combating fiscal and monetary corruption to safeguard domestic revenue mobilization in Africa. It argues strengthening governance, transparency, accountability and trust between citizens and government is more effective than simply increasing taxes or broadening the tax base. The essay recommends reforms to improve efficiency, equity and sustainability in using public resources.

Essay 5 by Aderemi Medupin proposes economic transformation as an alternative strategic route to sustainable revenue generation in Africa. It critiques reliance on taxation and foreign aid as limited strategies. The essay advocates restructuring Africa's neo-colonial economic system and moving up the value chain into manufacturing and industrialization. This will strengthen the revenue base while promoting self-reliance and reducing aid dependence.

Essay 6 by Misusera Mukasa examines balancing growth and sustainability through tax reforms. It suggests incentives for clean energy, taxing pollution, stakeholder involvement, transparency and progressive taxation as ways to foster environmentally and socially responsible growth. The essay emphasizes taxation's role in financing public goods and economic development.

Essay 7 by Maria Osula explores tithes, alms and offertories collected by religious institutions as complementary revenue streams. It highlights the significant role faith organizations play in social services and economic development, especially in underserved areas. However, governance concerns around incorporating religious revenue collection into state systems are discussed.

Overall, the essays emphasize domestic resource mobilization as essential for Africa to reduce dependence on foreign aid, achieve sustainable development and reclaim policy space. Revenue strategies must balance economic, social and environmental objectives. Good governance, accountability and reformed global rules are critical for effective and just domestic resource mobilization.

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17 August 2023

I

HOW CAN GOVERNMENTS WORK WITH THE PRIVATE SECTOR AND CIVIL SOCIETY TO CREATE AN ENABLING ENVIRONMENT FOR INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH?

Yevedo Victor Gbessemehlan

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1. Introduction

The political history of Africa since the 19th century shows that the political remains inseparable from the economic, and this symbiosis is necessary in the construction of nation states[1]. But this construction of the State which began since the independence of certain countries has not yet been completed and continues because it is easy to see today that we meet in Africa nations without a State (as the case of Somalia), but also of the States without Nation[2]. Many observers condemn themselves to not understanding certain fundamental reasons for the enormous difficulties that many African states are facing today. Whether in countries endowed with natural and or mining resources and even in those which have none at all, the link between taxation and the contribution to the basic needs of populations contributes to the building of the social contract and therefore the construction of the nation state.

The public authorities of each country raise public funds in order to finance essential economic and social activities. If each State is justified in claiming to tax a share of the overall profit of the group, a central question is then that of the fair distribution of the right to tax it. We know that raising taxes makes it possible to manage taxation well. The tax instrument is also useful for the economy and society, particularly through its impact on investment, growth, women's empowerment, environmental protection and social justice. In an economic environment marked by the exploitation of natural resources that cause damage to the environment (forests, and others) or the extraction of mining resources, the emergence of tax loopholes and the presence of an underground economy worsens the chances of establishing fair and equitable taxation in the service of economic and social development.

The effectiveness of public policies is threatened, hence the need for a lasting budgetary solution. To this end, the new projects to be explored are on the side of new technologies, climate change and the interconnection of economies in a globalized world[3]. Different

[1] Catherine Coquery-Vidrovitch: Construction of the nation state and economic changes in sub-Saharan Africa: an intertwined history (In Images, memories and knowledge (2009), pages 21 to 46. https://www.cairn.info/images-memoires -et-savoirs--9782811102081-page-21.htm- see also Latif, L. (2023). Imperilled Welfare States of Eastern Africa: A Comparative Analysis of the Policy Legacies of Taxation Politics in Kenya and Uganda. In: Onyango, G. (eds) State Politics and Public Policy in Eastern Africa. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-031-13490-6_10

[2] Catherine Coquery-Vidrovitch: Construction of the nation state and economic changes in sub-Saharan Africa: an intertwined history (In Images, memories and knowledge (2009), pages 21 to 46. https://www.cairn.info/images-memoires -et-savoirs--9782811102081-page-21.htm

[3] Course: redefining africa's financial landscape and fostering sustainable development, Nairobi, jul 11, 2023 : Future directions end trends in the fields. Presentation materials. Technology, climate change and globalization, directed by Dr. Lyla Latif, PhD

challenges are emerging for the future in view of current trends: news has the potential to have a significant impact on tax legislation and policy by improving transparency and certainty; growing recognition of the impact of climate on the economy and growth is likely to drive the development of new policies and budget approaches. As for the challenges of globalization, they are based on the assumption that the growing interdependence of economies and financial systems will probably require more coordinated and more collaborative fiscal policy approaches. But how can the different groups of actors (governments, civil society and the private sector) involved in the issues mentioned above work together to create an environment conducive to economic growth? One cannot explore possible solutions without addressing the challenges of domestic resource mobilization, the critical roles played by policy, regulation and taxation, the actors groups involved and the factors that foster collaboration that could create an environment conducive to economic growth.

2. The challenges of public financial resources mobilizing

In Benin, people show strong support for the payment of taxes so that the country develops and recognizes the right of the government to collect taxes[4]. Strengthening domestic resource mobilization efforts enables the state to provide basic public services to residents. With an economic sector dominated by the informal sector to which are added sociological constraints, the State often finds it difficult to exercise its fiscal power, hence a permanent struggle to deal with it and also avoid tax evasion do not emerge. Moreover, the strategies to be developed to avoid tax evasion are also important in order to guarantee a sufficient tax base for public expenditure. To do this, the role played by the triptych of politics, regulation and taxation in the process of economic development must also be explored.

3. The critical roles of policy, regulation and taxation in economic development

The main challenge for tax administration is to increase tax revenue and demonstrate "good and fair" tax collection. To improve tax systems, the government must meet the criteria of fairness, ease of collection, lack of distortion and increased social welfare. To do this, this respect must be based on certain principles which are: the tax must be proportionate to ability to pay-redistribution of income, tax needs to be easy to collect, Tax correct for market failure, a tax needs to be easy to understand and have a broad social acceptance, Tax should be the same level to people in the same situation, the tax should not discourage economic activities.

Since the real problem is taxation, there will be no competition between countries because taxation is oriented towards public expenditure and each country will know what level of taxation will allow it to finance its public expenditure. We will have to reflect together on major principles such as how collaborations in the field of taxation can make it possible to make reforms to improve the consent to taxation for the citizen. We will think about integrating the informal sector into the race and we will try to vote for a recovery fund for the actors in this sector. Other equally disadvantaged actors will be revived under this way. Everyone will be encouraged to pay.

[4] 2018 Afrobarometer survey quoted by Ben Aymar Yêhouessi Associate researcher in public finance and taxation at the Center for Study and Research on Administration and Finance (CERAF) in Benin and the Center for Tax and Financial Studies in France

We will move towards tax regulation and not towards tax competition between countries. The use of private financing can improve the financial capacity of countries. The example of funds contributed in Morocco to quickly deal with the COVID pandemic will make it possible to deal with this. We can also explore church funds, which remain a no less important area because of the strong propensity of churches in Africa and the altruistic/philanthropic discourse that drives them. The participation of all is requested and the States will start on a win-win basis marked by reciprocity. We must protect our revenues from illicit financial flows. And make good use of taxes.

To improve vertical equity, there must be some proportionality to the tax system. People with very low incomes must pay according to their level of income and not at the same level as the wealthy. A good tax should be collectible. Taxes should not distort economic behavior. People marked by the same circumstances should pay the same. Taxes should be simple with certain objectives. The tax should be socially effective. The tax should be collected for a specific purpose, which could make it more acceptable to the public paying it. A tax system should avoid being or becoming unfair: thus, tax evasion should be combated, and individuals and companies should not find legal means to avoid paying taxes. The emergence of tax loopholes is to be avoided. Businesses should not lobby for particular tax breaks. The underground economy that emerges when economic activity takes place without official recognition should be avoided. Horizontal equity that promotes equal treatment of people living in the same situations should be encouraged. Vertical equity which promotes redistribution in the case of taxes is to be encouraged. Thus, the rich pay proportionally more taxes than the poor.

4. Abusive state intervention in the financial system: financial exclusion and empowerment of financial markets

The strengths of the financial systems in Africa and in Benin in particular, are on the one hand the emergence of microfinance organizations which followed the bankruptcies of the banks in the early 1990s. This situation results from the strong abusive public intervention in the financial system, which has led to a lack of sources of financing for all the essential sectors of the economy such as agriculture, handicrafts and small and medium-sized enterprises (SMEs). The other strength is the emergence of many microenterprises, mostly operating in the informal sector and whose financing needs were not taken into account by the formal financial sector in reconstruction.

With the support of the WAEMU authorities and that of international development cooperation. Expanding the financial landscape by promoting MFIs or Decentralized Financial Systems (DFS) which are supposed to meet the diverse needs of populations for financial services. This support was linked to poverty reduction programs in which developing nations are committed. But the main weakness noted was that the access of poor populations to financial services, with a view to promoting income-generating activities, is not accompanied by massive financial inclusion of the populations. As proof, the improvement in banking coverage and the mobilization of savings that result from it have not yet been able to generate an influx of bank financing into the economy.

This situation is one of the major characteristics of all the economies of Sub-Saharan Africa. Financial circuits are not very diversified and there is limited access to formal financial services for small businesses and households, especially in rural areas. If we consider that the poor are automatically excluded from formal finance, a large proportion of the non-poor

population residing in rural and urban areas does not benefit from bank loans, which results in the survival of an inefficient money market. The market imposes itself as an organizing institution of the social. In addition to financial exclusion, we are witnessing a relative empowerment of the economy.

5. The Benkadi project: a successful example of collaboration between States, Private Sector and Civil Society in French-speaking West Africa

Benin, like other West African countries, is suffering the adverse effects of climate change. The country's vulnerability to climate shocks is all the more pronounced, given the fact that several economic activities are essentially dependent on the climate. These include agriculture, animal husbandry and fishing. The increasingly low rainfall, deforestation and growing environmental degradation are all major challenges for sustainable development. It is in the face of such an observation that the Benkadi program was designed and initiated, in order to improve the climate resilience of the beneficiary populations.

The project is implemented in Benin, Burkina Faso, Côte d'Ivoire and Mali. BENKADI, means in the Bambara language "working together in the same direction", and brings together the Platform of Civil Society Actors in Benin (PASCiB) for Benin, the Permanent Secretariat of CSOs (SPONG) for Burkina Faso, the Convention of the Ivorian Civil Society (CSCI) for Côte d'Ivoire and the Coordination Secretariat of National NGOs of Mali (SECO-ONG). The BENKADI Program is initiated to qualitatively improve the effectiveness of public policies in terms of adaptation to climate change and mitigation of its effects in Benin, Burkina Faso, Côte d'Ivoire and Mali through greater participation citizenship, including that of young people, women and people with disabilities.

The strategic objective pursued is that communities affected by coastal erosion, ecosystem degradation, pollution by gold panning and deforestation, in particular women, young people and people living with disabilities, realize their right to development and are resilient to the effects of climate change. For members of civil society organizations, these are advocacy actions that are mainly carried out, in order to encourage greater involvement of vulnerable populations in the implementation of public policies on climate change. Advocacy will also concern the government and the private sector. In addition, the action of civil society in a global way will be strengthened, through the strengthening of the capacities of actors in the field, so that at the launch of the Project in 2022 in each of the countries concerned, the governments were represented by their ministers of agriculture and that of the environment. They welcomed the fact that it is an action of civil society to support government actions in raising public awareness of climate change. As can be seen, the Benkadi with regard to its objectives, also contributes to the implementation of the sustainable development objectives, in particular in its point 13 entitled “take urgent measures to fight against climate change and its repercussions”.

These are the NGOs recruited by the Platform of Civil Society Actors in Benin (PASCiB) for Benin, the Permanent Secretariat of CSOs (SPONG) for Burkina Faso, the Ivorian Civil Society Convention (CSCI) for Côte d'Ivoire and the Coordination Secretariat of National NGOs of Mali (SECO-ONG). In general, civil society is responsible for providing its expertise in the training of grassroots actors. This is the group of farmers, people with disabilities and others. It collaborates with the government so that its expertise is integrated into the formulation and implementation of economic policies. In addition, civil society contributes material, financial or human resources to support economic development

initiatives. Implementing NGOs collaborate with other NGOs in the field to set goals and achieve them. Municipal elected officials and decentralized service managers benefit from grassroots capacity building and are called upon to play the role of facilitators in the context of the mission. Associations of farmers, fishermen, women, young people and people with disabilities benefit from grassroots capacity building.

The institutional framework for multi-actor dialogue in the field of climate change is set up by the sector ministries. It is constituted as follows:

- Municipal elected officials and managers of decentralized services
- Associations of farmers, fishermen, women, young people and people with disabilities
- The private sector

6. The conditions for the emergence of an environment conducive to economic growth

The steps to be taken to improve transparency, accountability and equitable distribution of resources in order to deliver optimal public value and raise living standards are above all to ensure that power asymmetries do not arise between those who are responsible for levying taxes and citizens. Their collaboration must be based on the principles of mutual trust and accountability. Taxation can be used as a tool for redistributing wealth. These revenues can also be used to provide public services such as education, health care, infrastructure, national defense and other social programs.

Collaboration between civil society and government promotes transparency, accountability and the fight against corruption. Civil society can come up with new ideas, experiment with innovative approaches and encourage economic diversification. This is the case of the BENKADI project. Together, government, private sector and civil society collaboration can enable these actors to mutually oversee economic policies and projects, thereby ensuring their effectiveness and integrity. Civil society can play a critical watchdog role in holding government to account and ensuring that public interests are respected. Civil society can benefit from the technical expertise and resources of the government, and the government can in turn benefit from the knowledge and experiences of civil society to improve its economic policies and programs. This is the case of the conclusions drawn from the annual retreats observed by non-governmental organizations, researchers and social entrepreneurs to propose new ideas, evaluate the innovative approaches tested and in return make proposals to the government.

Their collaboration must be based on the principles of mutual trust and accountability. Redistribution must take place on an equitable basis without taking into account the social divisions bequeathed by the colonial heritage and which could be the basis of discrimination. Economic asymmetries using transaction concepts should be avoided in order to guarantee fair and sustainable tax transparency. This link between taxation, taxation and the contribution to the essential needs of populations contributes to the construction of the social contract and therefore the construction of the nation state. By working together for resource mobilization, government, the private sector and civil society can mobilize resources from different sources to finance economic development projects. As proof, the BENKADI project currently being implemented is the result of the partnership between the Ministry of Foreign Affairs (MoFa) of the Kingdom of the Netherlands, and the consortium led by four West African CSO platforms and a Dutch NGO, Woord En Daad for a period of five (5) years and will extend until 2025. The objectives of the project show that it is an action of civil society to accompany

government actions in the public awareness of climate change. For example, the government can provide tax incentives or grants, the private sector can invest in profitable economic initiatives, and civil society can fundraise from donors or mobilize volunteers.

In addition, collaboration between government, civil society and the private sector can help secure funding for the benefit of disadvantaged groups. Collaboration between these actors can help create an environment conducive to doing business. The government can put in place stable and predictable regulatory and tax policies, which encourage private sector investment. Civil society can also play a watchdog and citizen engagement role to ensure transparency and accountability of public and private actors.

7. Conclusion

Taxes can help regulate behavior. Taxes can be used to discourage certain undesirable behaviors, such as the excessive destruction of the environment (case of the destruction of mangroves in Benin) or to fight against negative externalities in the fight against climate change. Collaboration between government, the private sector and civil society is a powerful way to promote sustainable economic development. It is essential for economic development by fostering democratic participation, providing complementary expertise, ensuring control and accountability, encouraging innovation and diversification, as well as strengthening the capacities of the actors involved. This collaboration contributes to the creation of an environment conducive to sustainable and inclusive economic growth.

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II

STOP GIVING TOO MUCH FISCAL SUGAR TO DEAL WITH FISCAL DIABETES[5]

Mukasiri Sibanda

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1. Introduction

Domestic Resource Mobilisation (DRM) is an important facet of public financial management (PFM). Considering the growing poverty and inequality in Africa, the importance of robust domestic resource mobilization for adequate financing of public services and infrastructure cannot be overemphasized. Even in the face of huge economic and fiscal prospects from the demand for critical minerals[6], estimates paint a gloomy picture of the fight against poverty in Africa - by 2030, 62 percent of the world's poor will live in resource-rich Sub-Saharan Africa[7]. Incessant pressure is coming from multiple angles, debt distress, ballooning illicit financial flows, recovery from the COVID-19 pandemic, increased fuel, food, and finance costs triggered by the Russia-Ukraine war, geopolitical fragmentation, and the climate crisis. Sources for public revenue mobilization encompass taxation, debt, user fees, disposal of state assets, dividends earned from state-owned enterprises or equity participation, grants, and official development assistance.

Tax is the most significant, accountable, and sustainable source of public revenue[8]. Although the sources of government revenue have been individually listed, they are closely related, and therefore cannot be analyzed in silos. For instance, when governments fail to mobilize adequate tax revenue[9], budget deficits arise, and debt will be incurred to plug the public finance holes. Since materially, tax is the main source of government revenue, debt can be interpreted as a deferred or postponed tax obligation. As such, a public debt crisis sweeping across Africa, to a large extent reflects the tax revenue mobilization crisis. The importance of taxation in PFM can be felt across the four broad objectives of PFM[10] – aggregate fiscal

[5] Inspired by Akinwunmi Adesina, the president of the African Development Bank https://www.premiumtimesng.com/news/headlines/437921-nigerians-pay-one-of-worlds-highest-implicit-tax-rates-adesina.html?tztc=1

[6] As defined in Executive Order 13817, a critical mineral is "a mineral identified by the Secretary of the Interior [pursuant to the Executive Order] to be (i) a non-fuel mineral or mineral material essential to the economic and national security of the United States, (ii) the supply chain of which is vulnerable to disruption, and (iii) that serves an essential function in the manufacturing of a product, the absence of which would have significant consequences for our economy or our national security."

[7] James Cust and Albert Zeufack (2023), World Bank, Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[8] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014

[9] The primary aim of the tax system is to raise sufficient government revenue to cover government spending, see South Africa National Treasury Tax Expenditure Statement 2022 available here: https://www.treasury.gov.za/documents/national%20budget/2022/review/Annexure%20B.pdf

[10] See objectives of public financial management, Arsalan Shaikh and Nida Naeem, ACCA Introduction to public financial management

management[11], operational management[12], governance[13], and fiduciary risk management[14]. A simplified version of the role of taxation in PFM has been advanced by Tax Justice Network (TJN) through what is generally known as the four roles of taxation (4Rs) – Revenue, Redistribution, Repricing, and Representation[15]. Of late, the 5th R has been added in response to the dynamics around climate finance[16]. Reparations are required to ensure that countries that amassed wealth by disregarding planet and people costs should compensate countries that have a low carbon footprint, yet they bear the full brunt of climate emergency[17].

In this essay, the focus is on exploring alternative strategies for broadening a country's revenue base, establishing why the selected strategy is particularly intriguing or promising for Africa's socioeconomic development. Further, the selected alternative revenue expansion strategy is weighted for its potentiated impact, and on the practicalities of its implementation in the current context. As a response, good governance of tax incentives[18] in African countries is explored as a low-hanging fruit that can be tapped to widen the public revenue stream. The analysis focuses on structural, historical, political, and creative ways to understand the potentiated effect of tax incentives on achieving sustainable development[19]. On structural barriers and opportunities, a full-hearted reform of the unjust, inequitable, and unstainable global economic, financial, and taxation potential offers the bandwidth to deal with the scourge of international harmful tax competition. I also look at the historical perspective of the challenge of tax incentives, to understand how we have found ourselves in this mess. Therefore, I argue that the mimicry of the colonial economic and taxation system must be consigned to the dustbins of the reform agenda.

Much as the discussion on taxation, tax incentives, in this case, can be engaged from a technical viewpoint, its political connotations are just too strong to disregard. Therefore, I look at the actors, their incentives, and disincentives for promoting good governance of tax incentives to successfully walk the tightrope of achieving economic development without compromising social and environmental rights. With high economic inequalities permeating across Africa, and wealth concentrated in the few powerful elites, they are bound to resist progressive tax reforms to continue enjoying their unfair tax shields. Thus, political inequalities can save to blunt the redistributive role of taxation. Instead of milking more public revenue from the rich, the poor pay more taxes in proportion to their incomes as they spend a large portion of their earnings from the consumption of goods and services. Of course, the power of creative thinking is harnessed to try and figure out how appropriate governance of tax incentives can engage the top gear of sustainable economic growth and broad-based socio-economic development. Beyond political analysis, country examples are also used to

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[11] It pertains to fiscal sustainability, resource mobilization, and allocation.
[12] Focuses on performance, value for money, and strategic financial planning and management.
[13] Entails transparency and accountability.
[14] Deals with controls, compliance, and oversight.
[15]Franziska Mager and Sergio Chaparro (June 2023) Tax Justice Network, Delivering climate justice using the principles of tax justice - A guide for climate justice advocates.
[16]Franziska Mager and Sergio Chaparro (June 2023), Tax Justice Network, Delivering climate justice using the principles of tax justice - A guide for climate justice advocates.
[17]Franziska Mager and Sergio Chaparro (June 2023) Tax Justice Network, Delivering climate justice using the principles of tax justice - A guide for climate justice advocates.
[18] Cost-benefit analysis is required to remove redundant and costly tax incentives, transparency of normally hidden public expenditure incurred through revenue foregone by the government, and accountability by involving Parliament for scrutiny and approval of tax incentives.
[19] Informed by Samir Amin's analytical approach to political economy.

strengthen the analysis and argument on why the governance of tax incentives is a low handing that can be used to strengthen public revenue.

2. Why the proper governance of tax incentives is a more intriguing tool for socioeconomic development in Africa

- Tax incentives are a nascent but necessary budget transparency and accountability practice in Africa

Whereas the primary obligation of any tax system is to raise adequate revenue for the government to finance public expenditure, taxation waivers, deductions or credits can be used to complement socioeconomic objectives[20]. Tax expenditure represents revenue foregone by the government arising from a slashed tax liability compared to the benchmark tax system[21]. Before even calculating tax expenditures, the first major hurdle is the lack of uniformity across countries in determining the tax base[22], and this makes country comparison an extremely difficult if not a futile exercise. These differences emanate from the different weights various countries place on the principles of taxation – neutrality, equity, and efficiency[23]. Tax expenditures are a result of the latent benefits created by tax incentives and they manifest in a complete tax shield in the form of waivers or exemptions, reduced tax rates, reduced taxable income through deduction of allowable amounts, tax credits that are deducted from the tax obligations, and deferred or postponed tax settlement obligations[24]. Tax expenditures are in most African countries opaque and have huge costs to the fiscus that normally bypass Parliamentary scrutiny and approval.

The latest statistics show that on average, the revenue foregone, from tax expenditures in low-income and middle-income countries constitutes around 26% and 20% accordingly, of total tax revenue receipts[25]. The fact that reporting on tax expenditures is a nascent practice in Africa, it warrants further interest in how good governance in the management of tax incentives can deliver on optimizing public revenue and other related governance dividends. South Africa has in-depth experience in reporting on tax expenditures and its recent tax expenditure has been upgraded for the first time to include sectorial analysis. Kenya[26], Uganda, and Rwanda are some of the countries that have recently started to publicly report on their tax expenditures. Because of critical information gleaned from tax expenditure reports, Kenya managed to

[20] see South Africa National Treasury Tax Expenditure Statement 2022 available here: https://www.treasury.gov.za/documents/national%20budget/2022/review/Annexure%20B.pdf
[21] Christopher Heady and Mario Mansour (2019) IMF Fiscal Affairs Department, Tax Expenditure Reporting and Its Use in Fiscal Management, A Guide for Developing Economies
[22] Granger, H., McNabb, K. and Parekh, H. (2022) Tax expenditure reporting in Rwanda and Uganda: Challenges, practical guidance and lessons learnt. ODI working paper. London: ODI (www.odi.org/en/publications/tax-expenditure-reporting-in-Rwanda and-Uganda-challenges-practical-guidance-and-lessons-learnt)
[23] Christopher Heady and Mario Mansour (2019) IMF Fiscal Affairs Department, Tax Expenditure Reporting and Its Use in Fiscal Management, A Guide for Developing Economies
[24] Christopher Heady and Mario Mansour (2019) IMF Fiscal Affairs Department, Tax Expenditure Reporting and Its Use in Fiscal Management, A Guide for Developing Economies
[25] Granger, H., McNabb, K. and Parekh, H. (2022) Tax expenditure reporting in Rwanda and Uganda: Challenges, practical guidance and lessons learnt. ODI working paper. London
[26] The second publicly published tax expenditure of Kenya was for the year 2022, available here: https://www.treasury.go.ke/wp-content/uploads/2023/02/2022-Tax-Expenditure-report-Final.pdf

remove several tax incentives via the Tax Laws Amendment Act, 2020, the Finance Act, 2020, and the Finance Act, 2021[27].

- The logic of tax incentives is lost when we consider huge IFFs outflows & rewards from tax incentives

Since illicit financial flows (IFFs) out of Africa were profiled as a major threat to the mobilization of development finance to achieve the UN's Sustainable Development Goals (SDGs) in 2015, IFFs have nearly doubled. IFFs are defined as money siphoned from Africa by elites and big corporations as they move their income and assets offshore to shield them from tax authorities either illegally or illicitly – tax evasion and tax avoidance respectively. Endorsed by the African Heads of State and Government in January 2015, the High-Level Panel (HLP) on IFFs from Africa Report showed staggering annual losses of over US$50 billion[28]. Recent statistics in the UN's Conference on Trade and Development (UNCTAD)'s Economic Development in Africa Report 2020 show that IFFs from Africa are ballooning, with more than US$88.6 billion annually being lost now[29]. Commercial transactions are fingered as the main culprits, contributing 65% of the losses via IFFs[30]. The shenanigans employed by MNEs include abusive transfer pricing, trade misinvoicing, lopsided investment contracts, and corruption.

The staggering losses via IFFs show that the continent has a Kilimanjaro Mountain climbing tax on taxing MNEs and high-net-worth individuals. Paradoxically, MNEs are officially the untouchables when it comes to the design of tax policies in Africa. This sorry state of tax policy design is a result of the influence of donor-led consensus which has ignored the merits of redistributive taxation in preference of neutral tax reforms dubbed as efficient[31]. A double tragedy is experienced because on one hand MNEs practice profit shifting. They undermine the tax base of countries that underpin their main economic activities by shifting profits to tax havens where little or no taxes are paid[32]. Worse still the economic activities in those tax havens are a footnote to the parent's financial affairs. Yet MNEs are the main beneficiaries of tax incentives, revenue foregone by giving in the name of luring investment regardless of strong questions around their effectiveness. Investors have a broad range of factors to consider when making investment decisions – the quality of infrastructure, political stability, skilled labour, contract enforcement, and governance concerns[33].

- Dealing with a colonial legacy

The gloomy picture depicted above clearly illustrates the challenges posed by colonial legacies of economic inequality still plaguing African tax regimes and tax policies today. The

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[27] Encouraging results have been recorded thus far. In the 2021 Tax Expenditure Report, we noted a significant decline in the level of tax expenditure from 5.15 percent of GDP in 2017 to 2.96 percent as a percent of GDP in 2020, see https://www.treasury.go.ke/wp-content/uploads/2023/02/2022-Tax-Expenditure-report-Final.pdf
[28] Available here: https://au.int/en/documents/20210708/report-high-level-panel-illicit-financial-flows-africa
[29] Available here: https://unctad.org/publication/economic-development-africa-report-2020
[30] Far from the popular narrative, the HLP Report shows that public sector corruption accounts for 5% of the losses via IFFs, with criminal activities contributing 30%.
[31] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014
[32] Two main factors behind the weak tax revenue flow in Africa were identified by the IMF, tax competition undertaken by countries to attract investments and profit shifting, see Giorgia Albertin, Boriana Yontcheva, and Dan Devlin (2021) IMF's African and Fiscal Affairs Departments, Tax Avoidance in Sub-Saharan Africa's Mining Sector
[33] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014

colonial economic construct was based on the obscene transfer of wealth from colonized countries for the benefit of the colonizing countries[34]. Despite the big victory against the colonial regimes as heralded by the independence of African countries, the unshackling of the inequitable and unjust economic, financial, and taxation infrastructure established by colonialism was never undertaken[35]. As a result, the full independence of African countries remains in arrears because of the intact colonial extractive economic systems that are still in place to date.

- Critical minerals are a revenue mobilization opportunity that must not be squandered

In the development parlance, it is totemic that Africa is endowed with vast mineral, oil, and gas resources that give the continent potentiated advantages in harnessing economic and fiscal governance. With the increased global demand, coupled with supply chain constraints, of critical minerals, Africa is at the cusp of experiencing a massive revaluation boom of its mineral wealth portfolio[36]. Critical minerals in the eyes of developed countries like the US are useful for the transition to clean energy, defense industry, and technological advancement. About a third of the world's critical mineral reserves are found in Africa. Africa is a global lead producer of critical minerals like bauxite cobalt, copper, manganese, platinum, and palladium[37]. Its lithium potential is massive. As discussed in the following section, the potentiated fiscal benefits from Africa's natural resource wealth are mostly at the risk of erosion because of overly generous tax incentives among other challenges. Suffice it to say, resource-rich countries like the Democratic Republic of Congo (DRC), South Africa, Zambia, and Zimbabwe are in the process of unlocking the full potential of their mining tax regimes[38]. The major constraints they must contend with among others are too many tax incentives along with aggressive tax planning by MNEs, weak enforcement of tax laws, and mineral price volatility[39].

- Economic and political inequality a vicious cycle

It is important to understand why there are no significant reforms on transparency and accountability of tax incentives despite the acknowledgment by several African governments about the harm caused by tax incentives[40]. The widening inequality gap in Africa poses a major constraint to the redesigning of tax regimes, tax incentives included. As more wealth is concentrated in a few powerful elites and MNEs, likewise, political power follows the same pattern.[41] It is hardly surprising that tax incentives can disproportionately benefit specific interest groups that have the political muscle to influence their maintenance thereby stifling reform to entrench economic and tax inequalities[42]. If Africa is to strengthen its social contract, the relationship between those that govern and the governed transparency, and accountability in the governance of tax incentives becomes a litmus test.

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[34] Walter Rodney (1973), How Europe Underdeveloped Africa

[35] A book chapter by Dr. Lyla Latif, Imperiled Welfare States of Eastern Africa: A Comparative Analysis of the Policy Legacies of Taxation Politics in Kenya and Uganda, 2023 - State Politics and Public Policy in Eastern Africa

[36] James Cust and Albert Zeufack (2023), World Bank, Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[37] James Cust and Albert Zeufack (2023), World Bank Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[38] ATAF's African Tax Outlook 2021

[39] ATAF's African Tax Outlook 2021

[40] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014

[41] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014

[42] International Budget Partnership,

- Assessing the potentiated impact of tax incentives on public revenue

While the opportunities offered by critical minerals sound exciting for Africa, a dosage of reality shows how risky it is to harness economic and fiscal benefits from mining. According to the World Bank statistics, the rental value of Africa's mineral wealth is 2.6 times more than revenue accruable to government on the average[43]. The implication is that Africa's depressed public finance situation can get a massive booster from utilizing the significantly untapped revenue that is huge subsidies to production. A case in point is South Africa where the mining and quarrying industry contributed a negligible 1.3% of total public revenue versus a material 7.3% the same sector contributed to GDP in 2017[44]. This disparity was attributed partly to tax incentives and provision payments.

One of the major drivers of the crippled tax linkages from mining is stabilization agreements, a type of tax incentive that shields the concerned business entities against any changes in the tax rates, usually Corporate Income Tax (CIT), mining royalties, and customs duties. This guarantee covers a long period, for example, 25 years. For instance, the government of Zimbabwe agreed to a 25-year platinum royalty stabilization agreement, from 1994 to 2019, with the Zimbabwe Platinum Mines (ZIMPLATS)[45]. Initially, the agreement was with BHP Billiton, and it was taken over by ZIMPLATS in 2000[46]. In 2015, the Zimbabwe Revenue Authority (ZIMRA) was compelled to refund ZIMPLATS US$101.55 million after a court ruling that deemed illegal the administration of mining royalties in line with the Finance Act instead of the stabilization agreement in the Special Mining Lease (SML)[47].

Buttressing Zimbabwe's challenges, an investor in Guinea-Bissau propose a tax/royalty shave that would have drained the public purse around US$400 million over the life of the mine[48]. The investor wanted a full waiver on CIT obligations for an initial period of production, subsequently half CIT rate, no restriction on financing costs, no VAT or customs duties; no dividend or interest withholding taxes; no capital gains tax; a reduced royalty rate; CIT accelerated depreciation; and stabilized fiscal terms with a provision for enjoying advantageous changes[49].

Additionally, there are also capital recoupment allowances enjoyed by the taxpayer inform of wear and tear or special initial allowances denoted as depreciation in the financial statements. It must be noted that the difference between the capital allowances offered by the taxpayer and the depreciation rates used in the financial statements only gives rise to temporary differences regarding paying on tax obligations – deferred tax income or expense, asset, or

[43]James Cust and Albert Zeufack (2023), World Bank, Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[44] James Cust and Albert Zeufack (2023), World Bank, Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[45] See https://zela.org/2019-midterm-budget-review-how-agile-or-fragile-is-the-mining-fiscal-transparency-reform-agenda/

[46] See https://zela.org/2019-midterm-budget-review-how-agile-or-fragile-is-the-mining-fiscal-transparency-reform-agenda/

[47] ZIMRA Annual Revenue Performance Report 2015, available here: https://www.zimra.co.zw/vacancies/category/12-revenue-perfomance-reports?download=342:annual-revenue-perfomance-report-for-2015

[48]Giorgia Albertin, Boriana Yontcheva, and Dan Devlin (2021) IMF's African and Fiscal Affairs Departments, Tax Avoidance in Sub-Saharan Africa's Mining Sector

[49] Giorgia Albertin, Boriana Yontcheva, and Dan Devlin (2021), IMF's African and Fiscal Affairs Departments, Tax Avoidance in Sub-Saharan Africa's Mining Sector

liability. If for example, an entity is allowed to fully recoup capital in the first year of expenditure, that same entity enjoys a huge, differed tax liability. In nominal terms, there is no loss of government revenue. However, in real terms, we factor in the time value of money since a dollar received today is more than a dollar received tomorrow. This is so because of several factors which include inflation, the opportunity cost informs of investments, and the uncertainty around the payment. Think about it, when disaster strikes, for instance, a climate emergency or health pandemic, governments will be faced with sudden huge expenditures to save lives.

Automatically, this triggers the instability of public financing, yet the government will be owed huge sums of money, and deferred tax obligations by business entities. In this case, the loss is not only financial as depicted in the time value of money concept but also comes at a huge social cost. At the time that the pandemic was ravishing the economies, livelihoods, and lives in Africa, in South Africa, AngloAmerican Platinum recognized huge, deferred tax liabilities of ZAR17.138 billion rands and ZAR15.648 billion rands for the financial years, 2022 and 2021 respectively[50]. To give a full picture, AngloAmerican Platinum had a deferred tax asset of 54 million rands and ZAR53 million rands for 2022 and 2023[51]. Digging deeper into the human cost of the deferred tax liability, South Africa allocated ZAR40 billion in April 2020 to cushion wages in response to the pandemic[52]. What we can decipher from this illustration is that even when governments are faced with crises, the need to save lives, and resorting to borrowing, they might be owed huge taxes to be settled in the future by entities.

Improving the governance of tax incentives carries a special weight on the importance of offering "a double dividend" for both the people and the planet[53]. Tax can be a powerful tool for climate justice to prioritize people's environmental and economic needs instead of the incentives of the biggest and wealthiest polluters and extractors[54]. By removing tax incentives especially targeted at fossil fuel producers – coal, oil, and gas, governments will stop derisking the fossil fuel sector and rechanneling the indirect subsidies towards clean energy transition. Overall, the massive footprint of the extractive sector on the environment does not warrant the government to grant tax incentives to mining, oil, and gas sectors without penalizing such entities on environmental liabilities. Many African countries are dependent on natural resources, especially the extractive sector, mining, oil, and gas which are location specific. Therefore, geological potential becomes the major catch in luring investments. Research has shown that tax incentives, especially in the mining sector, are less effective bait for attracting investments.

3. Way forward for Africa?

A new fiscal social contract must be forged, this visioning brings in companies as the missing link to the traditional fiscal social contract involving government and the citizens. Powerful business entities, especially MNEs must shun tax incentives and focus on innovative

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[50] https://www.angloamericanplatinum.com/~/media/Files/A/Anglo-American-Group-v5/Platinum/report-archive/2022/integrated-annual-report-2022.pdf

[51] https://www.angloamericanplatinum.com/~/media/Files/A/Anglo-American-Group-v5/Platinum/report-archive/2022/integrated-annual-report-2022.pdf

[52] CABRI, COVID-19 Africa Public Finance Response Monitor, available here: https://www.cabri-sbo.org/uploads/files/Documents/Budgeting-in-the-context-of-COVID-19-Trends-and-tools-of-reallocations.pdf

[53] James Cust and Albert Zeufack (2023) World Bank, Africa's Resource Future, Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition

[54] Tax Justice Network (June 2023), Delivering climate justice using the principles of tax justice - A guide for climate justice advocates.

approaches that improve their operational efficiencies instead of focusing on tax savings through aggressive tax planning and putting unjust pressure on governments on overly generous tax incentives. Innovation in public finance management is required to ensure that tax incentives currently enjoyed by companies will be ringfenced towards public welfare as enhances human development – health and education, sectors that in the long run can boost the bottom line of business organizations through sustainability. Benefits include a highly skilled and healthy workforce, and reduced conflicts because of the shrinking inequality gap. Lessons must be learned from the Marikana incident, in August 2012 in South Africa, whereby 34 workers were fatally shot for demanding fair wages, better living, and working conditions[55].

Africa must reset its economic, fiscal, and public welfare priorities. Currently, the prevailing circumstances are an imitation of the unjust colonial regimes they fought hard to dismantle[56]. Economic rights are given preference over social and environmental rights. The maxim is that economic performance is the prop shaft of economic growth and consequently the guarantor of public revenue[57]. As such, there is pressure to attract investments, foreign and local, using tax incentives to stimulate economic growth – generation of foreign exchange, job creation, development of remote areas, and transfer of technologies. Subsequently, governments are compelled to rely on regressive tax regimes that treat citizens as the main tax base. It is hardly surprising that public revenue in Africa is mostly supported by direct and indirect induvial taxes[58]. Payroll taxes are the dominant direct tax, and indirect taxes are mainly characterized by consumptive or trade taxes such as Value Added Tax (VAT)[59].

The design of the global economic, financial, and taxation systems requires an overhaul to deal with, among others, the challenge of tax competition among countries which fuels the race to the bottom. While the pressure caused by tax incentives due to the erosion of public revenue is felt at the domestic level, a complete cure can never be found at a national level. Increased globalization and digitalization have led to the dominance of Multinational Enterprises (MNEs) in the economies of many African countries. Therefore, a global solution in the form of the unjust, inequitable, and unsustainable economic, financial, and taxation playing field is fundamental. Through its Pillar Two solution, the Organisation of Economic Cooperation and Development (OECD) has set a global minimum effective tax rate at 15%.

African countries must revise their tax incentive regimes to ensure that the effective CIT they collect does not fall below 15%. Otherwise, developed countries, where most MNEs are headquartered may end up recouping the value foregone by African countries through tax incentives. In principle, the idea of the minimum effective global tax rate is sound, the main challenge is the minimum threshold of 15% which falls way below the average CIT rate in Africa of about 25%. What the OECD has done is effectively compel African countries into a rule-based race to the bottom by implicitly setting the effective CIT rate at 15%. Among other reasons, this is why African countries are banking on the UN Tax Convention to substitute OECD in global tax reforms.

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[55] Saul Porsche Makama and Lux Lesley Kwena Kubjana (2021), Collective Bargaining Misjudged: The Marikana Massacre

[56] A book chapter by Dr. Lyla Latif, Imperiled Welfare States of Eastern Africa: A Comparative Analysis of the Policy Legacies of Taxation Politics in Kenya and Uganda, 2023 - State Politics and Public Policy in Eastern Africa

[57] TJNA and Christian Aid, Africa Rising? Inequalities and essential role of fair taxation, April 2014

[58] VAT contributes the largest share of total revenue with 31.33%, followed by personal income tax and CIT with 19.5% and 17.7% respectively. ATF's African Tax Outlook 2021

[59] ATF's Africa Tax Outlook 2021

Tax incentives give rise to tax expenditure, in other words, public revenue forgone by the government. Tax expenditures are deemed as an indirect public subsidy that deflates the revenue side of the national budget and has the same effect as direct subsidies that inflate the public expenditure side. While there is some level of public scrutiny, Parliamentary debate, and approval of direct public subsidies that are ordinarily part of the proposed national budget statement, the opposite is true for tax expenditures. Tax expenditures are generally hidden government expenditures in Africa, with limited transparency leading to obscure public scrutiny and bypassing Parliamentary debates and approval as required by most Constitutions. As such, transparency, equity, and accountability must be the cornerstone of the management of tax incentives. Tax expenditures must be part of the proposed national budget statement. In addition, a cost-benefit analysis is necessary to weed out redundant tax incentives. South Africa, Kenya, and Uganda are some of the countries that are now publishing tax expenditure reports, although there is a huge room for improvement, the direction taken is encouraging.

III

STRENGTHENING DOMESTIC RESOURCE MOBILIZATION THROUGH TAXING THE DIGITAL ECONOMY: OPPORTUNITIES, CHALLENGES AND IMPLICATIONS FOR ZIMBABWE

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1. Introduction

Domestic resource mobilization (DRM) plays a critical role in the development of any country. By harnessing its internal resources, a nation can reduce its reliance on external funding using debt and direct aid. Historically, Zimbabwe has faced debilitating economic challenges that include high inflation and fluctuating external debt. As at September 2022, Zimbabwe's Public and Publicly Guaranteed (PPG) debt stock was pegged at USD 17,600,000 dollars (ZADMO, 2022). Such issues have necessitated the adoption of self-reliance strategies, making domestic resource mobilization a critical component of economic development. Implementing DRM strategies in Zimbabwe poses several challenges that need to be addressed for sustainable economic growth. A significant portion of economic activities occur in the informal sector which often operates outside formal taxation systems. This hampers revenue generation and necessitates efforts to formalize the informal sector to capture potential resources. Effective DRM initiatives can enhance economic stability, increase funding for development projects, reduce dependence on external aid and promote inclusive national ownership of the economic development discourse.

Digitalization has evolved into an inescapable force that is shifting how economies operate globally. The growth of global e-commerce has exposed the outdated nature of most countries tax regimes. Tax base erosion due to profit shifting has cost developing countries over USD 500 billion annually (Singh, 2020). The Organisation of Economic Cooperation and Development (OECD) estimates that countries lose out on 100 billion to 240 billion a year under traditional tax rules. Digitalization of the economy creates challenges from an indirect tax perspective. In 2021, 137 out of 141 countries in the OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting reached a landmark agreement on a two-pillar solution to reform the international tax framework in response to the challenges relating to the taxing of the digital economy (OECD, 2019). Under these strategies, the aim is to harness collaborative efforts towards halting tax avoidance through transparency. The BEPS initiative has resulted in consensus over the need for countries to adapt their tax laws. Currently, Zimbabwe is one of the few African countries that have proposed some form of tax regime for digital goods and services however, the regimes are in their infancy and have not been thoroughly designed to consider the broader spectrum of the digital economy.

It is in this context that the paper highlights the need to strengthen domestic resource mobilization in Zimbabwe. It explores the opportunities, challenges and implication created by the digital economy and seeks to proffer policy recommendations to leverage tax to reduce inequality and in promoting social and economic justice.

2. Domestic Resource Mobilization in Zimbabwe

The use of domestic resources is becoming prevalent due to challenges in accessing external resources. The current global crisis that has been exacerbated by shocks such as the Covid 19 pandemic and subsequent recession make accessing external financial resources increasingly difficult. However, the financial crisis has also made accessing domestic resource challenging. Domestic resource mobilization refers to the generation of revenue from domestic or internal systems and allocating them to sectors that are productive with the aim to stimulate development and economic growth (Culpepper, 2008). The mobilization of these resources can be done by both public and private sectors through taxation and other public revenue generation strategies for the former and through household and business savings for the latter (Arteey, 2008).

The rationale for Zimbabwe to strengthen its domestic resource mobilization stems from the need for fiscal consolidation and the challenge of unsustainable debt. Zimbabwe's public finance gap and indebtedness stem from a number of issues. From illegitimate and odious debt created by the colonial government to post-colonial debts fuelled by shocks such as disease to pure mismanagement of public funds. Zimbabwe is one of the countries that carry the Highly Indebted Poor Country (HIPC) tag which classifies countries that are highly indebted and are failing to sustainably manage public debt levels. Whilst it is important to highlight that high levels of debt do not equate to economic catastrophe, what is of essence is nature and composition of the debt as well as Zimbabwe's capacity to meet its debt obligations.

A critical challenge in Zimbabwe's indebtedness is that Public and Publicly Guaranteed (PPG) debt composition has shifted from traditional lenders such as the IMF and World Bank towards private creditors and non-Paris members (World Bank, 2020). This type of financing is riskier and carries high service costs. Zimbabwe is one of the 24 out of 54 countries that have surpassed the 55% debt to GDP ratio that is recommended by the International Monetary Fund (IMF). More resources are being channeled to debt servicing leaving a deficit between revenue collected and government expenditure. National budget deficits have resulted in widening inequality and disregard for social and economic justice. It is apparent that with Zimbabwe's PPG external debt pegged at USD 17.6 billion in September 2022, the need to strengthen domestic resource mobilization is instantaneous.

3. Taxation

Undeniably taxation is a critical factor in domestic resource mobilization. Zimbabwe's tax system is source based. The nature and source of income determines its taxability without specifying the identity and country of residence of the recipient thus, all receipts that are not of capital nature sourced in Zimbabwe are liable to tax regardless of the residence status of the recipient. Determining the source of income is interpreted by the main statutes governing tax administration in Zimbabwe.

Table 1: KEY STATUTES GOVERNING TAX ADMINISTATION IN ZIMBABWE

STATUTE	OVERVIEW
Finance Act Chapter 23:04	An act to provide for the revenues and public funds of Zimbabwe and to provide for matters connected therewith or incidental thereto
Revenue Authority Act Chapter 23:11	An act to establish the Zimbabwe Revenue Authority for the collection of certain revenues of the State and to provide for the Authority's functions, powers and management
Stamp Duties Act Chapter 23:09	An Act to impose duties and fees in respect of certain instruments, to provide for the stamping of such instruments, to provide for the management of stamp duties and fees and for other matters connected with the foregoing.
Income Tax Act Chapter 23:12	An Act to provide for taxation of income and for other taxes, and to provide for matters incidental thereto.
Value Added Tax Chapter 23:11	An Act to provide for the taxation in respect of supply of goods and services and the importation and exportation of goods, to provide for the repeal of Sales Tax Act Chapter 23:08
Capital Gains Tax Chapter 23:11	An Act to provide for the raising of a tax on capital gains, and to make provision for matters ancillary or incidental thereto
Customs and Excise Act Chapter 23:02	An Act to provide for the imposition, collection and management of customs, excise and other duties
Estate Duty Act Chapter 23:03	An Act to impose estate duty upon the estates of deceased persons and to provide for matters incidental thereto.

Source: Author's computations adapted from Zimbabwe's Taxation Laws.

There is need to improve taxation efficiency since tax revenue constitutes a significant portion of government revenue. As with most African countries, Zimbabwe's economy is largely informal, there are low levels of industrialization and at the extreme, deindustrialization (Onuoha and Gillwald, 2022). Tax revenue generated in African countries is inadequate as compared to other regions (Arteey, 2009). There is need to reform tax systems as local tax systems are relatively weak. The shift to the informal economy has further weakened tax systems as there are no laws that specifically govern taxation in the informal sector. Of note is the activities of artisanal miners who operate in the extractive industry. Gutu (2017) posits that more than 500 000 individuals took part in mining activities that contributed to almost 50 % of the gold produced in 2017. However, these miners are not registered making it difficult for government to tax this sector. Although the informal economy has been based on tangible goods there is an increase in the informal trade of services in the digital space.

4. Taxing the digital economy

The advent of digitalization has revolutionized the structure of the global economy by instigating a paradigm shift from a largely good base system to one predominantly centered on services and intangibles. This immense transformation prompted by disruptive technologies, fundamentally disrupts conventional business models and necessitates the overhauling of tax systems. Governments are grappling to ensure sustainable public finance and it is imperative that the prospect of taxing the digital economy in the context of global tax frameworks be

scrutinized. It is estimated that the digital economy will be worth USD 300 billion by 2025. (Hope and Stuart, 2019). It is suffice to say that the digital economy is significant and there is need to update tax systems as traditional systems are centered on physical nexus which makes them inadequate. With a deliberating debt crisis and the threat of global disasters aggravated by climate change, the need for broadening tax bases is evident and leaving the digital economy untaxed will result in the amplification of economic disparities worldwide.

Historically, global processes of digitalization have been viewed as a threat to low-income tax bases due to the growth of informality in developing countries such as Zimbabwe. Large digital corporations have been able to exploit tax loopholes within the global system. Tax base shifting by digital platforms is estimated to be costing developing countries USD 500 billion annually (Singh, 2018). It is noteworthy that large digital corporations such as Google, Meta, Amazon capitalize on the nature of the enfeeble taxation of digital economy and also strategically locate themselves in tax efficient jurisdictions to minimize their tax liabilities.

5. Opportunities in the digital economy

The Organisation for Economic Co-operation and Development (OECD) and G20 attempts to curb base erosion and profit shifting (BEPS) are aimed at achieving transparency in tax obligations of multinational corporations inclusive of those that operate in digital spaces. Under this framework, 139 countries have agreed to plug tax avoidance strategies that are prejudicing states of tax revenue (OECD, 2019). There is need for countries to adapt their tax laws as there is potential to mobilize resources. Whilst this opportunity exists for African economies, the situation, is precarious due to the African Continental Free Trade Area which is expected to reduce trade barriers (Onuoha and Gillwald). The reduction of these barriers will make e-commerce more pervasive and yet, the AfCTA does not comprehensively address the digital economy.

It is within the ambit of these issues that the unfair distribution of fiscal responsibility is detrimental not only to emerging economies but to societies that rely on tax revenues for public service, infrastructure and social welfare. Zimbabwe is among the few African countries that has proposed some form of tax on digital goods and services in a bid to strengthen domestic resource mobilization. In 2019 the country announced a new direct digital tax to collect revenue from qualifying companies triggering Action 1 of the OECD-G20 base erosion profit shifting (BEPS) plan. The change was facilitated by the Section 46 of the Zimbabwe Investment and Development Act read together with the Income Tax Act Chapter 23:09. These compel foreign satellite broadcasters or e-commerce platforms earning income through digital advertising, content, cloud computing, e-commerce, gambling, betting, gaming and crypto currency services to persons and organizations within the territory of the Republic of Zimbabwe to pay a 5 % flat rate on annual earnings exceeding USD 500 000 (Nyachowe, 2019).

For Zimbabwe, taxing the digital economy must extend beyond revenue collection. There is profound potential to promote broader economic reforms and trigger systemic change towards sustainable development. It is undeniable that Zimbabwe is in dire need of economic reforms that promote domestic industry and strengthen their capacities to enable them to compete with foreign corporations. At a more foundational level, taxing digital transactions contributes to social and economic justice by curbing excessive wealth. It can narrow income disparity and instigate equitable distribution of economic resources.

6. Challenges

The BEPS framework mainly focuses on Business to Business (B2B) and largely ignores Business to Customer (B2C) and Customer to Customer (C2C) models. This is because B2B model dominates the digital economy due to its magnitude and complexity and yet also has the potential to generate the highest amount of revenue (Moreno and Brauner, 2019). Whilst Zimbabwe can increase its domestic resources using the BEPS model, there a several challenges that emanate. Over and above taxing digital companies that generate revenue above USD 500 000, the tax systems are not designed to keep abreast with emerging technologies, pace and volatility of the digital economy. Most digital corporations are integrated and yet separate. Facebook, Instagram, Whatsapp and recently Threads are digital platforms from Meta that are distinct but share data. Furthermore, emerging digital platforms a entering the market and generating revenue yet they do not meet the USD 500000 annual revenue threshold effectively excluding them from the tax bracket.

Table 2: SOCIAL MEDIA APPLICATION USAGE

APPLICATION	ESTIMATE NUMBER OF USERS PER MONTH
FACEBOOK	2.7 BILLION
YOUTUBE	2.0 BILLION
WHATSAPP	2.9 BILLION
INSTAGRAM	1.16 BILLION

SOURCE: Kemp (2020)

The B2C and C2C models of business present on digital platforms have caused disintermediation. Although they are insignificant under the OECD/G20 BEPS model, they are critical factor for Zimbabwe due to the informal nature of the business landscape. Leung et al (2020) defines disintermediation as the act of circumventing the intermediary or broker to transact resulting in loss of brokerage for business. Digital platforms are increasingly being used to initiate value out of the tax system due to their reliance on intangible goods (Latif, 2019). In the case of Facebook, transactions done on walls and unsponsored pages are not captured by the platform creating avenues for tax avoidance.

Digital platforms have users or customers as a key element in deriving value from the business. The use of algorithms to harvest user preferences means that businesses can harvest data at unprecedented speeds. Aslam and Shah (2020) For example a user's search history determines the type of adverts that the user receives. On Facebook, suggested groups or content pop up as adverts due to the user's interaction. However, international and unilateral tax frameworks do not recognize the user as a source of value. As a result there is no clear demarcation of the product, business and the customer.

The advent of social media influencers, brand ambassadorship and content creators have created employment and yet remains uncaptured in Income Tax. These groups of people are considered to be in the informal sector as there is no tax framework that governs their earnings. This relegates their taxation to moral rather than legal accountability and yet their earnings include both passive and active components. Social media influencers may receive direct payments from advertisers for promoting their work. The social media platform is responsible for collecting the payments through paid adverts or sponsored pages and remits a part of these payments to the influencers. However, the influencers may also receive direct payments often into personal accounts or cash from the advertisers and this creates an avenue for tax leakages.

Latif (2019) also posits that a major challenge in taxing the digital economy lies in the mobility and the intangible nature of goods and services. Traditional economies were easily taxable due to physical presence in a known jurisdiction with known goods and service. In the digital economy value is increasingly being held in patents and copyrights of content and software Furthermore, the digital economy is elusive on jurisdictional presence and fails to recognize digital mobility as a critical factor. Digital mobility enhances challenges in tax administration as there is no physical trail and location to follow up on tax obligations. The use of Virtual Private Networks (VPN) makes data collection on the use of digital spaces. For example, Facebook is not available in China and yet VPNs make it possible for users in the Chinese jurisdiction to access the platform.

7. Implications for Zimbabwe

There is need for Zimbabwe to stringently monitor digital transactions as they have the potential to translate into higher revenues that can be deployed to fund public expenditure and reduce external public debt. Moreover, taxing the digital economy can strengthen domestic resource mobilization by promoting fairness and deterring aggressive tax planning by digital multinational corporations. Whilst taxing the digital economy presents formidable challenges and contentious debates especially between developed countries and emerging economies in Africa's, its benefits are too significant to ignore. They present an opportunity to restructure traditional tax systems or better yet, create new tax rules (Latif, 2020). Digital taxation should thus be envisaged not as a fee levied on companies and individuals but as a just contribution matched to the broader impact of multinational digital cooperation's on a host nation's economy and infrastructure in line with principles of tax justice.

Conversely, digital taxation must not hinder digital inclusion and access to digital services for marginalized populations. Zimbabwean youth face critical unemployment challenges due to de-industrialization and have resorted to content creation on digital spaces to earn a. Taxing the digital economy must not leave the youth disproportionately affected living There is need for stronger reliance on international cooperation and consensus. Implementing digital taxation policies requires international and bilateral efforts to avoid potential trade disputes such as double taxation. A unilateral approach to taxing the digital economy might lead to backlash from economies such as the United States of America who are not keen on taxing big digital corporations such as Google, Apple, Meta, and Twitter due to their American origin. In the midst of varying political and economic agendas, achieving international consensus will be arduous.

8. Conclusion

This paper begins by highlighting the need for Zimbabwe to turn to domestic resource mobilization. Unsustainably high levels of debt and lack of internal economic growth have had a crippling effect on the economy and have also exacerbated social and economic inequality. The paper went on to highlight various tax instruments and the challenges that have arisen due to informalisation. It explores the opportunities and the efforts that Zimbabwe has put in taxing the digital economy and acknowledges that taxing the digital economy is in its infancy and requires a thorough and inclusive approach. The digital economy is an opportunity for revenue generation and the creation of robust tax systems to curb financial leakages and integrate the informal sector into the formal economy. While challenges surrounding complexity,

jurisdiction, tax avoidance and data privacy efforts persist, pragmatic legal efforts, technological infrastructure building, international cooperation and consensus are essential for its implementation. By embracing the digital economy Zimbabwe can leverage digital taxation to promote economic growth, socio-economic growth and tax justice.

9. Recommendations

- Zimbabwe must establish clear definitions and specific frameworks for digital economic activities whilst drawing lessons from African countries who have managed to leverage on the digital economy and international best practices.

- Implementation of user friendly and efficient compliance procedures will enhance and encourage voluntary compliance.

- Strengthening of multilateral cooperation and participation in global initiatives will help address challenges related to non-specified jurisdictions and cross border digital transactions.

- Investing in digital infrastructure and skills will support the digital economy and enhance domestic resource mobilization.

- Policy inconsistencies stifle economic growth. Zimbabwe must ensure policy consistency, strengthen government institutions and ensure transparency and accountability in tax administration.

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IV

COMBATING FISCAL AND MONETARY CORRUPTION TO SAFEGUARD DOMESTIC REVENUE MOBILIZATION

Julius Okoth

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1. Making the Argument

Following the global economic recession, domestic resource mobilization (DRM) has increasingly been perceived as an important way of reducing overdependence over volatile aid flows and increasing the level of predictable financial resources that can be directed to the financing of development policies and projects at the national level. However, developing countries and African countries in particular encounter several challenges to effectively mobilize domestic and international resources to support the development process. This includes major governance challenges such as pervasive corruption in all forms, weaknesses in tax policy regimes, inadequate legal systems, underdeveloped financial systems and institutional weaknesses in National Revenue Authorities.

The global economic crisis has given a new impetus to dialogue on domestic resource mobilization in Africa, particularly on taxation. Lower export revenues, uncertain future foreign investment and aid inflows amidst generally high levels of indebtedness have raised the importance of increasing domestic resources. Effective domestic resource mobilization is essential in order to obtain the financing required to effectively drive the continent's economic growth and development in an inclusive and sustainable manner. Increased domestic resource mobilization would also be fundamental to Africa reclaiming its policy space over its development, channeling resources towards productive capacity development and structural transformation and industrialization.

However, for domestic resource mobilization to play an effective role in the continent's sustainable development agenda, fundamental changes in both policy and institutions will be required, including through improving efficiency in public expenditures, strengthening revenue collection, harnessing private savings and the private financial sector for development and stemming illicit financial flows. Most African economies have the potential to mobilize more in taxes. This can be done through better tax administration (including value-added taxes), broadening the tax base by removing cost-ineffective tax expenditures, and increasing excise taxes (including on alcohol, tobacco, and soft drinks). In addition, it's important to introduce efficient carbon-pricing policies and effective property taxation while closing international tax loopholes that permit aggressive tax avoidance and evasion by multinationals and wealthy individuals. Reducing structural bottlenecks is also part of suite of tools to consider in improving revenue outcomes, including by improving taxpayers' trust and by moving tax administrations to the digital frontier.

But in Africa the abuse of public office for private gains have eroded people's trust in government and institutions, makes public policies less effective and fair, and siphons

taxpayers' money away from schools, roads, and hospitals. While the wasted money is important, the cost is about much more. Corruption corrodes the government's ability to help grow the economy in a way that benefits all citizens. Corruption deprives of country tax revenue. Corrupt countries collect fewer taxes, as people pay bribes to avoid them, including through tax loopholes designed in exchange for kickbacks. Also, when taxpayers believe their governments are corrupt, they are more likely to evade paying taxes. Combating fiscal and monetary corruption is a safeguard to revenues collected through direct and indirect taxes, and non-tax revenues. Combating fiscal and monetary corruption is an alternative strategy for African countries to increase their tax collection which is adventitious than increasing tax or broadening tax base.

For an African government to increase its domestic revenues it does not necessarily require broadening its tax base, identifying additional tax or revenue streams, or even hiking the existing taxes. What it requires in its current regimes is to do:

- Combat fiscal and monetary corruption, mismanagement and politicization.
- Implement transparency measures which includes openness of public accounts, budgets, revenues, expenditure and tax policies.
- Strengthen efficiency, which include effective utilization of resources for public services, investments and development goals,
- Advance equity, which is fair distribution of resources, benefits and taxes among different regions and groups.
- Implement accountability, which is the responsibility and accountability of public officials for their decisions, actions and outcomes.
- Promote sustainability which is long term viability, stability and resilience of revenue systems for future generations.

DRM is the process or a path through which government's raises revenue domestically to finance and deliver countries needs in infrastructures, provide social services, redistribute wealth, alleviate poverty and public goods; it is also a critical step on the path out of financial aid dependence. Domestically raised revenues are more likely than external aid and foreign debt to trigger transformative structural change of the economy and redistribution, leading to higher equality, inclusion and social protection, in particular in the case of taxation and social contributions. DRM also helps in doing away with International Financial Institutions like the IMF and World Bank that continue to follow economic model that has consistently failed many of the African countries for the last 50 years. The reduced public spending imposed by their model has left devastating impacts on people's lives as the cost-of-living rises, public services are underfunded, and debt repayments are prioritized over the rights and needs of the people. It has led many Africans and the planet to this point of crisis.

DRM can stop International Financial Institutions like the IMF and World Bank to cease the economic model that has been driving the inequality crisis by slashing the taxes on the rich, imposing austerity, underfunding public services and pushing countries into a debt trap. DRM does not necessarily mean introduction of new taxes, higher tax rates or broadening the tax base, it can also mean combatting monetary and fiscal corruption. DRM can be raised using three subcategories; first it is through direct and indirect taxes. A direct tax is one that the taxpayer pays directly to the government. These taxes cannot be shifted to any other person or group. Direct taxes include tax regimes like income tax, wealth tax, property tax and corporate tax. Indirect tax includes VAT, Goods and Services Tax (GST) and sales tax. An indirect tax is one that can be passed on or shifted to another person or group by the person

or business that owes it, which include tax regime like Value Added Tax (VAT), Goods and Services Tax (GST) and sales tax.

The second is non-tax revenue sources. While taxation is a primary source of income for the government, it also earns some recurring income other than tax, which is called non-tax revenue These are some form of gifts, fees, fines, licenses and penalties, interest on government loans, sale of stationery, gazettes, fee for administrative services rent paid by people occupying government houses and offices police services, home guards, electricity, administrative services, municipal services, jobs through state public services boards. The third is combatting fiscal and monetary corruption which includes stopping illicit financial flows, closing tax loopholes, caving in on aggressive tax avoidance and evasion, strengthening tax compliance and administration, removal of tax incentives and exemptions, improved tax auditing or simplified tax filing and Renegotiating tax treaties. Good governance and effective public finance are the two most important vehicles for establishing a country's economic and social priorities within the scarce resources that are available to government.

Good governance is an essential part of a framework for economic and financial management including macroeconomic stability, promotion of efficient institutions responsive to the public interest, and social and economic equity. Poor governance and inefficient, or inadequate, public financial management may result from a number of factors including civil service incompetence, lack of efficient institutions, and pervasive institutional corruption. Corruption, itself, is not identical to poor governance. Poor governance includes issues that extend well beyond corruption. Nevertheless, poor governance often fails to prevent corruption. Around the world, there is increased awareness of the crucial need for better performance and greater accountability in public financial management (PFM) systems. Indeed, many countries are working hard to crack down on corruption by reducing the incentives to commit corrupt acts and increasing the likelihood of detection.

Increasing tax, broadening tax base by taxing range of transactions, items and activities that a country chooses to tax or introducing additional tax or revenue streams might lead to rise in informal economy and tax evasion, cross border illicit flows and tax havens, corruption and political interference, resistance to tax reforms by vested interests and lack of public trusts and participation. Direct and indirect taxes, non-tax revenue sources and combating fiscal and monetary crime are triple factor that are inter dependent, and none can do without the other. How can fiscal and monetary crimes be combatted in order to make DRM a reality?

In Kenya tax crimes is not that broad, it only sticks on tax evasion which is the illegal nonpayment or under-payment of taxes, usually by making a false declaration or no declaration to tax authorities; it entails criminal or civil legal penalties. This includes crimes like Failure to pay taxes, failure to keep records, failure to withhold taxes, obstructing, bribing and, or impersonating a tax official. These tax crimes are silent on professional drivers and enablers of tax crimes committing their crimes through complex and opaque arrangements, often across borders. These crimes are facilitated by a small subset of professionals, including lawyers, accountants, financial advisers and others who help to engineer the legal and financial structures seen in complex tax evasion and financial crimes.

These silent professional drivers and enablers of tax crimes can have huge damaging impacts on society, posing systemic risks for the financial system and tax revenue, helping criminals launder the proceeds of crime, and undermining public confidence and trust. Tax crimes, money laundering and other financial crimes can threaten the strategic, political and

economic interests of both developed and developing countries. They also undermine citizens' confidence in their governments' ability to get taxpayers to pay their taxes and may deprive governments of revenues needed for sustainable development.

Fiscal law refers to laws that govern public finance, including taxation, borrowing, spending, debt and other financial activities while Fiscal policy refers to the government use of taxation, spending and borrowing to influence the economy. Fiscal law and fiscal policy are critical to a well-functioning government and a stable prosperous economy. There are drivers and enablers of fiscal law and fiscal policy makers, implementers and interpreters of fiscal law and fiscal policy. Makers of fiscal policy are typically elected officials, such as members of parliament or the president, who have the authority to make decisions about taxation, spending and borrowing. They develop and propose fiscal policies and laws, ensure their effective implementation, and monitor outcomes and impacts. Implementers include government agencies, such as central banks and finance ministries, as well as private sectors, such as banks and financial institutions, which are responsible for carrying out fiscal policy decisions. They operationalize and administer fiscal policies and laws, ensuring compliance, and reporting on implementation and outcomes. Interpreters can include judges, lawyers, and other legal experts who are responsible for interpreting fiscal laws and regulations and resolving disputes related to fiscal policies. They clarify and interpret fiscal policies and laws, and provide guidance and recommendations to policy makers and implementers based on legal analysis and interpretation.

Combating fiscal and monetary crimes to raise DRM must be multifaceted or multi thronged targeting makers, implementers and interpreters of fiscal law and fiscal policy. In Kenya there are various laws and penal codes that check state and public officials, companies and individuals in respect of bribery and related corrupt practices such as facilitation payments and improper business. These laws are:

- The Anti-Corruption and Economic Crimes Act of 2003, which provides for the prevention, investigation and punishment of corruption, economic crime and related offences and for matters incidental thereto and connected therewith.
- Public Officers Ethics Act of 2003 which advances the ethics of public officers by providing for a Code of Conduct and Ethics for public officers and requiring financial declarations from certain public officers and to provide for connected purposes.
- Proceeds of Crime and Anti-Money laundering Act Revised Edition 2012 which provides for the offence of money laundering and introduce measures for combating the offence, to provide for the identification, tracing, freezing, seizure and confiscation of the proceeds of crime, and for connected purposes.
- Leadership and Integrity Act No. 19 of 2012 that requires state and public officers to be objective and impartial in making decisions, selfless service, commitment in service and accountability to the public for decisions and actions.
- The Kenyan Bribery Act, No. 47 of 2016 that came into force on 13th January 2017. It provides for the prevention, investigation and punishment of bribery.

These laws are not watertight enough to guard direct and indirect taxes, and non-tax revenues against illicit financial flows, tax loopholes, aggressive tax avoidance and evasion. The Kenya tax crimes is not that broad, it only sticks on tax evasion which is the illegal nonpayment or under-payment of taxes, usually by making a false declaration or no declaration to tax authorities; it entails criminal or civil legal penalties. This includes crimes like failure to pay taxes, failure to keep records, failure to withhold taxes, obstructing, bribing and, or

impersonating a tax official. These tax crimes are silent on professional drivers and enablers of tax crimes committing their crimes through complex and opaque arrangements, often across borders. These crimes are facilitated by a small subset of professionals, including lawyers, accountants, financial advisers, and others who help to engineer the legal and financial structures seen in complex tax evasion and financial crimes. These silent professional drivers and enablers of tax crimes can have huge damaging impacts on society, posing systemic risks for the financial system and tax revenue, helping criminals launder the proceeds of crime, and undermining public confidence and trust.

Increasing DRM requires an efficient, fair, transparent, and accountable system for the use of taxpayers' money, with the view toward increasing voluntary compliance, solid database that allows for the identification and location of individuals, firms, or real estate properties on which to levy taxes, invest in well-managed civil, business, and land registries, while also building efficient address systems, digital technology offers great potential to improve DRM, while also presenting an opportunity for enhanced domestic resource mobilization, given the large number of subscribers. Many countries in Africa are still not using best-practice procedures in their tax administrations, suggesting scope for technology transfer and capacity building in this area and, more generally, in public financial management (PFM).

To accelerate Africa's development, DRM reforms will be needed to ensure optimal revenue collection. However, many countries in Africa are still not using best-practice procedures in their resource mobilization processes, thus suggesting scope for technology transfer and capacity building in the area of tax administration, and more generally in public financial management (PFM). Specifically, this includes policy dialogue, capacity building, institutional strengthening, and the promotion of reforms in areas such as domestic resource mobilization, accountability (internal and external audit) functions, national procurement systems, and debt management.

2. Conclusion

Much of Africa's tax policy is made outside Africa, by the forces of globalization and the international organizations associated with the Washington Consensus like the World Bank and the IMF which have been influencing tax policy in Africa. Africans are on the receiving end of these policies often excessively and exclusively influenced by multinationals and international finance institutions. These policies include undermining domestic (taxable) industries providing income and employment, shrinking state budgets, and emphasizing the importance of odious debt repayment. Shoring up and capturing the full potential of domestic taxation is one of the most important sources of development financing and therefore needs to be a policy priority for African governments. The ability of domestic resource mobilization to provide a hedge against fluctuations in the global economy and volatile commodity prices is especially important for resource-rich countries whose fiscal systems are heavily commodity dependent.

Enhancing the efficiency of VAT systems can also provide higher and more sustainable revenues, and improve distributional or environmental outcomes. Environmental taxes are found to represent a small but increasing share of tax revenues in Africa and can have an important role in raising revenues and encouraging the transition to a low-carbon economy. Property taxes are shown to be much lower in Africa than in LAC and in the OECD but have the potential to play a key role in funding better local services. Equally, improvements in

governance and spending may also lead to higher revenues by improving tax morale and making citizens more willing to pay taxes. It is therefore important for African countries to:

- Tackle tax evasion and avoidance to domestically increase the efficiency of tax collection.
- Make tax identity numbers linked to social security cards to foster tax legitimacy.
- Make fines, penalties, user charges, road levies, and so on indexed on income levels to increase the progressivity of these one-off payments to society resulting from disturbing social order.
- Promote active awareness of taxation, and the concept of tax advocacy neither evade or avoid taxes seek to comply with the prevailing tax laws as they apply to them raising awareness about the importance of taxation.
- Developing alternatives to the tax consensus.
- Holding governments to account for how they raise revenue and spend it.
- Demanding transparent mineral extraction contracting processes and audits of existing contracts.
- Asking companies to prepare country-by-country accounts.
- Highlighting the effects of corporate tax evasion.
- Creating a dialogue between tax administrations and civil society.

Further readings

1- https://knowledge.uneca.org/idep/node/119
2- https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/C-10%20Note%202%20English%20%28final%29_for%20posting%202.pd
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V

ALTERNATIVE STRATEGIC ROUTE TO SUSTAINABLE REVENUE GENERATION FOR AFRICAN ECONOMIES

Aderemi Medupin

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1. Introduction

When one ponders over the popular reference to 'an idea whose time has come', should we not reflect on the possibility of a deliberate postponement of time for the birth of an idea considered oppositional to entrenched interests? I approach the enduring challenge of revenue constraint unjustly experienced by African economies on the premise of a need to think outside the box especially given the historical experience in which the consultant doctor has indeed been the source of the patient's ailment. Let us anchor our approach on two real phenomena: the first is the history of Africa especially in the age of imperialism; the second is the contemporary global economic order constituted broadly by the Global North and the Global South; the defining relationship between the two global spheres is exploitative. In other words, the age in which we live is fundamentally undemocratic both in content and orientation. In an effort to redress the observed anomaly, this essay seeks to draw attention to the limitations inhering in some widely embraced paradigms of development with emphasis on narrow and highly constrained strategies. Here, we explore and advance a paradigm of redress based on a long-term horizon that carries the possibilities of a genuine democratization of the world system and possibly contributing to the beginning of a just and sustainable model of society, with Africa in mind.

The essay is structured into five sections, including this opening caveat. Section two takes as point of the departure the central issue of sustainable development which features prominently in the concern and justification for the course coordinated by Dr Lyla Latif of the Faculty of Law, University of Nairobi, Nairobi, Kenya during July 10-14, 2023, themed: "Redefining Africa's Financial Landscape and Fostering Sustainable Development". Incidentally and interestingly so, the theme of the course was also rendered as "Redefining Africa's Financial Landscape and Ending Resource Exploitation". In Section three, while acknowledging the importance of tax revenue and therefore supportive of its efficient administration in order to maximize its contribution to public purse, it nonetheless demonstrates how it suffers some inherent limitations even when it appears the principle and ideal of tax justice is observed. A more dynamic alternative framework of development with sustainable development through the relaxation of the exploitative grip on Africa as its core is the content of Section Four while Section five draws attention to the challenges in the way of adopting the proposed paradigm; it ends with hints on the way forward.

2. Keeping the Big Picture in Mind: Sustainable Development

Upfront, let us bear in mind the fact that sustainable development is conceptually and programmatically a long-term vision of driving the fortunes of a society given that it takes the future into full consideration. Thus, the focus of this essay is consciously titled to highlight its

long-term focus, its strategic essence. An immediate concern is the small size and low-income levels of African economies and the associated generally low savings in environments characterized by serious governance challenges (World Bank 2011). Given the African context of our interest, the insertion of the continent into the extant international division of labour must be fully grasped in its historical logic. In this vein, the exploitative relationships that define how these African economies are literally plundered by the multinational corporations (MNCs) must be seen from the programmatic standpoint of recovering true sovereignty. Invoking the basics of sustainable development translates to giving due cognizance to the future; but that future is already compromised if the current relationship between the Global North and the Global South is not reworked. One concrete step towards the new order is the transformation of African economies as envisaged in Africa Agenda 2063.

3. From Tax Justice and Economic Diversification to the Imperative of Economic Transformation

It has become glaring that neither foreign aid nor debt pile up can be the solution to the development financing challenges facing developing economies which as rightly characterized by Latif (2023) are indeed unique. As to public-private partnership model, it would have been an ideal strategy if there is a strong private sector not playing second fiddle to foreign MNCs. It is beyond doubt that private local capital is no match for foreign private capital in across the economies of Africa. The weaknesses of the informal private sector-usually categorized as small and medium enterprises (SMEs) especially in respect of access to finance, are too well known to require a recap here. With these strategies proven inadequate, tax would appear to be the medicine for revenue shortage in African economies.

However, it must be recognized that the challenge of development including poverty eradication and equitable income distribution are tied to other interconnected factors beyond beefing up revenue that may not even be sustainable as a result of the very structure of the various economies of Africa. What is striking is the widespread belief that taxation is literally the only way to generate revenue in the modern economy as evident in the Central Bank of Nigeria's (2017) publication where we read blandly that public revenue can be categorized into tax and non-tax, adding what everybody knows, which is that tax can be classified as (i) direct and (ii) indirect taxes. It is this kind of thinking which makes tax absolute that triggered the critical thinking informing the tone of this essay.

Furthermore, especially in the African context, there are important factors that should be factored into a discussion around the role of tax in development. For example, where do we place the estimate that 75% of the wealth of African multi-millionaires and billionaires is held offshore, and that the continent is losing $14bn annually in uncollected tax revenues as a result. Without terminating the excessive capital flight from Africa, any tax reform would be no more than window dressing. Of course, the foregoing is without prejudice to the fact that tax is central to financing state activities. Indeed, it is a fundamental part of how governments provide crucial public goods and services, such as universal education, public health systems, and an effective administration of justice. Even the contentious view that "higher reliance on government spending on tax revenues is strongly linked to higher quality of governance and political representation which strengthens the social contract" (Zhou and Sibanda 2023) does not negate our position.

In this vein, we are in full support of TJN-A's efforts along the lines of "raising awareness around tax issues and promoting a culture of tax compliance; increasing tax

transparency among governments and multinational companies; increasing international cooperation on tax matters; and enhancing international assistance to help African governments improve their tax affairs" (TJN-A 2011; p.2). Besides, we give only a partial endorsement to the continental NGO's position that "[A] good tax system should (also) treat taxpayers in the same situation equally, tax local and multinational enterprises according to similar rates, and tax all sources of income equally to create a level playing field". Our endorsement has to be partial because the argument of 'a level playing field' among local and multinational enterprises –taxation-wise, is evidently blind to history and poses as ignorance of the concept of affirmative action applied to tax regime. After all, even the now advanced economies once touted the infant industry argument as justification for giving special protective privileges to local industry. But the bottom line is that "there is a limit to taxation".

Of special significance is a revealing message in the TJN-A's publication, which is that: 'During recent decades, a powerful consensus has developed [which] has included not only the structure of taxes, but also the level of tax rates (and) to refuse to subscribe to it would be imprudent as well as incurring disapproval from [the IMF and World Bank] Thus, the multilateral donor agencies have promoted the tax consensus across sub-Saharan Africa, a consensus focused on reducing corporate and, to a lesser extent, personal tax rates while expanding the base for consumption taxes (VAT in particular). It has also supported trade liberalisation through the reduction of both export and import taxation'. This message should jolt any African patriot who might have gone to sleep with the idea that focus should be on tax reforms as primary route to boosting revenue while the levers of real economy remain in foreign hands and in shackles.

Meanwhile, copious literature has been churned out on how to improve on tax collection in Africa and elsewhere. The position of the World Bank (2019) fits into this loop as it declares: "We are supporting the OECD-led global initiative to rethink how huge – and often digitized - multinational enterprises (MNEs) are taxed, which could have a big impact on developing countries. Currently, governments around the world miss out on anywhere from $100 billion to $600 billion in tax revenues due to legal forms of tax evasion and avoidance. The OECD proposal represents a turning point for international tax rules and, if done right, could reallocate more funds to developing country governments, as explained in a recent World Bank paper, International Tax Reform, Digitalization and Developing Economies".

As articulated by the Arab Network for Development [AAND] (2018), tax systems –if appropriately designed-can contribute to social justice by: (a) raising revenues for public spending on services, equitable economic development and maintenance of key institutions; (b) redistributing wealth – to reduce inequalities between high and low-income groups and between women and men; (c) supporting representation and accountable governance by giving taxpayers an opportunity to see and comment on how taxes are spent; (d) changing damaging practices of individuals and companies by 'repricing' goods (for example, by taxing fossil fuel or alcohol or tobacco consumption); and (e) incentivising economic activity in support of national development plans and industrial policies to help create employment and provide goods and services.

More concerned about the justness of the tax regime, Latif (2023a) has argued for the following principles, namely, that a tax should be: i) levied in proportion to property; ii) specific and not arbitrary; iii) convenient to pay; and iv) economical to administer for both the taxpayer and the state. In the envisaged economic transformation model, foreign businesses

will be made to pay appropriate taxes on the assumption of a reworked international tax regime. It is instructively useful to find on the World Bank blog some hesitancy over tax drive, contrary to popular expectation; the title of the piece by MarcelloEstevão, Kalpana_Kochhar & ED Olowo-Okere; "To raise more tax revenue, first build up taxpayers' trust" published on February 17, 2022. This is because, a major trend observable across respective African countries is the absence of trust between the governments and the citizenry due to failure to discharge on public service delivery as expected; instead, what is prevalent are indices of underdevelopment such as mass poverty, acute income inequality, gender bias, and so on and so forth.

There is obvious merit in the argument advanced by Sibanda & Chikova (2023) to the effect that, although governments strive to maximise public revenue from mining, this must not compromise the other important goal of strengthening mining linkages with other economic sectors. Even more pragmatic is their suggestion that:

> *. . . the design of mining taxes and royalties must, where necessary, stimulate local value addition and beneficiation, from both a carrot and stick approach. A carrot approach gives tax incentives that are dependent on the extent of local value addition and beneficiation of mineral ores. The stick approach punishes commensurately punishes companies for exporting raw or partially processed mineral ores through the imposition of export taxes. In extreme circumstances outside the realms of the tax regime, outright bans of raw or partially processed mineral ores can be introduced.*

This hints albeit indirectly at the issue of economic diversification and more directly that of economic integration. Both issues, namely: economic diversification and economic integration, call for comment given the associated challenges: On economic diversification which many governments on the continent have adopted- as for example Nigeria under the immediate past administration, is subject to at least two interpretations. One interpretation and the better known and simpler is to broaden the revenue base of a country through increased output of more diverse primary products, especially from the agriculture sector, amounting in effect to 'more of the same'.

One of the empirically demonstrated advantages of economic diversification is that 'more diversified economies are associated with higher levels of GDP (Freire 2017). Of course, as long as an economy remains strictly within the primary product market as a supplier based on what we know of income elasticity of demand, it remains a victim of price fluctuation with dire consequences for foreign exchange earning status. The second interpretation is the more sophisticated one that views economic diversification through the lens of complexity index with focus on the diversity and sophistication of the export basket of an economy. As recently as April 2022, the IMF in its Regional Economic Outlook- Sub-Saharan Africa-A New Shock and Little Room to Maneuver (p.vii), noted how many countries in the region continue to remain highly dependent on commodity exports, experiencing as a consequence more volatile output and lower economic growth. This is precisely why a superior model of development is needed; a model that will go beyond primary goods production to manufacturing and capital goods production which is what we refer to as economic transformation. Needless to say, the centrality of technology to this strategy cannot be overemphasized. The strength and beauty this model is the fact that it also goes to address the other issue of weakly integrated economies, to be tabled in the next paragraph.

It is pertinent at this juncture to formally recall two interrelated and indeed mutually reinforcing characteristics of a neo-colonial economy: extraversion and disarticulation- referring to an outward looking economy and a weakly integrated economy, respectively. An extraverted economy as eloquently clarified by late Professor Bade Onimode at various fora, an extraverted economy produces for external markets while at the same depending on foreign markets for several of its consumption needs; hence his charaterisation of a neo-colonial economy as one which produces what it does not consume and consumes what it does not produce. Nigeria provides an embarrassing illustration of this weakness whereby the country produces crude oil for export only to end up importing refined oil- and in the process forfeiting the numerous by-products of the refining process. This paradox of extraversion links to and derives from the weakly integrated economic structure that points to a disarticulated economy in which the various sectors of an economy literally operate in silos such that for example, agriculture does not feed into manufacturing to underpin an agro-allied industrialization that would have made the best of an economy's comparative advantage in production and trade.

At the risk of sounding tautological, I propose that the robustness and sustainability of a country's revenue stream shoots out directly from and depends ultimately on its economy's strength and sustainability. This is precisely why the strategy of economic transformation registers as the most reliable route to optimal revenue generation in African economies. The good news is that there is a continental development agenda which was adopted by African heads of state and government during the golden jubilee celebrations of the formation of the Organisation of African Unity (OAU) / African Union in May 2013, as an affirmation of their commitment to support Africa's new path for attaining inclusive and sustainable economic growth and development. It seeks to deliver on a set of seven aspirations each with its own set of goals which, if achieved, will move Africa closer to achieving "The Africa We Want" (AU 2020). The Agenda has as its Aspiration 1 (along with 6 others): A prosperous Africa based on inclusive growth and sustainable development, with emphasis among other issues, to:

- Transform economies and jobs- that is, transforming Africa's economies through beneficiation from Africa's natural resources, manufacturing, industrialization and value addition, as well as raising productivity and competitiveness.
- Modernise agriculture for increased proactivity and production-that is, radically transforming African agriculture to enable the continent to feed itself and be a major player as a net food exporter.
- Invest in blue/ocean economy for accelerated economic growth-that is, exploiting the vast potential of Africa's blue/ocean economy.

Taken together, Agenda 2063 seeks to deliver on a set of Seven Aspirations each with its own set of goals which if achieved will move Africa closer to achieving its vision for the year 2063. As articulated by the African Union Commission on its blog site while clarifying the theme "Our Aspirations for the Africa We Want", these 7 Aspirations reflect a desire for shared prosperity and well-being, for unity and integration, for a continent of free citizens and expanded horizons, where the full potential of women and youth are realised, and with freedom from fear, disease and want. So, there is already on ground a template for any country desirous of building a strong and sustainable economy with a derivative public revenue generation on sustainable basis, and thereby providing a reliable foundation for the realization of the globally agreed Sustainable Development Goals (SDGs).

The overview provided by Ekpo (2020) on the general structure and status of African economies is apt: most countries in Sub-Saharan Africa (SSA) are commodity-dependent.

Some of the countries depend on one commodity while others have two or more commodities. The revenues earned from the exports of these commodities (minerals, agriculture) in raw form are used in importing finished goods from developed countries as well as in financing development. The prices of the export commodities are both volatile and unstable depending on the vagaries of the global economic market and, whether it is oil, cocoa, diamond, rubber, etc., the prices are determined outside the continent of Africa.

Through Dirk Willem te Velde, the Overseas Development Institute (ODI) acknowledges the fact that poverty reduction and economic growth cannot be sustained without economic transformation and productivity change, adding the news on how the African Development Bank (AfDB) is at the heart of Africa's transformation. The Institute also shared the point on how other international organisations, such as the IMF and the OECD have also discussed the importance of economic transformation, diversification and growth for African countries. Taking a retrospective look at Africa's development experience, Elias Papaioannou and Stelios Michalopoulos entered the valid and relevant point that, during the pre-2000 period, scholars realized the irrelevance of ill-fated post-independence policies, inefficient urban-rural agriculture policies, authoritarianism, civil conflict, corruption, and lack of structural transformation (Papaioannou and Michalopoulos 2020). The ramifying scope of Africa Agenda 2063 is on display by Lawalley Cole while focusing on education, with the note that "Agenda 2063 is a paradigm shift for the continent if implemented on all fronts" (Cole 2017).

4. Anticipated Challenges and Possible Responses

The alert served by the World Bank (2022) is a loud reminder on Africa's financial situation and prospects within the prevailing international system: regional debt is approaching levels last seen in the early 2000s before the impact of the Heavily Indebted Poor Countries Initiative. And in the context of rising global interest rates, access to funding will likely become much less forgiving. Add to all this the fact, as noted by Tax Justice Network Africa (2023) that historically, African countries' engagement in processes to foster international tax cooperation has been ineffective due to the domination of developed countries in setting the agenda, financial and technical capacity mismatches, and the inadequate prioritization of the needs of African countries. This reminds me of a recent video featuring an African head of state; President Yoweri Museveni of Uganda - giving a humiliating account of how a team of African heads of state-constituted into an ad hoc Committee to intervene in the Libyan crisis -was ordered by NATO to turn back from their commenced journey and initiative to Libya. He explained: "African leaders make me laugh; interests are involved; African leaders continue to delude themselves that other powers mean well towards Africa." It's now history how Muammar Gadhafi was subsequently murdered.

It would be the very summit of naivety on the part of whoever champions Africa's economic transformation to expect a warm reception from the perpetrators and beneficiaries of the extant process of under-developing Africa- adapting Walter Rodney's vocabulary- In other words, the challenge of sabotage of a developmental state under which supervision the model of development being suggested can be carried out, should be kept in view, monitored and appropriately apprehended. The stakes are too high for a cavalier methodology. Even the World Bank acknowledges that, while significant progress has been made in international tax cooperation, the interests of developing economies require greater priority and attention.

5. Ultimate strength of our Suggested Strategy

When Ekpo (2020) observed that matters of development go beyond financing, he hit the nail on the head; for, as he argued, there must exist good governance coupled with the commitment to positively transform an economy through comprehensive planning with space for the private sector to play its role. The developmental challenges facing Africa are rather clear- along the line he articulated which is that "it is apparent that SSA economies must improve on governance and strive to mobilize domestic resources such as savings, tax revenues and private–public partnership arrangements to finance development". In this equation, apart from the now widely embraced model of public-private partnership of unsettled ideological status, all the other elements highlighted register as valid.

Whereas, at the political independence of several African countries at the turn of the 21st century, however, by their 50th independence anniversaries, when citizens and observers conducted an inventory on progress made since independence, objective reviews were often not complimentary. The point is that Africans now seem to have low expectations of government and what the future holds. As captured by an observer, in the early years of independence – when Africa had high rates of illiteracy, no indigenous middle class, poor infrastructure, mono-crop economies, etc. – there was exuberance and great expectations.

Today we have graduate unemployment, technology has closed the knowledge divide, several African billionaires have made the Forbes list, and yet we are more pessimistic about the future. Without prejudice to the declaration by TJN-Aus which sees taxation as playing a vital role in ensuring a just society and a just world. In the same vein, the Network made the crucial observation that TJN-Aus agrees with the OECD that tax dodging by multinational companies can "produce unintended and distortive effects on cross-border trade and investment" and that "it distorts competition and investment within each country by disadvantaging domestic players" It is well known that the African experience in the hands of the MNCs is more suffocating.

To me, therefore, while bearing in mind the question of "whether post-colonial African countries should completely overhaul their existing tax systems in order to eradicate colonial legacies, or whether they should adapt the existing systems incrementally to better meet the needs of their citizens" as hinted in the Committee of Fiscal Studies course training overview, it is the long-term perspective that should engage our minds most prominently. Good enough, Latif (2023a) has an answer fully in line with our position as she asserts: "For Africa to realise a people-driven development, a transformed economy that promotes reliance on the potential offered by African People, inclusive growth and Sustainable Development as aspired in the Agenda 2063, governments need to be strategic in addressing colonial legacies of economic inequality still plaguing the tax regimes and taxation politics today".

The key questions to ask are: how fast and safely can Africa drive to reach the destination of sustainable development? (Sibanda and Chikova 2023). Although the duo concede that benefits on the fiscal side are mainly driven by royalties and tax revenue that should boost government revenue and ultimately widen investment in public services and infrastructure provision, they gave vent to a critical observation concerning the thorny issue of Resource Backed Loans (RBLs) about which he reportedly warned: "Loans backed by natural resources (oil, gas, minerals) are toxic. They are non-transparent, unfair, corruptible, complicate debt resolution, and mortgage the future of countries. Africa must end all-natural resource-backed loans". There is no suggestion whatsoever here that tax drive is not important

and indeed imperative nor are we ignorant of the thesis that 'finance does not follow economic activity; it leads it'. In other words, boosting national coffers is simultaneously a component as well as the goal of the overall strategy of economic transformation. It is a dialectical relationship.

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VI

STRIKING A BALANCE BETWEEN FOSTERING GROWTH AND ENSURING SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

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1. Introduction

Taxation means the act of imposing taxes on the subjects of a state, by government or on the members of a corporation or company by a properly authorized authority. Taxation can also imply the means by which governments finance their expenditure. Although principally taxation should be neutral in its effects on the different sectors of an economy, governments can also use it to discourage certain economic decisions or conduct in a society. Considerable effort and attention in most developing countries is devoted to policies and regulations best suited to the promotion of economic development, where the major focus of these efforts is the search for desirable fiscal policies with considerable stress being placed on the role of taxation as an instrument of economic development.

Taxation policies have always been an important instrument for augmenting revenue. This is as true in developing countries as in developed countries, where tax revenue is the major source of domestic revenue. Thus, the most important motivation for fiscal policy in most developing countries is the need to raise more revenue. This evaluation of the above statement that taxation is an economic institution which affects the effectiveness and efficiency of Government Programs as well as those of the private sector has drawn a lot of lessons from the Ugandan experience as a case in point but also looking at the regional and global trends.

In Uganda, as a case in point, the tax system has been one of the victims of numerous economic crises that have plagued the country since colonial times. Tax collections are still very low leading to large fiscal deficits. The country has also suffered from over-dependence on a small number of sources of tax revenue, which are vulnerable to external shocks and remain a crucial problem in the tax system. Since May 1987, Uganda's tax system has undergone fundamental reform in response to the need for funds to support economic growth and social development.

The government intensified efforts in the area of tax administration and expenditure cutting to attain some fiscal discipline. In 1991 the government set up the Uganda Revenue Authority (URA), a semi-autonomous body responsible for carrying out tax policy implementation. It was charged with the task of administering and collecting tax revenue for the central government. Other reforms have included partial removal of exemptions, harmonization of the customs duty rates, narrowing the tax rate bands, reduction of the tax rates, and introduction of new forms of taxes, which are relatively easy to administer. In 1996, the Value Added Tax (VAT) was introduced. This was meant to widen the tax base by bringing all supplies of goods and services under the tax net.

2. Tax Systems and Policy in Uganda

As a reference aspect Uganda tax system has been reviewed to give an overview of how taxation can affect the effectiveness and efficiency of Government Programmes and the private sector. Joweria (2000) in her paper stated that currently, the tax system is comprised of excise duties, import duties, VAT, income taxes, and a number of taxes with small yields e.g. fees and licenses, drivers' permits, airport tax, and freight charges. Uganda relies mostly on indirect taxes for its revenue, particularly those inclined to international trade. This dependence on indirect taxes is mainly due to the fact that income taxes are limited by administrative and other constraints.

Though indirect taxes are widely perceived to be more regressive than income taxes, this may not be inevitable. For instance, food products are exempted from taxes, and food constitutes a substantial proportion of the budget of the poor. Merit good taxes, commonly excise duties on tobacco and alcohol-based products, and import duties on petroleum products are a major source of revenue in Uganda, suggesting that heavy merit goods taxes may play an important role in making the country's indirect tax system regressive. However, demerit may not be the only reason for heavy taxation. Given their low price elasticity, partial equilibrium analysis suggests that it is efficient to tax them.

Since 1987, fiscal authorities have instituted a number of efficiency and revenue enhancing discretionary tax measures. These include; changing all customs duties and excise duties from specific to ad-valorem, reducing the number of customs duty rates, and raising sales tax rates and excise duties on the major revenue-generating domestic products e.g. soft drinks, beer, and cigarettes. A significant element of tax policy initiated recently has been the attempts to broaden taxation by the introduction of a uniform rate – VAT as a standard model of commodity taxation, and also the restructuring of income tax.

Attempts to protect the poor have been through exempting or zero rating foods under VAT, and by raising the threshold of personal income. In addition, the corporate tax rate was lowered from 60% in 1987/88 to 30% since 1997, and the maximum income tax rate has been reduced from 60% in 1987/88 to 30% since 1993/94. Uganda's tax system has comprised taxes with a rate schedule that could be adjusted quickly and with a high degree of certainty alter the purchasing power available to private sector. These taxes have been used to increase or cut back private spending to achieve stabilization goals related to growth, prices, or the balance of payments. Because Uganda's tax system is cluttered and the base is narrow, adjustment of revenue for stabilization purposes have come about by piece meal measures – in general the raising of rates on indirect taxes such as import duties, excises or sales tax because these taxes are considered to increase revenue with greater certainty and speed.

However, for over a decade, the main tax policy objective in Uganda has been to raise revenue – indeed tax ratio rose from about 4.5% in 1987 to about 11% to date. Unfortunately, this has been achieved through ad hoc increases in tax rates to achieve the revenue target with little regard for the potential supply side effects. As with many other countries, particularly, but not exclusively, in the developing world, there are problems of compliance in a culture of tax evasion. It is possible that the rapid increase in taxation of recent years has reduced compliance. This is an issue we will attempt to explore in the empirical work.

The role of taxation and fiscal policy in the development strategy has to be viewed in the background of the functions which a taxation system performs. Its main functions in

relation to economic development are as follows. If the tax collection apparatus is inefficient, incompetent and corrupt, this is a strong disincentive for potential taxpayers. As part of the economic restructuring process, the international donor community has emphasized administrative reforms through the establishment of independent revenue authorities. Inspired by the executive agency model, currently eight countries mainly in east and southern Africa have established semi-autonomous revenue authorities.

3. Challenges of the tax policy regimes

Much as taxation can be an institution or mechanism that can affect the effectiveness and efficiency of Government Programs and the private sector, there are also elements were its effect may not be perceived. To illustrate this since 1998 the Uganda Revenue Authority (URA) was instructed to implement a Presumptive Income Tax on informal sector enterprises with low turnover under IMF conditionality. However, the process has been met with little enthusiasm in the URA as the collection is not regarded as cost effective. In addition, taxing the informal sector is regarded as politically sensitive and the reform has been met with little enthusiasm in political circles and the press (Gray, Karuga and Ssemogerere 2001; Anene and Garyio 2000, Therkildsen 2002).

Over taxation or too much taxation of the private sector deters any meaningful investments in a country to the extent that investors rather decide to move to countries were there is a likelihood of tax waving. This is so because with too much taxation returns to investment are small thereby affecting the capital base. The revenue raised through taxation is used to provide services and public goods that can desperately be needed in the private sector such as electricity, roads, water. These services make the private sector effective and efficient in providing its own services and products but also it makes the investment climate ideal.

Similarly, the accounts from Tanzania Revenue Authority (TRA) indicate that more than 70 per cent of taxes collected are consumption taxes. The regional distribution also points to a relatively limited tax net: close to 80 per cent of revenues come from the region of Dares Salam (Temu and Due 2000, Luoga 2001). In Zambia both the agricultural sector and the non-agricultural private sector, which account for almost the entire labor force, remain outside the tax net. A common trend noted in most countries especially developing countries is an apparent lack of ability and/or political willingness to apply the tax law with full force to informal operators perceived to be electorally important. The way VAT has been introduced helps explain the failure to widen the population base of the tax system. A uniform VAT (with major exemptions) has replaced business turnover taxes and sales tax in all three countries. However, as food commodities are zero-rated and most agricultural inputs are exempted, VAT has not included many new groups into the tax net.

Evidence also suggests that corruption remains a major problem and that the initial commitment to eradicate corruption may erode over time within the revenue authorities (DFID 2001). The close connection between the political elites and the executive directorship of the revenue authority is believed to be a major problem (Gray, Shera and Condy 2001). Tax exemptions are granted at the discretion of the Minister of Finance and at its peak. In 1998 500 large corporations were tax exempted in Zambia (ibid.) which organizations could bring in a lot of revenue to the state coffers.

In Uganda, studies suggest a tendency of the fight against corruption to be undermined over time (Fjeldstad 2002; Gray, Karuga and Ssemogerere 2001; Obwona 2001). There is a

widespread perception in the business community especially in developing countries that the revenue authorities have concentrated unduly on known corporate taxpayers. Surveys of Ugandan firms reveal that high taxes, excessive levels of tax bureaucracy, adhoc assessments, and audits are their major complaints Obwona (2001), thus limiting taxation's cause for effectiveness and efficiency.

4. Policy reforms or regulatory measures to enhance Economic Development

Robust revenue generation

- The primary function of a tax system is to raise revenue for the government for its public expenditure. So, the first goal in the development strategy as regards taxation policy reform is to ensure that this function is discharged adequately.
- Reduction in inequalities through a policy of redistribution of income and wealth. Higher rates of income taxes, capital transfer taxes and wealth taxes are some means adopted for achieving these ends.
- For social proposes such as discouraging certain activities which are considered undesirable. The excise taxes on liquor and tobacco, the special excise duties on luxury goods, betting and Gaming Levy are examples of such taxes, which apart from being lucrative revenue sources for growth and development.
- The other reform can be to ensure economic goals through the ability of the taxation system to influence the allocation of resources. This includes.
  - Transferring resources from the private sector to the government to finance the public investment program;
  - The direction of private investment into desired channels through such measures as regulation of tax rates and the grant of tax incentives etc. This includes investment incentives to attract foreign direct investment (FDI) into the country;
  - Influencing relative factor prices for enhanced use of labor and economizing the use of capital and foreign exchange.
- To increase the level of savings and capital formation in the private sector partly for borrowing by the government and partly for enhancing investment resources within the private sector for economic development.

Making Taxation effective

The other reform is that of making taxation effective. According to the classical tax theories, the concept of a good tax system includes at least the following criteria: economic efficiency, equity and legal effectiveness, i.e. effectiveness of taxation. The objective of economic efficiency is generally considered to imply that taxation should not influence economic decisions; i.e. taxation should be as neutral as possible. With respect to equity as a criterion of a good tax system, the distinction is made between horizontal and vertical equity. Horizontal equity addresses the question of a fair tax base, while vertical equity refers to the question of fair distribution of income after tax. There are also certain specific aspects of equity in international taxation, i.e. inter-individual equity and inter-nation equity.

A widely accepted principle is that inter-individual equity implies the determination of the tax treatment of individual taxpayers by the country of residence. A general principle regarding inter-nation equity is that the source country should receive its fair share of the revenue. These features of a good tax system are problematic as such. In particular, views on equity are ultimately based on subjective values (Musgrave 1985). The biggest theoretical

problem concerning a good tax system is, however, the relative weight given to different principles, since they are often in conflict with each other. For example the objective of equity of a tax system is often in conflict with the objectives of economic efficiency, cost minimizing and legal efficiency. A specific problem in international taxation is the conflicting basic principles of national tax systems; the states involved may have varying opinions regarding those principles. Moreover, the actual implementation of the principles is always considered from the point of view of the state concerned.

Various elements influence the effectiveness of tax legislation. They can be divided into internal and external factors. Internal factors mean the taxpayers' moral stance, i.e. their willingness to obey tax rules voluntarily. As a general rule the more acceptable the tax laws are, the more conscientiously they are obeyed. However, non-compliance occurs also with respect to acceptable tax laws due to the free-riding problem. For an individual taxpayer the choice not to pay taxes might after all seem to be more tempting than the choice to pay taxes. External factors are the tax enforcement system and the sanction system. The tax enforcement system means the legislation and administrative practices, which aim at ensuring an effective taxation. The sanction system functions as deterrence for a rational individual to disobey the law.

All the internal and external factors determining the effectiveness of taxation mutually influence each other. As a general conclusion, based also on empirical findings, it can be said that effective external regulatory elements, i.e. an effective tax enforcement system, are an absolute prerequisite for an effective tax system. The Government of Uganda for example is pursuing a policy of private sector led economic development Kiwanuka Kaweesa (2004). Government has therefore instituted policies geared towards creating an environment, which is conducive for private investment. The tax policies adopted by Uganda make the country fairly competitive in the region for investment opportunities.

Tax administration

The tax administration should improve to continually ease tax compliance while enhancing revenue collection. It is certain that an investor is taken in very high regard and is assured of maximum protection in terms of tax policies as many policies are generated through round table discussions.

5. How the proposed measures strike a balance between fostering growth and ensuring social and environmental sustainability

- **Implement environmental taxes**

Environmental taxes, such as carbon taxes or pollution taxes, can be introduced to discourage harmful activities that contribute to environmental degradation. By placing a price on activities that generate greenhouse gas emissions or pollution, tax reforms create economic incentives for businesses to reduce their environmental impact. The revenue generated from these taxes can be reinvested in sustainable projects or used to lower other taxes, thus balancing the burden on businesses.

- **Constant revision of tax regimes**

Since taxation provides the means to finance Government expenditures and indirectly can contribute to an increase in the growth rate thus leading to effectiveness and efficiency of Government Programs, then there is need for review to meet the ever changing demands. Government expenditure is divided between investment in the productive input, provision of a utility-enhancing service, and transfer payments. These expenditures are financed by distortionary taxes on capital and labour. The usually-stated goals for taxation are to raise funds for social services and public goods, and to redistribute income. Tax systems should then be designed to achieve these goals in the most efficient and effective way. However, there are also broader governance dividends that potentially accrue from taxation, which may be of particular importance in developing countries. In particular, bargaining with citizens over tax has the potential to increase the effectiveness and accountability of governments. This is especially important in countries that are aid-dependent and where governments may be more accountable to donors than to their own citizens. Investing in tax systems should also be imperative for donors in terms of long term sustainability of development efforts.

The other example is that of comprehensive bans on say smoking which can be effected by higher taxes. There are proven effective and efficient policies that could prevent many of these deaths and reduce the associated burden of disease – policies such as higher taxes. Excessive alcohol use increases risks of chronic diseases such as coronary heart disease and several types of cancers, with associated losses of quality of life and life-years. Alcohol taxes can be considered as a public health instrument as they are known to be able to decrease alcohol consumption. With this in place more revenue shall be generated but at the same improving the social life of people.

The new revenue authorities were perceived to have a positive effect on accountability relations: By placing the responsibility for revenue collection outside the civil service, the aim was to 'bypass' deficiencies in existing state institutions through higher salaries and more flexible procedures for hiring and firing employees. In addition, the executive agency model was regarded as an effective mechanism to limit direct political intervention in day to day operations. The new executive revenue agencies established in countries like Uganda (1991), Zambia (1994) and Tanzania (1996) should be regarded as semi-autonomous, as the employees are still public servants. The challenge facing the revenue authorities in all three cases was to increase the contribution of locally-raised revenue to the domestic budget from the low levels prevailing.

The unintended consequences affecting both economic efficiency and distribution of income that occur as a government raises funds have long interested economists and have been a major topic of a subfield of economics called public finance. However, the private interest view of government suggests that the issues that fascinate economists may not play an important role in the considerations of elected politicians who write the laws. Taxes are unpopular with the electorate but are necessary to pay for government programs that are popular with the electorate. A successful politician will be one who seems to give the benefits of programs and not the burdens of the taxes (or one who seems to lift the burdens of taxes without substantially cutting the benefits of programs).

Taxation is believed to promote these qualities in public officials and institutions because this is necessary in order to make the population accept their tax obligations Guyer, J (1992). If governments are perceived as accountable, more people will pay their taxes

"voluntarily", which lowers the need for coercion and generally reduces the costs of tax-collection. Conversely, if people do not see their governments as accountable, there is an increased likelihood that state demands for (new or higher) taxes will be met with protest and violence that is costly and might even jeopardize the position of those in power.

A major example of shifting involves the corporate income tax. The employee of the corporation who writes the check to the government does not feel the burden of the tax because he pays with corporate funds. Neither does the corporation because the corporation is merely a contractual relationship, and as such it cannot see, think, use resources, or feel pleasure or pain. The expected relationship between taxation and accountability is mainly relevant for certain forms of taxation: the revenue sources that are highly 'visible' or 'felt' and thus directly link citizens to the state. These are primarily direct taxes (corporate and personal taxes). Where indirect taxes are relatively visible and 'felt' by large sections of the populations, such taxes may give rise to demands for something in return and a say in how the money is spent. Value Added Tax (VAT) illustrates this: While referred to as an indirect tax, it is intended to be broad in reach and is often highly political because it is felt by a great number of citizens.

- **Embracing private public partnerships**

Another significant benefit to be derived in the proposed regulatory and legal reforms in Africa in relation to infrastructure financing would be in the area of private public partnerships (PPP) says Lionel Effiom and Friday Agal (2020). PPPs are tools of procurement that involves four phases of design, finance, construction, and operation. They are cost-effective because it is structured in such a way as to transfer risk and ensure performance and profitability, especially in the operation stage. Its twin advantages of funding and efficiency makes it an attractive alternative model for infrastructure development.

- **Rethinking existing and new streams**

In her article on Transitioning from colonial to post-colonial systems, Lyla Latif reiterated the new to rethink existing and new streams. Here she mentioned the aspect of promoting and developing tourism and cultural sites which are prominent in countries such as Uganda. This is an area that attracts a lot of revenue through the local and foregin visitors who come in, but at the same time maintaining their identity.

- **Incentivize sustainable practices**

Tax reforms can include incentives and benefits for businesses and individuals that engage in sustainable practices. For example, tax credits or deductions can be provided for investments in renewable energy, energy-efficient technologies, or eco-friendly initiatives. These incentives encourage businesses to adopt sustainable practices while reducing their tax burden, fostering both growth and sustainability.

- **Promote social responsibility through taxation**

Tax reforms can be designed to encourage corporations to embrace social responsibility. For example, tax incentives can be provided to companies that demonstrate commitments to fair labor practices, employee well-being, diversity and inclusion, or community development initiatives. Tax penalties can be imposed on companies engaged in unethical practices or those

that disregard social and labor standards. By using the tax system as a tool for rewarding socially responsible behavior, tax reforms can promote both growth and social sustainability.

- **Support research and innovation**

Tax reforms can foster growth and sustainability by providing tax incentives for research and development (R&D) activities in sectors related to renewable energy, clean technologies, or sustainable agriculture. By offering tax credits or deductions for R&D expenditures, governments encourage businesses to invest in innovative solutions that address environmental and social challenges while also driving economic growth.

- **Progressive taxation**

Tax reforms can focus on progressive taxation, where higher income individuals and corporations pay a larger share of their income in taxes. This approach helps redistribute wealth, reduce income inequality, and promote social sustainability. The additional tax revenue can be used to fund social welfare programs, education, healthcare, and infrastructure, which can enhance social well-being and support long-term economic growth.

- **Stakeholder engagement and transparency**

When implementing tax reforms, it is essential to involve stakeholders from the business community, civil society organizations, and academia. Engaging in a collaborative dialogue helps ensure that tax policies strike a balance between growth and sustainability objectives. Transparency in tax policies, including clear guidelines and reporting requirements, fosters accountability and encourages businesses to align their practices with social and environmental goals.

6. Conclusion

All levels of government need to develop and implement programs that allow for independent businesses to accelerate their growth rate and generate additional employment. Government in many cases competes with the private sector. This is both disrespectful of the use of private sector tax shillings, as well as employing people in the government sector that should be employed in the private sector. It has been proven time and again that the private sector is, can be, and will continue to be more efficient than the public sector.

Nevertheless, the perception by corporate business of the tax system as unfair taxes is a major hindrance to the development of voluntary compliance and a level of trust between the tax authorities and the taxed. The frequent calls to taxable companies and audits conducted by the Ugandan tax administration illustrate the lack of voluntary compliance and low level of mutual trust Obwona (2001). In extreme cases, differences in the actual treatment of formal and informal sector enterprises by tax authorities may create incentives for businesses to deregister to avoid taxation.

The theoretical literature, mainly derived from a western political setting, concludes that domestically derived revenues will spark demands for citizens' participation and contribute to democratic accountability, effectiveness and efficiency in state-society relations. Tax reforms are therefore key on the countries fiscal policies to ensure that taxation as an economic driver can ably facilitate the effectiveness and efficiency of government programs and the

private sector but also cause social and environmental sustainability. Some aspects of Africa's history and political institutions may indicate that the European experiences may not hold for sub-Saharan Africa. One claim presented is that the authority and legitimacy of existing African governments derive principally from the fact that they are liberators and not from their governance practices. For as long as this situation endures, the linkage between taxation, accountability and legitimacy will be muted.

Overall, tax reforms that promote sustainable practices, incentivize social responsibility, support research and innovation, and foster progressive taxation can strike a balance between fostering growth and ensuring social and environmental sustainability. It requires a comprehensive approach, combining economic incentives, responsible taxation, and stakeholder engagement to achieve long-term, inclusive, and sustainable development.
Finally, taxation to foster economic growth and social and environmental sustainability it means the state has to become more responsive to citizens' demands. At a minimum, the economic and political elites then must all be a covered by the tax net and not only overburden the private sector alone.

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VII

TITHE, ALMS AND OFFERTORY: ALTERNATIVE STRATEGIES FOR AFRICA'S ECONOMIC DEVELOPMENT

Maria Osula

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1. Introduction

It is widely acknowledged that taxation remains the single most important means for mobilizing government revenue as it provides resources for the goods and services required by the citizens. However, for most African countries this has not been a reality and economic development has been on a slow trajectory. This is due to limited revenue generated from taxation due to a range of challenges. To this end countries have sought to combine taxation with other financial strategies such as foreign aid, public private partnerships, and microfinance. These however come with a set of conditions which often have ended up being detrimental rather than beneficial to the economic development of African countries. In a continent with a fast-growing population and increase in demands for essential services, these strategies cannot alone ensure economic development. This essay explores the role religious institutions play in the economic development of Africa. It argues that funds collected through tithing, almsgiving, and offertory in places of worship can and do already contribute significantly to economic development. This can be observed in different African countries particularly in far-flung regions where state presence has often been absent.

2. Revenue Mobilization Strategies

Taxation or domestic resource mobilization is central to economic development and if done in a fair and just way, where citizens are compliant and governments are accountable for the use of the revenue, it can strengthen physical, social, and administrative infrastructure. This has, however, not been the case. African countries struggle with collection of revenue from its citizens thereby, in some instances, diminishing the revenue base which then impacts on spending on services that would facilitate economic development such as health, education, and job creation. Challenges in revenue collection therefore arise from various factors: set up of the financial system, state's capacity to collect taxes, the size of informal sector, employment diversity and presence of natural resources. One of the more common reasons has been that of trust among citizens in governments' capacity to provide services to them. D'Arcy (2011) posits that "the main concern of taxpayers is what they get directly in return for their tax payments". These challenges have meant that countries need to find alternative financial strategies to broaden their revenue base.

Africa's fast-growing population and markets present important opportunities for development in an environment of slowing global growth. At the same time greater innovations and investment from business is essential to meet Africa's demands to close the gap. To this end other strategies such as development aid, public private partnerships and microfinance have all come up. They present both advantages and disadvantages while in most cases strategies as development and public-private partnerships' disadvantages seem to outweigh the benefits as

African countries are left deeper in debt with a continuous cycle of borrowing and paying back. This means that little of the revenue is invested in the people and in promoting economic development. It is thus important to explore strategies with limited strings attached and that are much closer to the people and defined and acceptable, in a way, by the people.

3. Towards Religion: A Case for Alms, Tithes, and Offertories for Economic Development

Many Africans subscribe to some form of religious belief with 80% being either Christian or Muslim (Chiorazzi, 2015). A 2021 conflict analysis by Norwegian Church Aid Eastern Africa Regional Peace Programme noted that faith-based institutions and religious actors are increasingly taking the lead in peace and development in the Great Lakes and Horn of Africa Region with several interventions at grassroots and national level being attributed to them. Therefore, religion plays an important role in the lives of Africans and many African seek to abide by the laws of the scripture. Economic development can be looked at as a combination of self-sustaining growth, structural change in patterns of production, technological upgrading, social political and modernization and overall, the widespread improvement of human condition.

Both Islam and Christianity have as central to their teaching the love of the neighbors and scriptures provide different ways in which this love can be expressed. one of the important ways is through almsgiving, offertory, and tithes. Human dignity and development are a central feature of the catholic church's social teaching for example, and the catholic church has played a significant role in economic development. Infact in its Framework for Economic Life (USCCB, 2015) that provides guidance to Catholics on how they should shape their economic life, the Conference of Catholic Bishops stress that economic life should exist for the person and not the person for economic life. Which sometimes with state taxation may seem that the citizens exist for economy to thrive.

The Bishops further stress that the fundamental moral measure of the economy is how the poor and vulnerable are faring. It can be summed that economic justice is also at the heart of the catholic church's teaching. Almsgiving, tithing, and offertories are therefore encouraged as part of fulfilling a fairer society for the poor and vulnerable. In Christianity, tithe refers to money or goods Christians are supposed to give up in service of God. It is expressed through church collections and is at a rate of 10% of monthly income. These funds are intended for religious leaders, missions, and charity work. In the bible tithe or 10% of produce is referenced severally as important in strengthening relationship between human and God, and between humans. Tithe is aimed at uplifting the poor, the widows, basically the hungry who have no source of income.

In Islam zakat is one of the five pillars therefore an important obligation for Muslims. Olanipekun et al. (2015) describe its institution as "a unique instrument and mechanism in Islam that is used to combat poverty". Latif (2022) explains zakat as a form of tax on wealth paid annually by Muslims at a rate of 2.5% on cash savings above a specific threshold set by the Muslim clerics in a specific country. In countries where the state does not collect zakat as part of the law, charitable institutions do so. However, the benefits of making it compulsory have been seen in the increment of revenue base. Latif (2022) uses Sudan as an example where when it was not compulsory, revenue collected was around 35million Sudanese pounds in 1984 which rose to 504million Sudanese Pounds in 1989 when it was made compulsory. Beyond tithe and almsgiving, faithful from both religions also give out offertories in different forms

which again would support the work of religious leaders, be used to assist the most vulnerable in society and establish infrastructure/buildings where there is need.

Religious institutions continue to play a significant role in economic development of African countries, and this cannot be exemplified better than in religious owned schools, religious owned health centers, even banks such as the Caritas Microfinance Bank owned by the Catholic Church or the Gulf African Bank an Islamic bank. Clearly these institutions are making a grand mark and realizing their potential in economic development. This is not to say that they are new players for they have existed since independence of most African countries and particularly in conflict countries, it is religious institutions such as churches that remained to provide services to affected communities. Their impact is far reaching as for example you would find a catholic church in the remotest, and unexpected region in Kenya. Here they would be providing education and health services where the government is not present. Several justifications have been put forward on the importance of funding education and health services for African countries. A healthy and educated society is important for economic development. Infact, it has been shown that countries with low levels of education and poor health provision have the highest standards of poverty.

An important aspect that we cannot leave out when discussing economic development is the role of women. It has been argued that the transfer from financial resources from private to public use does not always translate into tax justice and can sometimes fail to improve on gender discrimination. However, resources such as those from zakat have been argued to have the potential to improve this. Zakat Kenya a faith-based organisation formed to promote socio-economic development has supported women and enhanced their skills in carrying out informal projects. Christians have set up similar strategies and the Catholic church has had. A 2020 study by Kabugi and Karori focusing on the impact of the catholic church's microcredit initiatives towards the catholic women association of Laikipia found that 96.4 % of 219 respondents confirmed that the microcredit initiative was more accessible to the poor and concluded that it is important in the growth and development of women's empowerment in Laikipia county.

All these positive aspects are not without gaps. Almsgiving, tithing, and offertory where not part of the state law is all "voluntary". This all depends on the will of the individual and perhaps the extent to which their actions are driven by their faith or in other words, how close they would like to be with God. In this case it is not everyone who gives out an offertory or tithe. Furthermore, there has been tension between the faithful and their religious leaders and suspicion which then impacts on the willingness of the faithful to offer up alms and other funds to the religious institutions. Beyond this, there is the aspect of state versus religion. Majority of African countries do separate the religion from the state basically, most countries are secular countries. It would therefore be difficult to institute a law obliging citizens to pay their tithes or their Zakat. This is not to say this has not worked elsewhere. In Germany, Sweden and Finland, all secular states for example, citizens are expected to pay church tax unless they renounce their membership to the churches. Those who comply have indicated that they see the positive impact in society made by the churches (Pew Research, 2019) by helping the poor and the needy.

4. Combining State and Religion with Respect to Managing Religious Funds: Is This Viable for Africa?

The brief description of the western Europe experience shows the positive role and coordination between state and religion in collection of taxes. This could be an effective way to implement and increase the impact of religious funds for economic development in Africa. However, in Africa's case, religious institutions have often come in to fill the vacuum left by the state. Religious institutions do collect a lot of funds but based on poor governance including corruption, would they be willing to allow these funds go through the state? While this would be an option for effective implementation, many instances have shown that for example, the catholic church has done much more than the government in northern Kenya. The church is a bureaucratic institution with its own ways of working. For African countries, unless the governance is improved, religious institutions would be compromising on their role and obligation to the citizens. More analysis however needs to be done to understand how best religious institutions can collaborate with governments, more so in secular African countries, to mobilize revenue for the benefit of the citizens.

5. Conclusion

Alms, tithe, and offertories are a great potential for economic development. This has been seen in how religious institutions have made use of the collections for improving and elevating the lives of the poor and vulnerable in society. However, these should not replace other forms of broadening the revenue base. They may complement existing strategies, but we have to be careful not to rush to incorporate it within the government systems especially in a continent where governance is unstable and there still is little faith in existing regimes as we have witnessed with the resurgence of coups in West Africa and conflicts in Ethiopia and Sudan most recently, as well as socio- economic protests in Kenya and South Africa.

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