Strengthening domestic resource mobilization

Tools and training to raise tax revenue in emerging and developing economies

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September 22nd, 2015
SUMMARY

1. Background: modernizing the international tax system
2. Challenges for EMDEs
3. Needs of EMDEs
4. Conclusion & recommendations
1. Background: modernizing the international tax system

- The international community is engaged in a process of reforming the international tax system toward better fairness and transparency.

- Beyond fairness and transparency, it’s about Domestic Resource Mobilization (DRM) to finance development goals. So, it’s crucial for EMDEs.
1. Background: modernizing the international tax system

- Under the impulse of the G20, the OECD is managing a project to fight against Base Erosion and Profit Shifting (BEPS) mechanisms with a 15-Point Plan of Action.

- Even if the G20 has recommended the OECD to put in place a new wide dialogue process involving developing countries, it has been found that the BEPS project does not sufficiently take into account their concerns (Tax incentives, Extractive industries, etc.).
2. Challenges for EMDE

Several challenges to broaden the tax base:

- An inappropriate or out-of-date tax legislation
- A lot of tax incentives granted via Investment Codes, Mining Codes, etc.
2. Challenges for EMDE

Several challenges to broaden the tax base:

- Human capabilities/knowledge deficit (legislative drafting, tax audit, political economy of reforms)

- Poor level of computerization (IT hard and soft)
2. Needs of EMDE

- **Tax Policy level** (legal framework)
  
  - Modernization of the tax legislation to adapt to the digital economy and to address BEPS mechanisms
  
  - Down sizing tax expenditures, especially in extractive industries. There is a legal constraint due to contracts already signed for up to 25 years in some cases.
  
  - Capacity building in legislative drafting and political economy of reforms
2. Needs of EMDE

- **Administrative level** (implementation/enforceability)
  
  - Capacity building in tax audit for big companies, transfer pricing issues, tax expenditures evaluation, etc
  
  - Logistics (IT hard and soft) to better process tax information for assessment and exchange purposes
4. Conclusion and final remarks

- The process undertaken by the international community through the BEPS project is beneficial. But, we need to better take into account important challenges that EMDEs are facing.

- While regional and sub-regional cooperation is essential to avoid tax competition, the support of the international community is needed to remove the legal barriers, especially in extractive industries.

- Technical assistance in capacity building and IT is also needed to help EMDEs take advantage from the new international tax system.
THANK YOU !!!