

**Reflections from the Tax and Good Governance in
Africa Project**

Siemens Integrity Partner Collective Action Peer learning Workshop II



Clement O. Migai,
Institute for Austrian and International Tax Law,
WU - Vienna University of Economics and Business

26 – 27 April, 2018

Villa Crescenda, Basel, Switzerland



Institute for Austrian and International Tax Law • www.wu.ac.at/taxlaw



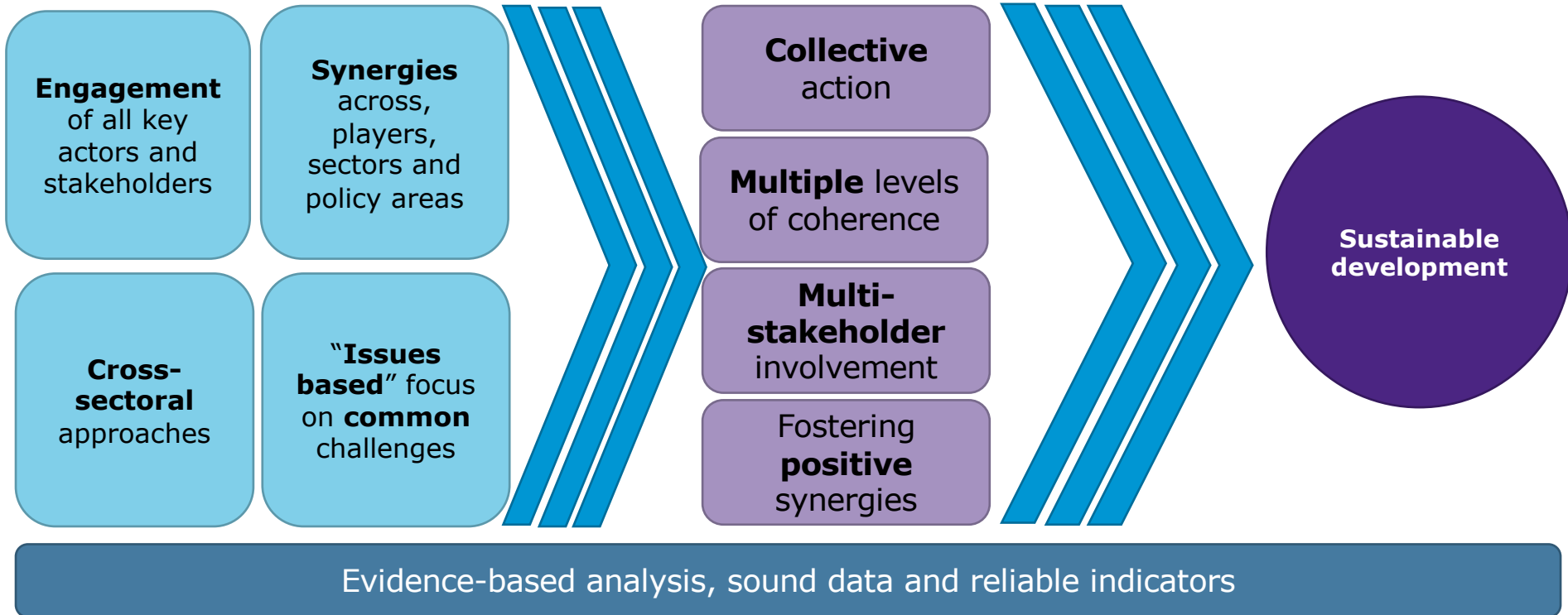
Outline

1. Background information
2. The Tax and Good Governance in Africa Project
3. Aims and objectives
4. Key outcomes
5. Challenges and lessons learnt

Background: Spillover Effects of Illicit Financial Flows



Background: Potential solutions



Background: Potential Solutions (2)

- Ensure **high-level political support**,
- Apply an **integrated approach** to address IFFs in the context of the SDGs,
- Promote **synergies** and identify potential trade-offs across different sectors to combat IFFs,
- **Monitor and manage the risks** of specific policy conflicts arising.

Consider critical **interactions** across economic, social and environmental areas to address IFFs

Identify and raise **awareness** of the types, magnitudes and **risks** of IFFs

- Do a **national risk assessment**,
- Establish **the evidence-base** for further analysis (e.g. size of tax gap, size of the black economy).

- **Align** national efforts with international initiatives and standards and strengthen international cooperation,
- Ensure **political commitment** and leadership at the highest level to mobilise both state and non-state actors,
- Enhance **national inter-agency** coordination mechanisms to strengthen cooperation to combat IFFs

Support **coherence** within and between national and international normative frameworks

Consider the **contextual factors** that allow IFFs to thrive

- Identify **enablers and disablers** e.g.:
- Scale of domestic crime,
 - Strength and integrity of public institutions
 - Size of financial sector
 - Role of international environment,
 - **Degree of secrecy in public and private institutions;**
 - The composition of the national economy.

The Tax and Good Governance in Africa Project

- A three year (2015 – 2018) **Siemens Integrity Initiative** bringing together academia, government and business.
- Involved a **commitment** by and **collaboration** between:
 - the WU Global Tax Policy Center (WU GTPC) at the Institute for Austrian and International Tax Law at Vienna University of Economics and Business (WU); and
 - the African Tax Institute (ATI) at the University of Pretoria's Faculty of Economic and Management Sciences
- Which was **supported** by:
 - the United Nations Office on Drugs and Crime (UNODC)
 - the World Bank
- **Focused** on 3 African countries: Ghana, Nigeria and South Africa

Main aims and objectives

1. Enhancing domestic cooperation between tax administrations, customs agencies, financial intelligence units (FIUs) and other law enforcement agencies in countering IFFs in particular money laundering and tax evasion.
2. Improving international cooperation in relation to financial crime and in particular, anti-money laundering and tax evasion.
3. Enhancing the capacity of tax and customs administrations, FIU's and other law enforcement agencies in combating IFFs.

- **Enhanced inter-agency cooperation**

- Facilitated dialogue by bringing together specific operational and implementation agencies including FIUs, Tax and Customs Administrations in order to combine their skills and powers to combat tax crimes and IFFs as well as judiciary.
- Enhanced international cooperation: FIUs of 3 countries (Nigeria, Sierra Leone and Nigeria) signed MOUs at the first training workshop in Vienna in March 2016.
- Enhanced inter-agency cooperation domestically: reports on improved collaboration and information exchange formalized through MOUs, improved revenues through information exchanged.

- **Strengthened political support for good tax governance and combating IFFs**

- 1st high level conference in Pretoria was opened by South Africa's Minister for Finance, involved ministries of finance and received wide publicity.
- High level conferences in Abuja, Nigeria and Accra, Ghana with good participation from Ministers of Finance from Nigeria and Ghana, international organizations and civil society.
- Abuja and Accra Communiques showing the commitment of the governments of Nigeria and Ghana in combating IFFS.
- Built increasing awareness about the negative effects of IFFs on economic development.

Key outcomes (2)

- **Enhanced capacity of competent agencies**

- Three capacity building workshops for officials where participants shared country experiences and best practices.
- Participants also built in-country and international networks across diverse agencies and international organizations.

- **Cooperative compliance**

- Involved business in workshops, seminars and conferences to encourage dialogue with government agencies on common challenges and need for transparency.
- Launched a new initiative for cooperative compliance between governments and business in Africa.
- Pilot programme between tax administration and business ongoing in select countries.

Key outcomes (3)

- **Sharing project experiences**

- Book on IFFs and Good Tax Governance in Africa published by Pretoria University Law Press.
- Several journal publications on the project themes.
- Manual providing a catalogue of relevant publications and reference guides on the subject, draft model and sample cooperation agreements (MOUs between FIU's and tax administrations for exchange of information), and lessons learnt from the experience of other jurisdictions.
- Fed into policy debates at national and international level on issues such as tax crimes, beneficial ownership, information sharing and trade misinvoicing.

Challenges and lessons learnt

- **Political support is key**

- High level conferences included Ministers of Finance and other key government officials to share views and get buy-in.
- Legislators play a crucial role in driving reforms: met with Ghana's Parliamentary Finance Committee together with the Ghana Revenue Authority and FIU.

- **Regional peculiarities must be taken into account**

- Extended invitation and had over 33 other African countries.
- Facilitated peer to peer exchange of experiences in workshops.

Challenges and lessons learnt (2)

- **Multi-stakeholder alliances with local and international partners are important**
 - Involved business community and facilitated dialogue with government.
 - Partnered with the African Tax Institute and the Commonwealth Association of Tax Administrators (CATA).
 - Involved the African Tax Administration Forum, the West African Tax Administrators Forum (WATAF), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), the African Development Bank and other regional players (e.g. ARINSA).
 - Received support from international organizations doing work in this area (UNODC and the World Bank)
- **For a broader impact engage in other related activities**
 - Participated in activities organized by the UNODC, the World Bank, the World Customs Organization, CATA, ATAF and the Nigerian Government.



VIENNA UNIVERSITY OF
ECONOMICS AND BUSINESS

Institute for Austrian and International Tax Law,
WU (Vienna University of Economics and Business)
Welthandelsplatz 1, Building D3.2
1020 Vienna
Austria

Clement Migai, LL.M., CPA(K), CPS(K)
Research and Teaching Associate

Tel: 0043 (1) 31 336 5925

E-Mail: clement.migai@wu.ac.at