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UNAIDS EXECUTIVE DIRECTOR REMARKS

AFRICAN TAX ADMINISTRATION FORUM GENERAL ASSEMBLY
31 OCTOBER 2022, LAGOS, NIGERIA (VIDEO)

The Chairman of ATAF Council, Dr TCHODIE
The ATAF Executive Secretary, Mr Logan Wort
The Executive Chairman: Federal Inland Revenue Service (FIRS) Mr Muhammad NAMI
Distinguished guests
Ladies and Gentlemen

Thank you Logan for the kind invitation to share my thoughts on domestic revenue mobilisation.

I am very firm in my belief that it is only through sufficient and equitable taxation will Africa be able to set it itself free and be on course to a sustainable future where Africans will have the opportunities they deserve to live full and dignified lives. That is how important domestic resource mobilisation is.

We painfully saw Africa left behind in access to COVID-19 vaccines, and again saw Africa left behind in the financial response to the economic shocks created by the pandemic. World Bank data tells us that COVID-19 has increased inequality and poverty in Africa driving 39 million more Africans into extreme poverty.

Having an insufficient tax base played an important role in this situation. Africa, with the lowest tax collection to GDP in the entire world—with under 18% of GDP on average—had very limited resources for the counter cyclical actions that were required.

The hard truth is that our governments, I'm speaking as an African, have for a long time chosen to rely on borrowing rather than reforming tax policies and increasing domestic revenue.

Data from Oxfam shows that today debt servicing in African countries is almost three times as much as education spending, six times health spending, and 22 times the amount of social spending.

Even before COVID-19, investments in health education were declining as debt repayments rose. IMF data show us that with Covid, while high income countries could dedicate over 10% of their GDP to response and recovery from COVID-19, low Income countries—most of them in Africa—could only afford less than 3% on average of additional investments in 2020. So, the gap between high- and low-income countries has grown even wider.

This did not have to happen though. The other hard truth is that the rich world grabbed the vaccines, took the bulk of the resources for recovery, such as the SDRs that the IMF created and offered very little in terms of short-term debt relief.

Within African countries, there is also a crisis of extreme inequality. This is both widening inequalities between countries and widening inequalities within African countries. According to Oxfam seven of the ten most unequal countries in the world are African. The concentration of wealth in the hands of the richest citizens continues to grow, with the top 1% holding a quarter of the wealth in all African countries. Also, according to Oxfam, the six richest people in Africa now own more wealth than the poorest 50% combined, over 600 million people.

As a result of the low collection of all taxes, Africa's tax system is actually increasing inequality by 1% on average across the region. Again, Oxfam data, tells us that in 31 countries of Africa, tax policies are worsening inequality. However, Tanzania and Tunisia are positive cases I can cite, where tax policies are reducing inequality by around 10%. So, it is possible to shift policies to reduce inequalities.

Despite the massive wealth inequalities that we see in Africa, it is still the region where wealth taxes are the lowest, contributing so little to total revenue. On average, it is about 0.35% of GDP wealth taxes. And if you compare that with East Asia, which is 0.73% or Latin America at 0.88% or the rich OECD countries which are at 1.88% OECD Countries. Research from Oxfam shows us that on the positive side, Senegal has one of the highest tax rates on the richest people in West Africa, and this is at 40% and it has increased its tax collection by 12% by eliminating tax exemptions and combating tax dodging. So again, it is possible to shift policies.

To increase domestic revenues, there are several steps to be taken: the most immediate that I can see, where ATAF has a leading role, lies on developing a successful and efficient tax system, and growing the capacity and the effectiveness of the tax administration. This alone will bring in additional resources. It is so important to Protect human capital investments from the austerity that is setting in now as the world is facing multiple crises and the worst impacts are being felt here in the low-income countries of Africa.

African governments should focus their attention on pursuing revenue that is escaping the tax net from large multinational companies. They do this through transfer pricing and through illicit financial flows. Efforts to claw back these revenues is critical.

Thirdly Tax reform, moving toward progressive taxation. African jurisdictions should not enact policies that suffocate ordinary people, but rather place the burden on large companies and high net-worth individuals, including through imposing wealth taxes and the taxation of capital income.

Increasing tax revenue holds enormous potential for funding government programmes to reduce inequality. I'll give one example if the governments of East Africa (the six members of the East African Community (Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) if they were to increase their tax revenue by just 1% of GDP, this would raise USD 4.9 billion each year on average for the next five years, which is enough to raise health spending by an average 77% each year across this region. Just increasing tax revenue by 1% of GDP, and it's possible.

Independent opinion polls show that East Africans strongly support more progressive tax systems. So, let's do it. Afrobarometer surveys finds that 71.4% of citizens think it is fair to tax rich people at a higher rate so as to help government implement programmes which benefit people living in poverty.

There are other important challenges I would like to mention: fighting corruption, enabling digital tax collection, improving data collection and use, further investing in building the capacities of tax administrations.

All these must go hand in hand with increased and equitable revenue collection to build a better future and to get closer to achieving the SDGs.

ATAF is a leading actor in the struggle for sufficient, efficient and fair taxation in Africa and for Africans. I want to commend your efforts ATAF and express my deepest support to your work you do and for the transformation you have achieved so far. My warmest support for your work in this 7th ATAF general Assembly!

Thank you for the opportunity to speak with you.

