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SCALING UP TAX JUSTICE (SCUT)

CDD joins regional movement to curb illicit financial flows and accelerate the pace of domestic resource mobilization reforms

- These are nine civil society organizations from different regions of the continent united by the shared goal of accelerating the pace of reforms to promote efficient, fair, transparent, and accountable domestic resource mobilization. Represented by the Center for Democracy and Development (CCD), Mozambique joins eight other countries in the region in a movement to break the status quo characterized by inefficient and unfair tax systems and accelerate reforms for a more equitable mobilization of resources on the continent.

Credits: UN News

Credits: World Compliance Association

Há uma necessidade premente de integrar as reflexões sobre transparência financeira, responsabilidade e DRM equitativo como questões prioritárias que devem ser abordadas. Só assim o continente poderá travar os "vazamentos" existentes e abrir a porta para financiamento muito necessário investimentos em bens e serviços públicos que contribuam para a obtenção de dignidade dos cidadãos africanos: um padrão mínimo de vida.

Scaling Up Tax Justice (SCUT). This is the name of the movement that unites nine African civil society organizations, including Anglophone, Francophone, and Lusophone, in a concerted effort to combat Illicit Financial Flows (IFF) and promote tax justice on the continent. Supported by the Norwegian Agency for Development Cooperation (NORAD), the project was first launched in 2016 and focuses on raising awareness, building alliances with various relevant actors, and generating knowledge about tax justice and IFFs to accelerate the pace of reforms in domestic resource mobilization on the continent.

Fundamentally, the movement will promote discussions and strengthen the role of civil society, *media,* and parliaments as "watch dogs" of tax justice on the continent. Through these actions, the aim is to break the *status quo* characterized by inefficient and unfair tax systems and to accelerate reforms for a more equitable mobilization of resources on the continent.

The project represents a shared vision of the *Tax Justice Network Africa* (TJNA), its members and its partners towards reducing unfair tax practices on the continent through research and evidence-based advocacy. Cameroon, Ghana, Kenya, Liberia, Mozambique, Senegal, Tanzania, Tunisia, and Uganda are the direct beneficiaries of the project, now in its third phase, which will be lead the tax justice movement and campaign against IFF over the next three years on the continent (2023- 2025).

Strengthening domestic resource mobilization is a global challenge. However, due to limited fiscal space, African governments have historically incurred the highest opportunity costs in terms of investment in critical sectors such as social protection, health, education services and infrastructure.

African countries mobilize less than 17% of their Gross Domestic Product (GDP) in tax revenue, well below the average of 33.5% of developed countries[1]. In addition to being mobilized through a process perceived as unfair, regressive, and that does not solve the problem of worsening inequalities on the continent, the few revenues collected are not enough to fully finance the much-needed public goods and services in the quality and quantity desired by the population.

Of the myriad of challenges prevailing and constraining greater domestic resource mobilization on the continent – including deficiencies in tax policies and laws, constraints related to macroeconomic factors, government/taxpayer behaviors, and institutional capacity[2], IFFs stand out as the ones doing the most harm to the African countries. IFFs[3] continue to represent a major "leakage" of capital and revenues on the continent, undermining countries' ability to finance their development needs.

Estimates indicate that African countries lose more than 88 billion dollars a year, equivalent to 3.7% of the continent's GDP, only with illicit capital flight (commercial invoicing and other balance of payments transactions)[4]. These "leakages" reduce countries' total development resource base and force the government to fill the gap with higher taxes that disproportionately fall on the poorest in society, as well as austerity measures that restrict the provision of public goods and services.

In this context, tackling IFF and advocating for progressive, efficient, and accountable tax policies and laws are identified as key strategies for raising resources to finance the continent's sustainable development agenda. The financing gap to achieve the Sustainable Development Goals (estimated at US$200 billion per year)[5] must necessarily be financed by domestic resources and tax revenue emerges as the most important, reliable, and sustainable instrument to mobilize resources to ensure the enjoyment of fundamental economic and social rights in an adequate, fair and responsible manner.

There is a pressing need to mainstream reflections on financial transparency, accountability, and equitable DRM as priority issues that must be addressed. Only then will the continent be able to stop the existing "leaks" and open the door to financing much-needed investments in public goods and services that contribute to obtaining dignity for African citizens: a minimum standard of living.

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[1] OOECD/AUC/ATAF. (2022). Revenue statistics in Africa 2022. OECD publication. Paris. https://doi.org/10.1787/ea66fbde-en-fr

[2] Boly, A., Nandelenga, MW, & Oduor, J. (2020). Domestic Resource Mobilization in Africa for Inclusive Growth. Africa Economic Brief, 11(3). https://www.afdb.org/sites/default/files/documents/publications/aeb_volume_11_issue_3_mobilizing_domestic_resource_in_africa_for_inclusive_growth.pdf

[3] Money that is illegally obtained, transferred or used

[4] https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

[5] UNCTAD. (2020, September 28). Africa could earn $89 billion annually by curbing illicit financial flows, says the UN.https://unctad.org/press-material/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows-un-says

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