



## ADF III DISCUSS COMPENSATING GOVERNMENT REVENUE LOSS

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The Third African Development Forum has discussed and forwarded ideas and suggestions about assuring government revenues.

Participants of the discussion raised issues mainly about small countries that find themselves in a difficult situation to correct the imbalance created through losses of revenues due to being a membership of organizations, and trade unions.

Compensating losses of government revenues due to custom free import-export activities through ways such as Value Added Tax (VAT) and funding compensation offices were some of the ideas forwarded by the participants.

Problems related to loss of revenue will also arise from different inconvenient economic policies and the absence of harmonization policies whilst these are issues that needs a collaborative efforts and needs to be tackled, according to Neway Gebre Ab, Economic Advisor to the Prime Minister.

Even though revenue loss risks are inevitable upon joining trade unions and establishing free trade areas, according to some of the participants, disadvantaged countries should structure sustainable compensation mechanisms to correct the imbalance. "There might be a short term revenue loss but what governments lose as a short term through duty free import should be compensated by a medium term income tax if well designed," added Neway, further stating that establishing free trade areas should be a win-win scenarios than a win-loss or vice versa.

A participant from Nigeria told Addis Tribune that most often, integrating trade relationship between countries and trade unions might result in a number of disadvantages to the one side, but both countries should realize and maintain the win-win trade balance before further damage happen to the government's revenue due to the duty free import from both sides.

Strengthening customs administration, stabilizing macroeconomic fund, enhancing the development of the private sector among others were comments forwarded by the participants to stabilize losses of government revenues.

Other parallel sessions of ADF III have also discussed issues of fiscal and monetary policies, trade policies, infrastructure priorities, higher education and research and promoting regional private sector investment.

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