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**Economic Commission for Africa
Committee of Experts of the Conference of African
Ministers of Finance, Planning and Economic Development**
Thirty-seventh meeting

Addis Ababa, 11 and 12 May 2018

Item 7 of the provisional agenda *

**Date, venue and theme of the fifty-second session of the
Commission**

Dates, venue and theme of the fifty-second session of the Conference of African Ministers of Finance, Planning and Economic Development

Note by the secretariat

I. Introduction

1. The present document contains suggestions made by the secretariat for the consideration of the Committee of Experts. The Committee may wish to consider the dates and a theme of the fifty-second session of the Conference of African Ministers of Finance, Planning and Economic Development, to be held in 2019, and to provide the secretariat with guidance in that regard.

II. Dates and venue

2. The secretariat is proposing that the fifty-second session of the Conference of Ministers be held in Addis Ababa in March 2019. The choice of venue may change if a member State offers to host the meeting, bearing in mind the requirements of the Economic Commission for Africa (ECA) and that the cost of holding the event outside headquarters must be borne by the host country.

III. Theme

3. The secretariat submits the following topic for the consideration of the Committee of Experts: "New fiscal policy for Africa".

A. Background

4. Fiscal policy is the most important macroeconomic policy tool and means of financing public investment and the achievement of the Sustainable Development Goals in Africa (see table). The spending needs in economic and social infrastructure

* E/ECA/COE/37/1.

for Africa alone amount to \$135 billion annually,¹ and Africa's annual growth could increase by 2 percentage points if its infrastructure gaps are addressed.² Beyond infrastructure spending, the provision of public services and social safety nets are also important for Africa's achievement of the Goals. In particular, Goals 3 and 4 target improvements in education and health, respectively. In addition, fiscal incentives are an important part of active industrial policy that will help Africa to achieve sustained and inclusive growth.³

Table

Government expenditure and sources of development finance in Africa

(Billions of United States dollars)

	2011	2012	2013	2014	2015	2016
Tax revenue	512.7	561.5	541.0	506.4	436.8	500.0
Official development assistance	51.6	51.8	56.8	54.3	51.2	50.2
Foreign direct investment	66.0	77.5	74.6	71.3	61.5	59.4
Remittances	59.6	64.3	63.7	67.2	64.8	64.6
Government Expenditure (percentage of gross domestic product)	17.75	18.53	19.86	19.62	20.57	20.71

Source: Economic Commission for Africa, Issues paper for the 2018 Conference of Ministers; World Bank, Africa indicator database.

5. Beyond the need for fiscal policy to support achievement of the Sustainable Development Goals through public spending, Africa also needs to ensure that its fiscal position is sustainable and creates a conducive macroeconomic environment for private investment. In this context, fiscal policy will need to balance public investment and expenditure needs against fiscal sustainability. The key fiscal problem facing Africa is that current fiscal resources are insufficient to meet the continent's public spending needs, while increasing public borrowing may undermine the sustainability of public debt. Accordingly, the key challenge for Africa is to mobilize and effectively use additional resources to meet the continent's public spending needs, while maintaining fiscal sustainability. To achieve this, African countries must ensure that public financial management is effective and that the resources mobilized are used in line with national priorities.

B. Key challenges and opportunities for new fiscal policy in Africa

6. It is proposed that, at the 2019 Conference of Ministers, there should be discussion of the fiscal reforms and approaches needed for Africa to achieve the Sustainable Development Goals. The Conference will provide a platform for the exchange of experiences of fiscal policy reforms on and outside the continent. Some African countries have had important fiscal policy successes that led to notable increases in tax revenue relative to gross domestic product. These include Ethiopia, where public financial management reforms have led the country to be recognized as a leader in this area. In addition, South Africa has used the exchange of tax information on request to mobilize significant additional tax revenue. Examples of

¹ See Economic Commission for Africa, *Strategies for Mobilizing Domestic Resources and Investments for Structural Transformation* (Addis Ababa, 2017).

² See Vivien Foster and Cecilia Briceño-Garmendia, eds., *Africa's Infrastructure: A Time for Transformation* (Washington, D.C., World Bank, 2010).

³ See, for example, Economic Commission for Africa, *Economic Report on Africa 2015* (Addis Ababa, 2015).

successful fiscal policy from beyond the continent include the newly industrialized countries, in particular the Republic of Korea, which was able to use fiscal subsidies and incentives to support investment and industrialization. African countries face many common and country-specific challenges and opportunities for fiscal policy reforms.⁴ These are discussed below.

1. Integrating resource mobilization, budgeting and development planning

7. The achievement of the Sustainable Development Goals will require fiscal resources to be mobilized alongside other sources of finance for development in order to fund a wide array of public projects. To achieve the best possible mapping of financing sources to public projects, African countries will need to pursue an integrated approach to resource mobilization, budgeting and development planning, as outlined in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development.

2. Improving public financial management

8. African countries can also improve the efficiency of public financial management through reforms such as the effective use of information technology, decentralization, better coordination between revenue mobilization and investment promotion objectives, and anti-corruption measures, as well as avoiding the use of official development assistance to fund public spending.

3. Reforming the tax structure and broadening the tax base

9. Currently, Africa's tax structure is concentrated on a limited number of taxes that fall on a limited number of taxpayers and include many exemptions. This could be addressed through using various taxes, such as royalties, income tax, a land tax and leases and speculation taxes. It could also be addressed by encouraging more firms to enter the formal sector through a reduction in regulatory barriers to formalization, including broadening the tax base. Furthermore, tax compliance can be low in African countries, and efforts to boost tax compliance should yield additional revenue. Lastly, African countries can usefully review the use of tax incentives, given that these are often not necessary to attract investment.

4. Making the best use of public borrowing

10. While public borrowing can be an important source of public finance, many African countries have seen their debt levels rise, and there are concerns about sustainability. African countries will need to ensure that they make the most of public borrowing as a source of development finance, while balancing this against the need to minimize the risk of debt crisis.

5. Tackling illicit financial flows

11. According to the most recent estimates of ECA, Africa may be losing approximately \$100 billion annually to hidden financial flows out of the continent, which includes tax avoidance by multinational corporations and funds that are earned, transferred or used illegally. As highlighted in the report of the High-level Panel on Illicit Financial Flows from Africa,⁵ there remains much that the continent can do to prevent these flows, including through strengthening national policies and administration and collaborating to share information and best practices.

⁴ See United Nations, Inter-Agency Task Force on Financing for Development, *Financing for Development: Progress and Prospects* (New York, 2017); Economic Commission for Africa, *Strategies for Mobilizing Domestic Resources and Investments for Structural Transformation* (Addis Ababa, 2017), and *Innovative approaches to financing Agenda 2063 and the Sustainable Development Goals in Africa* (Addis Ababa, forthcoming).

⁵ Available from www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.

C. Key questions for discussion

12. The following are key questions that should be asked at the 2019 Conference of Ministers:

(a) How can African countries best reform their approaches to fiscal policy and public financial management?

(b) How can African countries best reform their tax structures and administration to increase tax revenue from various sources and improve tax incidence? What institutional arrangements and innovation are needed for African countries to address corruption and enhance the efficacy and efficiency of fiscal policy and public administration?

(c) Based on country experiences, how can African countries effectively manage their natural resources to finance the achievement of the Sustainable Development Goals?

(d) How can African countries ensure that public borrowing is sustainable and achieve the right mix between concessional and non-concessional loans to the public purse?

(e) How can African countries collaborate to tackle illicit financial flows, including through tax information-sharing and reforms to tax and investment treaties?

D. Previous themes

13. For reference, a list of the themes of some of the previous sessions of the Conference of Ministers is presented in the annex to this document.

Annex

Themes of previous sessions of the Conference of African Ministers of Finance, Planning and Economic Development

<i>Session</i>	<i>Joint annual meetings of the Economic Commission for Africa and African Union Commission</i>	<i>Year</i>	<i>Theme</i>
Fifty-first	N/A	2018	African Continental Free Trade Area: creating fiscal space for jobs and economic diversification
Fiftieth	Tenth	2017	Growth, inequality and unemployment
Forty-ninth	Ninth	2016	Towards an integrated and coherent approach for the implementation, monitoring and evaluation of Agenda 2063 and the 2030 Agenda for Sustainable Development
Forty-eighth	Eighth	2015	Implementing Agenda 2063: panning, mobilizing and financing for development
Forty-seventh	Seventh	2014	Industrialization for inclusive and transformative development in Africa
Forty-sixth	Sixth	2013	Industrialization for an emerging Africa
Forty-fifth	Fifth	2012	Unleashing Africa's potential as a pole of global growth
Forty-fourth	Fourth	2011	Governing development in Africa
Forty-third	Third	2010	Promoting high-level sustainable growth to reduce unemployment in Africa
Forty-second	Second	2009	Enhancing the effectiveness of fiscal policy for domestic resource mobilization
Forty-first	First	2008	Meeting Africa's new challenges in the twenty-first century
Fortieth	N/A	2007	Accelerating Africa's growth and development to meet the Millennium Development Goals: emerging challenges and the way forward
Thirty-ninth	N/A	2006	Meeting the challenge of employment in Africa
Thirty-eighth	N/A	2005	Achieving the Millennium Development Goals in Africa
Thirty-seventh	N/A	2004	Mainstreaming trade policy in national development strategies
Thirty-sixth	N/A	2003	Accelerating Africa's progress and performance: the challenge of the New Partnership for Africa's Development
Thirty-fifth	N/A	2002	Accelerating Africa's progress and performance: the challenge of the New Partnership for Africa's Development
Thirty-fourth	N/A	2001	Implementing the Millennium Partnership for the African Recovery Programme: compact for Africa's recovery
Thirty-third	N/A	2000	Challenges of financing development in Africa