



# The 7th Meeting of CRAFT Stakeholders

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25th - 26th June, 2014



**Lake Naivasha Panorama Park and Lodge, Naivasha, Kenya**



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## **LIST OF ACRONYMS**

AIE:	Automatic Information Exchange
ATAF:	Africa Tax Federation
AfDB:	African Development Bank
AU:	African Union
BEPS:	Base Erosion and Profit Shifting
BO:	Beneficial Ownership
CbCR	Country-by-Country Reporting
CFC:	Control of Foreign Company
CRAFT:	Capacity for Research and Advocacy for Fair Taxation
CSO:	Civil society organization
CSR:	Corporate Social Responsibility
EATJN:	East African Tax Justice Network
EPZ:	Export processing zone
DTT:	Double Taxation Treaty
G20	Group of 20 (developing countries)
GDP:	Gross domestic product
GFI:	Global Financial Integrity
IFF:	Illicit Financial Flows
IMF:	International Monetary Fund
ITUC:	International Trade Union Confederation
MDG:	Millennium Development Goals
MNC:	Multinational Corporation
OECD:	Organization for Economic Cooperation and Development
PAYE:	Pay As You Earn
TJN-A:	Tax Justice Network-Africa
TNC:	Trans National Corporation
VAT:	Value Added Tax
WTO	World Trade Organization

## **Executive Summary**

The 7th Stakeholder Meeting of the Capacity for Research and Advocacy for Fair Taxation (CRAFT) project was successfully held on 25th - 26th June, 2014 at the Lake Naivasha Panorama Park and Lodge in Naivasha, Kenya. It was attended by participants from the CRAFT project from Africa and Asia and African ITUC members.

### **Objectives**

The CRAFT stakeholders meeting had the following specific objectives:

- To gather all CRAFT stakeholders to assess the implementation of the 2014 Plan, review current national contexts with regard to taxation and strategize for the future;
- To strategize on the level of joint overall CRAFT work, look at progress at country levels, discuss constituent focus areas (research, training, civic education, policy advocacy and alliance building); agree on where we currently stand; identify our main achievements and constraints and the steps we need to take in order to achieve maximum impact (both programmatic and on fundraising);
- To specifically discuss the development of the Fair Tax Index;
- To identify funding focus areas and funding opportunities;
- To discuss current key aspects of taxation; including inequality issues, Illicit Financial Flows and current attempts at solutions, such as the OECD-led Base Erosion and Profit Shifting process; agree on specific engagement of CRAFT partners on issues and potential collaboration with ITUC members.

### **Methodology**

The 7th CRAFT stakeholders meeting was a two-day event that was divided into two sessions. The first day was a closed-door session for internal stakeholders (partners of the Memorandum of Understanding of the implementation phase and identified potential partners of the CRAFT project in Niger and Tunisia) and held focused discussions on practical project implementation. The second day was a joint conference with Africa chapter of the International Trade Union Confederation (ITUC) partners on Illicit Financial Flows, Tax and Extractives.

Facilitators at the event were chosen based on their knowledge of the issues at stake, an in-depth knowledge of the Project and their capacity to communicate pertinent issues to participants. Interactive discussions and inputs from participants were actively encouraged.

## **Highlights**

The meeting realized several landmark achievements, with the following being some of the major highlights:

- Civil society organizations and trade unions represented at the meeting reached a consensus on the way forward for collaborative engagement in working to achieve fair taxation systems in Africa and other developing countries;
- Over 50 delegates from Africa, Asia and representatives from international partners participated at the meeting;
- A Working Group for the development of the Fair Tax Index was formed;
- A Language Caucus for the harmonization of communication and information sharing between CRAFT stakeholders who speak different international languages was constituted and agreed on several actions for a way forward (please see appendix)
- A process for the mapping of current and potential national and regional fair tax partners in Africa was presented;
- Stakeholders identified their respective priority areas of action in tax justice work;
- PANOS was identified as a useful resource organization in tax justice communication work as it specialized in developing mass media packs.

## **Conclusion and Recommendations**

The 7th CRAFT stakeholder meeting proposed the following as recommendations for a way forward:

- There was need to reform and simplify several aspects of taxation systems in Africa, such as the rules and procedures on the award of tax incentives and tax breaks;
- There was urgent need to increase the capacity of CSOs and trade unions working in tax justice;
- In order to effectively deliver training on tax justice, it was necessary for CRAFT stakeholders to identify partners capable of translating training manuals into local languages;
- New and traditional mass media should be made an integral part of the tax justice training process;

- It was necessary to strategically formulate tax justice training budgets and to factor in funding for follow-up work;
- There was need to factor into training modules how opponents of tax justice systems operate, as well as the techniques they use for tax evasion and illegal money transfers;
- There was need to compile an Africa-wide database of researchers in the field of tax justice who were known to be good in their work, commitment and output;
- Capacity building on tax justice at the local level should include provision of knowledge on indirect tax;
- Mechanisms for collaboration and the linking up of citizens and tax officials should be established;
- Tax incentive programmes should be rationalized by making their processes transparent and their harmonization done at regional levels so as to avoid race-to-the-bottom scenarios;
- There was need to formalize the informal sector in order to broaden the tax bases of most developing countries;
- It was necessary for African countries to trade more between themselves rather than with third party countries, such as their former colonial masters.



*Participants follow proceedings at the meeting*

## Background

In most developing countries tax revenues fall short of their realistic potential, mainly due to the fact that most of the countries' taxation regimes and revenue collection policies tend to be heavily biased against consumption expenses and wage incomes; thus imposing higher tax burdens on poorer households and formal sector employees. An average of 18 percent of gross domestic income (GDP) in African countries comes from tax revenues, compared to an average of 38 percent in Western European countries.

The Capacity for Research and Advocacy for Fair Taxation (CRAFT) project is founded on the fact that a fair taxation system is the most sustainable way of financing a country's development since it guarantees an end to dependency on foreign aid. A progressive tax regime has redistributive function component that works to reduce inequality in society.

## Objectives

The CRAFT project works to redress inequalities caused by defective taxation systems and comprises of the following focus areas:

- **Research:** Building vital research capacity to gain good insights in the tax justice dynamics. The project researches the existing taxation policy and practice, detect the underlying trends and formulate a vision on what pro-poor and fairer taxation should look like in each country specifically.
- **Training:** Increasing the knowledge base of civil society, parliamentarians, journalists and other stakeholders in the development of tax policy. Enhancing subject-matter competence to create a critical mass of activists with proper knowledge on tax revenue and strategic advocacy.
- **Civic Education:** Popular mobilization and civic awareness programmes, to provoke social pressure to change tax policies and practices wherever these are ineffective or unjust.
- **Policy Advocacy:** Engage in targeted policy advocacy to change tax systems: policies and practices. The project engages with the state in political lobby and builds national and inter-national partnerships by participating in (global) policy networks.
- **Alliance Building:** Alliance and coalition building to gain strength and synergy within civil society as change agents, both within countries and to gain in learning capacity through linking up regionally and globally.

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