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CROSS BORDER EXCHANGE OF INFORMATION AND TAX REVENUE MOBILISATION IN AFRICA

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Outline

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Introduction

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Context

- Tax evasion and avoidance are particularly acute in African countries and deprive governments from significant revenues;
 - Exceed USD **89 billion** in 2020, or **3.7%** of the Continent's GDP (UNCTAD 2020).
- COVID-19 raises need to redouble efforts to increase domestic revenue mobilization (Coulibaly and Camara, 2022).;
- Strengthened national regulation and increased international cooperation (exchange of information (EOI)) constitute one of the policy options to stimulate tax revenue mobilization (Johannesen and Zucman, 2014).



Introduction

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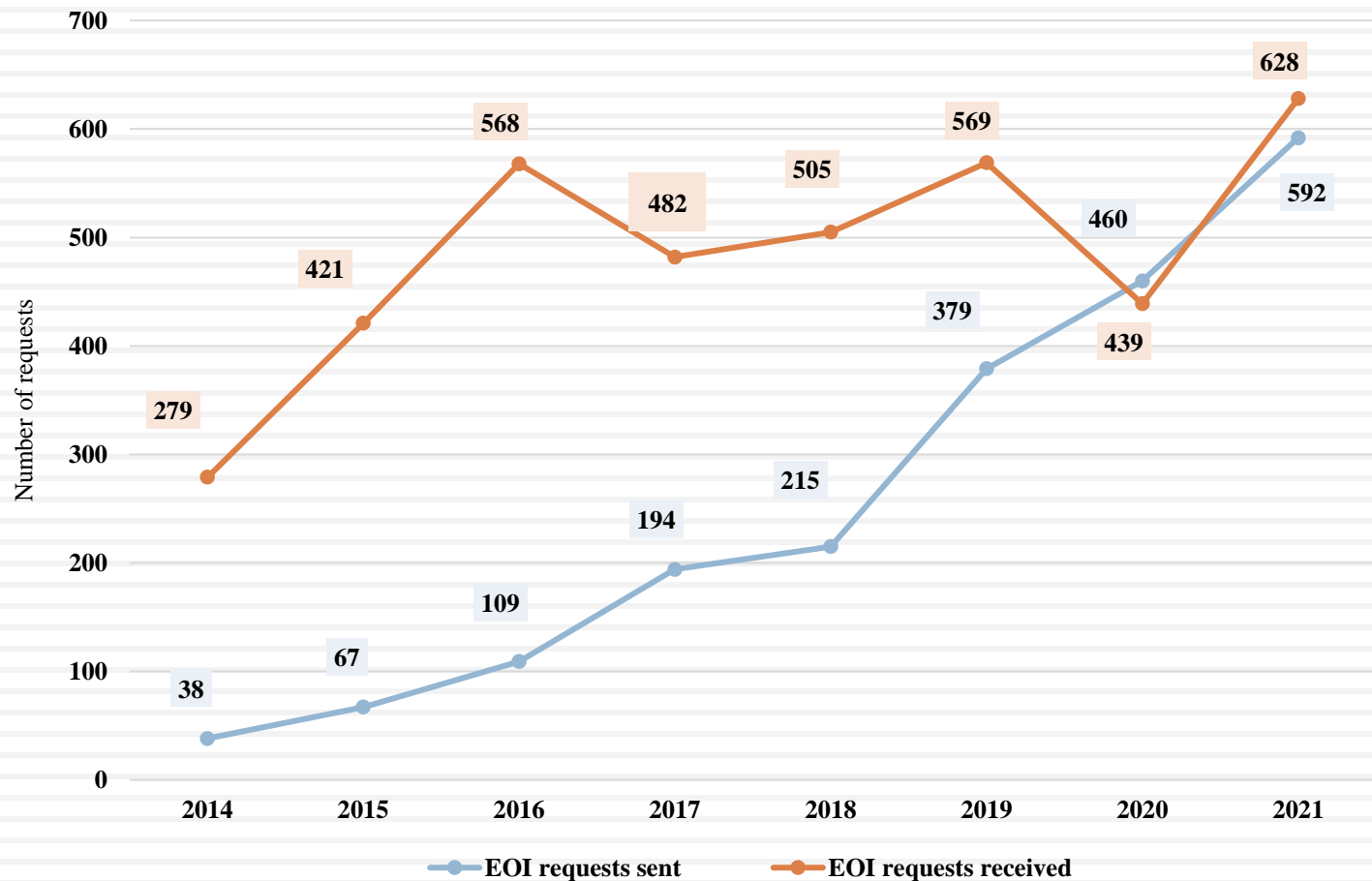
Research goal

- Assessing the impact of tax-related cross border exchange of information on tax revenue for African economies.
- Provide policy guidance to policymaker to combat tax evasion and tax avoidance in order to increase their tax revenue

Stylized facts on cross border exchange of information (EOIR) for tax purpose in Africa (1)



Figure 1: EOI requests sent and received by African countries since 2014

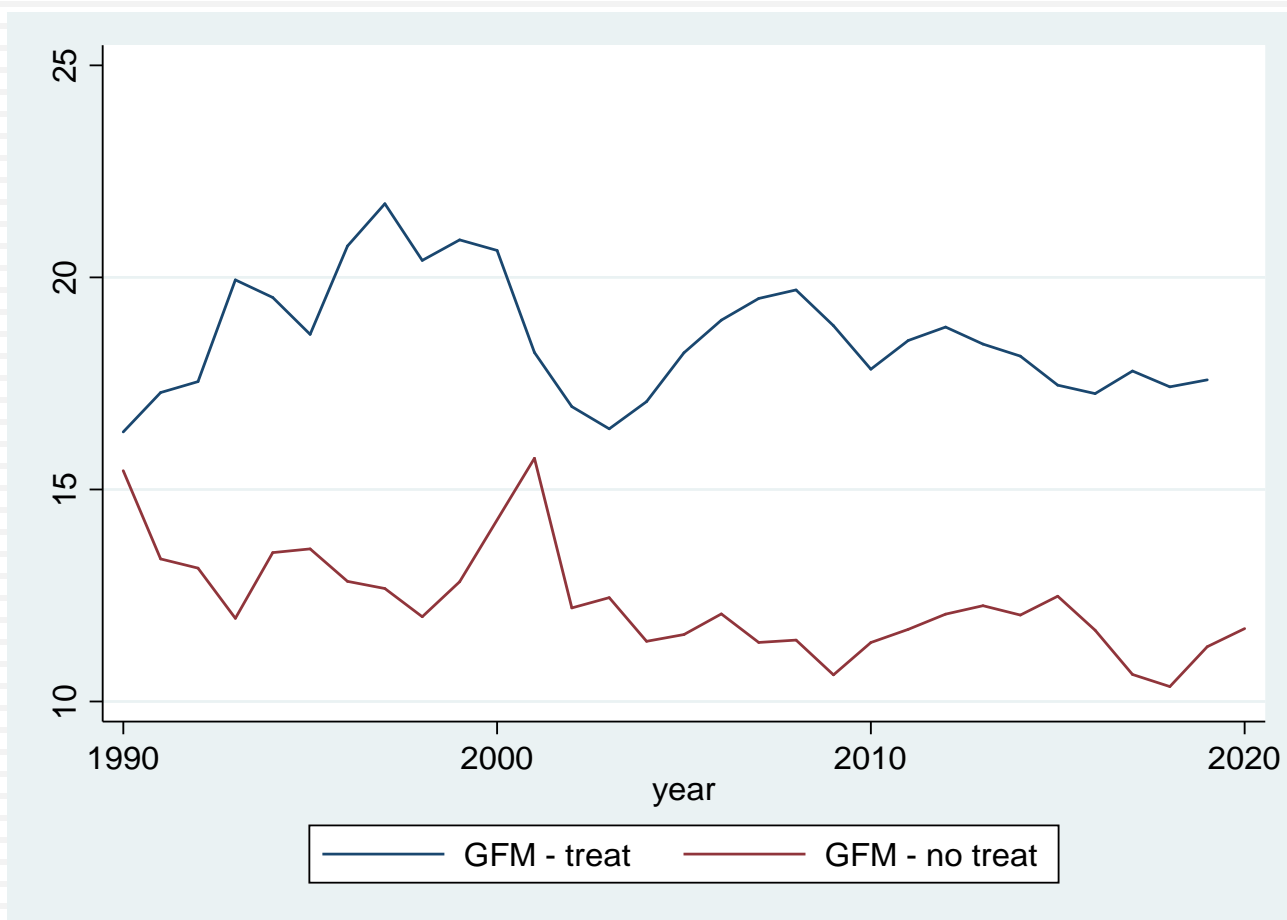


Stylized facts on cross border exchange of information (EOIR) for tax purpose in Africa (1)



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Figure 2: Tax revenue (% GDP), membership vs non-membership of GFM



Empirical Analysis

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Empirical model specification

$$Tax_{it} = \delta GFM_{it} + \beta X_{it} + \vartheta_i + \mu_t + \varepsilon_{it} \quad (1)$$

Tax_{it} represents the tax revenue in proportion of GDP for country i at the year t

GFM_{it} is a dummy variable which takes the value 1 in country i at the year t if country i is a member of the Global Forum for the exchange of information for tax purpose and 0 otherwise.

X_{it} is the set of standard determinants of tax revenue including political, institutional, and economic variables.

ϑ_i is the country fixed effects; μ_t are time dummies, ε_{it} and the usual independent and identically distributed error term.



Estimation method

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- Panel fixed effect regressions
- Propensity score matching technique

▣ Baseline specification estimates

Tax revenue (%GDP)	
GFM	0.034**
	(0.014)
Constant	2.426***
	(0.045)
Observations	356
Number of countries	32
R2	0.230

Results / Sensitivity analysis

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	1st nearest	3rd nearest	Radius matching			Kernel matching	llr matching
			r=0.045	r=0.09	r=0.18		
Sensitivity analysis of the main results							
ATT							
[1] Controlling for corruption	0.139	0.112	0.136*	0.129**	0.112**	0.131*	0.135*
	(0.093)	(0.082)	(0.071)	(0.060)	(0.050)	(0.071)	(0.074)
[2] Controlling for tax compliance	0.082	0.054	0.113**	0.068	0.089*	0.098*	0.073
	(0.078)	(0.067)	(0.056)	(0.052)	(0.049)	(0.057)	(0.067)
[3] Controlling for human capital	0.172*	0.118	0.111	0.124*	0.115**	0.120*	0.161**
	(0.091)	(0.082)	(0.069)	(0.067)	(0.058)	(0.068)	(0.068)
[4] Controlling for first exchange of information	0.125	0.119*	0.083	0.070	0.089**	0.079	0.084
	(0.076)	(0.068)	(0.055)	(0.049)	(0.044)	(0.051)	(0.054)
[5] Controlling for the commitment to the AEOI	0.071	0.086	0.079	0.066	0.089**	0.078	0.083
	(0.081)	(0.061)	(0.054)	(0.049)	(0.044)	(0.055)	(0.053)
[6] Controlling for remittances	0.090	0.059	0.060	0.085*	0.101**	0.070	0.075
	(0.080)	(0.064)	(0.053)	(0.048)	(0.045)	(0.052)	(0.051)

Conclusion and policy implications

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This paper provides empirical evidence on the impact of cross border exchange of information for tax purpose on tax revenue for African economies.

Results confirm that EOI levels the playing field in terms of information asymmetry and boosts tax collection.

➔ Joining the Global Forum's increasing from 5% to 19% worth of GDP.

We recommend policymakers to work towards greater collaboration between national tax jurisdictions through the exchange of information for tax purposes



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Thank you for your kind attention