Tax administration reform in certain African Tax Administration Forum members in Southern Africa

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Mini-dissertation submitted in partial fulfilment of the requirementsfor the degree *Magister Commercii* in South African and International Taxation at the Potchefstroom Campus of the North-West University

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November 2013

NORTH-WEST UNIVERSITY
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ACKNOWLEDGEMENTS

It is my privilege to acknowledge the following individuals for their contribution to this research:

- My wife, parents, brother and mother-in-law, for their continued support, motivation and understanding during the process of finalizing the research in question.

- Miss Melissa Lubbe, for her patience and constant guidance.

- The personnel of the Ferdinand Postma Library, for their assistance in obtaining research material.

- Mrs Denise Kocks, for performing the language editing of this mini-dissertation

ABSTRACT

During August 2008 commissioners, senior tax administrators and policy makers from 28 African countries attended the International Conference on Taxation, State Building and Capacity Development in Africa. The objective of the conference had been to investigate how African countries can improve their resource mobilization, thereby decreasing Africa's reliance on foreign aid, improving the fiscal independence of African countries and improving the living conditions of their citizens. It was identified during the conference that African countries can improve their resource mobilization through an improvement of their existing taxation structures. An improvement in existing taxation structures could in turn be achieved through improved sharing of information between African tax authorities on their tax structures currently in place, as well as the habits of their respective taxpayers. In order to facilitate the improved sharing of information, as well as to better equip African Tax Administrations for the task at hand, the African Tax Administration Forum (ATAF) was formed.

The aim of this research is to determine whether any progress has been made regarding tax administration reform by African countries following the Conference on Taxation, State Building and Capacity Development in Africa, during the period 2008 to 2012. This has been determined by evaluating the structures of the ATAF and the activities implemented by the ATAF during the period 2008 to 2012 to meet its initial strategic objectives. Secondly, African countries that were previously members of SADC, and have since become members of the ATAF as well, were evaluated in order to determine whether the countries in question have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the tax administration and governance structures of the countries in question. Furthermore, an evaluation was performed as to whether the improvements have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question, during the period 2008 to 2012.
The conclusion arrived at reveals that the ATAF has implemented several activities during the period 2008 to 2012, to meet its initial strategic objectives. Furthermore, all the analysed African countries have improved their tax administration structures

during the period 2008 to 2012. Unfortunately, not all the countries analysed have been able to improve their governance structures during the period 2008 to 2012 as well. However, where a country has been able to improve both its tax administration and governance structures during the period 2008 to 2012, its fiscal independence and humanitarian conditions have also improved during the period 2008 to 2012 .

KEYWORDS

- African Tax Administration Forum (ATAF)
- Fiscal independence
- International Conference on Taxation, State Building and Capacity Development in Africa
- Organisation for Economic Co-operation and Development (OECD)
- Revenue mobilization
- Sharing of information
- Tax effort

UITTREKSEL

In Augustus 2008 het kommissarisse , senior belasting-administrateurs en beleidmakers van 28 Afrika-lande die Internasionale Konferensie oor belasting, Staatsontwikkeling en kapasiteitsontwikkeling in Afrika bygewoon. Die doel van die konferensie was om te ondersoek hoe Afrika-lande hul mobilisering van hulpbronne kan verbeter , en sodoende Afrika se afhanklikheid van buitelandse hulp kan verminder. Sodoende kan Afrika-lande hul fiskale onafhanklikheid verbeter en kan Afrika-regerings die lewensomstandighede van hul burgers ophef. Tydens die konferensie is daarop klem gele dat Afrika-lande hul mobilisering van hulpbronne kan verbeter deur middel van 'n verbetering in hul huidige belastingstrukture. Huidige belastingstrukture kan verbeter word deur middel van 'n bevordering van die uitruil van inligting tussen Afrika-lande se belasting-owerhede. Ten einde hierdie doel te bevorder, is die Afrika Belasting Administrasie Forum (ATAF) gevorm.

Die doel van hierdie navorsing is om vas te stel of enige vordering gemaak is met betrekking tot belasting-administrasie-hervorming deur Afrika-lande, na aanleiding van die Konferensie oor belasting, Staatsontwikkeling en kapasiteitsontwikkeling in Afrika gedurende die periode 2008 tot 2012. Dit is bepaal deur die evaluering van die strukture van die ATAF en die aktiwiteite wat uitgevoer is deur die ATAF gedurende die tydperk 2008 tot 2012 om die organisasie se aanvanklike strategiese doelwitte te bereik . Hierna is Afrika-lande wat voorheen lede van die SAOG , en sedertdien ook as lede van die ATAF aangesluit het, geëvalueer om te bepaal of die betrokke lande belasting-administrasie en bestuurshervormings geïmplementeer het gedurende die periode 2008 tot 2012 , wat gelei het tot 'n verbetering in die belasting-administrasie en bestuursstrukture van die betrokke lande. Verder is 'n evaluering uitgevoer om te bepaal of die verbeterings gelei het tot 'n verbetering in die fiskale onafhanklikheid en humanitêre omstandighede van die betrokke lande, gedurende die periode 2008 tot 2012.

Die studie het tot die gevolgtrekking gekom dat die ATAF verskeie aktiwiteite geïmplementeer het gedurende die periode 2008 tot 2012 om sy aanvanklike strategiese doelwitte te bereik. Verder het al die Afrika-lande wat ontleed is 'n verbetering in hul belasting-administrasie-strukture gedurende die periode 2008 tot

2012 getoon. Ongelukkig was nie al die lande wat ontleed is daartoe in staat om ook hul bestuursstrukture gedurende die tydperk 2008 tot 2012 te verbeter nie. Maar waar 'n land in staat was om beide sy belasting-administrasie en bestuur-strukture te verbeter gedurende die periode 2008 tot 2012, het sy fiskale onafhanklikheid en humanitêre toestande wel verbeter gedurende die tydperk 2008 tot 2012.

SLEUTELWOORDE

- Afrika Belasting Administrasie Forum (ATAF)
- Fiskale onafhanklikheid
- Internasionale Konferensie oor Belasting, Staatsontwikkeling en Kapasiteitsontwikkeling in Afrika
- Organisasie vir Ekonomiese Ondersteuning en Ontwikkeling (OECD)
- Omsetmobalisering
- Deel van inligting
- Belastingmoeite

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LIST OF ABBREVIATIONS

ACC	- Anti-Corruption Commission
AEO	- African Economic Outlook
AfDB	- African Development Bank
ATAF	- African Tax Administration Forum
CPI	- Corruption Perception Index
DFID	- Department for International Development
DIRCO	- Department of International Relations and Cooperation
EC	- European Commission
ECA	- Economic Commission for Africa
EFF	- Extended Fund Facility
EITI	- Extractive Industries Transparency Initiative
EOI	- Exchange of Information
EU	- European Union
EUR	- Euro
FDI	- Foreign Direct Investment
FIRS	- Federal Inland Revenue Service
GDP	- Gross Domestic Product
GPA	- Global Political Agreement
GTZ	- German Agency for Technical Cooperation
IG	- Inclusive Government
IMF	- International Monetary Fund

KRA	- Kenyan Revenue Authority
MRA	- Malawi Revenue Authority
NORAD	- Norwegian Agency for Development and Cooperation
OECD	- Organisation for Economic Cooperation and Development
PEPFAR	- President Emergency Plan For AIDS Relief
RRA	- Rwanda Revenue Authority
SACU	- South African Customs Union
SADC	- Southern African Development Community
SARS	- South African Revenue Service
SCR	- Seychelles Rupees
SME	- Small to Medium-sized Entity
SRC	- Seychelles Revenue Commission
TRA	- Tanzania Revenue Authority
UN	- United Nations
UNDP	- United Nations Development Programme
USD	- United States Dollars
VAT	- Value Added Tax
WB	- World Bank
ZIMRA	- Zimbabwe Revenue Authority
ZMK	- Zambian Kwatcha
ZRA	- Zambia Revenue Authority

CHAPTER ONE: INTRODUCTION

1.1 Introduction

1.1.1 Background

When viewing Africa today, one is gripped by a seemingly unavoidable paradox. On the one hand, Africa is seen as a continent which is finally ready to live up to its full potential (Andrew, 2011:4-5); a continent rich with natural resources and a growing consumer market (Kgosana, 2011:2-3). Yet, at the same time, one cannot avoid viewing the continent as one gripped with poverty; a continent which to a great extent relies on foreign aid to provide basic services to its citizens. In terms of the estimates made during the United Nations Millennium Summit in 2000, by 2015 USD 189 billion a year in external assistance will be required to meet the United Nations Millennium Development Goals set with regards to poverty reduction and education in Africa (Actionaid UK, 2009:1).

In light of the above, Africa requires effective resource mobilization in order to break free from the grip of poverty and become a true world player; and among the various means of resource mobilization, tax is the most closely related to questions of state formation and capability (WB, 2008:4).

This principle was explored in greater detail by commissioners, senior tax administrators and policy makers from 28 African countries during the International Conference on Taxation, State Building and Capacity Development in Africa (ATAF, 2008).

According to Mr Trevor Manuel, former South African Minister of Finance, in his address to the delegates in attendance at the Conference on Taxation, State Building and Capacity Development in Africa from 28 to 29 August 2008, one of the most significant challenges facing Africa today is how to rid itself of its dependence on foreign aid and reduce its levels of foreign debt. An important factor to consider in this regard is how to improve the various tax administrations on the continent. Improved tax administration assists a country in obtaining the necessary revenues to pursue its own national growth programmes. Improved national growth serves the needs of the people, strengthens government authority and improves stability of the country as a whole. This is due to the fact that effective revenue administration not only aids a country in adding to the national budget, but is also a cornerstone of good governance. When governments are forced to negotiate with their citizens on how tax revenues are to be generated, this in turn forces government accountability with regard to spending tax revenues in question (Manuel, 2008:3-4).

Two matters were identified as key areas for deliberation and improvement by Mr Trevor Manual (then Minister of Finance, South Africa, and Member of Parliament). Firstly, African countries can improve their various tax administration regimes through sharing the knowledge gained in respect of effective and efficient tax administration. The key is to build stronger networks between African countries, and their respective revenue authorities. Secondly, tax administration reform can serve as a means of obtaining fiscal independence, thereby assisting governments in meeting the needs of their citizens (SARS, 2008).

As a direct result of the International Conference on Taxation, State Building and Capacity Development in Africa, the African Tax Administration Forum (ATAF) was formed. The aim of the ATAF is to forge new relationships between its member countries, thereby improving the revenue collection efforts of the countries in question through the sharing of information and expertise on all issues of taxation. Secondly, the ATAF strives to engage in an on-going dialogue with its counterparts in the Organization for Economic Cooperation and Development (OECD) countries, other multi-lateral organisations and other relevant organisations in order to identify means of improving the revenue collection efforts of the various tax administrations in Africa (ATAF Interim Secretariat, 2011:10).

However, did it all merely amount to political window dressing or are Africa's leaders truly committed to ensuring a change for the better, for its people? In order to answer this question, one has to assess what progress has been made pertaining to sharing of information in respect of tax administration by the ATAF. Secondly, one needs to assess whether reforms have been made to tax administration and governance by the African countries in question. Furthermore, one needs to assess whether these reforms have improved the tax administration and governance structures of the countries in question, which in turn have led to improved fiscal independence and an improvement in the humanitarian conditions of the people of the respective countries.

1.1.2 Rationale for the study

It would seem that Africa finally has the means to stand up and rid itself of its legacy of poverty and dependence on foreign aid. However, the continent needs to improve its tax administration capabilities (Actionaid UK, 2009:1-2). On the international front, the OECD organized the first international Tax and Crime Conference hosted by the Norwegian government in Oslo, Norway, aimed at finding more effective means to combat tax evasion (OECD, 2011a). In addition, the United States Senate has ratified the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. The act requires greater disclosures by companies operating in the extraction industry, namely dealing in oil, natural gas and minerals (United States Securities and Exchange Commission, 2010). This will provide African tax authorities with greater disclosure into the operations of multinational corporations operating within Africa.

As can be seen from the above, the topic is current and deals with relevant issues facing not only South Africa, but also Africa. Focusing on the above-mentioned information, the problem statement and research objectives are presented below.

1.2 Problem statement

The main purpose of this study is to determine what progress has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the promotion of tax administration reform in Africa.

1.3 Research objectives

The research is guided by the following specific research objectives:

(i) To analyse the structures of the ATAF. This will be addressed in Chapter Two.

(ii) To assess the activities implemented by the ATAF during the period 2008 to 2012 to meet the initial strategic objectives the organization has set for itself. This will be addressed in Chapter Two.

(iii) To evaluate whether Southern African countries which form part of the Southern African Development Community (SADC), as well as members of the ATAF, have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the respective countries' taxation and governance structures. Furthermore, to evaluate whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question, during the period 2008 to 2012. This will be addressed in Chapter Three.

(iv) To draw conclusions and make recommendations regarding the progress that has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the promotion of tax administration reform in Africa. This will be addressed in Chapter Four.

1.4 Research methods

1.4.1 Research approach

According to Mouton and Marais, the research approach is significantly impacted by the nature of the subject matter and the research goals at hand (Mouton & Marais, 1988:169).

In light of the nature of the research that needs to be performed, a literature review as well as a comparative study must be performed. A literature review requires one to obtain an understanding of the literature at hand, critically analyse and reflect upon the literature in question, and subsequently make reasoned judgements based on the findings in question (Saunders *et al*., 2009:65). A comparative study, according to Ragin, is any technique that furthers the goal of analysing variation (Ragin,1987:2).

The literature review and comparative study will predominantly be based on secondary data, as discussed per paragraph 1.4.2. Secondary data consists of data that has been collected for some other purpose, but that is now to be reanalysed (Saunders *et al*., 2009:256).

1.4.2 Research design

According to Saunders, research design serves as a general plan of how one intends to go about solving the research objectives (Saunders *et al*., 2009:136).

In order to address research objective (i) and (ii), a literature review will be performed using mainly data from secondary sources, which are newspaper articles about the ATAF, internal ATAF documents dealing with the structures of the organization and its activities implemented during the period 2008 to 2012, as well as documents prepared by the OECD and Internal Monetary Fund (IMF) detailing their interaction with the organization during the period 2008 to 2012.

The study then proceeds, performing a comparative study as well as a literature review in respect of reforms relating to tax administration, governance, fiscal independence and humanitarian conditions, implemented during the period 2008 to 2012, by countries that are members of both the SADC and the ATAF. This is perfomed in order to address research objective (iii). Southern African countries forming part of the SADC as well as the ATAF are to be selected for the basis of study due to the fact that certain pre-existing goals of the SADC (SADC, 2001) speak to the areas identified as key areas for deliberation and improvement during the International Conference on Taxation, State Building and Capacity Development in Africa (refer paragraph 1.1.1).

The tax administration reforms will firstly be identified by performing a comparative study using data from secondary sources. Data per the website of the African Economic Outlook (AEO) will be assessed. The data in question is based on information provided by the African Development Bank (AfDB) the OECD Development Centre, the United Nations Commission for Africa and the United Nations Development Programme (UNDP) (AfDB *et al.*, 2013a:3). Secondly, the countries' tax revenues per gross domestic product, available per the website of the AEO, will be evaluated in order to assess whether tax revenues have improved. Thirdly, information obtained per the Mo Ibrahim Foundation when evaluating the adherence to good governance by African states, is to be analysed, as it relates to revenue collection (Mo Ibrahim Foundation, 2012b:3). The Mo Ibrahim Index of African Governance measures the adherence to good governance by the African countries included in its survey. The survey currently includes 52 African countries, and evaluates both country and regional performances across the continent. The survey evaluates the adherence to the principles of good governance by an African state from the perspective of its citizen, and includes all the political, social and economic criteria that a citizen can reasonably expect its state to meet (Mo Ibrahim Foundation, 2012b:6). The information is to be analysed in order to identify any potential improvements made regarding tax administration.

In order to identify any governance reforms implemented by the countries in question, a comparative study will be performed using data from secondary sources. A study in respect of the overall ratings per the Mo Ibrahim Index of African Governance, during the period 2008 to 2012, is to be performed. Furthermore, the Corruption Perceptions Index (CPI), published by Transparency International, will be analysed during the period 2008 to 2012. The organization monitors the perception of corruption in individual countries, based on information obtained from its public, analysts, business professionals and experts. On an annual basis, the organization publishes the CPI, using the information in question (Business Times, 2013).

In order to identify fiscal independence reforms, a comparative analysis of secondary sources will be performed. The category three ratings per the Mo Ibrahim Index of African Governance will be analysed during the period 2008 to 2012. The category three ratings measure the creation of a sustainable economic environment by an African country for its citizens (Mo Ibrahim Foundation, 2012b:5-6). In addition, a comparative analysis of grant revenue as a percentage of Gross Domestic Product (GDP), as identified per the AEO, will be performed. The ratio measures the reliance of a country on foreign aid and external debt to finance its economy (AfDB *et al.*, 2012a:6).

In order to identify humanitarian reforms, a comparative analysis of secondary sources will be performed. The category four ratings per the Mo Ibrahim Index of African Governance, which pertain to human development (Mo Ibrahaim Foundation, 2012b:5-6), will be assessed during the period 2008 to 2012.

Furthermore, a literature review will be performed in order to identify any reforms pertaining to tax administration, governance, fiscal independence and humanitarian conditions implemented during the period 2008 to 2012, as well as to gain a better understanding in respect of the fluctuations in question. The literature review will predominantly be based on secondary sources namely tax summaries compiled by Deloitte, Ernst & Young, KPMG and BDO, as well as newspaper articles evaluating the progress made in respect of tax administration, governance, fiscal independence and humanitarian conditions by the countries in question.

Subsequent to the evaluation, the research questions posed per paragraph 1.4.1 (i), (ii) and (iii), the results and conclusions of the research in question will finally be assessed, in order to address research objective (iv) (Saunders *et al.*, 2009:537).

1.5 Delineations and inherent research limitations of the study

1.5.1 Delineations

The focus of this study was limited as follows:

The evaluative literature review of the structures of the ATAF and the activities performed to meet its initial strategic objectives as it pertains to the sharing of information and expertise between African member countries on all matters of taxation, has been limited to the period 2008 to 2012. Following the International Conference on Taxation, State Building and Capacity Development in Africa in August 2008, a Technical Task Team was assembled during October 2008 to consider the establishment of the ATAF. Subsequently, the ATAF was established at its inaugural conference in Kampala in November 2009. The ATAF Council met in Tunisia during November 2010 to approve the ATAF Strategic Plan for the period 2011 to 2013 (ATAF, 2008). The Strategic Plan outlines the strategic objectives of the ATAF, and the key activities that are to be implemented to meet the objectives in question (ATAF Interim Secretariat, 2011:10-22). During September 2012, the ATAF adopted a new Draft Strategic Plan for the period 2013 to 2015, during its Second General Assembly Meeting in Senegal (ATAF, 2012a). In light of the above, the structures of the ATAF and the key activities implemented by the ATAF to meet these initial strategic objectives will be assessed during the period 2008 to 2012. The period in question will be analysed in order to determine whether any progress had been made regarding the sharing of information and expertise between African member countries on all matters of taxation.

The comparative analysis and evaluative literature review have been limited to tax administration reforms, improvements in governance, improvements in fiscal independence and subsequent reforms in social welfare, of countries forming part of the ATAF and SADC, during the period 2008 to 2012.

The indicators assessed per the comparative analysis in respect of tax administration reforms have been limited to the tax effort ratio per the AEO during the period 2008 to 2012, as well as the revenue collection indicator per the Mo Ibrahim Index of African Governance during the period 2008 to 2012.

The indicators assessed per the comparative analysis in respect of governance reforms have been limited to the overall score and ranking per the Mo Ibrahim Index of Africa Governance, during the period 2008 to 2012, and the CPI score and ranking per Transparency International, during the period 2008 to 2012.

The indicators assessed per the comparative analysis in respect of fiscal indepedence reforms have been limited to the score and ranking per category three of the Mo Ibrahim Index of African Governance during the period 2008 to 2012, and the ratio measuring grant revenue as a percentage of GDP during the period 2008 to 2012, provided by the AEO.

The indicator assessed per the comparative analysis in respect of humanitarian reforms has been limited to the score and ranking per category four of the Mo Ibrahim Index of African Governance during the period 2008 to 2012.

1.5.2 Limitations

Information obtained from the AEO pertaining to 2012 tax revenues as a percentage of GDP, as well as grant revenues as a percentage of GDP (refer paragraph 1.4.2), have been based on estimated results. This is due to the fact that actual results had not as yet been published per the AEO website in 2013 (AfDB *et al.*, 2013a:12).

1.6 Assumptions

The information formulated by the AEO, the Mo Ibrahim Foundation and Transparency International (refer paragraph 1.4.2) has been accepted as reliable, and not corroborated by a review of the underlying data provided by their respective development partners.

1.7 Definition of key terms

1.7.1 Resource mobilization

The ability of a country to generate additional sources of income (ATAF Interim Secretariat, 2011:2).

1.7.2 Tax effort

The tax resources generated by a country, as a percentage of the gross domestic product of the country in question (Bird *et al*., 2008:55).

1.7.3 The arm's length principle

The principle applies to transactions between related parties, and states that when related parties transact with each other, the transaction should be taxed as if each party acted in its own best interest and transacted with an independent third party (Jooste, 2011).

1.7.4 Transfer mispricing

Transfer mispricing occurs when taxpayers do not adhere to the arm's length principle, and manipulate the prices of goods and services between companies within the same group of companies. The objective is to manipulate the profitability of the various companies within the group, thereby shifting the profitability of the various companies within the group from jurisdictions with a higher tax rate to jurisdictions with a lower tax rate (Roberts, 2011).

1.7.5 Fiscal independence

This is the ability of a country to implement its own macro-economic policies, when compared to existing market conditions (Manuel, 2008:3-4).

1.8 Chapter outline

The anticipated layout of this research is as follows:

Chapter One firstly introduces the background to the research and the rationale for the study. Secondly, the chapter formulates the problem statement to be investigated and the research objectives to address the problem statement in question. Thirdly, the chapter highlights the research approach and research design to be followed to achieve the stated research objectives. Fourthly, the chapter identifies the delineations, limitations and key assumptions of the study. Finally, the chapter provides definitions for key terms used during the research.

Chapter Two contains an overview of the structures of the ATAF. Secondly, the key activities implemented by the ATAF to meet its initial strategic objectives during the period 2008 to 2012 are analysed. The structures of the ATAF and the key activities implemented by the organization to meet its initial strategic objectives during the period 2008 to 2012, are analysed in order to determine whether any progress had been made regarding the sharing of information and expertise between African member countries, on all matters of taxation.

Chapter Three evaluates whether Southern African countries which form part of the SADC, as well as members of the ATAF, have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the respective countries' taxation and governance structures. Furthermore, the chapter evaluates whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question during the period 2008 to 2012.

Chapter Four highlights the key findings of the research. An evaluation of whether each of the research objectives as per paragraph 1.3 have been met, is subsequently performed. Following this, a summary of contributions made to the research is provided and areas for future research are highligted. Finally, the chapter evaluates what progress has been made during the period 2008 to 2012 regarding the promotion of tax administration reform in Africa, following the International Conference on Taxation, State Building and Capacity Development in Africa in 2008.

CHAPTER TWO: THE AFRICAN TAX ADMINISTRATION FORUM

2.1 Introduction

According to former United States President James Madison: “the power of taxing people and their property is essential to the very existence of government” (IRS, 2013). The point in question was emphasized by the chairperson of the ATAF, Mr Oupa Magashula, during his address to members of the ATAF at the organisation’s Second General Assembly Meeting in September 2012. Magashula warned that countries that cannot sufficiently generate their own revenue inflows are at the mercy of donors, creditors and international organizations to fund the operations of the state (Magashula, 2012:2).

It is this realisation that lies at the heart of the formation of the ATAF, following the International Conference on Taxation, State Building and Capacity Development in Africa, held in 2008. The International Conference on Taxation, State Building and Capacity Development in Africa was attended by commissioners, senior tax administrators and key policy makers from the 39 countries, 28 being from Africa. The attendees recognised the importance of mutual cooperation and sharing of information by all African revenue authorities in respect of tax related matters (E&Y, 2011).

Following the International Conference on Taxation, State Building and Capacity Development in Africa, a Technical Task Team was assembled in October 2008 to consider the establishment of the ATAF (ATAF, 2008). The ATAF was formed during November 2009 with the aim of improving domestic sources of funding in the form of taxation. This would be achieved through the sharing of information by member countries on tax-related matters. Improved resource mobilization would in turn decrease the reliance by African countries on international development aid and private capital flows to fund their economies, which have stagnated or decreased following the global economic crisis (OECD, 2009 -2010:25-26). The ATAF Council met in Tunisia during November 2010 to approve the ATAF Strategic Plan for the period 2011 to 2013 (ATAF, 2008). The Strategic Plan outlines the strategic objectives of the ATAF (refer paragraph 2.3), and the key activities that are to be implemented to meet these objectives (refer paragraph 2.4) (ATAF Interim Secretariat, 2011:10-22). During September 2012, the ATAF adopted a new Draft Strategic Plan for the period 2013 to 2015, during its Second General Assembly Meeting in Senegal (ATAF, 2012a).

The objective of this chapter as described in objective (i), paragraph 1.3 is to analyse the structures of the ATAF in greater detail. Following this, per objective (ii), paragraph 1.3, the activities implemented by the ATAF in meeting its initial strategic objectives during the period 2008 to 2012 will be assessed. The aim of the assessment in question is to evaluate the progress made since the International Conference on Taxation, State Building and Capacity Development in Africa regarding the sharing of information and expertise between African member states in respect of tax-related matters.

2.2 Background

2.2.1 Structures within the ATAF

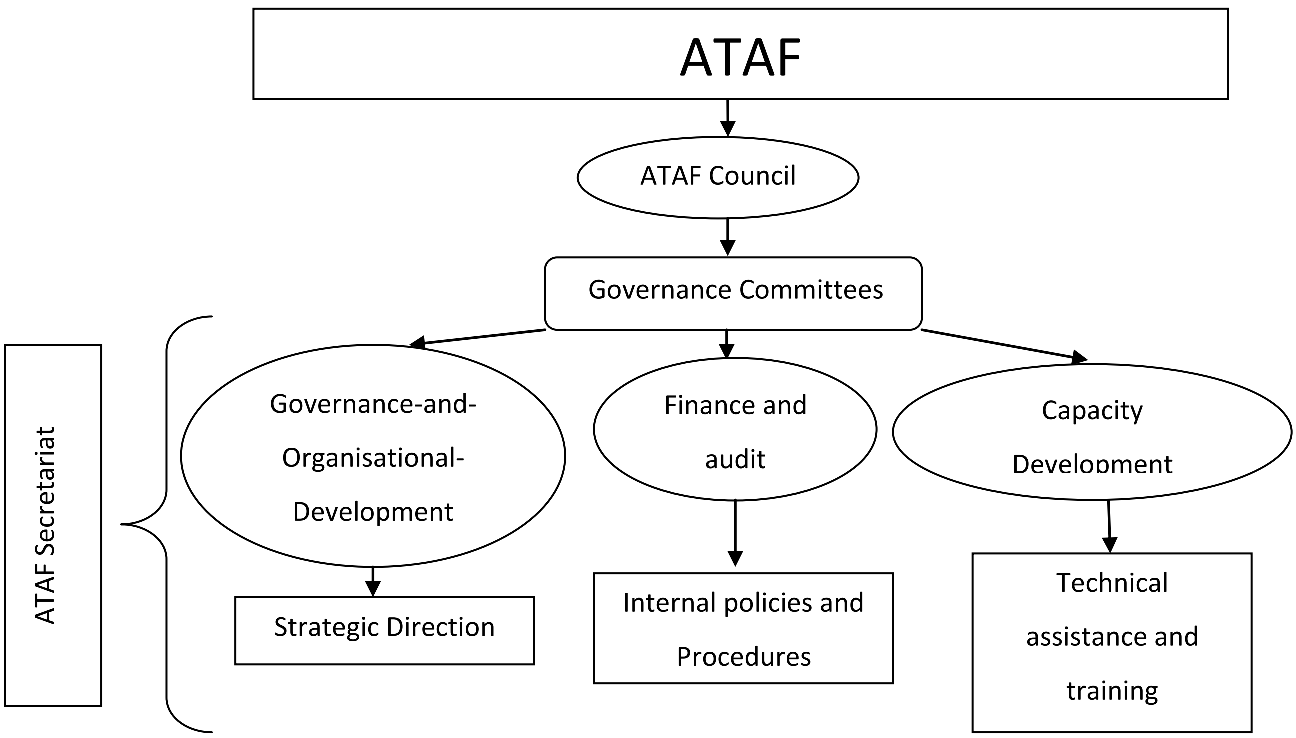
The ATAF consists of various structures, as detailed per Figure 2.1. The ATAF Council has been formed with the aim of guiding the organization in achieving its objectives. The ATAF Council is responsible for the overall management of the business of the ATAF, subject to such directives as may be given by the General Assembly. Governance Committees have been established by the ATAF Council, in order to ensure that the various tasks of the organization are completed effectively and within the agreed upon timeframe. The Governance Committees are managed by the member countries of the ATAF (ATAF Interim Secretariat, 2011:11-12).

The Committees in question consist of a governance-and-organizational-development committee, finance-and-audit committee and a committee dedicated to capacity development through technical assistance and research and development. The governance-and-organizational development committee is led by Botswana, South Africa and Zimbabwe and focuses on reviewing the strategic direction of the organization and the adoption of plans to ensure that it is achieved. The finance-and-audit committee is managed by Ghana, Morocco, Nigeria and Senegal. The committee pays particular attention to internal policies and procedures, and the compliance thereof within the organization. In addition the committee is required to prepare as well as review reports relating to the financial planning and financial reporting of the organization. The committee relating to capacity development and technical assistance is managed by Gabon, Kenya and Rwanda. The committee strives to provide strategic direction in the areas of technical assistance and training, in relation to the development needs of the various member countries within the organization (ATAF Interim Secretariat, 2011:12-13).

An important lynch pin within the organization is the ATAF Secretariat. The purpose of the Secretariat is to evaluate the decisions taken by the three committees described above, and to ensure that the decisions in question are subsequently implemented at the correct levels within the organization (ATAF Interim Secretariat, 2011:13-14).

The basic strucutures of the ATAF, as discussed above, have been summarised per Figure 2.1 below.

Figure 2.1: Basic structure of the ATAF



Source: Compiled by author, based on information provided per the ATAF Interim Secretariat (ATAF Interim Secretariat, 2011:12-14).

2.2.1.1 ATAF Secretariat

In light of the critical function of the ATAF Secretariat, it is important to ensure that the structures within the ATAF Secretariat are clearly defined and secondly that the staff employed by it or seconded to it possess the necessary skills and experience. The structures within the ATAF Secretariat relate to its core functions and can be broken down as follows:

- Capacity development, research and programmes
- Corporate affairs
- Institutional development and stakeholder relations

Capacity development, research and programmes, relate to the formulation of research projects and the training of staff, in order to address the need for experienced tax officials in Africa. During the period 2011 to 2012 two major research projects were undertaken, namely a diagnostic study and a needs assessment study. The aim of the diagnostic study had been to obtain a better understanding of the tax systems currently in operation by the ATAF member countries across the continent. Work on the diagnostic study had commenced in 2011 (ATAF, 2011d:7), and had been finalized at the end of 2012 (Monkam, 2012:2). The research projects enabled the ATAF to gain an understanding of the tax systems currently in place, in respect of the various African regions. This will in turn enable the ATAF to identify where improvements are required and organize technical events to improve the tax systems in question. Furthermore, potential donors will have greater transparency in respect of the utilization of their funding (ATAF, 2011c:2).

The needs assessment study focused on the major topics and needs of African Tax Administrations in order to define the reform priorities across the African continent (ATAF, 2011d:7). The research in question had been finalised in 2012 (Monkam, 2012:2). As a result of the research, it has been identified that ATAF member countries require assistance with Information and Communication Technologies (ICT). Existing ICT systems need to be upgraded and integrated, in order to provide African Tax Administrations with a cost-effective means of obtaining information relating to the tax payers operating within their countries. Secondly, assistance is required with regard to capacity development and the improvement of existing audit skills, within each of the current African Tax Administrations. An improvement is specifically required in respect of the audit skills relating to transfer pricing, thin capitalization and intangible assets. Thirdly, the development of an effective means whereby the informal sector in Africa can be taxed is required. Fourthly, a need has been identified for an efficient sharing of information between various African Tax Administrations and government bodies. The ATAF will focus on how to integrate the recommendations of the study, with its activities that are currently underway, as evaluated per paragraph 2.4 (Monkam, 2012:25).

The core function of the ATAF Secretariat pertaining to corporate affairs is focused on ensuring that the following aspects of the organization are effectively managed:

- Finance and logistics
- Donor co-ordination
- Information technology
- Human resource management
- Translation and registration of the ATAF

In order to assist the ATAF Secretariat in achieving the goals it has set for itself relating to its corporate affairs, the ATAF Interim Secretariat has been established within the structures of the South African Revenue Services (SARS), until such time as the ATAF becomes a fully independent organization (ATAF Interim Secretariat, 2011:13). Furthermore, South Africa, Nigeria and Botswana have all seconded tax officials to the ATAF Interim Secretariat on a full-time basis, while the legal processes within the ATAF are being finalized (ATAF, 2010c:3).

In addressing institutional development and stakeholder relations, the ATAF Secretariat aims to focus on improving the dialogue between the tax administrations within the organization, the development partners of the ATAF and other institutions (ATAF Interim Secretariat, 2011:13-14). In order to ensure the support of the development partners of the ATAF, the ATAF has engaged with its development partners on a strategic basis. During May 2010, a workshop was held with representatives of the EC, European Union (EU), France, Norway, Germany, the Netherlands, Switzerland and the OECD. The meeting provided an opportunity for the ATAF and its development partners to prepare a roadmap in order to clarify which objectives need to be achieved by the ATAF, in order to ensure future funding by its development partners (ATAF, 2010a:4).

2.2.2 Development partners of the ATAF

The ATAF is assisted in its efforts by its development partners. The development partners in question are the AfDB, the International Tax and Development Centre, the Netherlands Foreign Ministry, Irish Aid, the EC, the Department for International Development (DFID), GTZ, NORAD, The Foreign Ministry of Switzerland, the OECD and International Monetary Fund (IMF) (ATAF, 2010d:4). The development partners of the ATAF have agreed to provide the funding for a significant portion of the expenditure of the operations of the ATAF, during the three year period from November 2010 to December 2013 (ATAF, 2010i:5).

2.3 Objectives of the ATAF

Mr Oupa Magashula (President of the ATAF, and former SARS Commissioner) highlighted the following key matters during his address on 4 August 2009 to African ambassadors in attendance. During his address, he highlighted the fact that African countries require assistance to tax multinational corporations operating within their borders effectively, to increase transparency on tax-related matters and to implement internationally agreed standards on exchange of information to counter tax evasion (Magashula, 2009). The ATAF Council met in Tunisia during November 2010 to approve the ATAF Strategic Plan for the period 2011 to 2013 (ATAF, 2008). The initial strategic objectives of the ATAF, per its Strategic Plan, echo the sentiments of Mr Magashula, and are as follows (ATAF Interim Secretariat, 2011:10-11):

1. To strengthen African Tax Administrations to improve domestic resource mobilization for economic development.
2. To enhance the professionalism of African Tax Administrators through capacity development, dialogue and interaction.
3. To innovate, develop, share and implement best practices in Africa regarding revenue administration.
4. To combat tax evasion and avoidance through cooperation between African Tax Administrations, authorities and international stakeholders.
5. To develop key relations with civil society.
6. To ensure greater synergy and cooperation in capacity development among all relevant stakeholders in order to give greater support to African Tax Administrations.
7. To provide a mechanism allowing African perspectives on tax issues to inform and influence the global dialogue on tax issues.

2.4 Activities performed by the ATAF

Several activities have been performed by the ATAF to date, in order to achieve the seven objectives it has set for itself as indicated in paragraph 2.3. These activities will be analysed in greater detail below.

2.4.1 Online platforms

The ATAF has sought to improve the online platforms relating to matters of taxation currently on offer to African member countries (ATAF Interim Secretariat, 2011:15). As such, the ATAF seeks to establish and manage an African Tax Centre (ATC). A report prepared by the ATAF Council, in respect of the feasibility of establishing an ATC, has been approved at the second ATAF General Assembly, held in September 2012 (ATAF, 2012a). Certain of the key activities to achieve this deliverable have already been performed, namely the creation of an Electronic Resource Centre a web portal on the ATAF website (ATAF, 2012b). The Electronic Resource Centre serves as a platform where African countries can share their experiences on tax-related problems encountered, as well as best practises to address the problems in question. The objective of the ATAF website is that it is to serve as a one-stop source of information on African tax-related matters, for all member countries, stakeholders and other interested parties (ATAF Interim Secretariat, 2011:15).

2.4.2 Exchange of information by ATAF member countries

In April 2010 the ATAF Council approved the ATAF Exchange of Information (EOI) Project. The aim of the EOI project is to improve the disclosure relating to the operations of multinational corporations operating within Africa, as well as the exchange of information by ATAF member countries relating to the tax matters of the corporations in question (ATAF Interim Secretariat, 2011:17).

The need for African Tax Administrations to cooperate with one another in an effort to curb international tax evasion by multinational corporations operating on the continent has been highlighted by Mr Pravin Gordhan, South African Finance Minister (Tax International, 2011). According to Mr Logon Wort (Executive Secretary of the ATAF), an effort has been made by the ATAF to improve the efficiency of African tax administrations with regard to their tax collection efforts. One of the key areas of focus in a bid to improve the efficiency in question, has been the sharing of information with regard to the tax habits of multinational companies, as well as their transfer pricing policies (Visser, 2012). To date, the Heads of SARS, Nigeria’s Federal Inland Revenue Service (FIRS), the Rwanda Revenue Authority (RRA) and the Zimbabwe Revenue Authority (ZIMRA) have signed bilateral cooperation agreements (ATAF, 2010h:3). In addition, in 2011 SARS, the Tanzania Revenue Authority (TRA) and the Zambia Revenue Authority (ZRA) signed an agreement of cooperation. Per the agreement, the three countries have agreed to the sharing of tax expertise, resources and information with each other and the ATAF, in an effort to fight tax evasion (Tax International, 2011).

The efforts of the ATAF are a step in the right direction, according to Mr. Billy Joubert, a tax partner at Deloitte. This is due to the fact that several African countries still have an insufficient understanding of the complexity of international transactions and as such could stand to gain from the collective sharing of information by the ATAF relating to matters of taxation (Visser, 2012).

The attempts made by the ATAF to improve the sharing of information between its member countries are echoed by those of the OECD in respect of ensuring a high level of international tax cooperation and tax transparency. The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) has set internationally accepted standards for transparency and the exchange of information relating to tax matters, which are mainly based on Article 26 of the OECD Model Tax Convention and the 2002 Model Agreement on the Exchange of Information. Within the multi-lateral framework of the Global Forum, research is performed on improving matters pertaining to international tax transparency for OECD and non-OECD member states. As such, participation by African countries in the policy and research decisions of the Global Forum is important since this gives African countries the opportunity to gain experience in the field of transparency and the sharing of information on tax-related matters. This will in turn enable the African countries to improve their practices regarding the transparency and the sharing of information on tax-related matters, to ensure that it meets the international standard (Mputa, 2010:8).

Unfortunately, as at 2012 the only African countries that were members of the Global Forum were Botswana, Kenya, Lesotho, Mauritius, Nigeria, Senegal, Seychelles, South Africa, Tunisia and Uganda (OECD, 2013). However, in 2010 the ATAF obtained observer status within the Global Forum (OECD, 2010:5). This enabled the ATAF to share the experience of the Global Forum with its members, who may potentially not be members of the Global Forum. A regional training seminar, co-sponsored by the ATAF and the WB, had been held in June 2011 for Global Forum and non-Global Forum members in order to provide technical assistance to ATAF member countries in respect of best practices relating to the transparency and the sharing of information on tax-related matters (OECD, 2011b:4). In addition, in November 2012 a practical guide on the exchange of information between developing countries has been jointly designed by the OECD Task Force on Tax and Development, and the ATAF Working Group on EOI and Tax Treaties. The guide aims to assist developing countries in effectively implementing their EOI instruments (OECD & ATAF, 2012:6). During July 2012 the ATAF held a meeting on Agreement on Mutual Assistance in Tax Matters (AMATM). The meeting had been attended by 22 ATAF member countries, and focused on the substance of the Agreement, with the goal that the agreement would be ratified by the members of the ATAF in the foreseeable future (Wort, 2012).

2.4.3 Tax evasion by Multinational Companies

The ATAF has investigated the tax evasion techniques currently utilized by multinational companies operating in Africa. The key developments to date in respect of tax evasion by multinational companies have firstly been assessed by the ATAF, as detailed per paragraph 2.4.3.1. Secondly, activities have been implemented by the ATAF to respond to these key developments, as detailed per paragraph 2.4.3.2.

2.4.3.1 Key developments to date in respect of tax evasion by multinational companies operating in Africa

According to Mr Logon Wort, (cited by Roberts, 2011), the Acting Executive Secretary of the ATAF (Musyoka, 2011), certain revenue collection agencies currently have a revenue collection ratio of as low as eight percent of gross domestic product. One of the reasons for the low ratio of revenue collection, according to Mr Wort (cited by Roberts, 2011), is the tax evasion of multinational companies through transfer mispricing.

According to Mr Wort (cited by Jooste, 2011), per his interview with the Financial Mail, when evaluating transfer pricing, the key factor to consider is the arm’s length principle. The principle applies to transactions between related parties, and states that when related parties transact with each other the transaction should be taxed as if each party acted in its own best interest and transacted with an independent third party. As such, this principle would apply to, among others, multinational entities operating in Africa.

In a report released by the non-governmental agency Action Aid it has been stated that Africa loses an estimated USD 160 billion per year, through tax evasion and tax avoidance by multinational companies operating within the continent. The manner in which the tax avoidance is perpetrated is mainly by means of transfer mispricing, double invoicing and the strategic location of intangible assets (Action Aid UK, 2009:2).

Transfer mispricing occurs when taxpayers do not adhere to the arm's length principle, and manipulate the prices of goods and services between companies within the same group of companies. The objective is to manipulate the profitability of the various companies within the group, thereby shifting the profitability of the various companies within the group from jurisdictions with a higher tax rate to jurisdictions with a lower tax rate (Action Aid UK, 2009:2).

Double-invoicing occurs through the use of fraudulent documentation in order to under- or overdeclare the import and export duties payable (Action Aid UK, 2009:2). Per the research performed by the Global Integrity Financial Report, developing countries lose approximately four percent of their tax revenue per year due to false invoicing (Hazelhurst, 2011).

Intangible assets such as trademarks, patents and management expertise are strategically registered in low-tax paying jurisdictions, while royalty fees are paid by the various companies within the group utilising the intangible assets in question (Action Aid UK, 2009:2). The method in question has recently come into the spotlight, in light of a report submitted by Action Aid in which it questions the ethical nature of the tax practices of SABMiller (All Africa, 2011). Per the report, it has been stated that SABMiller holds valuable trademarks for African beers in Europe, rather than in their country of origin. As such, trademark fees are paid by the African subsidiary companies utilizing the trade marks in question, thereby reducing the tax liability of the African subsidiaries in question (Hazelhurst, 2011).

According to Mr Logon Wort (cited by Jooste, 2011), payments for the use of such intangible assets are often made between multinational companies. This creates a challenge for tax administrations in determining firstly what is being transferred, and secondly the market-related value of the transfer in question.

2.4.3.2 ATAF response in respect of tax evasion by multinational companies operating in Africa

In order to assist its members in identifying and responding to the threat which transfer pricing poses to their tax base, the ATAF has approved the ATAF Transfer Pricing Project in April 2010. The project aims to gain an understanding of the existing transfer pricing practices of each of the member countries of the ATAF, harmonize the transfer pricing practices in question and improve the effectiveness of the implementation of transfer pricing practices across the continent as means of increasing the tax revenues of African countries (ATAF Interim Secretariat, 2011:17).

With these aims in mind, an ATAF Transfer Pricing Working Group has been established in September 2010 in order to assist with the ATAF Transfer Pricing Project. The working group consists of tax officials from the ATAF member countries, selected due to their significant expertise relating to matters of transfer pricing (ATAF, 2010e:6).

The mandate of the ATAF Transfer Pricing Working Group is to assist ATAF member countries in implementing best practices when dealing with matters of transfer pricing, in order to identify the risks that transfer pricing poses to their tax bases effectively. Once the risks in question have been identified, guidance is to be provided in drafting legislation to address the risks in question. The working group has also been tasked with improving the technical skills of the tax officials employed by the revenue authorities of ATAF member countries with regard to transfer pricing, to such an extent that the officials will become self-sufficient (ATAF, 2010e:6).

In order to ensure that these objectives are met, the working group firstly aims to identify the capacity and capability needs of each of the ATAF member countries, in respect of transfer pricing. Once the needs in question have been identified, the necessary policies and procedures can be designed to address the needs in question (ATAF, 2010e:6).

To date, questionnaires submitted by the working group to certain ATAF member countries, relating to their capability to deal with transfer pricing issues, have been completed by the member countries in question. The completed questionnaires have been analysed by the working group in order to determine the training and guidance required by member countries when dealing with Transfer Pricing Dispute Resolution (ATAF, 2010e:6).

Going forward, an ATAF Transfer Pricing Panel is to be set up, that will be tasked with receiving transfer pricing queries from ATAF member countries and providing an adequate response to the queries in question. Furthermore, the working group aims to develop a guide note for ATAF member countries, with regard to the drafting and effective implementation of transfer pricing legislation within their respective tax jurisdictions. In order to achieve this objective, a link has already been created on the ATAF website to the Transfer Pricing knowledge database to which all ATAF member states have access. All ATAF member states also have access to information on upcoming transfer pricing technical events (ATAF, 2011c:2).

The ATAF has hosted several technical events since its formation, dealing with the topic of transfer pricing. During February 2010, the ATAF hosted a technical event in Cairo, Egypt, in conjunction with the Egyptian Tax Authority (ETA), focusing on transfer pricing. The technical event focused on practical problems encountered when auditing transactions relating to transfer pricing, as well as sharing the methods and experiences of African countries relating to the topic (ATAF, 2010b:5).

During September 2010, the Malawi Revenue Authority (MRA), with the support of the ATAF Secretariat and the OECD, hosted a technical event focusing on the implementation of transfer pricing. The workshop had been attended by 41 delegates from 16 African countries. Technical experts from the ATAF and the OECD assisted the delegates in gaining an understanding of best methods to implement transfer pricing in Africa (ATAF, 2010e:6).

In order to identify the best audit approach to be followed when auditing multinational corporations, a seminar hosted by the ATAF had been held during October 2010 in Port Louis, Mauritius, in collaboration with the OECD and the Mauritius Revenue Authority (MRA). The seminar focused on the methods employed by multinational corporations to reduce their tax liability, and the tax legislation and principles underlying the methods in question. The seminar also highlighted the need for revenue collection agencies to improve the manner in which they gather and utilize information pertaining to the multinational corporations they audit (ATAF, 2010f:7).

2.4.4 Developing key relations with civil society

Mr Logon Wort (cited by Visser, 2012) has stated that the ATAF is encouraging the formation by its members of dedicated tax units, which deal exclusively with large and medium-sized businesses. This is due to the fact that revenue authorities have faced increased criticism from taxpayers dealing with tax officials who do not possess the necessary knowledge of increasingly complex tax legislation.

The matter had been discussed during a workshop presented by the ATAF and hosted by the Kenyan Revenue Authority (KRA), during February 2011. The workshop had been attended by 37 tax administration representatives from 16 revenue administrations, with the discussions being facilitated by two of the development partners of the ATAF, namely the IMF and the OECD, as well as the country specialists on the topic from both South Africa and Kenya. During the workshop, Mr Wort encouraged participants to segment their tax base, thus concentrating on high-revenue-yielding taxpayers by means of specialized service, compliance and collection strategies. The significance of large and medium-sized business had also been emphasized by Commissioner General of the KRA, Mr Michael Waweru. This is due to the fact that the taxpayers in question are significant contributors to the tax revenues of the countries they operate in, and that the audits of these entities are by default more likely to be impacted by transfer pricing implications and complex tax avoidance schemes. As such, revenue collection agencies face the increased challenge of developing its human resource base into sufficiently skilled tax officials, and subsequently retaining the resource base in question (ATAF, 2011a:2).

In order to address this concern, the ATAF had trained more than 400 tax officials in various aspects of tax during the 2011 year, and had hosted nine technical events, in an effort to improve the skills base of the various member countries of the organization, thereby offering an improved service to taxpayers (Visser, 2012).

2.4.5 Interaction with relevant stakeholders and counterparts

The ATAF seeks to interact on a regional, continental and international level with relevant stakeholders and its counterparts on tax-related matters, in an effort to influence debates on taxation, development and other related matters. With this aim in mind, the organization seeks to attend and participate regularly in working groups of the OECD relating to tax and development. Furthermore, the ATAF conducts joint research projects with the AfDB, the IMF and the OECD (ATAF Interim Secretariat, 2011:18).

The ATAF has assisted with providing input to the International Tax Dialogue (ITD). The ITD aims to gain a better understanding of how tax administrations within Africa, and in particular Sub-Saharan Africa, are currently operating and where the operations in question can be improved. The countries included in the survey of the ITD were Benin, Ethiopia, Botswana, Ghana, Kenya, Malawi, Mauritius, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Uganda and Zambia. The ITD is a joint-initiative from leading organizations relating to tax policy and tax administration issues. The organization consists of the EU, Inter-American Development Bank, IMF, OECD, the United Kingdom DFID and the World Bank (WB). A decision had been taken by the ITD in January 2011 to encourage the UN, Inter-American Centre of Tax Administrations and the ATAF to join the ITD (IMF *et al*., 2011:40).

Looking forward, it is recommended by the ITD that stronger partnerships be forged with the ATAF by the ITD and its members, in particular in expanding on the 2011 ITD pilot study relating to the development of key performance indicators for revenue authorities in Africa. Once the key performance indicators have been developed, African countries will be able to evaluate their performance against that of fellow members, and assess where resources should be allocated in order to improve their own performance. This study ties in with efforts of the ATAF relating to its diagnostic study, to improve the revenue collections of revenue agencies in Africa (IMF *et al.,* 2011:42).

Added to the above, an agreement has been entered into between the OECD and the ATAF, to improve tax co-operation between the two organizations. The agreement had been signed during the Global Forum on Transparency and Exchange of Information, held in South Africa during October 2012. The co-operation relates to, but is not limited to, efforts in respect of tax incentives, transfer pricing, exchange of information, taxpayer education, collection of African revenue statistics and support for the envisaged Tax Inspectors Without Borders (TIWB) initiative (Hanna, 2012).

2.5 Summary of ATAF objectives and activities implemented

It is evident that the activities implemented by the ATAF to date have made great progress in enabling the ATAF to achieve the initial objectives it has set for itself. The organization has ensured that knowledge regarding all matters of taxation has been successfully shared between African countries, thereby paving the way forward for improved tax administration in Africa.

A summary of the initial objectives of the ATAF and the activities implemented to achieve the objectives in question, have been presented per Table 2.1 below.

Table 2.1: Summary of ATAF objectives and activities implemented

Objective		Activities implemented	
1.	To strengthen African Tax Administrations to	1.1	The creation of an Electronic Resource Centre as a web portal on the ATAF

	improve domestic resource mobilization for economic development		website (refer paragraph 2.4.1).
		1.2	The ATAF Transfer Pricing Project and ATAF Transfer Pricing Working Group has been established in 2010, in order to assist ATAF members in identifying and responding to the threat transfer pricing poses to their tax base (refer paragraph 2.4.3).
		1.3	During 2010, the ATAF hosted a technical event in Cairo, Egypt, in conjunction with the ETA, focusing on transfer pricing (refer paragraph 2.4.3).
		1.4	During 2010, the MRA, with the support of the ATAF Secretariat and the OECD, hosted a technical event focusing on the implementation of transfer pricing (refer paragraph 2.4.3).
		1.5	During 2010, a seminar had been hosted by the ATAF in collaboration with the OECD and the MRA, in order to identify the best audit approach to be followed when auditing multinational corporations (refer paragraph 2.4.3).
		1.6	The ATAF has trained more than 400 tax officials in various aspects of tax during 2011 (refer paragraph 2.4.4).
		1.7	The ATAF has hosted nine technical events during 2011, in an effort to improve the skills base of the various member countries of the organization (refer

			paragraph 2.4.4).
2.	To enhance the professionalism of African Tax Administrators through capacity development, dialogue and interaction	2.1	In 2011 a regional training seminar, co-sponsored by the ATAF and the WB, had been held for Global Forum and non-Global Forum members in order to provide technical assistance to ATAF member countries in respect of best practices relating to the transparency and the sharing of information on tax-related matters (refer paragraph 2.4.2).
		2.2	In 2012 the ATAF held a meeting on Agreement on Mutual Assistance in Tax Matters (refer paragraph 2.4.2).
		2.3	In 2012 a practical guide on the exchange of information between developing countries had been jointly designed by the OECD Task Force on Tax and Development, and the ATAF Working Group on EOI and Tax Treaties. The guide aims to assist developing countries in effectively implementing their EOI instruments (refer paragraph 2.4.2).
3.	To innovate, develop, share and implement best practices in Africa regarding revenue administration	3.1	The creation of an Electronic Resource Centre as a web portal on the ATAF website (refer paragraph 2.4.1).
		3.2	In 2010 The ATAF Council approved the ATAF Exchange of Information (EOI) Project (refer paragraph 2.4.2).
		3.3	In 2010 the ATAF has obtained observer status within the OECD Global Forum on Transparency and Exchange of

			Information for Tax Purposes (refer paragraph 2.4.2).
		3.4	In 2011 SARS, TRA and ZRA signed an agreement of cooperation. Per the agreement, the sharing of tax expertise, resources and information with each other and the ATAF, in an effort to fight tax evasion, has been agreed to (refer paragraph 2.4.2).
		3.5	During 2011 a workshop had been presented by the ATAF and hosted by the KRA, focusing on the formation by its members of dedicated tax units, which deal exclusively with large and medium-sized businesses (refer paragraph 2.4.4).
		3.6	In 2012 a practical guide on the exchange of information between developing countries had been jointly designed by the OECD Task Force on Tax and Development, and the ATAF Working Group on EOI and Tax Treaties (refer paragraph 2.4.2).
		3.7	During 2012 the ATAF held a meeting on Agreement on Mutual Assistance in Tax Matters (refer paragraph 2.4.2).
4.	To combat tax evasion and avoidance through cooperation between African tax administrations, authorities and international	4.1	In 2010 the ATAF Transfer Pricing Project and ATAF Transfer Pricing Working Group had been established, in order to assist ATAF members in identifying and responding to the threat transfer pricing poses to their tax base (refer paragraph 2.4.3).

	stakeholders		
		4.2	During 2010, the ATAF hosted a technical event in Cairo, Egypt, in conjunction with the ETA, focusing on transfer pricing (refer paragraph 2.4.3).
		4.3	During 2010, the MRA, with the support of the ATAF Secretariat and the OECD, hosted a technical event focusing on the implementation of transfer pricing (refer paragraph 2.4.3).
		4.4	During 2010 a seminar had been hosted by the ATAF in collaboration with the OECD and the MRA, in order to identify the best audit approach to be followed when auditing multinational corporations (refer paragraph 2.4.3).
5.	To develop key relations with civil society	5.1	During 2011 a workshop had been presented by the ATAF and hosted by the KRA, focusing on the formation by its members of dedicated tax units, which deal exclusively with large and medium-sized businesses (refer paragraph 2.4.4).
		5.2	The ATAF has trained more than 400 tax officials in various aspects of tax during the 2011 year in an effort to improve service delivery to taxpayers (refer paragraph 2.4.4).
		5.3	The ATAF has hosted nine technical events during 2011, in an effort to improve the skills base of the various member countries of the organization, thereby offering an improved service to taxpayers

			(refer paragraph 2.4.4).
6.	To ensure greater synergy and cooperation in capacity development among all relevant stakeholders in order to give greater support to African Tax Administrations	6.1	In 2010 The ATAF Council approved the ATAF Exchange of Information (EOI) Project (refer paragraph 2.4.2).
		6.2	In 2010 the ATAF has obtained observer status within the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (refer paragraph 2.4.2).
		6.3	During 2011 the ATAF assisted with providing input to the International Tax Dialogue (refer paragraph 2.4.5).
		6.4	During 2012 the OECD and ATAF entered into an agreement to improve tax co-operation between the two organizations (refer paragraph 2.4.5).
7.	To provide a mechanism allowing African perspectives on tax issues to inform and influence the global dialogue on tax issues	7.1	In 2010 the ATAF has obtained observer status within the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (refer paragraph 2.4.2).
		7.2	During 2011 the ATAF assisted with providing input to the International Tax Dialogue (refer paragraph 2.4.5).
		7.3	During 2012 The OECD and ATAF entered into an agreement to improve tax co-operation between the two

			organizations (refer paragraph 2.4.5).

2.6 Conclusion

This chapter analysed the structures of the ATAF and the activities implemented by the ATAF during the period 2008 to 2012 to meet its initial strategic objectives. In doing so, the chapter assessed the progress that has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the sharing of information and expertise between African member states.

It has been identified that the ATAF has made significant progress in achieving its initial strategic objectives. In order to improve resource mobilization and capacity development in Africa relating to matters of taxation, the organization had designed an initial strategic plan to ensure that its objectives are met. The strategic plan has in turn been implemented by the governance committees of the ATAF Council. The ATAF Secretariat oversees the implementation of the strategic plan by the governance committees, to ensure that the strategic plan is implemented at the correct levels within the organization and within the timeframe agreed upon. This transparency and segregation of duties has enabled the ATAF to deliver on key areas of its mandate within a short period of time. As such, several activities have been implemented by the ATAF during the period 2008 to 2012 to achieve the organization's initial strategic objectives (refer figure 2.2).

Following the above, the question now remains as to whether the efforts of the ATAF have culminated in tax administration reforms and governance reforms being implemented by its members. Furthermore, it will be assessed whether these reforms have led to an improvement in the tax administration and governance structures of the countries in question, in turn leading to an improvement in the fiscal independence and humanitarian conditions of these countries. This will be evaluated in greater detail in Chapter Three.

CHAPTER THREE: ASSESSMENT OF TAX ADMINISTRATION, GOVERNANCE, FISCAL INDEPENDENCE AND HUMANITARIAN REFORMS BY SOUTHERN AFRICAN COUNTRIES

3.1 Introduction

Nicolas Kaldor states in his research paper “The Role of Taxation in Economic Development”, that a country needs to invest the necessary resources in infrastructure relating to matters of education, health and communications in order for it to develop economically. The resources required by the state as described above, can be obtained through the granting of additional incentives to taxpayers in order to stimulate growth within the economy, thereby increasing public revenue and, as a result, the tax revenues to be subsequently generated. Alternatively, tax resources can be increased through the levying of additional taxes, making an improvement to the administration of existing tax regimes, or a mixture of both. Kaldor further states that to date sufficient effort has been spent on the granting of tax incentives by developing countries to taxpayers, in order to attract foreign investment. However, improvements to existing tax regimes still need to be made in light of the fact that increased tax revenues are currently being hampered by ineffective tax legislation and tax administration processes. The lack of improvements to tax administration is due to a lack of administrative expertise, a lack in integrity of the appointed bureaucracy, as well as powerful pressure groups that impede progress in respect of effective tax administration reform (Kaldor, 1963:1-2).

This point is explored in greater depth by Richard Bird, Jorge Martinez –Vazquez and Benno Torgler (Bird, *et al.*, 2008:55-56), in their research paper “Tax Effort in Developing Countries and High Income Countries: The Impact of Corruption, Voice and Accountability.” According to the research paper, the tax effort of a country (being the tax revenue as a percentage of GDP) needs to be increased in order to enable it to have sufficient funds available to improve its infrastructure. Furthermore, the tax revenue of a country can be increased by ensuring that the state responds to the needs of its people, and that its actions are perceived as sincere by its citizens. This is due to the fact that taxpayers will be more willing to contribute their share of the tax burden, if they believe that the funds in question were not being misappropriated. In summation, decreased levels of corruption will lead to improved tax revenues, thus leading to improved economic growth (Bird *et al.*, 2008:68). In light of the findings above, it is deemed relevant to assess not only any tax administration reforms implemented by countries forming part of SADC and the ATAF, but also any improvements in governance by the countries in question. The point in question was highlighted by former Finance Minister Trevor Manuel in his address to the delegates in attendance at the Conference on Taxation, State Building and Capacity Development in Africa (refer paragraph 1.1.1). According to Mr Manuel, improved tax administration forces government accountability with regard to the spending of the tax revenues in question (Manuel, 2008:3-4).

As such, it needs to be assessed whether the tax administration reforms and improvements in governance, if any, have aided the countries in question to attain greater fiscal independence and to improve the living conditions of their citizens. This is due to the fact that, if greater tax revenues are available due to tax administration, reforms having been implemented, and the tax revenues in question are spent more appropriately due to an improvement in governance reforms, it will in turn lead to greater fiscal independence and a greater ability by the state to improve the living conditions of its citizens. The point in question forms the basis of the research hyphothesis by Richard Bird, Jorge Martinez –Vazquez and Benno Torgler, as discussed above (Bird *et al.*, 2008:1).

The objective of this chapter as described in objective (iii), paragraph 1.3, is to evaluate whether Southern African countries which form part of the SADC, as well as members of the ATAF, have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the respective countries' taxation and governance structures. Furthermore, the chapter evaluates whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question, during the period 2008 to 2012.

3.2 Countries to be analysed

The SADC consists of 15 African countries, geographically located in the Southern African region (Department of International Relations and Cooperation, Republic of South Africa, 2012). The organization endeavours to ensure that economic growth is ensured within the member countries of the SADC, in order to eradicate poverty in Southern Africa (objective 1(a) of the SADC, per the Treaty of the SADC). Secondly, the SADC seeks to strengthen ties and communication between the peoples of the region (objective 1(h) of the SADC, per the Treaty of the SADC) (SADC, 2001). Furthermore, Annexure Three of the Finance and Investment Protocol of the SADC deals specifically with the cooperation on tax-related matters (SADC, 2006). These objectives are similar in nature to those of the ATAF, as highlighted per paragraph 2.3.

The objective of this chapter as described in objective (iii), paragraph 1.3, is to perform an evaluation as to whether Southern African countries which form part of the SADC, as well as members of the ATAF, have been able to introduce tax administration and governance reforms following the International Conference on Taxation, State Building and Capacity Development in Africa. Where, if any, Southern African countries forming part of the SADC and ATAF, are identified that have introduced tax administration and governance reforms, an assessment is to be performed as to whether the reforms have aided the countries in question to improve their tax administration and governance structures. In addition, an assessment is to be performed as to whether the potential improvement in tax administration and governance structures have aided the countries in gaining greater fiscal independence, thereby assisting the countries in question to improve the social welfare status of its citizens. The assessment is to be performed during the period 2008 to 2012, to be in line with the period of assessment of the ATAF, as indicated per paragraph 2.1. The analysis will be performed over a similar time frame, in order to assess the reforms of the individual ATAF members in question. The analysis will be performed on a per-country basis, as detailed in paragraphs 3.4 to 3.15 below.

The assessment of countries that are members of the SADC, as well as the ATAF, have been detailed per Figure 3.1 below.

Figure 3.1 Assessment of countries that are members of both the SADC and ATAF

	Southern African country	**SADC member country**	**ATAF member country**	**Paragraph assessed**
1	Angola	✔	✕	Not to be assessed
2	Botswana	✔	✔	3.4
3	The Democratic Republic of Congo	✔	✕	Not to be assessed
4	Lesotho	✔	✔	3.5
5	Madagascar	*	✔	3.6
6	Malawi	✔	✔	3.7
7	Mauritius	✔	✔	3.8
8	Mozambique	✔	✔	3.9
9	Namibia	✔	✔	3.10
10	Seychelles	✔	✔	3.11
11	South Africa	✔	✔	3.12
12	Swaziland	✔	✔	3.13
13	Tanzania	✔	✕	Not to be assessed
14	Zambia	✔	✔	3.14
15	Zimbabwe	✔	✔	3.15

Source: Compiled by author based on information per the website of the Department of International Relations and Cooperation, Republic of South Africa (DIRCO) (DIRCO, 2012) and the website of the ATAF (ATAF, 2012c).

***** Madagascar temporarily suspended, due to 2009 political crisis (DIRCO, 2012).

3.3 Ratios to be analysed

In order to perform a comparative analysis of the reforms relating to tax administration, governance, fiscal independence and social welfare implemented by the countries selected per paragraph 3.2, certain key ratios are to be analysed. The ratios in question are explained in greater detail per paragraphs 3.3.1 to 3.3.4 below.

3.3.1 Improvements in tax administration

(i) Improvements in tax administration identified by the African Economic Outlook:

The African Economic Outlook (AEO) is an annual report that analyses the economic performance of 53 African countries in detail. The report is compiled using the expertise and resources of the four AEO partner institutions, namely the AfDB, OECD Development Centre, UNDP and the Economic Commission for Africa (ECA) (AfDB *et al.*, 2013:3).

The tax effort (being the tax revenue as a percentage of GDP) of the Southern African countries in question is made available on an annual basis per the AEO report, and will be evaluated in order to assess whether tax revenues have improved. Due to the nature of the ratio, no negative values can be determined. However, a higher value is a sign of improvement (AfDB *et al.*, 2013:12).

(ii) Improvements in tax administration identified per the Mo Ibrahim Index of African Governance

The Mo Ibrahim Foundation was formed by retired billionaire Mohammed Ibrahim in 2006, with the aim of improving governance and leadership throughout Africa. The

Mo Ibrahim Foundation publishes an annual 300 page index of the conditions of African countries included per its survey (Forbes, 2013). The Mo Ibrahim Index of African Governance measures the adherence to good governance by the African countries included in its survey. The survey currently includes 52 African countries, and evaluates both country and regional performances across the continent. The survey performed by the Mo Ibrahim Foundation evaluates the adherence to the principles of good governance by an African state from the perspective of its citizen, and includes all of the political, social and economic criteria that a citizen can reasonably expect its state to meet. The 52 countries analysed per the survey are subsequently assigned a score out of 100 and ranked in the order of their adherence to the principles of good governance (Mo Ibrahim Foundation, 2012b:6). Refer to Addendum A, for a detailed explanation of how the rankings per the Mo Ibrahim Index of African Governance are calculated.

One of the indicators analysed by the Mo Ibrahim Foundation to determine whether an African country has improved its governance ranking, is the country in question's revenue collection ratio. The ratio is calculated by analysing data provided by the AfDB and the WB. The ratio measures the efficiency of the revenue mobilisation of a country. The tax structures in place as per the relevant country's tax legislation, as well as the efficiency by which revenue sources available are actually collected, are measured. With this in mind, separate sub ratings are provided for tax policy and tax administration. In determining the overall rating, an equal weighting is assigned to each of the measurement criteria. Each of the countries analysed per the Mo Ibrahim Index of African Governance is assigned a score out of 100, as well as a ranking based on the scores in question (Mo Ibrahim Foundation, 2012a).

3.3.2 Improvement in governance

(i) Improvements in governance identified by the Mo Ibrahim Index of African Governance

A relevant indicator of any improvements in governance will be the overall rating per Mo Ibrahim Index of African Governance, published by the Mo Ibrahim Foundation (Mo Ibrahim Foundation, 2012b:6).

(ii) Corruption Perception Index per Transparency International

Transparency International is an organization that endeavours to highlight the endemic problem of corruption on a global scale. The organization monitors the perception of corruption in individual countries, based on information obtained from its public, analysts, business professionals and experts. On an annual basis the organization publishes the Corruption Perceptions Index (CPI), using the information in question. Per the scoring system of the CPI, 0 indicates high levels of corruption and 100 indicate no corruption. Furthermore, the countries analysed per the CPI are ranked in order to identify which countries are perceived as more corrupt (Business Times, 2013).

3.3.3 Improvements in attaining fiscal independence

As had been discussed during the International Conference on Taxation, State Building and Capacity Development in Africa, African countries need to strive to become less reliant on foreign aid inflows, by increasing their tax revenues (refer paragraph 1.1.1). In order to measure whether the Southern African countries selected for the study have in fact obtained greater fiscal independence, the following ratios are to be utilized:

(i) Improvements identified per the Mo Ibrahim Index of African Governance

Category Three of the Mo Ibrahim Index of African Governance measures the advances made by each of the relevant countries in respect of the creation of a sustainable economic environment for its citizens, by assessing whether improvements have been made in public management, business, infrastructure and the rural sector. Each of the countries in question is assigned a score out of 100, as well as a ranking based on the scores in question (Mo Ibrahim Foundation, 2012b:6).

ii) Improvements identified by the African Economic Outlook

Grant revenue as a percentage of gross domestic product measures the foreign grants received by a country as a percentage of the GDP of the country in question.

As such, the ratio measures the reliance of a country on foreign aid and external debt to finance its economy. Due to the nature of the ratio, no negative values can be determined. However, a lower value is a sign of improvement (AfDB *et al.*, 2012a:6).

3.3.4 Improvements in humanitarian conditions

<u>(i) Improvements identified per the Mo Ibrahim Index of African Governance</u>

Category Four of the Mo Ibrahim Index of African Governance measures whether improvement in human development has occurred within each of the relevant countries, by assessing improvements in welfare, education and health. Each of the countries in question is assigned a score out of 100, as well as a ranking based on the scores in question (Mo Ibrahim Foundation, 2012b:6).

3.4 BOTSWANA

The ratios relating to Botswana have been analysed in detail per 3.4.1 to 3.4.4. Refer to Figure B1 in Addendum B, for the ratios in question.

3.4.1 Assessment of tax administration reforms

Botswana’s tax effort ratio has declined by 6.3% during the period 2008 to 2012, from 32.3% in 2008 to 26% in 2012 (AfDB, *et al.*, 2012a:6; AfDB, *et al.*, 2013b:5). However, Botswana’s score per the Mo Ibrahim Index of African Governance, in respect of revenue collection, has remained at 100% for the period 2008 to 2012. Furthermore, the country has consistently tied with South Africa for first position out of the 52 countries analysed per the index (Mo Ibrahim Foundation, 2012a).

The decrease in tax effort can be attributed to the fact that in an effort to attract local and foreign investment, the country currently has one of the lowest tax rates within the region. The tax rate of 19.5% on profit is lower than the average rate of 68% for Sub-Saharan Africa and 43% for the OECD member countries (AfDB, *et al.,* 2012a:9). In addition, the country does not currently have any anti-avoidance tax legislation pertaining to matters of transfer pricing, thin capitalization or controlled foreign companies (Deloitte, 2011a), and places exceptionally high reliance on tax collected at its borders (AfDB, *et al.,* 2010b:94).

Furthermore, South African Customs Union (SACU) revenues have been in decline since 2009 (AfDB, *et al.,* 2012b:6). SACU revenues shared by Botswana have decreased following the global economic crisis, due to a decrease in the demand for its products, as well an overall decrease in economic activity within the region. SACU revenues consist of customs and excise duties generated by members and are shared based on a common revenue sharing formula (SACU, 2002). The revenue sharing formula has been re-evaluated in 2002, and is now calculated based on three basic components, namely a share of the customs pool, a share of the development component and a share of the excise pool. SACU consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. Members of SACU are linked by a common external tariff, with no import duties being levied on goods traded between member states (Flatters & Stern, 2005:3).

Customs revenue is distributed between the various members based on intra-SACU imports. Secondly, a development fund has been established based on 15% of all excise collections, which is in turn distributed equally among all members. Finally, the remaining excise collections are distributed in proportion to each of the members' GDP's. The impact of the revised formula is that Botswana, Lesotho, Namibia and Swaziland receives approximately 80% of their SACU revenue from the customs component. South Africa in turn receives approximately 80% of its SACU revenue from the excise component. Due to the heavy reliance by Botswana, Lesotho, Namibia and Swaziland on customs revenue, the member states in question are extremely vulnerable to fluctuations in the level of customs collections, and by default, the level of imports and trade activity within the region (Flatters & Stern, 2005:3).

Positive signs that the government of Botswana is taking active steps to broaden its resource base have, however, been identified. In terms of an agreement reached between the government and De Beers in 2011, the company will relocate its

Diamond Trading Centre from London to Gaborone by 2013. The relocation is likely to increase Botswana's diamond sales by USD 6 billion, in turn increasing the country's tax revenues (Curnow, 2012).

Botswana also entered into a Tax Information Exchange Agreement during September 2011 with Guernsey, which will enable the country to protect its tax base through improved transparency in respect of the operations of its taxpayers (ATAF, 2011c). During December 2012, the Parliament of Botswana approved the amendment to the Income Tax Act of Botswana to allow the Botswana Unified Revenue Service to exchange information for tax purposes. Furthermore, during 2012 Botswana concluded negotiations of Protocols to amend the Articles of Exchange of Information in respect of double tax treaties with Sweden, Seychelles and South Africa. Negotiations with Barbados and France are also at an advanced stage. The amendments in question will enable the effective exchange of information for tax purposes (Becker, 2013). As at 2012, Botswana had double taxation agreements in place with Barbados, France, India, Mauritius, Namibia, Sychelles, South Africa, Sweden, the United Kingdom and Zimbabwe (E&Y, 2012).

3.4.2 Assessment of governance reforms

Botswana's overall score per the Mo Ibrahim Index of African Governance has increased from 76.2% in 2008, to 77.2% in 2012. The country's overall ranking per the Mo Ibrahim Index of African Governance has remained consistent at third out of the 52 countries surveyed, for the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a). Further evidence of the country's governance reforms is the fact that Botswana's CPI score has increased from 58% in 2008 to 65% in 2012. The country ranks thirtieth out of the 174 countries assessed per the 2012 CPI ranking, compared to thirty-sixth out of the 180 countries assessed per the 2008 CPI ranking (Transparency International, 2012).

This is mainly due to sound macroeconomic policies, good governance and the effective management of the countries' diamond resources (AfDB *et al.*, 2012a:2).

3.4.3 Assessment of fiscal independence reforms

During the period 2008 to 2012, Botswana's score per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, has increased by 0.5%. However, Botswana's ranking per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, has weakened from second out of the 52 countries analysed in 2008, to fifth in 2012. This is not due to a weakening in the score achieved by Botswana in this category, but rather due to the fact that other African countries included in the survey improved by a greater extent (Mo Ibrahim Foundation, 2012). Furthermore, the country's grant revenue as a percentage of GDP increased during the period 2008 to 2010 by 0.3%, but subsequently decreased to 0.3% in 2012 (AfDB *et al.*, 2012a:6; AfDB *et al.*, 2013b:5). As such, the country has become less reliant on foreign grants to finance its budgetary expenditure, following the global economic recession.

The reason for the fluctuations in the ratios in question is due to the fact that following the global economic recession, the country experienced an economic downturn in 2009 when demand for its diamond exports fell (IMF, 2010). The overall weakening is due to the fact that more than a third of government revenue originates from the extraction of diamonds (AfDB *et al.*, 2010c:130). Fortunately, the fallout of the crisis was limited due to prudent fiscal policies that had been implemented by the government of Botswana previously (IMF, 2010). However, as a result of the crisis the government of the Republic of Botswana had to contract a general budget support loan of USD 1.5 billion from the AfDB in 2009 (AfDB *et al.*, 2010c:130). This in turn led to a weakening in the fiscal independence of the country. Subsequently the economy has rebounded strongly, aided by an improved global demand for diamonds (AfDB *et al.*, 2012a:2). As such, Botswana's fiscal independence has since improved due to an improvement in its economy.

3.4.4 Assessment of humanitarian reforms

Botswana's score per the Mo Ibrahim Index of African Governance, in respect of human development , has increased from 78.3% in 2008 to 80.3% in 2012. The country has consistently ranked sixth out of the 52 countries surveyed per the Mo

Ibrahim Index of African Governance, in respect of the category in question (Mo Ibrahim Foundation, 2012a).

The government of Botswana has always placed great importance on the eradication of poverty. However, the country experienced an unemployment rate of 17.5%, a poverty level of 20.7%, as well as high levels of income inequality according to the 2012 AEO report on Botswana (AfDB *et al.*, 2012a:12).

With this in mind, the government of Botswana has focused government revenue on projects that would maximise poverty reduction and job creation. The programmes in question have aided in decreasing the number of people living below the national poverty line from 499 457 in 2002/03 to 373 388 in 2009/10, an overall decrease of 25% (AfDB *et al.*, 2012a:13).

Further to the above, efforts have been made by the government of Botswana to continuously improve the infrastructure and facilities relating to the provision of health services by the country to its citizens. According to the 2012 AEO report on Botswana, over 95% of the population have access to a health centre within a radius of eight kilometres (AfDB *et al.*, 2012a:12).

3.4.5 Summary of assessments of Botswana

The government of Botswana has introduced tax administration reforms during the period 2008 to 2012. The country has been able to reach an agreement in 2011 with De Beers, to relocate its Diamond Trading Centre from London to Gaborone by 2013. The move is likely to increase the country's diamond sales by USD 6 billion, in turn increasing the country's tax revenues (Curnow, 2012). The Parliament of Botswana approved the amendment to the Income Tax Act of Botswana to allow the Botswana Unified Revenue Service to exchange information for tax purposes. Furthermore, during 2012 Botswana concluded negotiations of Protocols to amend the Articles of Exchange of Information in respect of double tax treaties with Sweden, Seychelles and South Africa. The amendments in question will enable the effective exchange of information for tax purposes (Becker, 2013).

The country is viewed as one of Africa's success stories, in light of the good governance employed by the country in respect of the management of its diamond resources (AfDB *et al.*, 2012a:2).

However, Botswana is heavily reliant on its diamond resources to ensure its fiscal independence. As such, a general budget support loan of USD 1.5 billion had to be obtained from the AfDB in 2009 following a decrease in diamond export in light of the global economic crisis (AfDB *et al.*, 2010c:130). However, fallout of the crisis was limited due to prudent fiscal policies that had been implemented by the government of Botswana previously (IMF, 2010). Furthermore, global economic demand for diamonds has improved during the period 2010 to 2012, in turn improving the fiscal independence of the country (AfDB *et al.*, 2012a:2).

The improvements in tax revenues have been utilized by government in projects to alleviate the levels of poverty and unemployment in the country. The projects in question have aided in decreasing the number of people living below the national poverty line from 499 457 in 2002/03, to 373 388 in 2009/10, an overall decrease of 25% (AfDB *et al.*, 2012a:13). Further to the above, efforts have been made by the government of Botswana to continuously improve the infrastructure and facilities relating to the provision of health services by the country to its citizens. According to the 2012 AEO report on Botswana, over 95% of the population have access to a health centre within a radius of eight kilometres (AfDB *et al.*, 2012a:12).

3.5 LESOTHO

The ratios relating to Lesotho have been analysed in detail per 3.5.1 to 3.5.4. Refer to Figure B2 in Addendum B, for the ratios in question.

3.5.1 Assessment of tax administration reforms

The country's tax effort ratio had improved following the global economic crisis in 2008, hence the increase in the ratio during the period 2009 to 2010, but had been severely weakened in 2011 due to the impact of floods (AfDB *et al.*, 2012b:5). The floods hampered the expected pace of the subsequent economic recovery following the global economic crises (AfDB *et al.*, 2012b:6; AfDB *et al.*, 2013c:5). In addition, tax revenues decreased as a result of a decrease in customs revenue generated as a member of SACU (refer paragraph 3.4.1). However, tax revenues have subsequently improved during the period 2011 to 2012, due to tax reforms implemented aimed at increasing the tax base (AfDB *et al.*, 2012b:6). The country's score per the Mo Ibrahim Index of African Governance in respect of revenue collection has remained consistent at 75% during the period 2008 to 2012. Furthermore, Lesotho's ranking in respect of the same category only weakened slightly from seventh out of the 52 countries analysed in 2008, to ninth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Reforms were implemented in 2009 aimed at improving tax collections, improving compliance with tax legislation and increasing the tax base (AfDB *et al.*, 2010c:172). The reforms in question led to an improvement in the tax effort ration of the country from 52.6% in 2009, to 54.5% in 2010 (AfDB *et al.*, 2012b:5). The reforms also aided in improving the country's ranking per the Mo Ibrahim Index of African Governance from tenth of the 52 countries surveyed in 2009, to ninth out of the 52 conutries surveyed in 2010 (Mo Ibrahim Foundation, 2012a). The subsequent weakening in the country's tax effort ratio during 2011 and 2012 (AfDB *et al.*, 2012b:5) had been due to a weakening in economy activity within the country, due to the impact of floods. The weakening in economy activity in turn led to a decrease in the potential customs revenue that could be generated by Lesotho (AfDB *et al.*, 2012b:5).

In September 2011 Lesotho signed the Tax Information Exchange Agreement with Guernsey, which will enable the country to protect its tax base through improved transparency in respect of the operations of its taxpayers (ATAF, 2011c). As a member of the ATAF, the country has also gained insight regarding best practices to follow relating to transparency and the sharing of information on tax-related matters (OECD, 2011b:67). Negotiation teams from Lesotho and Malaysia met in January 2012, with the aim of entering into an agreement for the avoidance of double taxation and fiscal evasion, due to improved economic and political relations between the two countries (Ranthocha, 2012:2). As at 2012, Lesotho had anti-avoidance legislation in place, in the form of transfer pricing legislation and thin capitalization legislation. The country had also signed double taxation agreements with South Africa, the United Kingdom and Mauritius as at 2012 (SADC, 2012a). The revenue authorities of Lesotho have gained additional insight regarding anti-avoidance legislation, through the efforts of the ATAF (ATAF, 2011c), which could prove useful in increasing the resource mobilization of the country in future.

3.5.2 Assessment of governance reforms

In terms of the Mo Ibrahim Index of African Governance, the country's overall score has remained fairly consistent, decreasing in total by only 0.7% during the period 2008 to 2012. The country's overall ranking in respect of the Mo Ibrahim Index of African Governance for the same period has also remained consistent, at ninth out of the 52 countries analysed (Mo Ibrahim Foundation, 2012a). Lesotho's CPI score improved from 32% in 2008, to 45% in 2012. Furthermore, the country's CPI ranking improved from ninety-second out of the 180 countries analysed in 2008, to sixty-fourth of the 174 countries analysed in 2012 (Transparency International, 2012).

The government of Lesotho implemented an Integrated Financial Management System in April 2009, with the aim of improving transparency in respect of the allocation and utilization of state resources (AfDB *et al*., 2013c:9). This in turn has led to an improvement of 1% in the country's CPI score during the period 2008 to 2009 (Transparency International, 2012). The awarding of state contracts and the appointment of state employees is supported by the Public Sector Act and the 2005 amendment to the Act, which adheres to the principles of efficient state resource utilization, with zero tolerance of corruption (AfDB *et al*., 2012b:10).

3.5.3 Assessment of fiscal independence reforms

Lesotho's score per the Mo Ibrahim Index of African Governance, measuring sustainable economic opportunity, has improved by 0.3% during the period 2008 to 2012. Although the improvement is not significant, it has aided the country in obtaining a ranking of twelfth out of the 52 countries analysed in 2012, compared to fifteenth out of the 52 countries analysed in 2008 (Mo Ibrahim Foundation, 2012a). However, during the same period, the country's grant revenue as a percentage of

GDP, as determined by the AEO, has increased by 5.7% (AfDB *et al.*, 2012b:6; AfDB *et al.*, 2013c:5). This is mainly due to efforts by the government of Lesotho and its development partners, namely the WB and the AfDB, to improve the diversification of the economy and the competiveness of the country in respect of its export market (AfDB *et al.*, 2012b:7).

Following the global economic crisis in 2008, Lesotho experienced a significant decline in its manufacturing and mining sectors, due to a decrease in demand for its products globally (AfDB, *et al.*, 2010c:172). This had the effect of weakening the country's score per the Mo Ibrahim Index of African Governance, from 55% in 2009, to 54.6% in 2010 (Mo Ibrahim Foundation, 2012a). In addition, grant revenue as a percentage of GDP weakened from 1.4% in 2009 to 3.0% in 2010. Subsequently, the economy has recovered marginally, helped by the increased demand for diamond exports and the recovery of the manufacturing sector (AfDB *et al*., 2012b:2). This has aided the country to improve its score per the Mo Ibrahim Index of African Governance from 54.6% in 2010 to 55.1% in 2012 (Mo Ibrahim Foundation, 2012a). Grant revenue as a percentage of GDP has, however, increased from 3.0% in 2010 to 7.8% in 2012. This is due to the fact that the country has aquired the assistance of the WB and AfDB to diversify its economy (AfDB *et al.*, 2012b:7).

Traditionally, Lesotho has placed significant reliance on the customs revenue generated by SACU of which it is a member. However, revenues from SACU have been in decline since 2009 (AfDB *et al*., 2012b:6). Refer to paragraph 3.4.1 for a detailed assessment of the decline in SACU revenues.

The government aims to grow the local sectors of the economy pertaining to agriculture, tourism and manufacturing in the foreseeable future. In order to grow the agricultural sector, irrigation schemes are to be rehabilitated and an additional investment of USD 6 million will be made in training centres relating to agriculture. This will aid in increasing the GDP contribution of this sector, which contributed 8.6% of GDP in 2011 (AfDB *et al.*, 2012b:5).

Tourism remains an unexploited resource in the growth potential of Lesotho, and currently contributes only 1.4% of GDP. However, a planned investment of USD 23 million in the tourist industry of Lesotho will offer a joint tourist circuit with South Africa, improving this sector of the economy as well (AfDB *et al.*, 2012b:5).

Per the 2012 budget, the government has allocated USD 10 million to the improvement of the manufacturing industry, as this industry has been one of the major contributors to improved levels of employment. A new jewellery manufacturing and diamond centre in Maseru is anticipated to have a positive impact on this sector and improve the current account balance in light of increased exports by the country (AfDB *et al.*, 2012b:4).

3.5.4 Assessment of humanitarian reforms

The human development category per the Mo Ibrahim Index of African Governance has improved during 2008 to 2012 by 3.6%, thereby improving the overall ranking of Lesotho with regard to human development from twenty-second out of the 52 countries assessed in 2008, to twenty-first out of the 52 countries assessed in 2012 (Mo Ibrahim Foundation, 2012a).

Lesotho has made modest progress in respect of economic growth and social well-being. A significant contributor to the delay in social reforms had been the global economic recession, which had led to a decrease in government spending on social welfare programs. As such, the improvement per the Mo Ibrhamim Index of African Governance could potentially have been greater, if not for the global economic recession. However, per the 2012/2013 budget, 2.8% of the budget has been allocated to the development of health infrastructure, immunization and the control of tuberculosis (AfDB *et al.*, 2012b:11).

3.5.5 Summary of assessments of Lesotho

Lesotho has implemented tax administration reforms in 2009 aimed at improving tax collections, improving compliance with tax legislation and increasing the tax base (AfDB *et al.*, 2010c:172). Furthermore, the country signed the Tax Information Exchange Agreement with Guernsey during September 2011, which will enable the country to protect its tax base through improved transparency in respect of the operations of its taxpayers (ATAF, 2011c). Negotiation teams from Lesotho and Malaysia met in January 2012, with the aim of entering into an agreement for the avoidance of double taxation and fiscal evasion, due to improved economic and political relations between the two countries (Ranthocha, 2012:2).

Lesotho has implemented governance reforms during the period 2008 to 2012. An Integrated Financial Management System was implemented in April 2009 with the aim of improving transparency in respect of the allocation and utilization of state resources (AfDB *et al*., 2013c:5).

In order to improve the fiscal independence of the country, the government of Lesotho aims to grow the local sectors of the economy pertaining to agriculture, tourism and manufacturing in the foreseeable future. In order to grow the agricultural sector, irrigation schemes are to be rehabilitated and an additional investment of USD 6 million will be made in training centres relating to agriculture. A planned investment of USD 23 million in the tourism industry of Lesotho will offer a joint tourist circuit with South Africa, improving this sector of the economy as well (AfDB *et al.*, 2012b:5). Per the 2012 budget, the government has allocated USD 10 million to the improvement of the manufacturing industry, seeing as this industry has been one of the major contributors to improved levels of employment. A new jewellery manufacturing and diamond centre in Maseru is anticipated to have a positive impact on this sector and improve the current account balance, in light of increased exports by the country (AfDB *et al.*, 2012b:4).

Lesotho has made modest progress in respect of economic growth and social well-being. A significant contributor to the delay in social reforms had been the global economic recession, which had led to a decrease in government spending on social welfare programmes. However, per the 2012/2013 budget, 2.8% of the budget has been allocated to the development of health infrastructure, immunization and the control of tuberculosis (AfDB *et al.*, 2012b:11).

3.6 MADAGASCAR

The ratios relating to Madagascar have been analysed in detail per 3.6.1 to 3.6.4. Refer to Figure B3 in Addendum B, for the ratios in question.

3.6.1 Assessment of tax administration reforms

Madagascar's tax effort ratio has weakened from 13% in 2008, to 10.9% in 2012 (AfDB *et al.*, 2012c:6; AfDB *et al.*, 2013d:6). The country's score per the Mo Ibrahim Index of African Governance in respect of revenue collection, had increased from 50% in 2008 to 68.6% in 2009 and 2010. However, the country's score subsequently decreased to its previous level of 50% during the period 2011 and 2012. This in turn caused the country's ranking per the Mo Ibrahim Index of African Governance in respect of revenue collection firstly to improve from thirtieth out of the 52 countries analysed in 2008 to fifteenth and fourteenth out of the 52 countries analysed, for the 2009 and 2010 periods respectively. The ranking subsequently decreased to thirty-third out of the 52 countries analysed for the period 2011 and 2012 (Mo Ibrahim Foundation, 2012a).

The reason for the weakening in the country's tax effort ratio and gradual decrease in the country's score per the Mo Ibrahim Index of African Governance, is due to the political crisis and subsequent regime change that has unfolded in the country since 2009 and is yet to be resolved (Reuters, 2013). Prior to the political unrest, the government had taken active steps to improve the resource mobilization of Madagascar. The government had been admitted as a candidate country to the Extractive Industries Transparency Initiative (EITI). The candidate status had, however, been suspended at the start of the unrest until such time as the crisis has been resolved (AfDB *et al.*, 2012e:11). The EITI encourages greater disclosure in respect of revenues generated from the extraction industry. In particular, the report requires a detailed reconciliation of all revenues paid by oil, gas and mining industries operating within a country, and the revenues collected according to government authorities (EIU, 2012).

As at 2012, the country only had broad anti-avoidance regulations relating to transfer pricing and no legislation pertaining to thin capitalisation or controlled foreign companies (Deloitte, 2011b). Improved anti-avoidance tax legislation, and the effective administration thereof, has been identified as useful means of improving the resource mobilisation of a country (ATAF Interim Secretariat, 2011:18), which will in turn improve the country's tax effort ratio. In addition, in 212 Madagascar had double taxation agreements in place with France and Mauritius (KPMG, 2012a:3).

3.6.2 Assessment of governance reforms

Madagascar's overall score per the Mo Ibrahim Index of African Governance has decreased by 14% during the period 2008 to 2012, from 60.1% in 2008 to 46.1% in 2012. This, in turn, has caused a weakening in the country's ranking from eleventh out of the 52 countries analysed in 2008, to thirty-fifth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). Its CPI score has also weakened from 34% in 2008 to 32% in 2012, in turn causing the country's CPI ranking to weaken from eighty-fifth out of the 180 countries surveyed, to hundred-and-eighteenth out of the 174 countries surveyed in 2012 (Transparency International, 2012).

Prior to the political crisis and subsequent regime change, the government of the country had taken active steps to combat fraud and corruption, to decrease the complexity of the tax administration system and make it more transparent (AfDB *et al.*, 2010c:178). However, the political unrest has severely impacted on the governance reforms in question, thus negatively impacting on the ratios as described above.

3.6.3 Assessment of fiscal independence reforms

Madagascar's score per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, has decreased by 5.8% during the period 2008 to 2012, from 54.9% in 2008 to 49.1% in 2012. This in turn has caused a weakening in the country's ranking from thirteenth out of the 52 countries analysed in 2008, to twenty-sixth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). Grant revenue as a percentage of GDP has remained fairly consistent, measuring 1.1% and 1.2% in 2008 and 2012 respectively (AfDB *et al.*, 2012c:6; AfDB *et al.*, 2013d:6).

Madagascar's score per the Mo Ibrahim Index of African Governance, in respect of the category relating to fiscal independence, had initially improved by 0.3% during the period 2008 to 2009 (Mo Ibrahim Foundation, 2012a). However, due to the political crisis and subsequent regime change that unfolded in the country in 2009 (Reuters, 2013), the ratio has weakened year-on-year during the period 2010 to 2012 (Mo Ibrahim Foundation, 2012a).

In 2012 Madagascar had a low capacity for resource mobilisation, and had therefore been reliant on external sources of funding (AfDB *et al.*, 2010c:178). This is ironic, if one takes into account that Madagascar possesses significant natural resources and great biodiversity compared to other countries in the world (AfDB *et al.*, 2012c:11).

Extraction industries, in particular the mining industry, continue to benefit from these natural resources with the mining sector reporting growth of 25.9% during 2010 to 2012. In contrast, extraction industries contributed only USD 132 million (or 1.5% of GDP) in tax revenues during 2007 to 2010, according to an EITI audit (AfDB *et al.*, 2012c:11).

3.6.4 Assessment of humanitarian reforms

Madagascar's score per the Mo Ibrahim Index of African Governance, in respect of human development, has steadily decreased during the period 2008 to 2012. In 2008 the country achieved a score of 53.2%, compared to 50.3% in 2012. This in turn has caused the country to attain a ranking of thirty-fifth out of the 52 countries analysed in 2012, compared to an initial ranking of twenty-sixth out of the 52 countries analysed in 2008 (Mo Ibrahim Foundation, 2012a).

Living conditions have worsened for the people of Madagascar, in light of the political and economic crisis that has plagued the country since 2009. According to a 2010 household survey, 76% of the population are regarded as poor, an increase of 8%

from 2005. Furthermore, only 42% of the population had access to drinking water and 48% to proper sanitation. The duration of the crisis has negatively impacted the health care system of the country. Due to budget restraints, 214 healthcare centres had to be closed down in January 2011. This is of concern, if one takes into consideration that infant, child and maternal mortality rates remain high. Furthermore, diseases such as plague, rabies and polio have seen resurgence due to a weakening in the living conditions of the populace and an ailing healthcare system. In light of the above, the African Development Bank made a USD 1 million emergency grant in January 2012 for vaccination campaigns against these three diseases (AfDB *et al.*, 2012c:12).

3.6.5 Summary of assessments of Madagascar

The political crisis that has unfolded in Madagascar has negatively impacted the country. As such, any tax administration reforms have been difficult to implement and have had minimal results in the midst of the current political climate. Prior to the political unrest, the government had taken active steps to improve the resource mobilisation of Madagascar. The government had been admitted as a candidate country to the EITI. The candidate status had, however, been suspended at the start of the unrest, until such time as the crisis has been resolved (AfDB *et al.*, 2012e:11).
Prior to the political crisis and subsequent regime change, the government of the country had taken active steps to combat fraud and corruption, to decrease the complexity of the tax administration system and make it more transparent (AfDB *et al.*, 2010c:178). However, the political unrest has severely impacted the governance reforms in question, in turn leading to a weakening in the country's overall score per the Mo Ibrahim Index of Africa Governance during the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a).

Furthermore, Madagascar has a low capacity for resource mobilization as at 2012, and is therefore heavily reliant on external sources of funding (AfDB *et al.*, 2010c:178). This has negatively impacted the ability of the country to be fiscally independent.

Due to the political and economic crisis in question, living conditions have worsened for the people of Madagascar during the period 2008 to 2012 (AfDB *et al.*, 2012c:12).

3.7 MALAWI

The ratios relating to Madagascar have been analysed in detail per 3.7.1 to 3.7.4. Refer to Figure B4 in Addendum B, for the ratios in question.

3.7.1 Assessment of tax administration reforms

Malawi's tax effort ratio had, on an overall basis, increased during the period 2008 to 2011, only to decrease in 2012 (AfDB *et al.*, 2012d:7; AfDB *et al.*, 2013e:6). The country's score per the Mo Ibrahim Index of African Governance has remained consistant at 75% during the period 2008 to 2012. The country's ranking per the Mo Ibrahim Index of African Governance in respect of revenue collection has weakened slightly from seventh out of the 52 countries surveyed in 2008, to tenth out of the 52 countries surveyed in 2009. The ranking subsequently improved during the period 2010 to 2012, to ninth out of the 52 countries surveyed. In light of the fact that Malawi's score per the Mo Ibrhahim Index of African Governance has remained consistent, the fluctuations in the country's rankings are due to the fact that other countries have been able to improve their score to a greater extent during the same period (Mo Ibrahim Foundation, 2012a). The improvement in the tax effort ratio of Malawi during the period 2008 to 2011 had been brought about through institutional and administrative tax reforms. The reforms in question related to the creation of Large Taxpayer Units and the expansion of the auditing function under the Malawi Revenue Authority (AfDB *et al.*, 2010c:180). In addition, the country is actively investing in the application of transfer pricing regulations in the country. The country implemented transfer pricing regulations in 2009 when realising the risk that tax evasion measures posed to the tax base of the country, and has since hosted an ATAF transfer pricing workshop in September 2010 (MRA, 2010). As at the end of 2012, Malawi had entered into double taxation agreements with Denmark, France, Kenya, the Netherlands, Norway, South Africa, Sweden, Switzerland and the United Kingdom (E&Y, 2013a).

The decrease in tax effort in 2012 is due to a weakening in the country's economy and as such the available tax revenues that can be generated. The weakening economy had been the result of a weakening in the agricultural sector. Agricultural output decreased by 3% in 2012 compared to 2011, owing to erratic rains and a collapse in tobacco auction prices. As the agricultural sector forms a vital part of the Malawian economic landscape, this severely impacted the country's economy, in turn negatively impacting the tax revenue that could be generated during the 2012 period. However, it is anticipated that the real GDP growth rate will rebound in 2013, aided by increased tobacco production, decreases in fuel and foreign exchange shortages, as well as a continuation of sound macro-economic policies (AfDB *et al*., 2013e:1). This will in turn enable to the tax effort ratio to improve as well (AfDB *et al*., 2013e:6).

3.7.2 Assessment of governance reforms

Malawi's overall score per the Mo Ibrahim Index of African Governance has been steadily improving from 53.2% in 2008 to 56% in 2012. This is turn has aided the country in improving its overall ranking per the Mo Ibrahim index from twenty-second out of the 52 countries analysed in 2008, to seventeenth out of the 52 countries analysed in 2012. However, it must also be noted that the country experienced a weakening in this ratio during the period 2011 to 2012, decreasing its overall score by 1.4% and losing three rankings during the period in question (Mo Ibrahim Foundation, 2012a). Furthermore, the country's CPI score has been improving since 2008, but decreased during the 2011 period. During the same period the country's CPI ranking weakened from eighty-fifth out of 178 countries surveyed, to one-hundredth out of 182 countries surveyed (Transparency International, 2012).

The fluctuation in the ratios is due to the fact that governance reforms had been undermined by souring relations between the former President Bingu wa Mutharika and donor countries during the 2011 to 2012 period, following allegations of the mismanagement of donor funding and violating human rights policies (AfDB *et al*., 2012d:10). As a result, donor funding allocated to Malawi in respect of the Millennium Challenge Corporation by the United States, amounting to USD

350million, had been suspended (All Africa, 2012a). In addition, during the period 2010 to 2011, the government had been unable to adhere to the terms of the Extended Credit Facility it had secured from the IMF in 2010, thereby further reducing donor inflows to the country (AfDB *et al.*, 2012d:2).

However, the political landscape has since changed. The former President Bingu wa Mutharika passed away on 5 April 2012. The new president, Joyce Banda, has displayed a far more democratic style of leadership, which has helped to win over the support of donor countries (Somerville, 2012). Aid inflows have since improved, leading to a recovery of general economic conditions (Face of Malawi, 2012a).

In an effort to decrease reliance on aid revenue, the government is clamping down on corruption, and in 2012 started investigating illegal payments made to high ranking government officials over the years, and prosecuting the perpetrators accordingly (Face of Malawi, 2012c).

3.7.3 Assessment of fiscal independence reforms

Malawi's score per the Mo Ibrahim Index of African Governance in respect of sustainable economic opportunity has improved by 4.9% during the period 2008 to 2012. This in turn has aided the country in improving its ranking from thirtieth out of the 52 countries analysed in 2008, to twenty-third out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). Furthermore, grant revenue as a percentage of GDP has decreased from 10.9% in 2008, to 3.7% in 2012 (AfDB *et al.*, 2012d:7; AfDB *et al.*, 2013e:6).

The economy is heavily reliant on its agricultural sector, with raw tobacco, sugar cane and tea being its main export products (AfDB *et al.*, 2010c:180). Due to the volatility of output in the agricultural sector, the country is reliant on aid inflows to fund certain of its budgetary expenditures (Face of Malawi, 2012a). Donor inflows had decreased during the period 2010 to 2012 under the rule of former President Bingu wa Mutharika (refer paragraph 3.7.2). The decrease in turn had improved the country's ratio in respect of grant revenue as a percentage of GDP during the same period. However, this cannot be seen as a positive impact due to the fact that government of Malawi had not been able to wean itself off donor revenues prior to the decrease in donor aid (AfDB *et al.*, 2012d:7; AfDB *et al.*, 2013e:6).

During 2012 both the United Kingdom (Face of Malawi, 2012a), as well as the IMF, have advised Malawi to start moving away from reliance on aid, in an effort to become more fiscally independent. These sentiments were echoed in 2012 by the Finance Minister of Malawi, Ken Lipenga. According to Mr Lipenga, the country should focus its efforts on creating sustainable means of generating foreign exchange inflows into the economy, such as increased production and export (Face of Malawi, 2012b).

Efforts are underway under the rule of the new president, Joyce Banda, to improve the fiscal indepedence of the country. Political and economic relations with South Africa have been strengthened, with trade agreements between the two countries to be signed in 2013 (All Africa, 2012b). In order to improve the social-economic development of the country, the government is aiming to venture into the production of cassava on a commercial scale in the foreseeable future (Carriaso, 2012).

3.7.4 Assessment of humanitarian reforms

Malawi's score per the Mo Ibrahim Index of African Governance, relating to human development, has improved by 5.2% during the 2008 to 2012 period. This has in turn enabled the country to improve its ranking from thirty-second out of the 52 countries analysed, to thirtieth out of the 52 countries analysed (Mo Ibrahim Foundation, 2012a).

Malawi is one of the poorest countries in the world, with poverty remaining a key macro-economic challenge (AfDB *et al.*, 2010c:180). As such, the country relies heavily on donor funding to secure foreign currency, which is in turn used to obtain essential commodities such as fuel and inputs to its manufacturing processes (AfDB, *et al.*, 2012d:2). However, efforts are underway to ensure that the country becomes more fiscally independent (refer paragraph 3.7.3). The national poverty rate has decreased from 50.4% in 2005 to 39% in 2009, which is in line with Malawi's 2006-2011 strategy for growth and development. Further to the above, health care facilities and programmes have also improved. As a result, the rate of deaths caused by tuberculosis has declined from 19% in 2005 to 8% in 2010. The rate of people between the age of 15 and 49 years of age being diagnosed with HIV has also decreased from 12% in 2004 to 11% in 2010 (AfDB *et al.*, 2012d:11).

3.7.5 Summary of assessments of Malawi

Malawi has implemented tax administration reforms during the period 2008 to 2012. The reforms in question related to the creation of Large Taxpayer Units and the expansion of the auditing function under the Malawi Revenue Authority (AfDB *et al.*, 2010c:180). In addition, the country is actively investing in the application of transfer pricing regulations in the country. The country implemented transfer pricing regulations in 2009 (MRA, 2010).

With regard to governance reforms, the government of Malawi is clamping down on corruption, and in 2012 started investigating illegal payments made to high ranking government officials over the years, and prosecuting the perpetrators accordingly (Face of Malawi, 2012c). Joyce Banda has been elected as the new president 2012. She has displayed a far more democratic style of leadership, which has helped to win over the support of donor countries (Somerville, 2012). Aid inflows have since improved, leading to a recovery of general economic conditions (Face of Malawi, 2012a).

Efforts are underway to improve the fiscal indepedence of the country. Political and economic relations with South Africa have been strengthened, with trade agreements between the two countries to be signed in 2013 (All Africa, 2012b). Reforms have been implemented to improve the living conditions of the people of Malawi. Health care facilities and programmes have been improved. As a result, the rate of deaths caused by tuberculosis has declined from 19% in 2005 to 8% in 2010. The rate of people between the age of 15 and 49 years of age being diagnosed with HIV has also decreased from 12% in 2004 to 11% in 2010. The national poverty rate has decreased from 50.4% in 2005 to 39% in 2009, which is in line with Malawi’s 2006-2011 strategy for growth and development (AfDB *et al.*, 2012d:11).

3.8 MAURITIUS

The ratios relating to Madagascar have been analysed in detail per 3.8.1 to 3.8.4. Refer to Figure B5 in Addendum B, for the ratios in question.

3.8.1 Assessment of tax administration reforms

Mauritius's tax effort ratio had remained consistent at 18.3% during the period 2008 to 2012, only increasing slightly to 18.4% and 18.5% during the periods 2009 and 2010 respectively (AfDB *et al.*, 2012e:6; AfDB *et al.*, 2013f:5). Mauritius's score per the Mo Ibrahim Index of African Governance in respect of revenue collection has improved from 75% in 2008 to 87.5% in 2012. This improvement has in turn enabled the country to improve its ranking per the Mo Ibrahim index in respect of revenue collection from seventh out of the 52 countries analysed in 2008, to fourth of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

The reason for the fact that Mauritius's tax effort ratio has remained fairly consistent is due to the fact that in an effort to stimulate the economy and improve investment within Mauritius, the government has reduced the tax burden for companies operating within Mauritius (AfDB *et al.*, 2012e:6). Solidarity Income Tax, capital gains tax on property and dividends tax have all been removed per the 2012 budget. In addition, the Corporate Social Responsibility Tax has been simplified to 2% of chargeable corporate income (AfDB *et al.*, 2012e:10). As such, although the GDP of the country has grown by 4.1% during the period 2010 to 2012 (AfDB *et al.*, 2012e:2), tax revenue as a percentage of GDP has remained fairly consistent at 18%, during the same period (AfDB *et al.*, 2012e:6; AfDB *et al.*, 2013f:5).

However, the country's score per the Mo Ibrahim Index of African Governance has improved during the same period (Mo Ibrahim Foundation, 2012a). This is due to the fact that while certain taxes have been dropped in favour of stimulating economic growth, and by default, improved resource mobilisation in the long term, the Mauritian government has taken a pro-active approach to improved tax administration. Mauritius has to date signed 36 double taxation agreements with strategic partner countries, the latest being Turkey in August 2011, in order to ensure that its exports gain favourable access into developed markets (AfDB *et al.*, 2012e:7). Furthermore, the government of Mauritius introduced carbon taxes and "green" taxes during its 2011 budget in order to give greater impetus to the drive for renewable energy and improved energy efficiency (AfDB *et al.*, 2012e:11).

However, the tax legislation of the country is more simplistic than that of other African countries, as the country has no anti-avoidance tax legislation or capital gains legislation (Deloitte, 2012a:1). As such, tax revenues are lower than what could potentially be generated, in favour of being viewed as an attractive commercial channel into Africa (E&Y, 2011).

3.8.2 Assessment of governance reforms

Mauritius has improved its overall score in terms of the Mo Ibrahim Index of African Governance, from 79.2% in 2008 to 82.8% in 2012. Furthermore, the country has consistently ranked first out of the 52 countries surveyed, in terms of the overall ranking per the Mo Ibrahim index (Mo Ibrahim Foundation, 2012a). The country's CPI score has improved from 55% in 2008 to 57% in 2012. During the same period its CPI ranking has remained fairly consistent, being forty-third out of 174 countries surveyed in 2012, compared to forty-first out of 180 countries surveyed in 2008 (Transparency International, 2012).

The reason for the high rankings is the fact that the Mauritian government has taken a strong stance against corruption, having mandated the Independent Commission Against Corruption to investigate corruption allegations in Mauritius. This in turn has led to increased public confidence in the Mauritian government regarding the fight against corruption (AfDB *et al.*, 2012e:11).

3.8.3 Assessment of fiscal independence reforms

The country's score per the Mo Ibrahim Index of African Governance, with regard to sustainable economic opportunity, has improved by 12% during the period 2008 to 2012, from 67.7% to 79.7%. The improvement in question has enabled Mauritius to consistently be ranked first out of the 52 countries assessed per the Mo Ibrahim index, in respect of sustainable economic opportunity (Mo Ibrahim Foundation, 2012). Grant revenue as a percentage of GDP has only increased slightly during 2008 to 2012, from 0.6% in 2008 to 0.9% in 2012 (AfDB *et al.*, 2012e:6; AfDB *et al.*, 2013f:5).

The country has been identified as an economic and trade co-operation zone in Africa by China, strategically positioning it as an important focal point on the Asia-Africa trade route (AfDB, *et al.*, 2012e:7). This will prove useful, going forward, in light of the recession currently experienced by Britain and France, which are the main contributors of foreign direct investment (FDI) in the country (AfDB *et al.*, 2010c:186).

Another fiscal policy endeavour is to create a favourable environment for Small and Medium-sized Entities (SMEs) to grow. Financing is to be made available for SMEs at favourable rates over the period 2013 to 2015, via a collaborative effort with commercial banks and the government. In addition, Value Added Tax (VAT) has been removed on the equipment of sugarcane planters and fisherman (AfDB *et al.*, 2012e:10).

Lastly, per the 2012 national budget, funds have been made available for a guarantee scheme to be introduced in terms of the National Resilience Fund which will enable SMEs to obtain insurance in respect of their exports, as well as in respect of their local sales (AfDB *et al.*, 2012e:10).

These reforms have all aided in ensuring strong investor confidence in the country, ensuring a reasonable growth rate and enabling the government to branch out to new growth opportunities. The GDP of the country has grown by 4.1% during the period 2010 to 2012, mainly due to growth in the tertiary sector which accounts for 69.9% of the GDP (AfDB *et al.*, 2012e:2).

3.8.4 Assessment of humanitarian reforms

Mauritius's score per the Mo Ibrahim Index of African Governance in respect of human development, has improved slightly from 84.5% in 2008 to 85% in 2012. This has in turn enabled the country to improve its ranking in this category from third out of the 52 countries assessed in 2008, to second out of the 52 countries assessed in 2012 (Mo Ibrahim Foundation, 2012a).

In 2012 life expectancy at birth currently stood at 73.4 years. The rate of diagnosis of HIV among 15-to-24-year-olds had been less that 0.2%. Mauritius also has a comprehensive social-security system in place, which has ensured that less than 1% of the population live on less than USD 1 per day. In order to ensure that unemployment levels are kept to a minimum, the government offers training to new entrants to the labour market, as well as to retrenched employees. Per review of the 2012 budget, the Mauritian government also intends to facilitate the access of its citizens to low cost housing, by constructing an additional 100 low-cost housing units for low-income groups, and has ear-marked MUR 1.5 billion to a Social Housing Development Fund (AfDB *et al.*, 2012e:12).

3.8.5 Summary of assessments of Mauritius

The Mauritian government has taken a pro-active approach to improve tax administration. Mauritius has to date signed 36 double taxation agreements with strategic partner countries, the latest being Turkey in August 2011, in order to ensure that its exports gain favourable access into developed markets (AfDB *et al.*, 2012e:7). Furthermore, the government of Mauritius introduced carbon taxes and "green" taxes during its 2011 budget in order to give greater impetus to the drive for renewable energy and improved energy efficiency (AfDB *et al.*, 2012e:11).

Governance reforms have been implemented during the period 2008 to 2012. The Independent Commission Against Corruption has been mandated by the Mauritian government to investigate corruption allegations in Mauritius. This in turn has led to increased public confidence in the Mauritian government regarding the fight against corruption (AfDB *et al.*, 2012e:11).

Fiscal independence reforms have been implemented during the period 2008 to 2012. The country has been identified as an economic and trade co-operation zone in Africa by China, strategically positioning it as an important focal point on the Asia-Africa trade route (AfDB *et al.*, 2012e:7). Several humanitarian reforms have been implemented by the Mauritian government. Mauritius has a comprehensive social-security system in place, which has ensured that less than 1% of the population live on less than USD 1 per day. In order to ensure that unemployment levels are kept to a minimum, the government offers training to new entrants to the labour market, as well as to retrenched employees (AfDB *et al.*, 2012e:12).

3.9 MOZAMBIQUE

The ratios relating to Mozambique have been analysed in detail per 3.9.1 to 3.9.4. Refer to Figure B6 in Addendum B, for the ratios in question.

3.9.1 Assessment of tax administration reforms

Mozambique's tax effort ratio has increased by 4.4% during 2008 to 2012, from 15% in 2008 to 19.4% in 2012 (AfDB *et al.*, 2012f:7; AfDB *et al.*, 2013g:5). Mozambique's score per the Mo Ibrahim index in respect of revenue collection has increased from 62.5% in 2008, to 75% in 2012. This has in turn aided the country in improving its ranking within this category from eighteenth out of the 52 countries analysed in 2008, to ninth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

The improvements in the county's tax effort and revenue collection ratios are due to significant reforms which have assisted revenue collection efforts. Initiatives such as the Strategic Plan for Tax Payments through Banks and the strengthening of the Large Taxpayers' division in the Ministry of Finance have all aided in increasing revenue collections (AfDB *et al.*, 2012f:7). Customs revenue collections are also set to improve, due to implementation of an electronic taxing system (AfDB *et al.*, 2012f:8). The electronic taxing system has been under implementation by the Mozambican Tax Authority since 2011. The system is set to be fully operational by the end of 2014, and will enable Mozambican taxpayers to submit their tax returns online and settle their tax liablities electronically (Fauvet, 2013).

While all these reforms have had a positive impact, of paramount importance are the efficient taxation of the natural resource extraction and mega-project industries currently in operation in Mozambique. Currently, revenues from these industries amount, on average, to only 5% of the net profit of the companies in question, due to fiscal exemptions and benefits (AfDB *et al.*, 2012f:7). However, positive signs are that the Mozambican government is in the process of redrafting the Income Tax Act by 2016, with the intention of increasing the income tax rate as it relates to the mining and hydrocarbons sectors to approximately 18% of profits (Campbell, 2012). The country is also intending, with the assistance of the IMF, to reform the mining law in the foreseeable future (EIU, 2012). At the end of 2012, Mozambique had double taxation agreements in place with Italy, Mauritius, Portugal, United Arab Emirates (UAE), South Africa, Macau, Vietnam, Botswana and India (KPMG, 2012b:4).

3.9.2 Assessment of governance reforms

Mozambique has been able to improve its overall score per the Mo Ibrahim Index of African Governance from 53.3% in 2008, to 54.9% in 2012. The country's overall ranking per the Mo Ibrahim index during the period 2008 to 2012 has remained consistent at twenty-first out of the 52 countries assessed (Mo Ibrahim Foundation, 2012a). In addition, the country's CPI score has improved by 5% during the same period, from 26% in 2008 to 31% in 2012. As such, Mozambique's CPI ranking has slightly improved from hundred-and-twenty-sixth out of the 180 countries surveyed in 2008, to hundred-and-twenty-third out of the 174 countries surveyed in 2012 (Transparency International, 2012).

The country is still extremely poor, ranking hundred-and-twentieth in the world in terms of its purchasing power compared to GDP (Campbell, 2012). The risk therefore exists that Mozambique could fall prey to the resource curse, with its leaders not being held accountable to adhere to good governance and ensuring that its citizens benefit from the extraction of the resources of their country (AfDB *et al.*, 2010a:13). As concluded by Eoin F. McGuirk, per his research conducted on behalf of the Irish Research Council, if sufficient tax revenues can be obtained through the taxing of the extraction of natural resources, leaders tend to be less pro-active in ensuring that all tax revenues are collected efficiently. This is due to the fact that such measures would force its citizens to hold them accountable to good governance, while the absence of such additional taxation breeds a sense of acquiescence among the population (McGuirk, 2010:1).

However, a positive development is that the Mozambican government has applied to become a member of the EITI, which encourages greater disclosure in respect of revenues generated from the extraction industry. In particular, the report requires a detailed reconciliation of all revenues paid by oil, gas and mining industries operating within a country, and the revenues collected according to government authorities (EIU, 2012).

The first application made by Mozambique in 2011 to be admitted to the organisation had been rejected. Although the country scored well in 15 of the 18 criteria to be met in terms of the report, weaknesses were identified in terms of the weak engagement of civil society, the limited scope of the report (AfDB *et al.*, 2012f:11) and discrepancies per the detailed reconciliation as required per the report (EIU, 2012).

However, on its second application in 2012 only a 0.06% discrepancy exists per the detailed reconciliation. According to the government, all remaining concerns have been addressed and as such Mozambique is confident that it will be admitted to the organisation in 2013, when its candidate status is re-evaluated. In any event, this demonstrates the fact that the government of Mozambique is cognisant of the fact that it needs to manage its resources well, and in a transparent manner (EIU, 2012).

3.9.3 Assessment of fiscal independence reforms

Mozambique's score per the Mo Ibrahim index in respect of the category measuring human development has improved from 48.6% in 2008 to 52% in 2012. This improvement has in turn enabled the country to be ranked eighteenth out of the 52 countries assessed in 2012, compared to twenty-fourth of the 52 countries assessed in 2008 (Mo Ibrahim Foundation, 2012). In addition, Mozambique's ratio measuring grant revenue as a percentage of GDP has improved from 9.4% in 2008, to 6% in 2012 (AfBD *et al.*, 2012f:7; AfDB *et al.*, 2013g:5).

The improvement is mainly due to the fact that in recent years, significant natural resources have been discovered in Mozambique, mainly relating to coal and natural gas. This in turn has injected greater FDI into the economy, amounting to USD 1.9 billion in 2011 (AfDB *et al*., 2012f:5).

One of the biggest catalysts to the increased FDI is the mega coal mining projects that have been implemented in Mozambique. On 14 September 2011, Mozambique made its first export of coal in over 20 years via a Brazilian company, Vale. This had been the result of the open cast mining project, Moatize, amounting to USD 1.7 billion in investment, undertaken by Vale. The mine is located in the province of Tete, and will be able to cater to markets in India, China and Brazil by means of the Beira seaport. In light of the economic potential that coal holds, this sector of the economy continues to grow and is attracting increased investments. Vale has indicated that they will invest an additional USD 6 billion into the project, thereby increasing output production of the mine and upgrading the current railway lines connecting the mine to export markets. In addition, the Anglo-Australian company Rio Tinto have also entered the market, by acquiring 22 exploration licenses, as well as 65% of the Benga mining project and investing US$ 4 billion in the Zambezi mining project. The company aims to ship 25 million tonnes of coal by 2016, via the two projects. The British company, Beacon Hill, also made its first coal export in December 2011, amounting to 10 650 tonnes of coal (AfDB *et al*., 2012f:4).

The sector holds significant growth opportunities for Mozambique, and has led to increased infrastructure development to cater to the growing industry. Currently, the country's railway system is in the process of being upgraded, in order to cater to the increased export demand of coal in the foreseeable future (AfDB *et al*., 2012f:5).
In addition, the manufacturing and services industries have grown as a result of increase in FDI. In respect of the manufacturing industry, five foreign cement manufacturing companies have entered the market with a combined investment value of USD 450 million. With regard to the services industry, a new mobile

operator has invested USD 400 million in the economy in 2012. The company is a joint venture between a telecommunications company owned by the Vietnamese Defence Ministry and SPI, the holding company of the ruling Forelimo party (AfDB *et al.*, 2012f:5).

Although all the above developments are important, the most pertinent to date has been the discovery of significant off-shore gas reserves held by Mozambique, potentially making Mozambique the fourth largest holder of natural gas reserves in the world, following Russia, Iran and Qatar. As such, this would require the construction of a large liquefied natural gas plant in Mozambique, which would contribute further to the growth of the economy (AfDB *et al*., 2012f:5).

3.9.4 Assessment of humanitarian reforms

Mozambique’s score per the Mo Ibrahim index, in respect of human development, has increased from 41% in 2008 to 46.7% in 2012. This improvement has in turn enabled the country to improve its ranking within this category from forty-fourth out of the 52 countries assessed in 2008, to forty-first out of the 52 countries assessed in 2012 (Mo Ibrahim Foundation, 2012a).

To date, improvements in human and social development have been identified, with a decrease in child and maternal mortality rates (AfDB *et al*., 2012f:12). The country opened its first pharmaceutical plant on 21 July 2012, aided by joint funding from the Brazilian government, which has become heavily invested in the country due to the mining interests it has in Mozambique. The plant will manufacture 21 different generic medications across 9 different categories. Three of the medications will be anti-retroviral drugs, which will be used to treat Mozambicans currently living with HIV-AIDS. In the foreseeable future, Brazil is also to provide the expertise to aid in the manufacturing of a further 5 generic anti-retroviral medications. This is welcome news to the local populace, in light of the fact that approximately 2.7 million Mozambicans are currently suffering from the disease (Campbell, 2012).

The greatest social obstacle currently facing Mozambique is the skill level of its workforce. Currently, 80% of the workforce have not completed upper primary school and only 13% have completed secondary school. This poses a significant barrier to Mozambicans wishing to enter the labour market, following the increased levels of foreign direct investment in the country (AfDB *et al*., 2012f:12).

In an effort to address this concern, the Mozambican government has embarked on a reform agenda, with the aim of aligning the technical and vocational training currently on offer with the requirements of the market. In order to address the challenges brought about by urban unemployment, the Strategic Plan for the Reduction of Urban Poverty has been implemented by government. The plan aims to empower the youth and unemployed people in urban areas with the adequate skills to help them find employment. Furthermore the 2012 to 2016 Strategic Plan for Education aims to improve the pass rate at schools, thereby improving the skill level of the workforce. During the interim, in order to address the social constraints of the country, a social security programme has been implemented (AfDB *et al*., 2012f:12).

With regard to the healthcare concerns of the country, budget allocations have been made available to target malaria and tuberculosis. Malaria is currently the major cause of disease and mortality in Mozambique. The country also has one of the highest rates of tuberculosis, with approximately 40 000 new infections annually (AfDB *et al.*, 2012f:12).

3.9.5 Summary of assessments of Mozambique

Mozambique has implemented significant tax administration reforms. Initiatives such as the Strategic Plan for Tax Payments through Banks and the strengthening of the Large Taxpayers' division in the Ministry of Finance have all aided in increasing revenue collections (AfDB *et al*., 2012f:7). Customs' revenue collections are also set to improve, due to the implementation of an electronic taxing system (AfDB *et al*., 2012f:8). The electronic taxing system has been under implementation by the Mozambican Tax Authority since 2011. The system is set to be fully operational by the end of 2014, and will enable Mozambican taxpayers to submit their tax returns online and settle their tax liablities electronically (Fauvet, 2013). The Mozambican government is in the process of redrafting the Income Tax Act, with the intention of increasing the income tax rate as it relates to the mining and hydrocarbons sectors to approximately 18% of profits, by 2016 (Campbell, 2012). The country is further intending, with the assistance of the IMF, to reform the mining law in the foreseeable future (EIU, 2012).

In respect of governance reforms, the Mozambican government has applied to become a member of the EITI, which encourages greater disclosure in respect of revenues generated from the extraction industry (EIU, 2012).

Mozambique's fiscal independence has improved due to the discovery of significant natural resources, mainly relating to coal and natural gas. This, in turn, has injected greater FDI into the economy, amounting to USD 1.9 billion in 2011 (AfDB *et al*., 2012f:5).

To date, improvements in human and social development have been identified, with a decrease in child and maternal mortality rates. With regard to the healthcare concerns of the country, budget allocations have been made available to target malaria and tuberculosis (AfDB *et al*., 2012f:12). The country opened its first pharmaceutical plant on 21 July 2012 (Campbell, 2012). In order to decrease the country's unemployment rate, the Mozambican government has embarked on a reform agenda, with the aim of aligning the technical and vocational training currently on offer with the requirements of the market. (AfDB *et al*., 2012f:12).

3.10 NAMIBIA

The ratios relating to Namibia have been analysed in detail per 3.10.1 to 3.10.4. Refer to Figure B7 in Addendum B, for the ratios in question.

3.10.1 Assessment of tax administration reforms

Namibia's tax effort ratio has improved from 29.6% in 2008 to 30.6% in 2012 (AfDB *et al.*, 2012g:7; AfDB *et al.*, 2013h:5). Namibia's score per the Mo Ibrahim Index of African Governance in respect of revenue collection has remained consistent at 75% during the period 2008 to 2012. Due to the fact that certain countries per the index have been able to improve their score to a greater extent, the country's ranking per the Mo Ibrahim Index of African Governance has weakened from seventh out of the 52 countries analysed in 2008, to ninth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Namibia currently has one of the highest tax rates in the SADC region (AfDB *et al*., 2012g:7). As at 2012, the standard corporation tax rate is 34%. The effective tax rate for diamond mining and diamond mining services companies is 55%. Petroleum mining companies pay tax at a flat rate of 35%, with the remaining mining and mining services companies paying tax at a flat rate of 37.5%. VAT is imposed at a rate of 15%. The country has anti-avoidance tax legislation in place, aimed at addressing the risks transfer pricing and thin capitalisation pose to the tax base (Deloitte, 2012b:2). At the end of 2012, Namibia had double taxation agreements in place with Botswana, France, Germany, India, Malaysia, Mauritius, Romania, Russia, South Africa, Sweden and the United Kingdom (KPMG, 2012c:4).

In light of the above, Namibia's tax effort ratio would, in fact, have been higher, if not for its reliance on SACU revenues. Namibia places significant reliance on its SACU receipts, which have traditionally accounted for one third of government revenue (AfDB, *et al*., 2012g:7). Refer to paragraph 3.4.1, for an assessment of the decrease in SACU receipts.

The reason for the increase in the tax effort ratio of the country in 2012, is due to improvements having been introduced to the existing VAT legislation. In addition, compliance with tax audits has been improved and the coverage of tax on minerals has been increased (AfDB *et al*., 2012g:7). In 2011, the Namibian government had introduced several amendments to the VAT legislation, as well as the VAT system in general. For example, VAT on exports may now only be raised at a zero rate if the exporter has borne the transportation costs in question. In respect of imports, an input VAT deduction may now only be claimed once the initial output VAT levy has been paid. With regard to amendments to the VAT system, the government of Namibia has required that all VAT payments in excess of N$ (Namibian Dollars) 500 000 be made via electronic funds transfer, and only from commercial banks, in an effort to reduce fraud relating to VAT payments. A computerized tax system, the

Asycuda system, has been implemented and linked to the Customs and Excise system. This enables revenue authorities to access and compare imports recorded by taxpayers, with their respective VAT import account numbers. Added to this, revenue authorities have committed to streamlining the current VAT refund procedures in place, thereby simplifying the process for taxpayers and enhancing overall compliance to the VAT regulations in place (E&Y, 2011). In 2012, the Namibian government introduced further amendments to existing income tax legislation, in an attempt to increase the revenue base currently available. The amendments in question include the introduction of withholding taxes on fees paid to non-residents, an increase in the non-resident shareholding tax and taxation on the income from the alienation of mineral rights (AfDB *et al*., 2013h:5).

3.10.2 Assessment of governance reforms

Namibia's overall score per the Mo Ibrahim Index of African Governance has remained fairly consistent, improving by only 0.3% during the period 2008 to 2012, from 69.5% to 69.8% respectively. The country has consistently achieved an overall ranking of sixth out of the 52 African countries surveyed per the Mo Ibrahim index, during the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a). Furthermore, Namibia's CPI score has improved by 3% during the period 2008 to 2012, from 45% in 2008 to 48% in 2012. This has, in turn, enabled the country to improve its CPI ranking from sixty-first out of 180 countries surveyed in 2008, to fifty-eighth out of 174 countries surveyed in 2012 (Transparency International, 2012). The country is seen as an investment friendly African country, with a low crime rate and low levels of corruption, bolstered by an independent judiciary and an independent anti-corruption agency (AfDB *et al*., 2012g:10).

3.10.3 Assessment of fiscal independence reforms

The country's score per the Mo Ibrahim Index of African Governance, with regard to the category evaluating sustainable economic opportunity, has improved by 2.4% during the period 2008 to 2012, from 58.7% to 61.1% respectively. Unfortunately the improvement had not been significant enough to improve the country's overall ranking per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, and as such the country has consistently ranked ninth out of the 52 countries analysed per the survey (Mo Ibrahim Foundation, 2012a). Furthermore, grant revenue as a percentage of GDP has only increased slightly during 2008 to 2012, from 0.1% in 2008 to 0.3% in 2012 (AfDB *et al.*, 2012g:7; AfDB *et al.*, 2013h:5).

The credibility of the Namibian government's fiscal policies and budget management techniques has always been highly regarded. Due to the prudent fiscal policies implemented previously, the Namibian government had built up sufficient surpluses to afford running at a budgetary deficit during the period 2009 to 2012, in response to weakening economic growth brought about by the global economic crisis. The budgetary deficit has been financed by domestic borrowing and foreign debt, which has caused an increase in grant revenue as a percentage of GDP (AfDB *et al*., 2012g:2).

Further to the above, in an effort to boost growth within the economy, the government of Namibia has implemented a Targeted Intervention Programme for Employment and Economic Growth during the period 2012 to 2014, amounting to N$ 14.7 billion, aimed at creating direct and indirect job opportunities. The programme is to be implemented as part of the 2011/2012 national budget. This will in part be realised through increased infrastructure development by the public sector, as well as increased public works projects (AfDB *et al*., 2012g:2). As such, grant revenue as a percentage of GDP has increased in 2012 (AfDB *et al.*, 2012g:7; AfDB *et al.*, 2013h:5).

3.10.4 Assessment of humanitarian reforms

Namibia's score per Mo Ibrahim Index of African Governance in respect of human development has improved from 68.6% in 2008 to 69.9% in 2012. Namibia's ranking per the Mo Ibrahim Index of Afrinca Governance in respect of human development has remained consistent at tenth out of the 52 countries analysed (Mo Ibrahim Foundation, 2012a).

The improvement in the country's score is due to the fact that Namibia held the Employment Creation Summit in September 2010. During the summit it was concluded that farming, agro-processing, service industries and SMEs need to be concentrated on in order to address the high unemployment rates currently plaguing the country. Following the summit, the government of Namibia has implemented a Targeted Intervention Programme for Employment and Economic Growth, as indicated in paragraph 3.10.3. (AfDB *et al*., 2012g:13).

In addition to unemployment and income inequality, the country is currently facing the challenges brought about by HIV/AIDS. Due to the fact that the country is one of the five countries most affected by HIV/AIDS, considerable strain has been placed on its health care systems. However, the country has been able to implement an effective anti-retroviral programme with the support of its development partners, in particular the Global Fund and the U.S. President's Emergency Plan For AIDS Relief (PEPFAR) (AfDB *et al*., 2012g:13). In terms of PEPFAR, a five year Partnership Framework had been entered into in 2010 between the United States Government and the Republic of Namibia, to assist Namibia in its fight against HIV/AIDS (GRN & US 2010:4).

3.10.5 Summary of assessments of Namibia

Namibia has implemented tax administration reforms during the period 2008 to 2012. Improvements have been introduced to the existing VAT legislation in 2011 (E&Y, 2011). In 2012, the Namibian government introduced further amendments to existing income tax legislation in an attempt to increase the revenue base currently available. The amendments in question include the introduction of withholding taxes on fees paid to non-residents, an increase in the non-resident shareholding tax and taxation on the income from the alienation of mineral rights (AfDB *et al*., 2013h:5).

The country is seen as an investment friendly African country, with a low crime rate and low levels of corruption, bolstered by an independent judiciary and an independent anti-corruption agency (AfDB *et al*., 2012g:10).

In order to improve its fiscal independence, the government of Namibia has implemented a Targeted Intervention Programme for Employment and Economic Growth during the period 2012 to 2014, amounting to N$ 14.7 billion, aimed at creating direct and indirect job opportunities (AfDB *et al*., 2012g:2).

Humanitarian reforms have been implemented by the country during the period 2008 to 2012. The country has been able to implement an effective anti-retroviral programme with the support of its development partners, in particular the Global Fund and the U.S. PEPFAR (AfDB *et al*., 2012g:13). In terms of PEPFAR, a five year Partnership Framework had been entered into in 2010 between the United States Government and the Republic of Namibia, to assist Namibia in its fight against HIV/AIDS (GRN & US 2010:4).

3.11 SEYCHELLES

The ratios relating to Seychelles have been analysed in detail per 3.11.1 to 3.11.4. Refer to Figure B8 in Addendum B, for the ratios in question.

3.11.1 Assessment of tax administration reforms

Seychelles's tax effort ratio has increased by 18.1% during 2008 to 2012, from 23.8% in 2008 to 41.9% in 2012 (AfDB *et al.*, 2012h:6; AfDB *et al.*, 2013i:5). The country's score per the Mo Ibrahim Index of African Governance in respect of revenue collection has increased from 50% in 2008, to 62.5% in 2012. This has in turn aided the country in improving its ranking within this category from thirtieth out of the 52 countries analysed in 2008, to eighteenth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

The improvement is due to several reforms relating to taxation which have been implemented by the Seychelles Revenue Commission (SRC) since 2009 (SRC, 2011). The reforms in question aim to ensure that the tax base of the country is increased in a fair manner through the reduction of concessions, introduction of basic taxation laws and ensuring that the tax burden is more evenly distributed among all taxpayers (AfDB *et al.*, 2010c:204).

To date, withholding-based personal income tax has been introduced in 2010, harmonising the tax rate for expatriate and national employees alike (AfDB *et al.*, 2012h:6). VAT legislation is to be introduced in mid-2012, with the relevant preparations well on track (AfDB *et al.*, 2012h:5).

A new Customs Management Act has been submitted to the National Assembly for approval (AfDB *et al.*, 2012h:6). The Customs Management Act was approved by the National Assembly in December 2011 and implemented in June 2012. The Customs Management Act replaces the Customs Management Degree Act 1980 and the Trade Tax Act 1993 and its regulations 1997. The Customs Management Act has been implemented in order to ensure that customs administration meets the requirements of the government of the Seychelles in respect of efficient revenue collection. In terms of the Customs Management Act, the customs division of the SRC will be awarded with additional legislative powers in accordance with international best practices (SRC, 2011). In order to ensure that the customs reform programme is successfully implemented, a customs reform team has been appointed in April 2011. These reforms aim to ensure that government generates sufficient tax reserves to finance the existing debt, and also to ensure that overall debt levels decrease due to government being able to finance its budget expenditures through internal means (AfDB, *et al*., 2012h:6). In 2012, Seychelles had double taxation agreements in place with Barbados, Botswana, China, Cyprus, Indonesia, Malaysia, Mauritius, Oman, Qatar, South Africa, Thailand, United Arab Emirates, Vietnam and Zambia (E&Y, 2013b).

3.11.2 Assessment of governance reforms

Seychelles's overall score per the Mo Ibrahim Index of African Governance has improved by 1.2% during the period 2008 to 2012. Seychelles's overall ranking per the Mo Ibrahim Index of African Governance has remained consistent at fourth out of the 52 countries analysed, during the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a). Furthermore, the country's CPI score has improved from 48% in 2008, to

52% in 2012. This improvement has in turn improved Seychelles's CPI ranking from fifty-fifth out of 180 countries surveyed in 2008, to fifty-first out of 180 countries surveyed in 2012 (Transparency International, 2012).The steady improvement in the country's overall score per the Mo Ibrahim Index of African Governance as well as its CPI score, is due to the fact that the country is viewed as politically stable. The government of Seychelles has introduced the Seychelles Sustainable Development Strategy in 2011, for the period 2011 to 2020. Furthermore, a new National Development Plan has been prepared in 2012 (AfDB *et al*., 2012h:2).

3.11.3 Assessment of fiscal independence reforms

The country's score per the Mo Ibrahim Index of African Governance, with regard to the category evaluating sustainable economic opportunity, has improved by 3.8% during the period 2008 to 2012, from 59.9% to 63.7% respectively. This has in turn improved the country's overall ranking per the Mo Ibrahim Index of African Governance in respect of sustainable economic opportunity from eighth out of the 52 countries analysed in 2008, to seventh out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). However, grant revenue as a percentage of GDP has steadily increased since 2010. In 2012 grant revenue as a percentage of GDP amounted to 5.6%, following an initial decrease from 3.5% in 2008 to 0.9% in 2010 (AfDB *et al.*, 2012h:6; AfDB *et al.*, 2013i:5).

The economy of Seychelles is heavily dependent on its tourism and fishing export industries, as a means of ensuring that sufficient foreign currency reserves are available (AfDB, *et al*., 2010c:204). As a result, the country had to default on its foreign interest payments in 2009, following the global economic crisis which hit the tourism industry of the country particularly hard, due to Europe being its main tourist market. Following the crisis, the government of Seychelles entered into an IMF-backed reform plan, which aimed at decreasing the external debt burden of the country (AfDB *et al.*, 2012h:2).

In December 2009, the country negotiated a three year Extended Fund Facility (EFF) with the IMF, as a means of assisting it during the interim period while reforms relating to taxation, public administration and the public sector are implemented

(AfDB, *et al*., 2010c:204). This in turn has led to an increase in the country's grant revenue as a percentage of GDP during 2011 and 2012 (AfDB *et al.*, 2012h:6; AfDB *et al.*, 2013i:5). However, in accordance with the IMF backed reform plan, the country has continued to reduce its debt burden, posting budget surpluses in 2011 and 2012. The government has also been able to restructure its debt obligations. During April 2011, the payment terms of debt owed to Germany, amounting to EUR (Euro) 3.4 million had been restructured, enabling the country to settle the debt over an increased repayment term of 49 years. Secondly, debt owed to China, amounting to USD 27 million, had been granted a 10 year grace period and an increased repayment term of 20 years. The restructured repayment terms will enable the country to have sufficient time to implement its taxation, public administration and the public sector reforms, in order to be in a financial position to repay the debts in question (AfDB *et al*., 2012h:8).

3.11.4 Assessment of humanitarian reforms

The country's score in respect of the category of human development, per the Mo Ibrahim Index of African Governance, has improved from 88.1% in 2008 to 90.8% in 2012. In addition, the country has been ranked first in the category of human development, per the Mo Ibrahim index, for the fourth consecutive year running from 2009 to 2012 (Mo Ibrahim Foundation, 2012a).

The government of the Seychelles has been successful in promoting high standards of living and social development. This is due to the fact that access to education, health services, safe drinking water and sanitation has been made available to all citizens (AfDB *et al*., 2012h:13).

With regard to improvements to education, an Education Reform Plan 2009-2010 had been implemented, with the aim of improving the quality of education so as to be responsive to the needs of business. Furthermore, the Seychelles Framework for Early Childhood Care and Education had been approved by government in 2011, in order to address the needs of all stakeholders in early childhood care and education (AfDB *et al*., 2012h:13).

In respect of the treatment of HIV/AIDS and tuberculosis, statistics per the Joint United Nations Programme on HIV/AIDS (UNAIDS) report 2010 shows all Seychellois people requiring treatment for HIV and tuberculosis did in fact receive treatment (AfDB *et al*., 2012h:13).

In order to address the social concerns raised by poverty, the government introduced a Social Welfare System in 2008. The aim of the social welfare system is to offer greater assistance to those people living below the national food poverty line of SCR (Seychelles Rupees) 38.9 per capita per day. Further to the above, the Seychellois government performed a survey of the living conditions of its people in 2011, thereby identifying where social assistance in the form of government grants as well as incentive-to-work schemes is most required. Furthermore, in the wake of sudden price fluctuations of 2009, the government has established a Stabilisation Fund, which will enable the authorities to partially shield households from any future fluctuations in the exchange rate, thereby ensuring that commodity prices only increase gradually (AfDB *et al*., 2012h:13).

3.11.5 Summary of assessments of Seychelles

Several reforms relating to taxation have been implemented by the SRC since 2009 (SRC, 2011). To date, withholding-based personal income tax has been introduced in 2010, harmonising the tax rate for expatriate and national employees alike (AfDB *et al.*, 2012h:6). VAT legislation is to be introduced in mid-2012, with the relevant preparations well on track (AfDB *et al.*, 2012h:5). A new Customs Management Act was approved by the National Assembly in December 2011 and implemented in June 2012. In terms of the new Customs Management Act, the customs division of the SRC will be awarded with additional legislative powers in accordance with international best practices (SRC, 2011).

The country is viewed as politically stable. The government of Seychelles has introduced the Seychelles Sustainable Development Strategy in 2011 for the period 2011 to 2020. (AfDB *et al*., 2012h:2).

The economy of Seychelles is heavily dependent on its tourism and fishing export industries, as a means of ensuring that sufficient foreign currency reserves are available (AfDB *et al*., 2010c:204). As a result, the country had to default on its foreign interest payments in 2009, following the global economic crisis which hit the tourism industry of the country particularly hard, due to Europe being its main tourist market (AfDB *et al*., 2012h:2). In December 2009, the country negotiated a three year Extended Fund Facility (EFF) with the IMF, as a means of assisting it during the interim period while reforms relating to taxation, public administration and the public sector are implemented (AfDB *et al*., 2010c:204). In accordance with the IMF-backed reform plan, the country has continued to reduce its debt burden, posting budget surpluses in 2011 and 2012 (AfDB *et al*., 2012h:8). This will enable the country to improve its fiscal independence, going forward.

The government of Seychelles has been successful in promoting high standards of living and social development. This is due to the fact that access to education, health services, safe drinking water and sanitation has been made available to all citizens. In respect of the treatment of HIV/AIDS and tuberculosis, statistics per the Joint UNAIDS report 2010 shows all Seychellois people requiring treatment for HIV and tuberculosis did in fact receive treatment. In order to address the social concerns raised by poverty, the government introduced a Social Welfare System in 2008. Furthermore, in the wake of sudden price fluctuations of 2009, the government has established a Stabilisation Fund, which will enable the authorities to partially shield households from any future fluctuations in the exchange rate, thereby ensuring that commodity prices only increase gradually (AfDB *et al*., 2012h:13).

3.12 SOUTH AFRICA

The ratios relating to South Africa have been analysed in detail per 3.12.1 to 3.12.4. Refer to Figure B9 in Addendum B, for the ratios in question.

3.12.1 Assessment of tax administration reforms

South Africa’s tax effort ratio has improved from 25.9% in 2008, to 27.5% in 2012 (AfDB *et al.*, 2012i:6; AfDB *et al.*, 2013j:5). Furthermore, the country has consistently scored 100% per the Mo Ibrahim Index of Afican Governance, in respect of its revenue collection efforts over the same period. During the period 2008 to 2012 South Africa, together with Botswana, has consistently ranked first out of the 52 countries analysed per the Mo Ibrahim Index of African Governance, in respect of its revenue collection efforts (Mo Ibrahim Foundation, 2012a).

According to South Africa’s Minister of Finance, Pravin Gordhan, a strong culture of tax and customs compliance has been fostered in South Africa, with the number of registered taxpayers increasing from 1.7 million in 1994, to 12 million in 2012 (SARS, 2012:1).

Growth in the economy, as well as a culture of improved tax compliance, has led to increased tax revenues at an average increase of 11.6% per year. This has enabled the country to be independent in designing and implementing its social-economic development policies, to best meet the needs of all South Africans. Mr Oupa Magashula, former SARS Commissioner, attributes this to a simplification and modernisation of the processes currently in place relating to tax and customs legislation (SARS, 2012:3).

Electronic submission of tax returns, or eFiling, has been introduced into the South African revenue sphere. The electronic facility had been made available to individuals who wish to submit their tax return online since June 2006 (SARS, 2006). The South African Revenue Services (SARS) continually strives to improve this facility. From September 2012 taxpayers who struggle submitting their tax return online may obtain assistance from a SARS call centre agent. The system in question is the first to have been introduced by any revenue agency (SAIT, 2012). Furthermore, taxpayers have been educated on tax legislation currently in place, by means of workshops, brochures, training guides, training videos, call centre assistance and outreach programmes. This has been performed in order to ensure increased tax compliance by making taxpayers aware of how to apply the South African Income Tax Act correctly (SARS, 2012:4). The education appears to be bearing results. As at September 2012, SARS had received 2.3 million tax returns since the opening of the 2012 tax season. At the same time during the 2011 tax season, only 1.5 million tax returns had been submitted. Furthermore, statistics indicated that SARS branches were seeing 55% more taxpayers during the 2012 tax season, than in the 2011 tax season (SAIT, 2012).

The tax legislation may have been simplified, but it remains advanced. This is a positive step in ensuring that sufficient tax revenues are generated. Anti-avoidance legislation, addressing the risks transfer pricing and thin capitalization pose, as well as general anti-avoidance regulations , in terms of section 31 and section 80 of the South African Income Tax Act, respectively, have been implemented (Deloitte, 2011c:10). Section 31 has been amended substantially for years of assessment on or after 01 April 2012 (Haupt, 2013:466). Section 80 of the South African Income Tax Act replaces the section 103 of the South African Income Tax Act in respect of transactions entered into on or after 02 November 2006. Updated legislation had been required due to the fact that the pre-existing legislation in terms of section 103 had proven to be an ineffective deterrent against increasingly complicated forms of impermissable tax avoidance (Satumba, 2011:4). As at 2012, South Africa had tax treaties in place with 70 countries (Deloitte, 2011c:10).

3.12.2 Assessment of governance reforms

The country's overall score per the Mo Ibrahim Index of African Governance has weakened slightly, from 71.3% in 2008, to 70.7% in 2012. The weakening in South Africa's overall score has resulted in the country not improving its overall ranking per the Mo Ibrahim Index of African Governance, which has remained at fifth out of the 52 countries analysed during the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a). In addition to the weakening of the country's score, the Mo Ibrahim Index of African Governance, South Africa's CPI score, has weakened from 49% in 2008 to 43% in 2012. As a result, the country's CPI ranking has weakened from fifty-fourth out of 180 countries surveyed in 2008, to sixty-ninth out of 174 countries analysed in 2012 (Transparency International, 2012).

The ratios in question indicate that South African citizens view their elected officials as being more inept at governing the country and more corrupt, than previously. This has been confirmed in 2012 by Dr. Cherrel Africa of the University of the Western Cape. According to a study performed in 2012 by her on behalf of the Institute for Democracy in South Africa, forty percent of South Africans view parliamentarians and councillors as corrupt. This constitutes an increase of 15% from 2008, when twenty-five percent of South Africans considered their parliamentrians and councillors to be corrupt (SAPA, 2012a).

The threat that corruption poses to South Africa's democracy appears to have become endemic. According to the Institute for Security Studies, evidence is mounting that state security agencies are being misused by state officials in order to pursue political agendas. Furthermore, it would appear that politically connected individuals are increasingly being safeguarded from prosecution (Tamukamoyo & Newham, 2012).

In April 2009, former National Director of Public Prosecutions, Advocate Mokotedi Mpshe, declared that the legal process against Jacob Zuma had been tainted. As such, although there had been considerable *prima facie* evidence supporting 783 charges of corruption, money laundering, racketeering and bribery against Mr Zuma, the charges in question were withdrawn. However, when Advocate Mpshe was subsequently assisted by Mr Zuma's Minister of Justice (upon Mr Zuma having been elected as the President of South Africa) in obtaining a judicial appointment, it raised speculations that he had been rewarded for making a political decision, rather than a judicial one, as required per the Constitution (Tamukamoyo & Newham, 2012).

In March 2011, former crime intelligence chief Richard Mdluli had been charged for the murder of Oupa Ramogibe in 1999. As a result of the charges raised against him, he had been placed on paid suspension in May 2011. In September 2011, the Pretoria Specialised Commercial Crime Unit, under Glynnis Breytenbach, charged Mdluli for corruption. The corruption charges related to Mdluli's alledged abuse of the secret services account. Subsequently, disciplinary charges were also laid against Mr. Mdluli by police management. However, in December 2011 newly appointed

National Prosecuting Authority special director Lawrence Mrwebi overruled the decision to prosecute Mr. Mdluli in respect of the alledged corruption charges. Furthermore, on 01 February 2012 Glynnis Brytenbach had been suspended from the Pretoria Specialised Commercial Crime Unit. On 02 February 2012, the National Prosecuting Authority announced that the murder and corruption charges against Mr Mdluli were to be withdrawn in favour of an inquest. In March 2012, then acting police commissioner Nhlanhla Mkhwanazi withdrew the disciplinary charges against Mr Mdluli and lifted his suspension. In June 2012, in light of the events in question, lobby group Freedom Under Law brought an application to the high court to have the charges under Mr Mdluli reinstated. Judge John Murphy of the high court found in favour of the lobby group, and ordered that the charges against Mr Mdluli be reinstated (Evans, 2013).

In August 2012, fraud and corruption charges against KwaZulu-Natal Economic Development MEC Mike Mabuyakhulu and the legislature speaker of the province, Peggy Nkonyeni, were withdrawn by the NPA. The province's newly appointed director of public prosecutions, Moipone Noko, had withdrawn the charges, citing an inablity to successfully prosecute either of the accused. Moipone Noko had been appointed in July 2012, following the dismissal of Simphiwe Mlotshwa, for allegedly refusing to withdraw the criminal charges against the politicians in question. Both Mike Mabuyakhulu and Peggy Nkonyeni were linked to the sale of water purification plants to the KwaZulu-Natal health department, alledgedly at inflated prices. The water purification systems were sold by Uruguayan businessman Gaston Savoi's company, Intaka. Intaka apparently paid bribes to ensure that a contract relating to the supply of water purification systems and oxygen generators to KwaZulu-Natal hospitals, went the company's way. Both Mr. Savoi and KwaZulu-Natal provincial treasury minister Sipho Shabala, are currently on trial for a R1 million donation received by Mr. Shabala on behalf of the ANC, relating to the contract in question (SAPA, 2012b).

According to the Institute for Security Studies, the increase in politicians referring their cases to the Public Protector is of great concern. This is due to the fact that the agency is not part of the criminal justice system, nor does it have the manpower and skills available to perform investigations relating to the detection of high-level corruption (Tamukamoyo & Newham, 2012). What is required is for the police and national prosecuting authority to act without fear or favour, when investigating politically sensitive cases. However, according to Pierre de Vos, a constitutional-law scholar at the University of Cape Town, this does not always seem to be case (The Economist, 2012b).

3.12.3 Assessment of fiscal independence reforms

South Africa's score per the Mo Ibrahim Index of African Governance decreased from 63.1% in 2008 to 61.6% in 2012 (Mo Ibrahim Foundation, 2012a). This, in turn, caused a weakening in the country's ranking per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, from fifth out of the 52 African countries surveyed in 2008, to eighth out of the 52 African countries surveyed in 2012. The ratio measuring grant revenue as percentage of total revenue has weakened from 0% in 2008, to 0.6% in 2012 (AfDB *et al*., 2012i:6; AfDB *et al*., 2013j:5).

The weakening in South Africa's ability to be fiscally independent stems from the South African government's economic mismanagement of the country. The country contains some of the richest mining deposits in the world. As a result, the mining industry forms an important backbone of the economy. However, the mining sector's contribution to the country's GDP has steadily weakened, from 9% of GDP in 1994, when the ANC first came to power, to 5% of GDP in 2012. In 2012 mining output had dropped to its lowest level in 50 years. Furthermore, during the mineral's boom prior to the global economic recession, mining production in South Africa decreased by 1% compared to an average increase of 5% in the rest of the world (The Economist, 2012a).

The mining sector in particular has been hard hit due to increased energy tariffs, logistical problems, decreased global demand and the striking of mine workers (AfDB *et al*., 2012i:4), with the latest spate of civil unrest in August 2012 at Lonmin platinum mine in Rustenburg, impacting negatively on the international view of the country (De Lange *et al.*, 2012). An additional concern for investors is the unpredictable nature of the South Afican government's mining policy, in particular relating to the potential nationalization of the mining industry. According to Cynthia Carroll, head of Anglo-American, one of the world's largest mining firms, companies are unwilling to make significant long-term capital investments in South Africa due to the risk of unpredictable changes to the regulatory climate (The Economist, 2012a).

During September 2012, Moody's Investor Services downgraded South Africa's government bond rating from A3 to Baa1 (Moody's, 2012a). Moody's Investor Services is a leading provider of credit ratings, research and risk analysis. The firm provides risk analysis to its users on more than 115 countries (Moody's, 2012b). Moody's stated that the reason for the downgrade had been due to a decrease in the South African government's ability to address the risks relating to growth and international competiveness facing the country. Furthermore, the firm cited the South African government's decreased room to successfully implement counter-cyclical measures to ensure the growth of the South African economy. In addition, Moody's identified that the negative investment climate, stemming from weakened infrastructure, high labour cost and increased political instability, as a further reason for the downgrade (Moody's, 2012a).

In October 2012, Gill Marcus, governor of the South African Reserve Bank, indicated that the mining strikes and civil unrest during August and September 2012 had negatively impacted South Africa's reputation as an investment-friendly country. As evidence of this loss in investor confidence, she pointed to a R5.6 billion outflow in net-equity on 08 October. According to Peter Attard Montalto, an emerging-markets analyst at Nomura International, an investment bank, FDI in South Africa has been steadily decreasing. This is due to investors' concerns in respect of labour laws, frequent strikes and the unions' close relationship with the ruling party, namely the ANC (The Economist, 2012b).

3.12.4 Assessment of humanitarian reforms

The country's score per the Mo Ibrahim Index of African Governance in respect of human development, has weakened by 1.1% during the period 2008 to 2012. However, this decrease has been less than that of other countries assessed per the index, thereby enabling South Africa to improve its ranking from eighth of the 52 countries analysed in 2008, to seventh out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

The ratio indicates that humanitarian conditions in South Africa have worsened. In light of the worsening social welfare situation, violent protests have increased during the period 2008 to 2012 (The Economist, 2012a). Per the research of Martin Plaut and Paul Holden, as many as 2 872 000 people (or 5% of the population) have taken part in service delivery protests since 2008 (Plaut, 2012). The protests are fueled by increased frustration over continuing widespread poverty and inefficient public service delivery by the South African government (The Economist, 2012a).

Economic growth is essential to the country, in light of an official unemployment rate in 2012 of 24.9% (AfDB *et al.*, 2012i:14). However, the real unemployment rate in 2012 might be closer to 40%. The high rate of unemployment stems from weak education systems, resulting in thousands of jobs being left vacant. For example, according to the South African Institute of Race Relations, half of the 95 000 available nursing posts in the public sector were vacant in 2012 (The Economist, 2012b).

3.12.5 Summary of assessments of South Africa

South Africa has implemented several tax administration reforms during the period 2008 to 2012. For example, from September 2012 taxpayers who struggle to submit their tax return online, may obtain assistance from a SARS call centre agent (SAIT, 2012). Furthermore, taxpayers have been educated on tax legislation currently in place (SARS, 2012:4). Anti-avoidance legislation, addressing the risks transfer pricing and thin capitalization pose, as well as general anti-avoidance regulations , in terms of Section 31 and Section 80 of the South African Income Tax Act (58 of 1962), respectively, have been implemented (Deloitte, 2011c:10). Section 31 has been amended substantially for years of assessment on or after 01 April 2012 (Haupt, 2013:466). Section 80 of the South African Income Tax Act (58 of 1962) replaces the Section 103 of the South African Income Tax Act (58 of 1962) in respect of transactions entered into on or after 02 November, 2006 (Satumba, 2011:4).

However, the country faces greater governance challenges, mainly relating to increased levels of corruption during the period 2008 to 2012 (The Economist, 2012b). South African citizens view their elected officials as being more inept at governing the country, and more corrupt, than previously (SAPA, 2012a). Instances of interference with the judicial process in respect of political sensitive cases, have been identified during the period 2008 to 2012 (The Economist, 2012b). Due to the South African governnment's economic mismanagement of the country during the period 2008 to 2012, the country's ability to be fiscally independent has weakened (The Economist, 2012a). The mining sector in particular has been hard hit due to increased energy tariffs, logistical problems, decreased global demand and the striking of mine workers (AfDB *et al*., 2012i:4). During September 2012, Moody's Investor Services downgraded South Africa's government bond rating from A3, to Baa1 (Moody's, 2012a). In October 2012, Gill Marcus, governor of the South African Reserve Bank, indicated that the mining strikes and civil unrest during August and September 2012 had negatively impacted South Africa's reputation as an investment-friendly country (The Economist, 2012b).

During the period 2008 to 2012, humanitarian conditions in South Africa have worsened. In light of the worsening social welfare situation, violent protests have increased during the period 2008 to 2012 (The Economist, 2012a).

3.13 SWAZILAND

The ratios relating to Swaziland have been analysed in detail per 3.13.1 to 3.13.4. Refer to Figure B10 in Addendum B, for the ratios in question.

3.13.1 Assessment of tax administration reforms

On an overall basis, Swaziland's tax effort ratio has increased from 36.1% in 2008, to 38.0% in 2012. However, the country's tax effort ratio severely weakened in 2010 and 2011, to 22.6% and 23.3% respectively (AfDB *et al.*, 2012:6; AfDB *et al.*, 2013:6). Swaziland's score per the Mo Ibrahim Index of African Governance, in respect of its revenue collection efforts, has improved from 50% in 2008, to 62.5% in

2012. This improvement has in turn improved the country's ranking per the Mo Ibrahim Index of African Governance, in respect of its revenue collection efforts, from thirtieth out of the 52 countries analysed in 2008, to eighteenth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Swaziland's revenue resources are unpredictable and vary on an annual basis. This explains the weakening in the tax effort ratio during the period 2010 and 2011. The fluctuation stems from an over-reliance on customs revenue as a form of resource mobilisation (AfDB *et al*., 2012j:7). SACU revenues have been in decline since 2009 (refer paragraph 3.4.1), hence the decrease in the tax effort ratio during 2010 and 2011. Furthermore, customs administrations are inefficient, and consist of onerous documentation requirements and procedures (AfDB *et al*., 2012j:7).

In order to improve the country's revenue mobilization, the government has formed the Swaziland Revenue Authority during 2011, with the aim of improving resource mobilization (SRA, 2012:3). As from 1 April 2012, the country has adopted VAT in favour of the previously existing sales tax regime, in order to improve resource mobilization in the country (Phakathi, 2012). As such, this would explain the improvement in the tax effort ratio of Swaziland from 2011 to 2012 (AfDB *et al.*, 2012:6; AfDB *et al.*, 2013:6). As at 2012, Swaziland had double taxation agreements in place with Mauritius, South Africa and the United Kingdom (KPMG, 2012d:2).

3.13.2 Assessment of governance reforms

Swaziland's overall score per the Mo Ibrahim Index of African Governance has improved slightly during the period 2008 to 2012, from 50.2% in 2008, to 52% in 2012. This is turn has led to an improvement in its overall ranking per the Mo Ibrahim Index of African Governance, from twenty-ninth out of the 52 countries analysed in 2008, to twenty-sixth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). The country's CPI score has improved by 1% during the period 2008 to 2012, from 36% in 2008, to 37% in 2012. However, the increase had been less than that of other countries assessed, thus weakening the country's CPI ranking from seventy-second of 180 countries assessed in 2008, to eighty-eighth out of 174 countries assessed in 2012 (Transparency International, 2012).

Swaziland's Prevention of Corruption Act of 2006 formed the Anti-Corruption Commission (ACC), which became operational in 2008. The ACC formed a three-year Strategic Plan in 2009 on how to combat corruption. Furthermore, a draft 2012 National Corruption Policy has been developed by the ACC (UNDP, 2013). However, the ACC continues to be inadequately funded, and struggles with bureaucratic delays in the prosecution of suspected offenders (AfDB *et al*., 2012j:11). As such, the positive impact that the reforms have had, have been negatively impacted by bureaucratic obstruction, leading to only a 1% improvement in the country's CPI score during the period 2008 to 2012 (Transparency International, 2012).

3.13.3 Assessment of fiscal independence reforms

Swaziland's score per the Mo Ibrahim Index of African Governance, in respect of sustainable economic opportunity, has improved from 43.8% in 2008, to 49% in 2012. However, it must be noted that the country experienced a weakening in its score per the Mo Ibrahim Index of African Governance in this category, during the period 2011 and 2012. Previously, the rating had increased to 51.7% and 50.1% during 2009 and 2010 respectively. The country's ranking per the Mo Ibrahim Index of African Governance, in respect of this category, has improved from thirty-first out of the 52 African countries analysed in 2008, to twenty-seventh out of the 52 African countries surveyed in 2012. However, this is a decrease from the country's ranking per the Mo Ibrahim Index of African Governance of eighteenth of out the 52 countries analysed in 2009 (Mo Ibrahim Foundation, 2012a). Grant revenue as a percentage of GDP has improved slightly from 0.6% in 2008, to 0.5% in 2012, indicating that the the country is becoming more fiscally independent and is placing less reliance on external grants to fund its economy. However, this is a weakening from the previous low levels of 0.4% and 0.2% during 2009 and 2010 respectively (AfDB *et al*., 2012:6; AfDB *et al*., 2013:6).

Swaziland is still an absolute monarchy, with the King of Swaziland holding supreme executive, legislative and judicial powers (AfDB *et al*., 2012j:11). The Kingdom of Swaziland is heavily reliant on SACU revenue in order to finance its budgetary expenditure (AfDB *et al*., 2012j:2). This is of concern, when one takes into account that SACU revenues have been in decline since 2009 (refer to paragraph 3.4.1). The decrease in SACU revenues negatively impacted the country's ratings per the Mo Ibrahim Index of African Governance in respect of fiscal independence during the period 2010 to 2012 (Mo Ibrahim Foundation, 2012a). Furthermore, the decrease in SACU revenues negatively impacted grant revenue as a percentage of GDP, during the period 2010 to 2012 (AfDB *et al*., 2012:6; AfDB *et al*., 2013:6).

Due to a lack of financing, the government of Swaziland had been unable to meet all the obligations that had been set per its budget. Additional financing could not be obtained in the domestic market, due to the refusal of commercial banks to participate in the auctions of government bonds and treasury bill auctions, owing to a lack of investor confidence. Financing could not be obtained from the external market either. A potential loan from South Africa had been refused in light of the unwillingness of the country to implement economic and political reforms aimed at establishing a democratic state. These reforms were the preconditions attached to the granting of the loan. An IMF programme, implemented in accordance with the requirements of the development partners of the country, also did not bear results. The programme required significant fiscal policy adjustments, in particular relating to the curbing of expenditure by means of significant wage cuts in the public sector. However, due to entrenched resistance to any wage cuts, the fiscal reforms in question did not materialize. As such, the budgetary assistance provided by the development partners had been put on hold as well (AfDB *et al*., 2012j:8).

In order to rectify the situation, the government intends to implement a medium-term expenditure framework in 2013 in order to budget for key expenditure projects, rather than basing the budget on available revenues (AfDB *et al*., 2012j:10). This has been communicated to the government of Swaziland per the Public Finance Management Bill, drawn with the technical assistance of the IMF in 2012. The bill recommends improved budget reporting, improved expenditure control and enhanced budget preparation. Furthermore, the bill requires the immediate reduction in the wage bill of the country by 1% of gross domestic product, with the expenditure rather applied towards the improvement of education, protection of vulnerable children and the elderly, and the eradication of HIV/AIDS (Dlamini, 2012a).

3.13.4 Assessment of humanitarian reforms

The country's score per the Mo Ibrahim Index of African Governance in respect of human development has improved slightly from 64% in 2008 to 65.7% in 2012. However, the country's ranking in respect of this category has weakened from thirteenth out of the 52 countries analysed per the index in 2008, to fourteenth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Swaziland has the highest rate of HIV/AIDS in the world, and as such any potential decrease in government expenditure relating to health care services, due to a lack of government revenues, would be detrimental to the local populace. The global economic crisis had negatively impacted the growth rate of the economy, as well as the SACU revenues generated by the country, since 2009 (AfDB *et al*., 2012j:2). However, Swaziland had still been able to provide life-saving drugs to HIV/AIDS patients with the help of donors, during the period 2008 to 2012. Budget allocations per the government of Swaziland during this period had been sustained. In June 2011, Swaziland signed the 2011 Political Declaration on HIV and AIDS, reconfirming the country's commitment to stop and decrease the spread of HIV/AIDS by 2015 (Dlamini, 2012b:i). As such, in spite of the financial challenges facing the health sector, a slight decrease in the occurrence of HIV/AIDS has been noted (AfDB *et al*., 2013c:13).

3.13.5 Summary of assessments of Swaziland

Tax administration reforms have been implemented by Swaziland during the period 2008 to 2012. The government of Swaziland formed the Swaziland Revenue Authority during 2011, with the aim of improving resource mobilization (SRA, 2012:3). As from 1 April 2012, the country has adopted VAT in favour of the previously existing sales tax regime, in order to improve resource mobilization in the country (Phakathi, 2012). As such, this would explain the improvement in the tax effort ratio of Swaziland from 2011 to 2012 (AfDB *et al.*, 2012:6; AfDB *et al.*, 2013:6).

Governance reforms have been implemented by the country during 2008 to 2012. The ACC, which became operational in 2008, has been formed in terms of

Swaziland's Prevention of Corruption Act of 2006 (POCA). The ACC formed a three-year Strategic Plan in 2009 on how to combat corruption. Furthermore, a draft 2012 National Corruption Policy has been developed by the ACC (UNDP, 2013).

The government of Swaziland intends to implement a medium-term expenditure framework in 2013 in order to budget for key expenditure projects, rather than basing the budget on available revenues (AfDB *et al*., 2012j:10). This has been communicated to the government of Swaziland per the Public Finance Management Bill , drawn up with the technical assistance of the IMF in 2012 (Dlamini, 2012a).

Swaziland has been able to provide life-saving drugs to HIV/AIDS patients, with the help of donors, during the period 2008 to 2012. In June 2011, Swaziland signed the 2011 Political Declaration on HIV and AIDS, reconfirming the country's commitment to stop and decrease the spread of HIV/AIDS by 2015 (Dlamini, 2012b:i).

3.14 ZAMBIA

The ratios relating to Zambia have been analysed in detail per 3.14.1 to 3.14.4. Refer to Figure B11 in Addendum B, for the ratios in question.

3.14.1 Assessment of tax administration reforms

Zambia's tax effort ratio only decreased significantly below its 2008 ratio of 18.6% in 2009, when it decreased to 15%. However, following 2009, the ratio improved during 2010 and 2011, and only decreased by 0.8% in 2012 to end on 18.5% for the period under review (AfDB *et al.*, 2012k:6; AfDB *et al.*, 2013l:5). Zambia's score per the Mo Ibrahim Index of African Governance, in respect of improvements to revenue mobilization, improved by 6.2% during the period 2008 to 2010. However, it had been negatively impacted by the global economic crisis (Kayaombo, 2013), subsequently causing its score to decrease to its previous level of 56.3% during the period 2011 and 2012. As a result, the country's ranking per the Mo Ibrahim Index of African Governance, in respect of improvements to revenue mobilization, decreased from twenty-fifth out of the 52 countries analysed in 2008, to thirtieth out of the 52 countries analysed in 2012. However, the country's ranking had initially improved in 2009 and 2010 to twentieth out of the 52 countries analysed in 2009 and nineteenth out of the 52 countries analysed in 2010 (Mo Ibrahim Foundation, 2012a).

Several tax administration reforms have been implemented by the government of Zambia during the period 2008 to 2012. In 2011, electronic filing facilities were made available to taxpayers for the filing of VAT returns. In order to reduce fraud with regard to VAT payments, from 2011 Zambian revenue authorities require all VAT payments in excess of ZMK (Zambian Kwatcha) 100 000 000 to be made electronically via a commercial bank. Furthermore, in 2011 VAT has been levied on services relating to non-life insurance products and fee-based banking fees (E&Y, 2011). This would explain the improvement in the tax effort ratio of the country in 2011 and 2012 (AfDB *et al.*, 2012k:6; AfDB *et al.*, 2013l:5).

In an effort to ensure that all stakeholders become tax compliant, the Zambia Revenue Authority (ZRA) is actively involved in educating taxpayers regarding best tax practices to follow. With this goal in mind, the ZRA co-hosted a stakeholders' integrity workshop on 17 March 2012, aimed at addressing corruption (ZRA, 2012a). In a similar meeting held with clearing agents, the ZRA Commissioner, General Berlin Msiska, disclosed the intention of government to replace the current Asycuda system with a web-based customs platform, in an effort to simplify the customs clearance process (ZRA, 2012b).

The ZRA regularly engages with its counterparts in Africa, as well as abroad, regarding tax-related matters. During April 2012, the organization hosted a workshop aimed at improving tax morale and improving the taxation of natural resources, with tax practitioners from Mozambique, Tanzania, Zambia, South Africa, Botswana and Norway, as well as international experts and representatives from the IMF and the Norwegian government in attendance (ZRA, 2012c).

As at 2012, the country has double taxation agreements in place with 18 countries (SADC, 2012b), and has renegotiated the terms of the double taxation agreement with the United Kingdom in February 2012 (ZRA, 2012d).

It is hoped that the implemented tax reforms will aid the country in improving its resource base, thereby enabling the Zambian government to reduce wide-spread poverty in the country. A positive measure implemented by the Zambian government from 2012, is the provision of tax relief measures to low income earners (AfDB *et al*., 2012k:6).

However, key challenges still remain. According to the 2011 IMF country report on Zambia, the country still has to utilize the taxation of non-extraction industries to a greater extent. Secondly, tax revenues from the mining industry are currently still understated. The reasons for these constraints are mainly due to significant incentives, exclusions and exemptions that have previously been offered to the private sector, as a means of generating new investment in the country. In order to redress previously understated tax revenues, the country needs to implement a gradual withdrawal of widespread existing tax incentives, make greater use of consumption taxes and replace non-tax revenues with property taxes (IMF, 2011:11). Progress has been made regarding implementing the recommendations of the IMF, with efforts currently underway to increase the tax base of the country (AfDB *et al*., 2012k:6). Per the 2012 Zambian national budget, the mineral royalty rate has been increased by government from 3% for base metals and 5% for precious metals, to 6% for base metals and precious metals respectively (BDO, 2012:5). Secondly, copper and cobalt ores have been removed from the VAT deferment scheme (BDO, 2012:7).

3.14.2 Assessment of governance reforms

Zambia's overall score per the Mo Ibrahim Index of African Governance has improved from 56.6% in 2008, to 58.5% in 2012. This improvement has in turn improved the overall ranking of the country per the Mo Ibrahim Index of African Governance0 from seventeenth out of the 52 countries analysed, to twelfth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). Furthermore, the country's CPI score improved from 28% in 2008, to 37% in 2012. This in turn had led to an improvement in Zambia's CPI ranking from hundred-and-fifteenth out of 180 countries analysed in 2008, to eighty-eighth of the 174 countries analysed in 2012 (Transparency International, 2012).

The formation of the Financial Intelligence Unit in 2010, an independent and well-equipped organization, with the mandate of investigating money laundering and fraud, as well as the ratification of the UN convention against Corruption, are both positive signs that the Zambian government is committed to ensuring a culture of good governance and transparency (AfDB *et al*., 2012k:10).

In an effort to reduce corruption, new procurement guidelines have been introduced, improving transparency and efficiency in the procurement process. Greater transparency has also been obtained in the extraction industry, due to the participation by Zambia in the EITI, which requires extractive industries to disclose the earnings generated by them in this sector (AfDB *et al*., 2012k:9).

3.14.3 Assessment of fiscal independence reforms

Zambia's score per the Mo Ibrahim Index of African Governance, in respect of the sustainability of its economic opportunity, has improved from from 48.6% in 2008, to 50.8% in 2012. The country's score per the Mo Ibrahim Index of African Governance has improved from twenty-third out of the 52 African countries analysed in 2008, to twenty-second out of the 52 African countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). In addition, the ratio measuring grant revenue as percentage of GDP has improved from 4.4% in 2008, to 1.5% in 2012 (AfDB *et al.*, 2012k:6; AfDB *et al.*, 2013l:5).

The improved fiscal independence of the country is due to sound macro-economic policies that have been implemented by the government of Zambia. In 2010, Zambia was credited by the WB as being one the best reformers in Africa. Successful structural reforms have been made, in accordance with the Zambia Private Sector Development Reform Programme, leading to an improvement of the overall business environment (AfDB *et al*., 2012k:9). The programme in question had been implemented in 2009 with the aim of improving the private sector, thereby improving the economic growth of Zambia and decreasing unemployment. The programme is anticipated to be finalized in 2014 (PSDRP, 2013).

3.14.4 Assessment of humanitarian reforms

Zambia's score per the Mo Ibrahim Index of African Governance, in respect of human development, has improved from 56.2% in 2008, to 59.9% in 2012. However, this increase was less than that of other countries included per the survey, thereby causing the country to lose one position in respect of its ranking per this category, from nineteenth out of the 52 countries analysed in 2008, to twentieth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Greater emphasis has been placed by the government of Zambia on ensuring that the youth entering the job market are equipped with the necessary skills to find employment. With this aim in mind, the Zambia National Service has been reorganised into the Zambian Youth Training Service, with the goal of improving youth skills and training (AfDB *et al*., 2012k:12). The Zambian Youth Training Service is to be implemented from 2013, with the focus on teaching business skills to the youth who have completed their schooling (Lusaka Times, 2012).

The budget of the newly elected Patriotic Front, who won the Zambian polls in 2011, also reflects the greater emphasis by government on social and infrastructure development, aimed at addressing the social and humanitarian challenges currently facing the country (AfDB *et al*., 2012k:10). To date, the Zambian government has attained success in addressing certain social concerns. Full primary school education enrolment increased by 80% during the period 1990 to 2009. Furthermore, there has been a decline in infant mortality rates during the period 2008 to 2009, with reports indicating that government is making progress in providing adequate food and improved health care to its people (AfDB *et al*., 2012k:11).

3.14.5 Summary of assessments of Zambia

The Zambia Revenue Authority (ZRA) is actively involved in educating taxpayers regarding best tax practices to follow (ZRA, 2012a), and has introduced several tax administration reforms during the period 2008 to 2012. Per the 2012 Zambian national budget, the mineral royalty rate has been increased by government from 3% for base metals and 5% for precious metals, to 6% for base metals and precious metals respectively (BDO, 2012:5). Secondly, copper and cobalt ores have been removed from the VAT deferment scheme (BDO, 2012:7). In 2011, electronic filing facilities were made available to taxpayers for the filing of VAT returns (E&Y, 2011).

The Zambian government is committed to ensuring that governance reforms are successfully implemented. For example, the Financial Intelligence Unit was formed in 2010. The Financial Intelligence Unit is an independent and well-equipped organization, with the mandate of investigating money laundering and fraud, as well as the ratification of the UN convention against Corruption (AfDB *et al*., 2012k:10). Furthermore, in an effort to reduce corruption, new procurement guidelines have been introduced, improving transparency and efficiency in the procurement process. Greater transparency has also been obtained in the extraction industry, due to the participation by Zambia in the EITI, which requires extractive industries to disclose the earnings generated by them in this sector (AfDB *et al*., 2012k:9).

In 2010, Zambia was credited by the WB as being one of the best reformers in Africa. Successful structural reforms have been made, in accordance with the Zambia Private Sector Development Reform Programme, leading to an improvement of the overall business environment (AfDB *et al*., 2012k:9).

Several humanitarian reforms have been implemted during the period 2008 to 2012. The Zambia National Service has been reorganized into the Zambian Youth Training Service as from 2013, with the goal of improving youth skills and training (AfDB *et al*., 2012k:12; Lusaka Times, 2012). The Zambian government has attained success in addressing certain social concerns. Full primary school education enrolment increased by 80% during the period 1990 to 2009. Furthermore, there has been a decline in infant mortality rates during the period 2008 to 2009, with reports indicating that government is making progress in providing adequate food and improved health care to its people (AfDB *et al*., 2012k:11).

3.15 ZIMBABWE

The ratios relating to Zimbabwe have been analysed in detail per 3.15.1 to 3.15.4. Refer to Figure B12 in Addendum B, for the ratios in question.

3.15.1 Assessment of tax administration reforms

Zimbabwe's tax effort ratio has significantly improved from 2.5% in 2008 to 29.6% in 2012 (AfDB *et al.*, 2012l:6; AfDB *et al.*, 2013m:6). Zimbabwe's score per the Mo Ibrahim Index of African Governance, in respect of improvements in revenue collection, has increased from 37.5% in 2008 to 43.8% in 2012. This in turn has led to an improvement in the country's ranking per the Mo Ibrahim Index of African Governance, in respect of revenue collection, from fortieth out of the 52 countries analysed in 2008, to thirty-ninth out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a).

Improvements have been made in tax administration, with actual tax revenues exceeding budgeted expectations by USD 22 million in 2011. The largest contributor to tax revenues for 2011 had been VAT, accounting for 34% of tax revenues collected (AfDB *et al*., 2012l:6). Zimbabwe has introduced several reforms to the VAT system, in order to improve efficiency and compliance. The government introduced an electronic filing system in 2011, enabling taxpayers to submit their VAT returns electronically. In addition, a USD 30-per-day penalty was introduced in 2011 for the late submission of VAT returns. This has placed a greater emphasis on taxpayers to submit their VAT returns timeously. However, the government has also extended the deadline for submissions to the 15th of every month as from 1 January 2011, compared to the fifth of every month previously. This has motivated taxpayers to submit their VAT returns accurately and on time (E&Y, 2011). The improvements in the VAT legislation has ensured that the country's tax effort ratio has improved during 2011 and 2012 (AfDB, *et al.*, 2012l:6; AfDB, *et al.*, 2013m:6). As in 2012, Zimbabwe had double taxation agreements in place with Bulgaria, Canada, France, Germany, Mauritius, The Netherlands, Norway, Poland, South Africa, Sweden and the United Kingdom (KPMG, 2012e:4).

3.15.2 Assessment of governance reforms

Zimbabwe's overall score per the Mo Ibrahim Index of African Governance initially decreased by 2% during 2008 to 2009, from 32.3% in 2008, to 30.3% in 2009. However, the country's overall score subsequently improved from 30.3% in 2009, to 34.4% in 2012. Zimbabwe's overall ranking per the Mo Ibrahim Index of African Governance fluctuated in a similar manner. Initially the country's ranking weakened from forty-eighth out of the 52 countries analysed in 2008, to fiftieth out of the 52 countries analysed in 2009. However, the country's overall ranking subsequently improved from fiftieth out of the 52 countries analysed in 2009, to forty-seventh out of the 52 countries analysed in 2012 (Mo Ibrahim Foundation, 2012a). Zimbabwe's CPI score has increased from 18% in 2008, to 20% in 2012. This increase has led to a slight improvement in Zimbabwe's CPI ranking from hundred-and-sixty-sixth out of 180 countries assessed in 2008, to hundred-and-sixty-third out of 174 countries assessed in 2012 (Transparency International, 2012).

Zimbabwe has struggled to recover from the political upheaval that has marred the country since 2000, following violent and undemocratic electoral politics implemented by the ruling party, Zanu-PF, against its opposition, the MDC (Maseng, 2010). In 2008, elections were again held (Polgreen, 2013). The MDC won the first round of the elections, which were announced on 02 May 2008. In accordance with Zimbabwe's Electoral Act, due to the fact that no candidate had won an absolute majority, a run-off had been required between the two candidates who had obtained the majority of the votes. The two candidates in question were Mr Robert Mugabe, of Zanu-PF, and Mr Morgan Tsvangirai, of the MDC-T. The run-off had been scheduled for 27 June 2008 by the Zimbabwe Electoral Commission (EISA, 2008). However, on 22 June 2008 Mr Tsvangirai announced that he would not participate in the run-off, due to attacks on his supporters and wide-spread voter intimidation (EISA, 2008; Polgreen, 2013). In the subsequent run-off, held on 27 June 2008, Mr Mugabe secured 90% of the vote, and was sworn in as president of Zimbabwe on 29 June 2008 (EISA, 2008). The fact that the run-off had still been held, as well as its outcome, received international scorn. In particular, African countries that had previously supported the Zimbabwean government under Robert Mugabe, called for a power-sharing agreement to be entered into between the rival parties. Under the auspices of SADC, negotiations were entered into between Robert Mugabe of Zanu-PF, Morgan Tsvangirai of the MDC-T and Arthur Mutambara of the MDC-M (a splinter-faction of the MDC). Following negotiations led by Mr Thabo Mbeki, former South African President, a broad power-sharing agreement, known as the Global Political Agreement (GPA), was signed by all three leaders on 15 September 2008 (EB, 2013). Following several months of disagreements regarding the sharing of cabinet portfolios, the GPA came into effect on 11 February 2009, forming the Inclusive Government (IG) of Zimbabwe (Maseng, 2010).

Since the formation of the IG, the country has slowly started recovering from the political upheavel in question. This is evidenced per the improvement in the overall score per the Mo Ibrahim Index of African Governance, from 30.3% in 2009 to 34.4% in 2012 (Mo Ibrahim Foundation, 2012a).

However, the improvements have not been without incident, hence the low overall ranking of the country per the Mo Ibrahim Index of African Governance, during the period 2009 to 2012 (Mo Ibrahim Foundation, 2012a). The turbulent relationship within the IG is further evidenced per the weakening of the country's CPI score from 2010 to 2012 (Transparency International, 2012).

Disputes between the ZANU-PF and MDC factions within the IG, relating to aspects of governance and rule of law, have led to civil society activists and unions calling on the international community not to recognise the legitimacy of the Inclusive Government (Maseng, 2010). A major dispute since the formation of the IG relates to the redrafting of the constitution of Zimbabwe, which reached an impasse in 2012 due to ZANU-PF demanding that, among other requirements, certain powers of the presidency be retained (Campbell, 2012).

Furthermore, a public sector payroll and skills audit that had been performed by E&Y during the period 2009 to 2011 (Zimbabwe Independent, 2009; Sasa, 2011). The audit identified key weaknesses in the employment and payroll functions of the government. Public sector positions that were not critical were being filled, while critical positions were being left vacant or being filled with staff with inadequate skills for the job they were being employed to do. In addition, several of the government departments' roles and functions overlapped, leading to unnecessary costs being incurred (AfDB *et al*., 2012l:10).

In addition, there is a lack of transparency with regard to mineral revenues obtained from the extraction of the resources of the country (AfDB *et al*., 2012l:6). This is a key concern for the country, in light of the fact that 66% of the export products of the economy in 2012 related to mining (AfDB *et al*., 2012l:7).

3.15.3 Assessment of fiscal independence reforms

Zimbabwe's score per the Mo Ibrahim Index of African Governance, in respect of fiscal independence reforms, has improved slightly, from 20.3% in 2008 to 24.8% in 2012. The country's ranking per the Mo Ibrahim Index of African Governance, in respect the sustainability of its fiscal policy, has remained consistent at fifty-first out of the 52 African countries surveyed during the period 2008 to 2012 (Mo Ibrahim Foundation, 2012a). Barring 2009, when the ratio measuring grant revenue as percentage of total revenue had been 0.8%, the ratio has remained consistent at 0.0% for the period 2008 to 2012 (AfDB *et al.*, 2012l:6; AfDB *et al.*, 2013m:6).

The low ranking in respect of fiscal independence of the country is due to the political upheaval that has marred the country since 2000, as discussed in paragraph 3.15.2. Secondly, the IG of Zimbabwe has struggled to reach consensus on several key issues as prescribed per the GPA, which in turn has impacted negatively on the socio-economic recovery of the country (Maseng, 2010). Significant assistance has been provided by aid organizations to the people of Zimbabwe during 2008 to 2012. Since the assistance in question has been provided by aid organizations directly to the people of Zimbabwe, and not via a grant or loan to the IG of Zimbabwe, no accurate record could be maintained of the measure of financial assistance that had been required by the IG of Zimbabwe to provide basic services to its citizens. As such, the ratio of 0.0% of grant revenue as percentage of total revenue is not indicative of improved fiscal independence by the country (AfDB *et al.*, 2012l:12).

The Zimbabwean government has not had the opportunity to invest in medium-term projects in order to improve the ailing infrastructure of the country, which would improve economic growth. This is due to the fact that all expenditures incurred by the country during the period 2008 to 2012 had been critical in nature and could therefore not be deferred to a later date. As such, the country has not had the opportunity to build up a budgetary surplus. In light of these constraints, the IG of Zimbabwe has been using a cash-based budgeting model, basing budgetary expenditure on the amount of government revenues generated for any specific fiscal year in question. The IG's inability to build up a budgetary surplus is due to several fiscal challenges currently plaquing it. The major challenge to current fiscal policy is to move towards a budget geared towards inclusive development, rather than stabilization of the economy. Furthermore, the wage bill (as discussed in paragraph 3.15.2) is currently in excess of any available resource mobilization efforts, and at 63% of available resources, it is not in line with international best practice of 30% of available resources (AfDB *et al*., 2012l:6).

However, positive steps have been taken by the IG of Zimbabwe to improve the country's fiscal independence. The Zimbabwean government introduced a budget strategy paper in August 2011, in order to identify the expenditure priorities of the country and budget accordingly (AfDB *et al*., 2012l:6). This in turn has caused an improvement in the country's score per the Mo Ibrahim Index of African Governance in respect of fiscal independence, from 24.7% in 2011 to 24.8% in 2012 (Mo Ibrahim Foundation, 2012a).

3.15.4 Assessment of humanitarian reforms

Zimbabwe's score in respect of human development has increased by an overall percentage of 4.3% during the period 2008 to 2012. However, the country's score per the Mo Ibrahim Index of African Governance, in respect of human development, initially weakened during the period 2008 to 2010, from 47.5% in 2008 to 44.1% in 2010. Zimbabwe's ranking per the Mo Ibrahim Index of African Governance, in respect of human development, followed a similar trend. Overall, the country's ranking has remained consistent at thirty-first out of the 52 countries surveyed during the period 2008 to 2012. However, Zimbabwe's ranking initially decreased from thirty-first out of the 52 countries surveyed in 2008, to fourty-third out of the 52 countries surveyed in 2010 (Mo Ibrahim Foundation, 2012a).

Following the 2008 elections (as discussed per paragraph 3.15.1), Zimbabwe had initially struggled with political, economic and social instability. The situation had been exacerbated by a cholera outbreak that affected 100 000 people, a signficant food crisis, a weakening of the country's health care system and government restrictions placed on non-governmental organizations operating within Zimbabwe (GC, 2011). This explains the weakening in the country's score per the Mo Ibrahim Index of African Governance in respect of humanitarian reforms, during the period 2008 to 2010 (Mo Ibrahim Foundation, 2012a).

Due to the fact that the government of Zimbabwe uses a cash-based budgeting model (refer paragraph 3.15.3), it has been difficult to formulate a clearly defined policy framework on how to address the widespread poverty gripping the nation. However, in 2011 donors pledged USD 618.3 million to be spent on humanitarian assistance. The assistance of non-governmental organisations has been instrumental in improving the country's health and education structures (AfDB *et al*., 2012l:12). This in turn has led to an improvement in the country's score per the Mo Ibrahim Index of African Governance, in respect of humanitarian reforms, during the period 2011 and 2012 (Mo Ibrahim Foundation, 2012a). However, since the assistance in question has been provided by aid organizations directly to the people of Zimbabwe (as discussed per paragraph 3.15.3), the IG of Zimbabwe cannot be accredited with the reforms in question (AfDB *et al*., 2012l:12).

3.15.5 Summary of assessments of Zimbabwe

Zimbabwe has implemented tax administration reforms during the period 2008 to 2012. In particular, several reforms have been made in the VAT system in order to improve efficiency and compliance. For example, the government introduced an electronic filing system in 2011, enabling taxpayers to submit their VAT returns electronically (E&Y, 2011). The reforms that have been implemented have had the positive impact of increasing the country's tax effort ratio from 2.5% in 2008, to 29.6% in 2012 (AfDB *et al.*, 2012l:6; AfDB *et al.*, 2013m:6).

Due to the turmoil of the 2008 elections, Zimbabwe's overall score per the Mo Ibrahim Index of African Governance initially decreased from 32.3% in 2008, to 30.3% in 2009 (Mo Ibrahim Foundation, 2012a). However, a power-sharing agreement had been entered into by Zanu-PF and the MDC factions on 11 February 2009, forming the Inclusive Government (IG) of Zimbabwe (Maseng, 2010). Since the formation of the IG of Zimbabwe, the country's overall score per the Mo Ibrahim Index of African Governance has slowly improved, from 30.3% in 2009 to 34.4% in 2012 (Mo Ibrahim Foundation, 2012a). The IG of Zimbabwe has been using a cash-based budgeting model since its formation on 11 February 2011. The budgeting model bases budgetary expenditure on the amount of government revenues generated for any specific fiscal year in question. However, the IG of Zimbabwe is attempting to move towards a budget geared towards inclusive development, rather than stabilization of the economy. For example, a budget strategy paper had been introduced by the IG of Zimbabwe in August 2011 in order to identify the expenditure priorities of the country and budget accordingly (AfDB *et al*., 2012l:6).

Following the 2008 elections, the country's score per the Mo Ibrahim Index of African Governance, in respect of humanitarian reforms, weakened from 47.5% in 2008 to 44.7% in 2009 (Mo Ibrahim Foundation, 2012a). Following the formation of the IG of Zimbabwe, the humanitarian efforts of non-governmental organizations operating in Zimbabwe have been stepped up. The operations in question have greatly improved the country's health and eductation structures during the period 2011 and 2012 (AfDB *et al*., 2012l:12).

3.16 CONCLUSION

The findings in respect of the assessment performed per paragraphs 3.4 to 3.15, have been summarised per Table 3.1.

Table 3.1 Summary of findings

	Southern African country	Paragraph assessed	Tax administration reforms implemented, leading to an improvement in tax structures	Governance reforms implemented, leading to an improvement in governance structures	Fiscal independence improved	Social welfare improved
1	Botswana	3.4	✔	✔	✔	✔
2	Lesotho	3.5	✔	✔	✔	✔
3	Madagascar	3.6	✔	✕	✕	✕
4	Malawi	3.7	✔	✔	✔	✔
5	Mauritius	3.8	✔	✔	✔	✔
6	Mozambique	3.9	✔	✔	✔	✔
7	Namibia	3.10	✔	✔	✔	✔
8	Seychelles	3.11	✔	✔	✔	✔
9	South Africa	3.12	✔	✕	✕	✕
10	Swaziland	3.13	✔	✔	✔	✔
11	Zambia	3.14	✔	✔	✔	✔
12	Zimbabwe	3.15	✔	✔	✔	✔

In this chapter it has been identified that the Southern African countries included in the assessment have all implemented tax administration reforms during the period 2008 to 2012. The reforms in question have in turn led to an improvement in the tax structures of the countries in question.

This confirms the findings of Nicolas Kaldor that tax resources can be increased through the levying of additional taxes, making an improvement in the administration of existing tax regimes, or a mixture of both (Kaldor, 1963:1-2).

Out of the twelve countries assessed, ten of the countries implemented governance reforms during the period 2008 to 2012 which led to an improvement in the governance structures of the countries in question. The governance structures of Madagascar have been negatively impacted by the political crisis and subsequent regime change that occurred in the country in 2009, which is yet to be resolved (Reuters, 2013). Due to a significant increase in perceived levels of corruption, the governance structures of South Africa have been in decline during the period 2008 to 2012 (SAPA, 2012a).

The fiscal indepdence of Madagascar has weakened during the period 2009 to 2012, culminating in the government of Madagascar being reliant on external sources of funding in 2012 (AfDB *et al*., 2010c:178). As a result of the South African government's economic mismanagement of the country, South Africa's ability to be fiscally independent has weakened during the period 2008 to 2012 (The Economist, 2012a). During September 2012, Moody's Investor Services downgraded South Africa's government bond rating from A3 to Baa1 (Moody's, 2012a). Moody's Investor Services is a leading provider of credit ratings, research and risk analysis. The firm provides risk analysis to its users on more than 115 countries (Moody's, 2012b). Moody's stated that the reason for the downgrade had been a decrease in the South African government's ability to address the risks relating to growth and the international competitiveness facing the country (Moody's, 2012a).

As a result of the political and economic crisis that has plagued Madagascar since 2009, living conditions have worsened for the local populace. For example, due to budget constraints, 214 health care centres had to be closed down in January 2011

(AfDB *et al*., 2012c:12). Due to increased frustration over continuing widespread poverty and inefficient public service delivery by the South African government, service delivery protests have increased during the period 2008 to 2012 (The Economist, 2012a). Per the research of Martin Plaut and Paul Holden, as many as 2 872 000 people (or 5% of the population) have taken part in service delivery protests since 2008 (Plaut, 2012).

However, per review of the remaining ten countries assessed, it has been identified that where tax administration structures as well as governance structures were improved, an improvement in the fiscal independence and social welfare of the relevant countries had been identified during the period 2008 to 2012 (refer figure 3.2).

This confirms the research hyphothesis by Richard Bird, Jorge Martinez –Vazquez and Benno Torgler that, if greater tax revenues are available due to tax administration reforms having been implemented, and the tax revenues in question are spent more appropriately due to an improvement in governance reforms, it will in turn lead to greater fiscal indepedence and a greater ability by the state to improve the living conditions of its citizens (Bird *et al.*, 2008:55).

CHAPTER FOUR: CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

During the International Conference on Taxation, State Building and Capacity Development in Africa in August 2008, commissioners, senior tax administrators and policymakers from 28 African countries evaluated how to improve the various tax administrations on the continent (ATAF, 2008). In addressing the delegates in attendance at the International Conference on Taxation, State Building and Capacity Development in Africa, two matters were highligted for deliberation by Mr Trevor Manual (then Minister of Finance, South Africa, and Member of Parliament). Firstly, that African tax administration regimes can be improved through the sharing of knowledge gained in respect of effective and efficient tax administration. Secondly, it was highlighted that tax admininstration reform can assist African countries in obtaining greater fiscal independence (SARS, 2008). Furthermore, the improvement in resource mobilization through improved tax administration, is viewed as a means of enabling Africa to break free from poverty and become a true world player (WB, 2008). Following the International Conference on Taxation, State Building and Capacity Development in Africa, the ATAF was formed with the aim of improving the revenue collection efforts of its member countries (ATAF Interim Secretariat, 2011:10).

The main purpose of this exploratory research was to determine what progress has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the promotion of tax administration reform in Africa. In order to address this issue, the research objectives included firstly an analysis of the structures of the ATAF and secondly, an assessment of the activities implemented by the ATAF during the period 2008 to 2012 to meet the initial strategic objectives the organization has set for itself. Thirdly, to evaluate whether Southern African countries which form part of the SADC and the ATAF have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the respective countries' taxation and governance structures. Furthermore, to evaluate whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question, during the period 2008 to 2012.

This chapter highlights the key findings of the research. An evaluation of whether each of the research objectives as per paragraph 1.3 have been met, is subsequently performed. Following this, a summary of contributions made to the research is provided and areas for future research are highlighted. Finally, the chapter evaluates what progress has been made during the period 2008 to 2012 regarding the promotion of tax administration reform in Africa, following the International Conference on Taxation, State Building and Capacity Development in Africa in 2008.

4.2 Summary of findings

It has been identified in Chapter Two that the ATAF has established governance committees which have been tasked with the implementation of the organisation's initial strategic objectives. The activities of the governance committees are in turn overseen by the ATAF Secretariat. By ensuring that the correct structures have been put in place, the ATAF has been able to make significant progress in achieving its initial strategic objectives during the period 2008 to 2012. An evaluation of twelve Southern African countries has been performed during the comparative study and literature review in Chapter Three. During the review it was identified that all twelve Southern African countries evaluated have been able to improve their tax administration structures during the period 2008 to 2012. Furthermore, ten of the countries evaluated have been able to improve their governance structures during the period to 2008 to 2012. The Southern African countries that were able to improve both their tax administration and governance strucutres, in turn demonstrated an improvement in their ability to be fiscally independent and improve the humanitarian conditions of their citizens, during the period 2008 to 2012.

4.3 Conclusions

In order to address research objectives (i) and (ii), a literature review was performed using mainly data from secondary sources, which were newspaper articles about the

ATAF, internal ATAF documents dealing with the structures of the organisation and its activities implemented during the period 2008 to 2012, as well as documents prepared by the OECD and IMF detailing their interaction with the organisation during the period 2008 to 2012.

A comparative study as well as a literature review had been performed in order to address research objective (iii), in respect of reforms relating to tax administration, governance, fiscal independence and humanitarian conditions, implemented during the period 2008 to 2012, by countries that are members of both the SADC and the ATAF.

The problem statement investigated by the research study (refer paragraph 1.2) was: **To determine what progress has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the promotion of tax administration reform in Africa.**

In order to determine if the problem statement has been addressed, it will firstly be determined if the individual research objectives have been met, which are as follows:

(i) To analyse the structures of the ATAF

The ATAF Council has been formed with the aim of guiding the organization in achieving its objectives. The ATAF Council is responsible for the overall management of the business of the ATAF, subject to such directives as may be given by the General Assembly. Governance Committees have been established by the ATAF Council, in order to ensure that the various tasks of the organization are completed effectively and within the agreed upon timeframe. The Governance Committees are managed by the member countries of the ATAF. An important lynch pin within the organization is the ATAF Secretariat. The purpose of the Secretariat is to evaluate the decisions made by the Governance Committees, and to ensure that the decisions in question are subsequently implemented at the correct levels within the organization (ATAF Interim Secretariat, 2011:11-14).

(ii) To assess the activities implemented by the ATAF during the period 2008 to 2012 to meet the initial strategic objectives the organization has set for itself

During the period 2008 to 2012, the ATAF has implemented several activities to meet its initial strategic objectives (refer figure 2.2). For example, several technical events, seminars and workshops have been hosted by the ATAF in order to improve the level of knowledge of African tax administrations and improve the sharing of information efforts between African tax administrations (refer paragraphs 2.4.2, 2.4.3 and 2.4.4). In order to assist ATAF members in identifying and responding to the threat that transfer pricing poses to their tax base, the ATAF Transfer Pricing Project and ATAF Transfer Pricing Group has been established in 2010 (refer paragraph 2.4.3). Furthermore, in order to ensure that African perspectives on international tax issues are presented, the ATAF has obtained observer status within the OECD Global Forum in 2010 (refer paragraph 2.4.2), assisted with providing input into the ITD in 2011 (refer paragraph 2.4.5) and entered into an agreement with the OECD in 2012 to improve tax co-operation between the two organizations (refer paragraph 2.4.5). In addition, in 2012 a practical guide on the exchange of information between developing countries had been jointly designed by the OECD and the ATAF, in order to assist developing countries in effectively implementing their EOI instruments (refer paragraph 2.4.2).

(iii) To evaluate whether Southern African countries which form part of the SADC, as well as members of the ATAF, have implemented tax administration and governance reforms during the period 2008 to 2012, which have led to an improvement in the respective countries' taxation and governance structures. Furthermore, to evaluate whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question, during the period 2008 to 2012

Twelve Southern African countries were identified as members of the SADC, that subsequently became members of the ATAF as well (refer figure 3.1). Per review of the twelve countries in question, it had been identified that all twelve countries implemented tax administration reforms during the period 2008 to 2012, which in turn led to an improvement in their tax administration structures.

Secondly, ten of the twelve countries were able to implement governance reforms during the period 2008 to 2012, which in turn led to an improvement in their governance structures. As a result of the political crisis and subsequent regime change that unfolded in Madagascar in 2009, the governance structures of the country had been negatively impacted (Reuters, 2013). The governance structures of South Africa have also been weakened due to an increase in the perceived levels of corruption in the country during the period 2008 to 2012 (SAPA, 2012a).

Thirdly, it had been identified that the ten countries that were able to improve their tax administration structures as well as their governance structures, during the period 2008 to 2012, demonstrated an improvement in their ability to be fiscally independent and improve the social welfare conditions of their citizens over the same period. However, both Madagascar and South Africa, in spite of demonstrating an improvement in their tax administration structures, did not demonstrate an improvement in their ability to be fiscally independent nor to improve the social welfare status of their citizens during the period 2008 to 2012 (refer figure 3.2).

Based on the findings from the literature review in Chapters Two and Three, and the comparative study and literature review performed in Chapter Three, research objectives (i) to (iii) per paragraph 1.3 have been achieved. As a result, it can be concluded that the research problem, namely whether progress has been made since the International Conference on Taxation, State Building and Capacity Development in Africa in 2008, regarding the promotion of tax administration reform in Africa, has been sufficiently addressed.

4.4 Summary of contributions

During the performance of the comparative study and literature review in Chapter Three, it had been identified that all twelve countries assessed were able to implement tax administration reforms during the period 2008 to 2012, which in turn led to an improvement in the respective countries' tax administration structures. This confirms the findings of Nicolas Kaldor that tax resources can be increased through the levying of additional taxes, making an improvement to the administration of existing tax regimes, or a mixture of both (Kaldor, 1963:1-2).

Secondly, it had been identified in Chapter Three that only countries that were able to improve their tax administration as well as their governance structures during the period 2008 to 2012, were in turn able to improve their fiscal independence and improve the social welfare status of their citizens during the same period. These research findings confirm the research hyphothesis by Richard Bird, Jorge Martinez –Vazquez and Benno Torgler that if greater tax revenues are available due to tax administration reforms having been implemented, and the tax revenues in question are spent more appropriately due to an improvement in governance reforms, it will in turn lead to greater fiscal independence and a greater ability by the state to improve the living conditions of its citizens (Bird *et al.*, 2008:55).

4.5 Areas for future research

The study identified the following potential topics for future research:

- An evaluation may be performed of any challenges facing the ATAF and Africa going forward in respect of effective tax administration. An assessment may be performed on how best to approach the challenges in question, taking into account the experience gained by the ATAF per Chapter Two, and the SADC and the ATAF member countries analysed per Chapter Three. This suggested approach may be compared to efforts on the international stage and lessons learned from the ATAF's counterparts in the OECD.
- Additional research may be performed in respect of the reforms implemented by the African countries forming part of the remaining African regions,

following the International Conference on Taxation, State Building and Capacity Development in Africa in 2008. An evaluation may be performed of tax administration and governance reforms implemented by the countries in question, leading to an improvement in the respective countries' tax administration and governance structures. Furthermore, an evaluation may be performed as to whether the reforms in question have led to an improvement in the fiscal independence and humanitarian conditions of the countries in question.

4.6 Conclusion

Following the International Conference on Taxation, State Building and Capacity Development in Africa in August 2008, a Technical Task Team was assembled in October 2008 to consider the establishment of the ATAF (ATAF, 2008). The ATAF was formed during November 2009 with the aim of improving domestic sources of funding in the form of taxation (OECD, 2009 -2010:25-26). In order to address its initial strategic objectives, the ATAF performed several activities during the period 2008 to 2012. For example, in order to combat the risk posed to the tax base of ATAF member countries by tax evasion techniques employed by Multinational Companies, the ATAF Transfer Pricing Project and ATAF Transfer Pricing Working Group has been established in 2010 (refer paragraphs 2.4.3). The exchange of information on tax-related matters between member countries has been improved by the ATAF through the hosting of several technical events, seminars and workshops during the period 2008 to 2012 (refer paragraphs 2.4.2 to 2.4.4). In addition, the research performed identified that in 2012 the ATAF developed a practical guide on the exchange of information between developing countries in collaboration with the OECD (refer paragraph 2.4.2).

In Chapter Three, it was identified that all Southern African countries that were previously members of the SADC and have subsequently become members of the ATAF as well, have implemented tax administration reforms during the period 2008 to 2012. The reforms in question have had the positive impact of improving the tax administration structures of the countries in question (refer Figure 3.2). Furthermore, only two of the countries evaluated, namely Madagascar and South Africa, were unable to improve their governance structures during the same period as well. In light of the weakening of the governance structures of Madagascar and South Africa, the elected officials of both countries have been unable to improve the fiscal independence and humanitarian conditions of their countries during the period 2008 to 2012. However, the remaining ten countries have all been able to improve their governance structures during the same period as well, in turn leading to an improvement in the fiscal independence and humanitarian conditions of the countries in question (refer Figure 3.2). This confirms that Africa has utilized effective resource mobilization during the period 2008 to 2012, in the form of improved taxation administration, in order to break free from the grip of poverty and become a true world player. However, as confirmed per the research hyphothesis of Richard Bird, Jorge Martinez –Vazquez and Benno Torgler, an improvement in the governance structures of the African countries in question is also an essential component (Bird *et al.*, 2008:1). This in turn speaks to the opening remarks by Mr Trevor Manuel, former South African Minister of Finance, in his address to the delegates in attendance at the Conference on Taxation, State Building and Capacity Development in Africa from 28 to 29 August 2008 (refer paragraph 1.1.1). Mr Manuel remarked that effective revenue administration not only aids a country in adding to the national budget, but is also a cornerstone of good governance. When governments are forced to negotiate with their citizens on how tax revenues are to be generated, this is turn forces government accountability with regard to spending tax revenues in question (Manuel, 2008:3-4).

Taking into consideration the findings of this study, it can be concluded that following the International Conference on Taxation, State Building and Capacity Development in Africa in August 2008, significant progress has been made regarding the promotion of tax administration reform in Africa.

ADDENDUM A

THE CALCULATION OF RANKINGS PER THE MO IBRAHIM INDEX

The Mo Ibrahim Index of African Governance measures the adherence to good governance by the African countries included in its survey. The survey currently includes 52 African countries, and evaluates both country and regional performances across the continent. The survey evaluates the adherence to the principles of good governance by an African state from the perspective of its citizen, and includes all the political, social and economic criteria that a citizen can reasonably expect its state to meet. An overall score out of 100 is calculated for each of the countries per the survey, following which, all the countries are ranked, in order to determine their success in adhering to good governance, in comparison with their counterparts on the continent (Mo Ibrahim Foundation, 2012b:6).

The overall ranking is determined as an average of the following four major categories of good governance, namely (Mo Ibrahim Foundation, 2012b:4-5):

1. Safety and rule of law (refer figure 1)
2. Participation and human rights (refer figure 2)
3. Sustainable economic opportunity (refer figure 3)
4. Human development (refer figure 4)

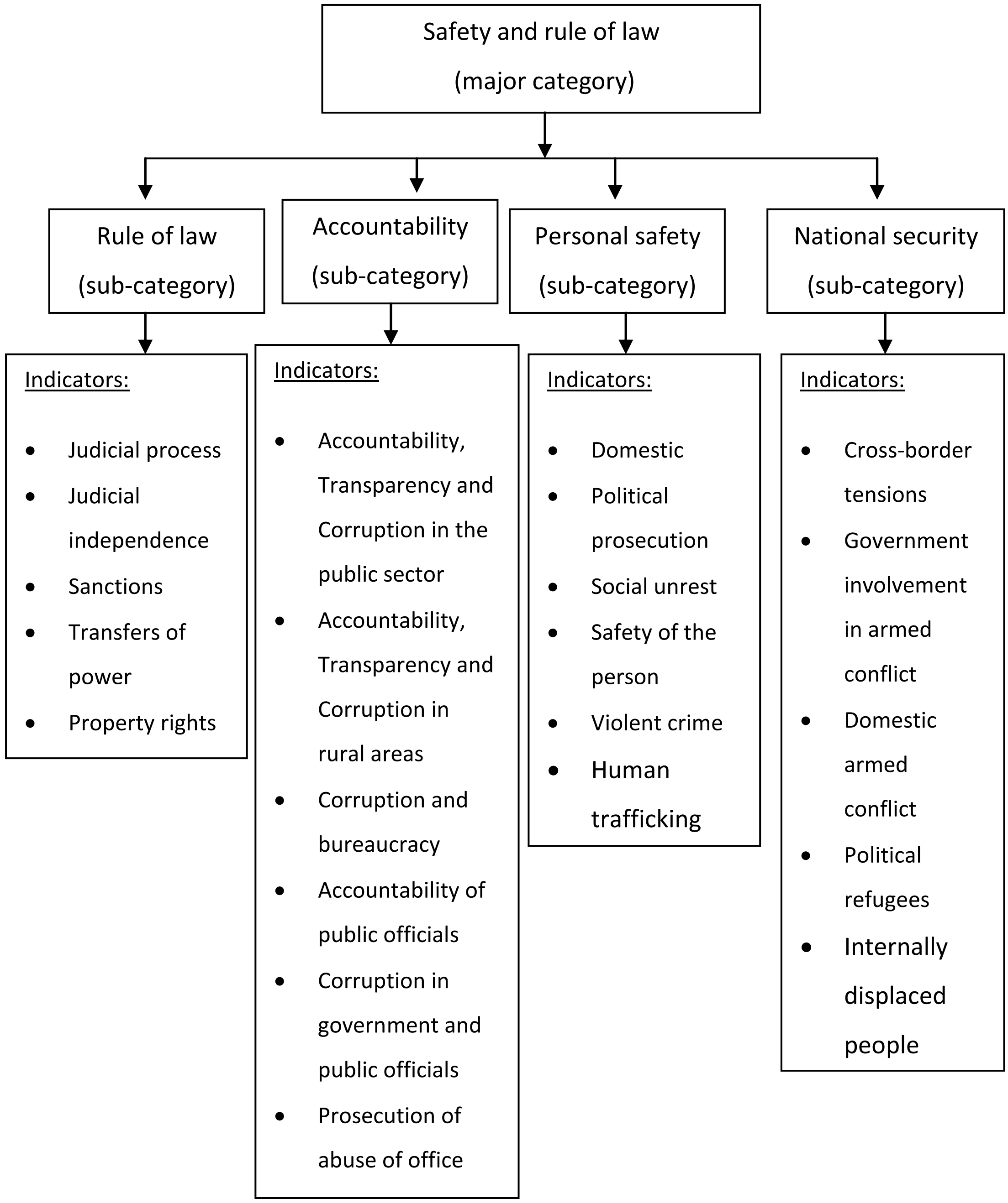
The four major categories are in turn made up of fourteen sub-categories. Each sub-category has its own set of indicators, which are used to evaluate and subsequently score the adherence to good governance by the country in question. A total set of 88 indicators exist, which are drawn from 23 independent international data providers (Mo Ibrahim Foundation, 2012b:6).

The 23 independent international data providers are the African Development Bank (AfDB), Bertelsmann Foundation (BF), Centre for Democratic Development – Ghana (CDD Ghana), The Cingranelli-Richards Human Rights Data Project (CIRI), The Economist Intelligence Unit (EIU), Freedom House (FH), The Heritage Foundation and The Wall Street Journal (HER-WSJ), the Internal Displacement Monitoring

Centre (IDMC), the International Fund for Agricultural Development (IFAD), the Inter-agency Group for Child Mortality Estimation (IGME), the International Monetary Fund (IMF), Institut de Recherche Empirique en Economie Politique (IREEP), International Telecommunication Union (ITU), Organisation for Economic Co-operation and Development (OECD), Office of the High Commissioner for Human Rights (OHCHR), Political Terror Scale (PTS), Uppsala University, Department of Peace and Conflict Research - Uppsala Conflict Data Programme (UCDP), Joint United Nations Programme on HIV/AIDS (UNAIDS), United Nations Educational, Scientific and Cultural Organization (UNESCO), Office of the United Nations High Commissioner for Refugees (UNHCR), U.S. Department of State - Office to Monitor and Combat Trafficking in Persons (USDS), the World Bank (WB) and the World Health Organisation (WHO) (Mo Ibrahim Foundation, 2012b:34).

The structure of the Mo Ibrahim rating index may be illustrated as follows:

Figure A1: Category 1 - Safety and rule of law



(Source: Mo Ibrahim Foundation, 2012b:4)

Figure A2: Category 2 - Participation and human rights

Participation and human rights
(major category)

Participation
(sub-category)

Indicators:

- Free and fair executive elections
- Free and fair elections
- Political participation
- Electoral self-determination
- Effective power to govern

Rights
(sub-category)

Indicators:

- Core international human rights conventions
- Human rights
- Political rights
- Workers' rights
- Freedom of expression
- Freedom of association and assembly
- Civil liberties

Gender
(sub-category)

Indicators:

- Gender equality
- Gender balance in primary and secondary education
- Women's participation in the labour force
- Equal representation in the rural areas
- Woman in parliament
- Women's rights
- Legislation on violence against women

(Source: Mo Ibrahim Foundation, 2012b:4)

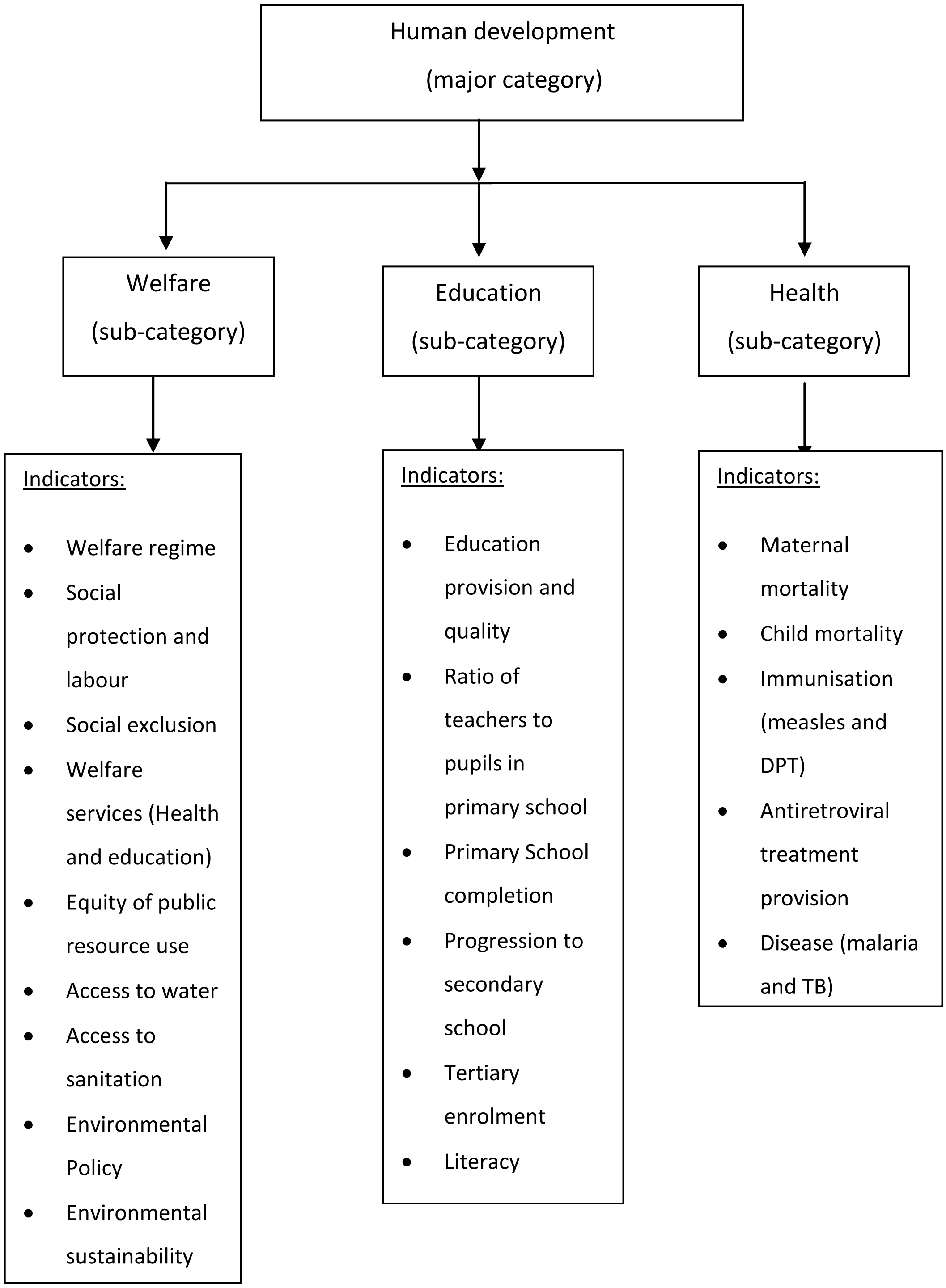
Figure A3: Category 3 - Sustainable economic opportunity

Sustainable economic opportunity (major category)

- Public management (sub-category)
  - Indicators:
    - Budget management
    - Ratio of total revenue to total expenditure
    - Fiscal policy
    - Ratio of external debt service to total exports
    - Revenue collection
    - Statistical capacity
    - Public administration
    - Inflation
    - Diversification
    - Budget deficit or surplus to GDP
    - Reliability of financial institutions
    - Revenue collection
- Business environment (sub-category)
  - Indicators:
    - Competitive environment
    - Investment climate
    - Investment climate for rural businesses
    - Rural financial services development
    - Bureaucracy and red tape
- Infrastructure (sub-category)
  - Indicators:
    - Access to electricity
    - Road and rail networks
    - Air transport facilities
    - Telephone and IT infrastructure
    - Digital connectivity
- Rural sector (sub-category)
  - Indicators:
    - Public resources for rural development
    - Land and water for low income rural populations
    - Agricultural research and extension services
    - Agricultural input and produce markets
    - Policy and legal framework for rural organizations
    - Dialogue between government and rural organizations

(Source: Mo Ibrahim Foundation, 2012b:5)

Figure A4: Category 4 - Human development



(Source: Mo Ibrahim Foundation, 2012b:5)

ADDENDUM B

ASSESSMENT OF REFORMS

Figure B1: Botswana – Assessment of reforms

	2008	**2009**	**2010**	**2011**	**2012**
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012a:6; AfDB *et al.*, 2013b:5)	32.3	34.8	34.2	28.1	26.0
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	100	100	100	100	100
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	1/52	1/52	1/52	1/52	1/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	76.2	75.9	76.0	77.1	77.2
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	3/52	3/52	3/52	3/52	3/52
CPI score (Transparency International, 2012)	58.0	56.0	58.0	61.0	65.0
CPI ranking (Transparency International, 2012)	36/180	37/180	33/178	32/182	30/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a	67.5	68.3	67.5	68.4	68.0
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	2/52	3/52	3/52	3/52	5/52
Grant revenue / GDP (AfDB *et al.*, 2012a:6; AfDB, *et al.*, 2013b:5)	0.7	0.8	1.0	0.2	0.3
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	78.3	78.9	79.9	80.4	80.3
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	6/52	6/52	6/52	6/52	6/52

Figure B2: Lesotho – Assessment of reforms

	2008	**2009**	**2010**	**2011**	**2012**
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012b:6; AfDB *et al.*, 2013c:5)	55.3	52.6	54.5	37.6	38.1
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	75.0	75.0	75.0	75.0	75.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	7/52	10/52	9/52	9/52	9/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	61.7	62.5	61.1	61.0	61.0
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	9/52	8/52	10/52	8/52	9/52
CPI score (Transparency International, 2012)	32.0	33.0	35.0	35.0	45.0
CPI ranking (Transparency International, 2012)	92/180	89/180	78/178	75/182	64/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	54.8	55.0	54.6	54.9	55.1
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	15/52	15/52	15/52	14/52	12/52
Grant revenue / GDP (AfDB *et al.*, 2012b:6; AfDB *et al.*, 2013c:5)	2.1	1.4	3.0	7.4	7.8
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	55.8	57.6	58.2	58.9	59.4
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	22/52	20/52	22/52	21/52	21/52

Figure B3: Madagascar – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012c:6; AfDB *et al.*, 2013d:6)	13.0	10.7	10.9	11.1	10.9
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	50.0	68.6	68.6	50.0	50.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	30/52	15/52	14/52	33/52	33/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	60.1	57.3	50.4	46.7	46.1
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	11/52	14/52	28/52	33/52	35/52
CPI score (Transparency International, 2012)	34.0	30.0	26.0	30.0	32.0
CPI ranking (Transparency International, 2012)	85/180	99/180	123/178	100/182	118/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	54.9	55.2	52.6	49.7	49.1
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	13/52	14/52	19/52	25/52	26/52
Grant revenue / GDP (AfDB *et al.*, 2012c:6; AfDB *et al.*, 2013d:6)	1.1	1.7	1.9	1.9	1.2
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	53.2	52.4	51.9	51.8	50.3
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	26/52	27/52	29/52	31/52	35/52

Figure B4: Malawi – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012d:7; AfDB *et al.*, 2013e:6)	17.6	18.7	18.6	19.9	16.2
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	75.0	75.0	75.0	75.0	75.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	7/52	10/52	9/52	9/52	9/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	53.2	53.4	55.7	57.4	56.0
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	22/52	21/52	17/52	14/52	17/52
CPI score (Transparency International, 2012)	28.0	33.0	34.0	30.0	37.0
CPI ranking (Transparency International, 2012)	115/180	89/180	85/178	100/182	88/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	44.5	47.9	47.7	49.7	49.4
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	30/52	28/52	28/52	26/52	23/52
Grant revenue / GDP (AfDB *et al.*, 2012d:7; AfDB *et al.*, 2013e:6)	10.9	11.7	10.3	7.3	3.7
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	47.0	49.7	51.3	54.6	52.2
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	32/52	31/52	31/52	27/52	30/52

Figure B5: Mauritius – Assessment of reforms

	2008	**2009**	**2010**	**2011**	**2012**
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012e:6; AfDB *et al.*, 2013f:5)	18.3	18.4	18.5	18.3	18.3
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	75.0	87.5	87.5	87.5	87.5
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	7/52	5/52	5/52	4/52	4/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	79.2	82.8	82.9	82.6	82.8
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	1/52	1/52	1/52	1/52	1/52
CPI score (Transparency International, 2012)	55.0	54.0	54.0	51.0	57.0
CPI ranking (Transparency International, 2012)	41/180	42/180	39/178	46/182	43/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	67.7	77.9	79.1	79.7	79.7
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	1/52	1/52	1/52	1/52	1/52
Grant revenue / GDP (AfDB *et al.*, 2012e:6; AfDB *et al.*, 2013f:5)	0.6	1.7	0.7	0.7	0.9
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	84.5	86.2	85.6	85.2	85.0
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	3/52	2/52	2/52	2/52	2/52

Figure B6: Mozambique – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfBD *et al.*, 2012f:7; AfDB *et al.*, 2013g:5)	15.0	15.6	17.9	19.6	19.4
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	62.5	68.8	75.0	75.0	75.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	18/52	15/52	9/52	9/52	9/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	53.3	52.9	55.0	54.3	54.9
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	21/52	25/52	18/52	20/52	21/52
CPI score (Transparency International, 2012)	26.0	25.0	27.0	27.0	31.0
CPI ranking (Transparency International, 2012)	126/180	130/180	116/178	120/180	123/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	48.6	47.8	52.1	51.5	52.0
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	24/52	29/52	20/52	22/52	18/52
Grant revenue / GDP (AfBD *et al.*, 2012f:7; AfDB *et al.*, 2013g:5)	9.4	9.5	9.0	7.8	6.0
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	41.0	43.8	46.3	47.4	46.7
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	44/52	40/52	34/52	40/52	41/52

Figure B7: Namibia – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012g:7; AfDB *et al.*, 2013h:5)	29.6	28.9	28.4	28.0	30.6
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	75.0	75.0	75.0	75.0	75.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	7/52	10/52	9/52	9/52	9/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	69.5	68.7	69.1	69.5	69.8
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	6/52	6/52	6/52	6/52	6/52
CPI score (Transparency International, 2012)	45.0	45.0	44.0	44.0	48.0
CPI ranking (Transparency International, 2012)	61/180	56/180	56/178	57/182	58/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	58.7	59.3	61.4	61.6	61.1
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	9/52	9/52	9/52	9/52	9/52
Grant revenue / GDP (AfDB *et al.*, 2012g:7; AfDB *et al.*, 2013h:5)	0.1	0.1	0.3	0.0	0.3
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	68.6	68.3	69.0	69.9	69.9
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	10/52	10/52	10/52	10/52	10/52

Figure B8: Seychelles – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012h:6; AfDB *et al.*, 2013i:5)	23.8	35.6	35.0	38.2	41.9
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	50.0	62.5	62.5	62.5	62.5
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	30/52	20/52	19/52	17/52	18/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	72.2	72.1	73.5	75.3	73.4
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	4/52	4/52	4/52	4/52	4/52
CPI score (Transparency International, 2012)	48.0	48.0	48.0	48.0	52.0
CPI ranking (Transparency International, 2012)	55/180	54/180	49/178	50/182	51//174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	59.9	60.3	61.5	64.0	63.7
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	8/52	8/52	8/52	8/52	7/52
Grant revenue / GDP (AfDB *et al.*, 2012h:6; AfDB *et al.*, 2013i:5)	3.5	2.7	0.9	2.4	5.6
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	2/52	1/52	1/52	1/52	1/52
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	88.1	89.4	89.1	90.8	90.8

Figure B9: South Africa – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012i:6; AfDB *et al.*, 2013j:5)	25.9	26.8	27.0	27.3	27.5
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	100.0	100.0	100.0	100.0	100.0
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	1/52	1/52	1/52	1/52	1/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	71.3	70.5	70.0	70.9	70.7
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	5/52	5/52	5/52	5/52	5/52
CPI score (Transparency International, 2012)	49.0	47.0	45.0	41.0	43.0
CPI ranking (Transparency International, 2012)	54/180	55/180	54/178	64/182	69/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	63.1	60.5	62.0	64.2	61.6
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	5/52	7/52	7/52	7/52	8/52
Grant revenue / GDP (AfDB *et al.*, 2012i:6; AfDB *et al.*, 2013j:5)	0.0	0.4	0.5	0.6	0.6
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	77.4	77.8	75.9	76.6	76.6
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	8/52	8/52	7/52	7/52	7/52

Figure B10: Swaziland – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012:6; AfDB *et al.*, 2013:6)	36.1	32.1	22.6	23.3	38.0
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	50.0	62.5	62.5	62.5	62.5
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	30/52	20/52	19/52	17/52	18/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	50.2	51.5	51.0	51.6	52.0
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	29/52	28/52	25/52	26/52	26/52
CPI score (Transparency International, 2012)	36.0	36.0	32.0	31.0	37.0
CPI ranking (Transparency International, 2012)	72/180	79/180	91/178	95/182	88/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	43.8	51.7	50.1	49.3	49.0
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	31/52	18/52	25/52	27/52	27/52
Grant revenue / GDP (AfDB *et al.*, 2012:6; AfDB *et al.*, 2013:6)	0.6	0.4	0.2	0.5	0.5
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	64.0	64.0	64.6	65.7	65.7
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	13/52	13/52	13/52	13/52	14/52

Figure B11: Zambia – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012k:6; AfDB *et al.*, 2013l:5)	18.6	15.0	16.4	19.3	18.5
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	56.3	62.5	62.5	56.3	56.3
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	25/22	20/52	19/52	30/52	30/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	56.6	56.7	56.5	57.4	58.5
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	17/52	15/52	16/52	13/52	12/52
CPI score (Transparency International, 2012)	28.0	30.0	30.0	32.0	37.0
CPI ranking (Transparency International, 2012)	115/180	99/180	101/178	91/182	88/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	48.6	48.2	48.7	50.4	50.8
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	23/52	26/52	26/52	24/52	22/52
Grant revenue / GDP (AfDB *et al.*, 2012k:6; AfDB *et al.*, 2013l:5)	4.4	2.9	1.8	0.8	1.5
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	56.2	58.2	59.9	60.3	59.9
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	19/52	19/52	19/52	19/52	20/52

Figure B12: Zimbabwe – Assessment of reforms

	2008	2009	2010	2011	2012
Assessment of tax administration reforms					
Tax effort (AfDB *et al.*, 2012l:6; AfDB *et al.*, 2013m:6)	2.5	16.2	27.1	30.0	29.6
Revenue collection (score) (Mo Ibrahim Foundation, 2012a)	37.5	37.5	43.8	43.8	43.8
Revenue collection (ranking) (Mo Ibrahim Foundation, 2012a)	40/52	40/52	38/52	38/52	39/52
Assessment of governance reforms					
Mo Ibrahim index (overall score) (Mo Ibrahim Foundation, 2012a)	32.3	30.3	31.5	33.0	34.4
Mo Ibrahim index (overall ranking) (Mo Ibrahim Foundation, 2012a)	48/52	50/52	49/52	48/52	47/52
CPI score (Transparency International, 2012)	18.0	22.0	24.0	22.0	20.0
CPI ranking (Transparency International, 2012)	166/180	146/180	134/178	154/182	163/174
Assessment of fiscal independence reforms					
Mo Ibrahim index (category 3 score) (Mo Ibrahim Foundation, 2012a)	20.3	22.2	21.9	24.7	24.8
Mo Ibrahim index (category 3 ranking) (Mo Ibrahim Foundation, 2012a)	51/52	51/52	51/52	51/52	51/52
Grant revenue / GDP (AfDB *et al.*, 2012l:6; AfDB *et al.*, 2013m:6)	0.0	0.8	0.0	0.0	0.0
Assessment of humanitarian reforms					
Mo Ibrahim index (category 4 score) (Mo Ibrahim Foundation, 2012a)	47.5	44.7	44.1	49.9	51.8
Mo Ibrahim index (category 4 ranking) (Mo Ibrahim Foundation, 2012a)	31/52	37/52	43/52	33/52	31/52

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