

Cooperation and economic growth in Africa

Africa must prioritise domestic revenue mobilisation to triple growth and meet its development goals and targets over the next few decades.



An increase of 12-20% in tax collection can raise up to \$400bn and go a long way in funding \$600bn financing gap Africa faces. But that will also require fiscal prudence to strengthen a social compact between government and its people.

These were some of the takeaways from the [Economic Commission for Africa \(ECA\) Conference of Ministers](#) (COM2019) which took place in Marrakech, Morocco,

The weeklong conference brought together policy makers who were also urged fast-track the digitisation of their economies as a means of improving efficiencies, creating jobs and modernising systems and institutions.

Although the conference agreed that digitisation, provides an opportunity, to raise taxes as well as greater transparency and better governance, they were also cautious about its challenges, in terms of what to tax and where to tax it, making it ever easier to shift profits and compounding the estimated \$50bn loss the continent faces from illicit financial flows.

Continental trade agreement

The African Continental Free Trade Area (AfCFTA) was also a key topic of discussion. The initiative requires 22 countries to ratify the agreement and during the event, Ethiopia committed to the free trade agreement, bringing the total number to 21 countries.

"The AfCFTA is a great opportunity to accelerate what has been done bilaterally with some African countries. This will help bring growth to a higher level in a co-development approach," Mohamed Benchaaboun Morocco's minister of economy and finance, said.

However, the enormity of the challenges of implementing the agreement should not be under-estimated, speakers cautioned.

Economic growth

The discussions placed emphasis on how and why African countries should take full advantage of the opportunities offered by digitisation, to accelerate growth to double digits by 2030.

ECA Executive Secretary Vera Songwe highlighted the fact that although Africa is still growing, with GDP growth expected to increase to 3.4% in 2020 from 3.2% this year, it needs to triple for the continent to realise its goals.

Delegates heard how African countries can grow their economies faster by boosting investment from 25% of GDP currently to 30–35%, and substantially improve productivity if the continent is to achieve the Agenda 2063 and UN 2030 Agenda.

Debt sustainability

The ECA flagship publication - *Economic Report on Africa 2019* - was also launched during the conference. Among other issues the detailed report reveals that debt levels remained high as African countries increased their borrowing, to ease fiscal pressures most of which have been precipitated by the narrowing of revenue streams that has gone on since the commodity price shocks of 2014.

The report also examines the relationship between fiscal policy and debt sustainability in Africa.

"Digital identification can broaden the tax base by making it easier to identify and track taxpayers and helping taxpayers meet their tax obligations. By improving tax assessments and administration, it enhances the government's capacity to mobilise additional resources. Digital ID systems yield gains in efficiency and convenience that could result in savings to taxpayers and government of up to \$50bn a year by 2020."

With the ear of Africa's finance ministers, participants discussed how countries could improve revenues without compromising growth. Measures suggested included more qualitative spending, fiscal prudence and strategic debt management, tax reform as well as leveraging technology to improve efficiencies.

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