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Revenue Mobilization, Taxation and The Digital Economy in Post COVID-19 Africa

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Abstract

Every country relies on and needs revenue for national development. The emergence of the digital economy has introduced novel problems in the tax regime in many countries, for example, how to assess and collect taxes from companies that are not physically located within the borders of the nation state. Existing difficulties in taxation and revenue mobilization have been compounded with the current global novel coronavirus pandemic. Consequently, in many African countries, the need to rapidly revamp sources of public revenue has become an urgent national issue, especially in view of the broader malaise of policy and institutions. This paper examines the prospects of the digital economy on public revenue efforts in a post-COVID-19 landscape in Africa. In doing so, the paper will focus on the existing tax regime, challenges and how African countries can improve and sustain the public revenue sources for national development.

KEYWORDS:
Africa, COVID-19, digital economy, revenue mobilization, taxation

1 | INTRODUCTION

The ongoing COVID-19 pandemic has brought to the fore many issues flagged earlier by policy makers and scholars regarding how the fourth industrial revolution(4IR), in the context of digitization and allied disruptive technologies, would transform work and development (Arthur et al. 2020; Chowdary & Teran 2020; Cilliers et. al. 2020; Kiggins 2018). The COVID-19 pandemic has spared no corner of the globe, reinforcing the need to explore and harness ingenious ways in the economic sphere, specifically how to regulate the emerging digital economy via standards, legal frameworks, and appropriate taxation (OECD 2020; Rankin, 2020). The rapid boom in digital services and apps over the last decade had made the services sector a target for special taxes, a focus that augurs well for revenue mobilization, especially in a time of crisis (Aslam & Shah 2020).

COVID-19 has pre-emptively compelled everyone and everything to go virtual as individuals, communities, public and private entities struggle to adapt and thrive in the evolving brave new world. For example, institutions from the media to health care and universities have had to reorient their work and delivery systems. Already, the duality and deepening of inequality looms large given how huge segments of society are locked in poverty, cannot work from home or adapt to an artificial intelligence (AI) led, algorithm-intensive big data ("the new oil") world. Theorizing and understanding economic development in this contemporary environment is long overdue, but made visible and urgent by the COVID-19 pandemic.

African countries, within the framework of the Africa Union's Agenda 2063, need resources, specifically revenue for development. The perennial issue is how to secure the resources and their utilization in the continental development agenda. However, to

do so effectively in a digital economy requires an understanding of how big companies control or shape markets, drive intellectual capital and information, and pose unique challenges to both regulation and taxation (Hanson & Puplampu 2018; Grinberg 2018). As Aslam & Shah (2020) note, market dominance enhances market share and rents from monopoly power over information, know-how and intellectual capital. Globally, there are examples of regions going after companies who have a dominance over market shares and rents. The European Union, for example, fined Google EUR 2.42 billion in 2017 for manipulating search results and EUR 4.34 billion in 2018 for bundling activities (European Commission, 2018).

In Africa, while there has been no shortage of institutions to administer, collect and regulate resource mobilization, the problem is one of institutional capability (Hanson, Puplampu & Shaw 2018; ACBF 2015). Akitoby et al. (2020) have specifically pointed out that tax revenue and domestic revenue mobilization are central concerns of economic policymaking in many countries. This is because those concerns are integral to the ability of governments to create fiscal space to fund public investment and deliver public services as well as assist with their development efforts. The fundamental problem is the persistent limited fiscal capacity in several African countries, a situation that has worsened with borders closed and dwindling external trading activities in a COVID-19 space amidst the crippling debt load and high cost of borrowing (Cilliers et al. 2020). It is in this vein that domestic revenue mobilization has become one of the most pressing policy challenges facing African countries (ACBF 2015).

As the IMF (2018: x), points out, "nearly all countries are seeking to raise revenue to make progress toward their Sustainable Development Goals while preserving fiscal sustainability." A means of achieving the revenue mobilization objectives of various countries is through increasing reliance on commodity prices and tax policies. In addition to public revenue through taxes providing governments with the ability to undertake development goals and help alleviate poverty, revenue mobilization also enables governments to reduce their dependence on foreign aid (Fjeldstad, 2014). The mobile phone revolution on the continent, the flourishing mobile money platforms like M-Pesa, in Kenya, or MTN, a communication giant, introducing 5G into its home base South African market offer important implications for revenue mobilization (Abdulhamid 2020; Tomás 2020).

While the above studies addressed different aspects of technological innovation and the financial sector, the novel COVID-19, in a framework of digital economy, pose significant problems for public revenue efforts in Africa. The paper seeks to investigate the policy and institutional framework for tax mobilization in Africa. Specifically, the paper will isolate, analyze, and discuss challenges of the tax regime as well as how African countries can improve and sustain public revenue sources for national development in the post-COVID-19 world. In doing so, we first identify the sources of mobilization revenue and institutional capacity for taxation in Africa. Second, the paper outlines and examines public revenue mobilization strategies and efforts by African countries to generate revenue to finance their economic recovery. Finally, the paper addresses challenges of the revenue mobilization strategies, within the context of disruptive technology, and then concludes with some thoughts on policy directions.

2 | REVENUE SOURCES, MOBILIZATION, AND INSTITUTIONAL CAPACITY IN AFRICA: AN OVERVIEW

The African state, like others, has been and continues to provide the main institutional framework that generates and administers revenue for national development. African governments rely on various sources of revenue and that includes loans, grants, and taxes, which can be both direct and indirect in nature. While the main components of direct revenue generation are taxes on individual and corporate income (i.e., payroll and workforce taxes, and property taxes), the UNECA (2019: 54) points out that indirect taxes include excises duties on goods and services (sales taxes, VAT, turnover taxes, and taxes on financial and capital transactions) and international trade taxes.

The sources of internal revenue and the overall impact on the national development effort are contingent on several interrelated factors, from the state of the economy, domestic savings, to tax revenue and administration policies and institutions (NEPAD and UNECA 2014). Although the economic climate in several African countries, especially in the aftermath of the 2008 global depression, has been upbeat, COVID-19 has significant negative implications for the region's economy. The virus is hitting very hard at the economy and that has given rise to persistent weak growth and investment, and declining commodity prices (Zeufack et. al. 2020; NEPAD and UNECA 2014).

In terms of domestic savings, the ratio is low due to the highly informalized nature of the economy, lower levels of utilization of the banking sector to effect payments and other financial transactions, and the high number of the unbanked in several African countries (Abdulhamid 2020). Hence, the low level of domestic savings in Africa compared to other regions in the global South like East Asia and the Pacific (NEPAD and UNECA 2014). In other words, although revenue mobilization in Africa continues to improve, the region has the largest number of economies below the minimum desirable tax-to-GDP ratio of 13 to 15 percent

(World Bank 2019). The underlying problem is that African countries have a low starting point for revenue mobilization, which worsened with economic standstill due to the COVID-19 pandemic (Cilliers et al. 2020). It is therefore important to interrogate the emerging taxation regime in Africa, its impact on livelihoods, creation and the future of work, as well as the continent's revenue generating capacity considering the digital economy and COVID-19.

Over the past three decades, many African countries have achieved substantial gains in revenue mobilization (IMF, 2018). According to the same source, the median African economy, total revenue excluding grants increased from around 14 percent of gross domestic product (GDP) in the mid-1990s, to more than 18 percent in 2016, while tax revenue increased from 11 to 15 percent. Particularly, since the mid-1990s, 15 African countries have successfully transitioned to tax-to-GDP ratios of about 13 percent and above, the minimum ratio that recent research has suggested can be associated with a significant acceleration in growth and development (IMF 2018: 32). However, despite substantial progress in revenue mobilization, Africa is still the region with the lowest revenue-to-GDP ratio (IMF 2018).

The need, therefore, for an effective system of tax administration cannot be overemphasized. As such, several African governments, in a framework of good governance and political accountability as well as the changing dynamics of aid dependence, have established specific institutions for tax administration and mobilization (NEPAD and UNECA 2014; Bhushan and Samy, 2010). The issue, however, is not so much increasing tax revenue, but to expanding the tax base, something underway in several African countries such as Rwanda, Tanzania, Uganda, and South Africa (NEPAD and UNECA 2014). Recently, Nigeria initiated the process to amend its laws to accommodate a digitalized economy bringing many big technology companies under serious scrutiny to enhance the taxation of digital transactions (Lawal 2020).

While external sources of revenue including foreign aid cannot be discounted, the significance of foreign aid is closely aligned with broader issues in the international or global financial architecture, particularly in view of the digital economy (Bhushan and Samy 2010). The efforts at digital taxation, however, are by no means going to be easy. In its first technical note on digitalization and taxation, the African Tax Administration Forum (ATAF) noted that the outcomes of the Base Erosion and Profit Shifting (BEPS) project of the Organization for Economic Cooperation and Development (OECD) and the G-20 (OECD/G20 BEPS)[1], are inadequate given the complexity of artificial profit shifting done by organizations in the digital economy and the capacity woes facing the continent.

As ATAF (2019) argues, the current rules provide an inappropriate balance between the taxation rights of residence and source jurisdictions and are inappropriately skewed in favour of residence jurisdictions. This encourages illicit financial flows (IFFs) via artificial profit shifting to no or low tax jurisdictions and the loss of invaluable tax revenue that African countries need for vital development. Individual and institutional capacity development are key if the efforts at addressing tax issues are to be successful. For example, international tax specialists are often in short supply across African revenue administrations because of the longevity of their training and their skills are in high demand, making experienced staff difficult to retain (IMF 2015). As Rukundo (2020) points out, the needed reforms for meaningful taxation of the digital economy will, without doubt, entail the setting up of new infrastructure and retooling of staff to 'police' the digital economy, efforts that will require significant resources.

3 | REVENUE MOBILIZATION AND THE DIGITAL ECONOMY IN AFRICA: A BRIEF SURVEY

While few African countries like Ghana in the mid-1980 established specific tax agencies, from the mid-1990s to the early part of the current millennium, many African governments set out to create specific tax generating institutions. This period also saw the formation of semi-autonomous revenue authorities, moving the collection of taxes, from the ministry of finance into separate entities. This was the case in countries such as Uganda, Zambia, Tanzania, South Africa, Rwanda, Ethiopia, Sierra Leone and Lesotho (Fjeldstad and Moore, 2009). Kenya automated its tax administration system in 2013 via an iTax system to capture direct and indirect taxes in real-time. That same year, Rwanda instituted electronic cash registers to enhance its value-added tax (VAT) revenue collection (Rukundo 2020). South Africa and Kenya in 2014 and 2015 respectively, adopted the destination principle for collection of VAT on services and intangibles supplied by foreign companies – a move which netted South Africa 585 million Rands (approximately USD 40.6 million) over the 2016–2017 fiscal year (Rukundo 2020: 24).

[1] The OECD/G20 Base Erosion and Profit Shifting (BEPS) project, provides governments with solutions for closing the gaps in existing international rules that allow corporate profits to "disappear" or be artificially shifted to low/no tax environments, where little or no economic activity takes place. For more on the OECD/G20 BEPS project, visit:https://www.oecd.org/ctp/beps-reports.htm

The emergence of these institutions notwithstanding, according to UNECA (2019), among direct taxes, revenue from personal income taxes as a share of GDP declined almost continuously, from 3.0 percent in 2000 to 1.9 percent in 2018, indicating low personal income tax responsiveness to the robust economic growth in Africa. Revenue from corporate income taxes as a share of GDP rose initially, from 1.6 percent in 2000 to 2.3 percent in 2006, before gradually declining to 1.5 percent in 2018. Revenue from payroll and workforce taxes (about 0.1 percent of GDP over 2000–2018) and property taxes (about 0.2–0.3 percent) has been largely inconsequential. If properly harnessed by expanding the tax base, these last two components could increase tax revenue. Nearly all indirect taxes followed the same pattern: a brief rise until 2003 or 2004 and then a gradual decline. Similarly, VAT revenue as a share of GDP rose from 2.0 percent in 2000 to 3.0 percent in 2004, before drifting down to 2.0 percent in 2016. Revenue from excise duties as a share of GDP rose from 1.2 percent in 2000 to a high of 1.4 in 2003 and declined thereafter, dwindling to 1 percent in 2016 (UNECA, 2019, p. 55).

To encourage investment, some African countries reduced or simplified the corporate income tax rate. In 2006, Lesotho reduced the standard corporate income tax rate from 35 percent to 25 percent and the rate for manufacturers from 15 percent to 10 percent to encourage private sector growth (UNECA, 2019). Similarly, countries have also reformed personal income taxes. In 2017, South Africa increased the marginal income tax rate for individuals from 41 percent to 45 percent. Also, in 2018 Mauritius reduced the personal income tax rate from 15 percent to 10 percent for income below $18,840 a year (UNECA 2019: 58). Many African countries have also broadened the tax base with the introduction of some form of capital gains tax. South Africa introduced a capital gains tax in 2001, Kenya, following many unsuccessful attempts, reintroduced the tax in 2015 after a 30-year suspension (p. 58). Additionally, goods and services (sales) taxes, which have undergone many reforms since 2000, have become another major source of tax revenue for many African countries (UNECA 2019).

One emerging aspect of the African economy with huge tax implications is digitalized services involving global giants such as Amazon, Uber, Google and Jumia, a Nigeria based e-commerce company operating in African countries such as Ghana, Kenya, Nigeria, Senegal, Rwanda, and Uganda (Ndajiwo, 2020). African countries have historically been struggling with the negative cross-country spillovers of deficiencies in international corporate taxation rules and systems, which has been worsened by an increasing digitalized world economy. For Ademuyiwa & Adeniran (2020, p. 10), there is the disconnect between the features of the digital market and current international taxation rules and principles that is characterized by the ability of digital firms to scale across borders without heavy reliance on intangible assets and high levels of user participation. Many African countries have voiced concerns about the tax challenges they face, as their economies rapidly become digitalized. The common denominator in the operations of all these multinational enterprises (MNE) is the role of information and communication technologies in the retail sector.

As Ademuyiwa & Adeniran (2020: 11) further argue, many digital businesses "provide services and facilitate transactions across jurisdictions without necessarily having a physical presence there, and they run physical asset-light business models that make them highly mobile and enable them to minimize their tax liabilities." A key question is the ability of African countries to properly assess appropriate taxes, especially in cases where the businesses do not have a physical presence in the countries in which they operate (AUC, 2020). Ndajiwo (2020) shows significant variation in the policy regime when it comes to digitized services and e-commerce activities by global and regional companies. While the OECD/G20 BEPS are a good starting point, these do not address Africa's unique situation. Accordingly, an overhaul of the profit allocation rules in international taxation is imperative (AUC 2020; Rukundo 2020; ATAF 2019),

4 | REVENUE GENERATION AND MOBILIZATION IN AFRICA: ANALYSIS AND CHALLENGES

Africa, compared to other regions in the world, does not collect enough taxes and loses as much as US$50bn each year through illicit financial flows (Etter-Phoya et al. 2019). This is because "the number of registered taxpayers is small and relatively few medium-sized and large enterprises account for most of the tax revenue. In Tanzania, for instance, with a total population of more than 45 million people, the number of taxpayers registered in the Taxpayer Identification System was about 400 000 in 2008" (Fjeldstad 2014: 189). The implications of this situation are obvious. Governments, unable to raise enough revenue and confronted with the need to provide services to their citizens, do not have the required fiscal capacity. Therefore, in a context of digitalization of financial services, governments have turned to taxation of mobile money transactions to increase the number of registered taxpayers. Specifically, the trend is the taxation of mobile money. The Uganda Communications Commission introduced mobile transaction fees in 2018 and obtained mixed results in terms of revenue generation (Dahir 2019). Thus, the

reminder is that African governments must be careful so that in their zeal to tax mobile money transactions, they do not end up killing the proverbial goose that will lay the golden tax eggs (Kouame and Kedir 2020; Ndung'u 2019).

However, undeterred by the mixed results from Uganda, the Ghana government, in its budget statement of 2021, has therefore proposed an Electronic Transaction Levy (e-levy) of 1.75 percent on the value of digital transaction and exempt daily transactions of a cumulative value of GH¢100 or less, per person. As Klutse (2022) notes, parliament is yet to ratify the e-levy proposal. Meanwhile, Ghana's e-levy proposal has come in for severe criticisms. To the critics, e-levy would disproportionately affect lower-income people most of whom are outside the formal banking system and therefore rely heavily on mobile money transfers. Hence, the proposed tax has the potential to reduce overall economic activity. For the government and its advocates, the e-levy will widen the tax net and generate the required revenue to support entrepreneurship, youth employment, build infrastructure (especially roads) and reduce the country's debt (Klutse, 2022).

What is lost in the debate is that expanding the tax net does not necessarily translate into a larger tax base, let alone a higher tax yield. This is because the value from taxing the informal sector, the target now, will not equate expanding the tax base, especially when loopholes and institutional failures in fiscal management in the public and other sectors are not addressed. If the goal of any public initiative is to derive more revenue, then it is also necessary to focus on higher yielding tax sources. To be sure, expanding the tax net of any country is a valuable exercise. The major problem is that African countries underuse several tax instruments such as "excise duties, which often amount to less than 1 percent of GDP despite their comparative ease of administration, and property taxes, which can be an important source of local revenues and can be equitable when assessed based on wealth criteria. Property taxes can be relevant in resource-exporting countries, where Dutch disease effects could lead to a property boom" (Usman 2020: 191). Drawing on and utilizing all the above instruments will ultimately increase the tax base which would then make it possible for the tax authorities to have a higher yield from their activities.

Additionally, digital taxation, which is seen as a means of raising and increasing revenue from the operations of MNE in high technology sector, has become the focus of debate. Although advances in information technology and the digital economy have revolutionized the business world, the digital economy also means tax policy must address the question of capturing how and where value is created and measuring it (UNECA 2019: 65). With e-commerce platforms on the rise and consumers increasingly making use of ICTs as embodied in computers and mobile technology to identify and market their products, as well in other aspects of their business practices, taxation of the digital economy has become an important policy concern. Business activities and transactions that were hitherto undertaken at a physical location are now done electronically, making it difficult for revenue agencies to track, assess and thus tax them adequately and fully. Also, according to Busia & Akong (2017), while participating in a systematic and proactive manner in shaping the post-2015 development agenda is critical, the role of African countries in influencing the OECD-led reforms of the international tax system remains marginal. As a result, the continent's core interests and key priorities for domestic revenue mobilization remain unaddressed in the adopted OECD Base Erosion and Profit Shifting Action Plan (Busia and Akong 2017: 183). That is why Ademuyiwa & Adeniran (2020: 11) argue that although progress has been made in the OECD-led work on digitalization and international taxation rules, a major sticking point "remains the disagreement over the value created by users through data and content generation for digital firms. These have broader implications for the big users' markets, especially in developing countries, as the Inclusive Framework on BEPS is debating how to revise the profit allocation and nexus rules to expand the rights of market jurisdictions." The key priorities consist of specific and significant risks of cross-border fiscal leakage from the mineral sector, including generous tax exemptions that mining companies have exploited to the disadvantage of host countries.

The challenges of taxing the digital economy are certainly exacerbated by the COVID-19 pandemic that has further jeopardized the economic strides and revenue mobilization efforts occurring in many developing countries (OECD 2020; CIAT/IOTA/OECD 2020). Across Africa, tax administrations have relaxed rules and/or instituted lenient grace periods to protect taxpayers from the effects of COVID-19 (Dushime 2020). Examples of the breaks given are: a) extension of tax filing deadlines; b) extension of payment deadlines and waiver of tax penalties; c) reduction of tax rates; and, d) exemptions on import duties. Businesses in Nigeria, Uganda, Rwanda, Algeria, and Tunisia all benefitted from deadline extensions varying from two weeks to a month. Elsewhere Botswana and Mauritius offered extensions on payment deadlines and waivers of tax penalties, some till March 2021. The Kenya Revenue Authority "issued 100 percent tax relief for taxpayers earning a gross monthly income of up to KES 24,000; reduced the PAYE rate from 30 percent to 25 percent; VAT from 16 percent to 14 percent; and resident corporate income tax from 30 percent to 25 percent" (Dushime 2020). The Democratic Republic of Congo, Cote D'Ivoire, Nigeria and Zambia offered exemptions on the import and sale of pharmaceutical inputs and products, as well as medical materials and equipment linked to COVID-19 (Dushime 2020; Gupta and Lui 2020). Yet others, notably Senegal, suspended VAT paid by the tourism sector – hotels, restaurants, and transport – to alleviate their hardships (Gupta and Lui 2020).

With the COVID-19 pandemic devastating labour in terms of workers losing their jobs because of the inability to practice social distancing as well as undertake activities in a face-to-face manner, the implications for tax revenue become also obvious since revenue sources are shrinking. The tax commissioner in South Africa, for example, anticipates a significant decline in tax revenue and that year-to-date revenue collection was already down 13 billion rand ($711 million), which is expected to get much worse with the implementation of coronavirus tax relief measures (CIAT/IOTA/OECD 2020: 27). With all the major tax revenue sources (corporate income tax, VAT collections, personal income tax and import duties) being impacted, the negative implications for development cannot be underestimated. To cushion the impact of COVID-19 on business, South Africa has, like the other African nations, put in place measures to alleviate the hardships. Specifically, tax compliant businesses with a turnover of less than 50 million Rands (approx. USD 2.8million) were allowed to delay 20 percent of their pay-as-you-earn liabilities by four months and a portion of their provisional corporate income tax payments without penalties or interest for six months (CIAT/IOTA/OECD 2020: 27). This intervention is expected to assist over 75,000 SMEs.

Ghana, similarly, experienced job losses and a reduction in the number of employees stemming from the initial lockdown and its associated directives, as employee taxes were reduced considerably, resulting in lower employee taxes paid to the government (Boateng 2020). Additionally, apart from a decline in corporate taxes, business activities slowed down, contributing to a decline in the revenue generated from VAT. Again, the closure of hotels and other recreational facilities resulted in a significant reduction in the one percent tourism levy that is collected. Domestic revenue mobilization was further impacted by the decline in import duties collected at the various entry points in the country due to travel restrictions. Considering these developments, the question that arises is, what kinds of policy strategies should African countries adopt to deal with tax avoidance, especially in a digital economy, as well as improve revenue generation? Particularly, what financial support measures should be made available to help African countries that have been affected negatively by the disruptions to economic activities because of COVID-19? Earlier proposals put forward by ATAF (2019) and endorsed by the AUC (2020) are a good start. However, given that African countries are at different development stages including but not limited to, fragile or post-conflict, Heavily Indebted Poor Countries) (HIPC), and emerging nations, financial support measures and capacity development efforts will need to be sequenced appropriately and fit-for-purpose to achieve the desired outcomes and impact.

Finally, Usman (2020: 189) notes that international taxation challenges can undermine revenue mobilization efforts in sub-Saharan Africa in two forms. First, revenue collection is often concentrated around a few firms. Second, tax exemptions and other fiscal incentives given to specific sectors, activities, or regions and that has wide-ranging implications for the fairness, efficiency, and effectiveness of tax regimes. Tax exemptions are administratively burdensome, and once granted prove difficult to eliminate, because beneficiaries lobby for their continued application. Furthermore, while VAT continues to account for the largest share of revenue in most countries in the region, many African countries often lack efficient and administrative policy and capacity. For example, in the "Democratic Republic of Congo, … the expansion of exemptions and lack of appropriate administrative systems undermine the effectiveness of the VAT" (Usman 2020: 189). There is therefore a need for significant penetration of banking services and a required policy framework to facilitate taxation and its administration since taxation is a critical aspect of state building and the cornerstone of state-citizen relations in building a viable state (Herbst 2000; OECD and AfDB 2010).

5 | CHARTING THE WAY FORWARD

In light of the foregoing, it is unsurprising that there is "an expanding interest in taxation among a wide range of bilateral donors, regional development banks and other international agencies which have focused on improving tax policy and design; creating more effective tax administrations; and encouraging constructive state–society engagement around taxes" (Fjeldstad 2014: 184). African countries, facing rising debt vulnerabilities, and huge unmet needs in terms of infrastructure and social development, will need to further rely on sustainable sources of financing, making domestic revenue mobilization one of the most urgent policy challenges for the region (IMF 2018: 15). With ineffective tax administration as one of the main constraints in collecting revenues in general and direct taxes, several African countries have reformed their tax policy and tax administration systems, including attempts to change attitudes towards taxpayers (UNECA 2019: 56; Fjeldstad 2014: 186-188). Busia and Akong (2017: 183) note that tax transparency is also getting the needed international traction, the challenges notwithstanding, with the adoption of the Base Erosion and Profit Shifting proposals by OECD and G20 countries. Revenue mobilization can be enhanced by establishing strong institutions with high levels of expertise, building new infrastructure, establishing effective coordination between central and local governments in support of growth and redistribution goals (UNECA 2019: xix; Fjeldstad

2014: 182). An effective tax system is central for sustainable development because it can mobilize the domestic revenue base as a key mechanism for developing countries to escape from aid or singular natural resource dependence. Addressing tax capacity constraints and collection inefficiencies could boost tax revenue in Africa by 3 percent of GDP (UNECA 2019: 51). The OECD (2020) similarly submits that effective tax systems are essential and that many developing countries will need to increase their tax-to-GDP ratios – as average tax-to-GDP ratios in Africa are around 17 percent, compared to an average of 34 percent in OECD countries.

In the context of a changing local and global economy, Brondolo and Zhang (2016) contend that governments through tax administrators need fundamental changes as part of their broader efforts towards generating and increasing tax revenue. Particularly, sustained revenue mobilization requires consistent institutional development over time as well as attention to basic processes and reforms(IMF 2018: 31). The underlying reasoning is that "if tax reform is undertaken in a way that promotes greater responsiveness and accountability, alongside improvements in the state's institutional capacity, then tax reform can become a catalyst for improvements in government performance" (Fjeldstad 2014: 183). As Doherty et al. (2018) also note, the transformation of tax collection agencies makes it possible to increase total revenue collection quite dramatically. In their research, which focused on Kenya, Lagos State (Nigeria) and South Africa, they concluded that through increased tax revenue, there was an absolute increase in public health spending in all three territories, although not necessarily in real per capita terms. Among the strategies that contributed to increased revenue included organizational reform of the respective tax collection agencies, particularly granting semi-autonomy to these agencies, improving their capacity through improved IT systems, and striving to achieve an organizational culture of zero tolerance for corruption. Multiple strategies to promote tax compliance were also introduced, and tax enforcement was strengthened.

Similarly, the UNECA (2019: 65) notes that in an effort to tax its digital economy, South Africa amended its value-added tax in 2014 to level the playing field for local suppliers and foreign suppliers. Foreign suppliers of e-commerce services (such as music, electronic books, internet games, electronic betting and software) are now required to register as VAT vendors; those whose turnover in South Africa meets the threshold of 50,000 rand (about US$3,500) are required to pay an output tax. The services are considered to have been supplied in South Africa, and therefore subject to the tax, if the payment was made from a South African bank or if the supply was sold to a resident of South Africa. Aside from this, to further generate revenue in a period of e-commerce, revenue collection agencies in African countries need to collaborate with other agencies responsible for dealing with and regulating the various e-business platforms. That would enable tax authorities to identify the myriad businesses taking place there and, more importantly, to tax them. Without the necessary measures to tax the digital economy, African countries stand to lose in their efforts to mobilize revenue for development purposes.

Most African countries have replaced general sales taxes with a VAT policy. The main advantage of a VAT is that it avoids tax cascading (tax paid on tax) by levying only the value added at each stage of the supply chain (IMF, 2018, p. 35). In addition to a sound VAT policy framework, Africa also stands to benefit by tapping underexploited taxes (property tax, excise tax), accelerating customs administration reforms, and reviewing policies regarding international corporate taxation (IMF 2018: 37). Usman (2020) is of the view that African countries need to improve VAT efficiency and strengthen underused instruments, and that excise taxes, which tend to be comparatively low in the region, hold large revenue potential. "They include socially desirable "sin taxes" (cigarettes, alcohol, sugar-sweetened beverages), "green taxes" (on fossil fuels and even carbon emissions), taxes on luxury goods consumed by high-income individuals, and other forms of taxation to help achieve progressivity and address negative externalities. Property taxes also can be increased as an important revenue source" (Usman 2020: 201). Further, non-tax revenue, such as grants, property rents, fees, and other miscellaneous levies, constitute another untapped source of revenue that could expand the fiscal space in most African countries (UNECA 2019).

Consistent with the unfolding dynamics of development and trade, Usman (2020: 201) draws our attention to the for coordination at a sub-regional level in terms of boundaries and common targets, noting that the West African Economic and Monetary Union (WAEMU) provides its members target corridors for VAT rates (15–20 percent), corporate income taxes (25–20 percent), and excise taxes (set by product). In addition, "international tax rules need to be simpler and more responsive to match developing country needs. Priorities include appropriate unilateral or regional measures to help protect tax bases. Such measures include solutions to address challenges of asymmetrical information, the revision of unbalanced tax treaties, and the adoption of wider anti-abuse measures" (Usman, 2020, p. 201). Coupled with that, improving tax governance by combating corruption and bolstering accountability could reduce inefficiencies and, on average, mobilize up to USD72 billion a year, about a third of the estimated average investment financing gap of USD230 billion for achieving the Sustainable Development Goals (SDGs) and Agenda 2063 in Africa (UNECA 2019: 51). Invariably, as Rukundo (2020: 24), argues, Africa will need to engender its own approach to taxation of these digital juggernauts. The interest is to adopt an approach that recognizes Africa's fledgling

digital market, the threats, opportunities and possibilities of digitalization, the peculiar administrative challenges of African tax administrations, and the capacity conundrum. The tactic will need to be both multilateral and focused on the peculiar concerns of the evolving tax policy framework. The need for African countries aligning with the multilateral method to resolving international taxation problems, as well as having the political will toward prioritizing a fair, efficient and effective taxation rules in their resource-mobilization goals, is a worthy suggestion. Such an approach will make it possible for mechanisms and institutions "in place to provide cross-country support, information sharing and learning, especially at the level of tax administrators" (Ademuyiwa & Adeniran, 2020, p. 12). Proceeding in this direction will require a better understanding of global migration flows and refugees, diasporic remittances as well as foreign aid (UNDP 2019). The regional and multilateral perspectives have as a single focus, how to mobilize revenue for national development.

Other strategies and initiatives for domestic revenue mobilization, according to ACBF (2015) include integrating revenue collection agencies in one coherent institution; optimizing revenue collection from the mining sector; introducing presumptive taxes on informal activities by using indirect methods (as in Zambia); introducing a housing savings scheme and issuing diaspora bonds (as Ethiopia); and adopting mobile banking (as with M-PESA in Kenya). These activities, as the ACBF (2015) suggests, can best take place in a context of institutional and human capacity for scaling up domestic resource mobilization. The capacity of institutions in the revenue mobilization chain must be reinforced. Rules and regulations must also be in place to ensure sound public financial management so that domestic revenue promotes inclusive and sustainable development.

Furthermore, there is also the need to rethink structural issues including the looming debt problem facing developing economies and threats of climate change that hurt the poor disproportionately (Cilliers et al. 2020). With demobilization gaining momentum, the question is whether the existing global political and economic architecture can adequately respond to new risks. COVID-19 has laid bare several important social issues and lessons for development theory and practitioners. Then again, the question also remains if and how the COVID-19 wake-up call to action will spur significant changes in the global communications and financial structure to enhance development. There are already calls to situate disruptive technologies and development in an appropriate framework and deepen regionalism via, for instance, the African Continental Free Trade Agreement (AfCFTA) (Luke & MacLeod 2019).

6 | CONCLUSION

The digital economy and COVID-19 have revealed deficiencies in the tax regime and the need for reinforcing the sources of public revenue and mobilization in Africa. Many countries seem to be up to the challenge of establishing tax institutions and new tax policies. However, establishing an institution is the initial and obviously the easy part. A more significant issue is the ability of these institutions to discharge their mandates. Equally important is the role of the state in utilizing public revenue in tangible and demonstrable ways to uplift the condition of the citizenry. That calls for transparency and continuous dialogue between the state and society, especially in a digital economy.

Considering the nature of the emerging actors in the digital economy, the tax ecosystem has to embark on a paradigm shift. Developing a multilateral solution to the issue of digital taxation and revenue mobilization, although yet to reach consensus and agreement by various actors is a way out. In other words, the multijurisdictional nature of the digital economy demands a global solution (Ndajiwo 2020; UNECA 2019: 65). Fjeldstad (2014: 187-188) points out that some tax administrations, for instance, in Mozambique, Rwanda, South Africa and Tanzania, have developed innovative methods to deliver key messages to the public, including the use of school curricula, secondary school tax clubs, road shows and radio and television programmes. Moreover, to deal with illicit financial flows, ACBF (2015) indicates that measures that have been introduced in several African countries, such as prohibiting use of transfer pricing to evade taxes and to train staff to conduct forensic audits are steps in the right direction.

Igbinovia & Ekwueme (2020) likewise stress that leakages in the tax system should be blocked, especially in the sizeable informal sector where the level of interactions between taxpayers and tax authorities are high. By this, tax authorities should incorporate measures to formalize the shadow economy and ensure minimal interactions and contacts between taxpayers and officials. Usman (2020: 203) is also of the view that major opportunities exist to leverage digital technologies to address common technical revenue administration challenges. The opportunities range from "reviewing existing information and communication technology systems and processes to deepen the computerization of operations can bear fruit. Basic and meaningful initial steps include investing in obtaining and expanding relevant information available to tax and customs administrations; instituting better mechanisms for effectively sharing information across institutions; and filling capacity gaps in core functions such as

data analysis, modeling, and audit selection" (Usman 2020: 203). However, such measures are not without pitfalls, especially if uncoordinated, with probable downsides being "the creation of undesirable disincentives for investment, the proliferation of double taxation and excessive tax burdens due to multiple royalty rates and bases, administrative complexity, and the risk of misclassified activities" (Aslam & Shah 2020: 53).

African countries need to thread carefully. Policy adaptation will be key as the progression towards tax recovery will likely neither be linear or smooth (OECD 2020). To mitigate the possibility of double taxing, Aslam & Shah (2020: 53) propose countries introduce a royalty on the value of user-data, proxied by revenues from digital services until a market for data develops. Ultimately, African countries, in close collaboration with regional blocs, will have to come up with policies and frameworks that are nuanced and context specific to serve their lived experiences, yet able to adequately respond to global policies and frameworks. Indeed, it is imperative for African countries to have capable tax institutions from within that can work with external ones to offer solutions to address the lived realities of citizens. Such systems must be pursued as part of a broader development agenda, premised on effective policies and functional institutions, to better inform an effective coordination of public taxation and administration systems in post COVID-19 Africa.

BIOGRAPHICAL NOTES

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How to cite this article: Arthur, P. , Hanson, K. T. & Puplampu, K. P. (2022), Revenue Mobilization, Taxation and The Digital Economy in Post Covid-19 Africa, *Journal of African Political Economy and Development*, *2022;01:1–12*.