Taxes for development

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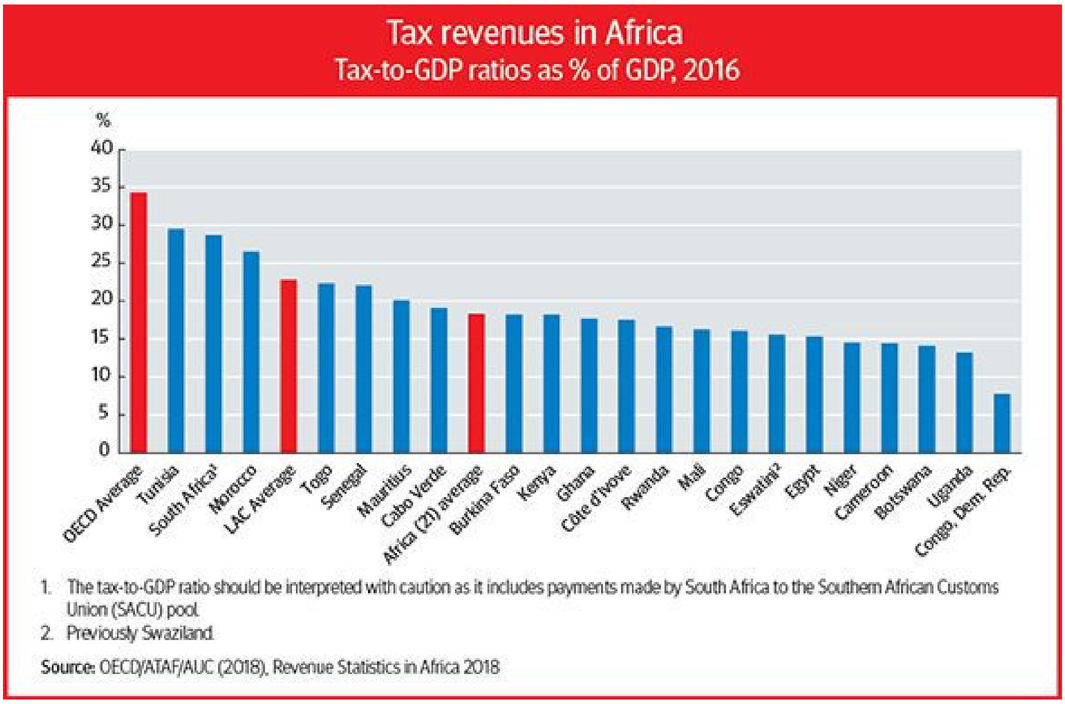

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Taxes for development | Graph for article Taxes for Development - Tax revenues in Africa

"Money makes the world go round." So goes the line in the musical, Cabaret. But probably not even lyricist Fred Ebb, who wrote those famous words, knew how true it is that we need money to achieve the United Nations' Sustainable Development Goals (SDGs) to keep the world, or rather, the planet, going round and round.

According to the OECD's Revenue Statistics in Africa 2018 report, more financing from domestic resources will be necessary for countries to get there.

A common indicator of a country's capacity to finance its development is its tax-to-GDP ratio; that is, the amount of tax revenues it generates expressed as a proportion of GDP. The average tax-to-GDP ratio in the 21 African countries* featured in Revenue Statistics in Africa 2018 was 18.2% in 2016. By comparison, the average tax-to-GDP ratio in the Latin America and Caribbean region was 22.7% and 34.0% in the OECD area in the same year.

More specifically, tax-to-GDP ratios ranged from 7.6% in the Democratic Republic of the Congo to 29.4% in Tunisia. Two-thirds of the countries had a ratio between 13.0% and 20.0%, and only six countries–Mauritius, Morocco, Senegal, South Africa, Togo and Tunisia–had tax ratios greater than 20% in 2016. Despite a lagging tax-to-GDP ratio compared to the OECD and Latin American averages, the good news is that tax revenues have increased sharply since 2000 in all countries in the report. Even during the slowdown in economic growth from 2015 to 2016, the average tax-to-GDP ratio of the 21 African countries remained unchanged.

*The 21 African countries featured in the publication are Botswana, Burkina Faso, Cabo Verde, Cameroon, the Republic of the Congo, the Democratic Republic of the Congo, Côte d'Ivoire, Egypt, Eswatini, Ghana, Kenya, Mali, Mauritius, Morocco, Niger, Rwanda, Senegal, South Africa, Togo, Tunisia and Uganda.

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References

OECD/ATAF/AUC (2018), Revenue Statistics in Africa 2018, OECD Publishing, Paris, http://dx.doi.org/https://doi.org/10.1787/9789264305885-en-fr