LOST REVENUES IN LOW INCOME COUNTRIES

Mark Curtis[1] and Bernadette O'Hare[2]

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[1] Director, Curtis Research, www.curtisresearch.org
[2] Senior Lecturer in Global Health, College of Medicine, University of Malawi and University of St Andrews, Scotland

INTRODUCTION

This research estimates how much revenue six low income countries – of which five are in sub Saharan Africa - are losing unnecessarily from various potential revenue streams that could be used to fund public services.

In recent years, increased attention has been paid to government revenues lost to tax evasion and to tax incentives given to corporations. However, few attempts have been made to estimate losses for a larger number of potential revenue streams. This task is critical given the massive under-funding of public services, and the extent of need, in Low Income Countries.

Developing countries can lose revenue in a variety of ways. Here we estimate how much is being lost from the following sources:

- **Corporate tax avoidance** by multinational companies
- Providing **tax incentives** (for example, reductions or exemptions from the payment of corporate taxes) which constitute government 'tax expenditure'
- Not collecting taxes from a proportion of business activity in the **informal sector**
- **Corruption** in the national budget
- **Debt interest payments** to international creditors.

The responsibility for these revenue losses lies partly with foreign and partly with domestic actors. Multinational companies are depriving governments of revenues by failing to pay fair taxes. Many companies also receive tax incentives, which reduces their tax payments to governments still further. Governments could themselves be doing much more to stop the leakage of revenues. They could do much more to tax parts of the currently informal sector, which often comprise businesses operating under the radar of the tax authorities but which should pay their fair share of taxes. They must also do more to prevent corruption in the budget, which means that a proportion of public money allocated to support public services is often simply lost in the system somewhere. Both foreign and domestic actors need to ensure that low income countries are also paying back a fair proportion of the debt interest they owe, but no more than that.

Note on methodology

The research below attempts to provide the best available estimates for revenue losses from each of the potential resource streams for six countries and for Sub-Saharan Africa as a whole. This research can never be a scientific analysis: some figures are not available in some countries, others are by their nature somewhat speculative. Nevertheless, the figures provided indicate the scale of the problem and the scale of the potential for providing education and health for all.

The research does not attempt to measure all outflows and all inflows to provide a balance sheet. The figures simply illustrate the problem of lost revenues from a variety of sources.

This research estimates are that governments could raise one half of potential revenues from the informal sector. It is not realistic or desirable to expect governments to tax all those currently operating informally: many people in the informal sector are extremely poor, such as small traders, for example, who should not be taxed.

Similarly, our estimates of lost revenues from debt interest payments are based on one half of the figure currently being paid by governments. This figure is loosely based on the estimation that some 60% of external borrowing from 1970 to 2004 by Africa left the continent the same year in the form of capital flight (illicit financial flows).

Other aspects of the methodology are explained in the country tables.

Summary findings

The research finds that revenue losses are large in all countries, which has significant implications for development. The priorities for low income countries are to end corporate tax avoidance, reduce corruption and raise tax collections. These areas are far more important than aid inflows.

- The six countries under analysis are losing 6.4% - 12.9% of their GDP.
- In most cases, this amounts to more than the combined national health and education budgets, meaning that expenditure on these areas could more than double.
- Revenue losses are larger than aid in two of the six countries and over 60% of the amount of aid in a further three.

Our estimates use the African country figures to extrapolate a rough estimate for sub-Saharan Africa as a whole, which includes not only low income countries but also several lower middle income and upper middle income countries:

- When all these countries are included, we find that the continent may be losing around $182 billion a year, four times larger than aid and greater than the continent's combined spending on health and education budgets.

The revenue losses are spread fairly evenly over four areas – the largest being from corruption and the informal sector followed by corporate tax avoidance and tax incentives.

SUMMARY TABLES

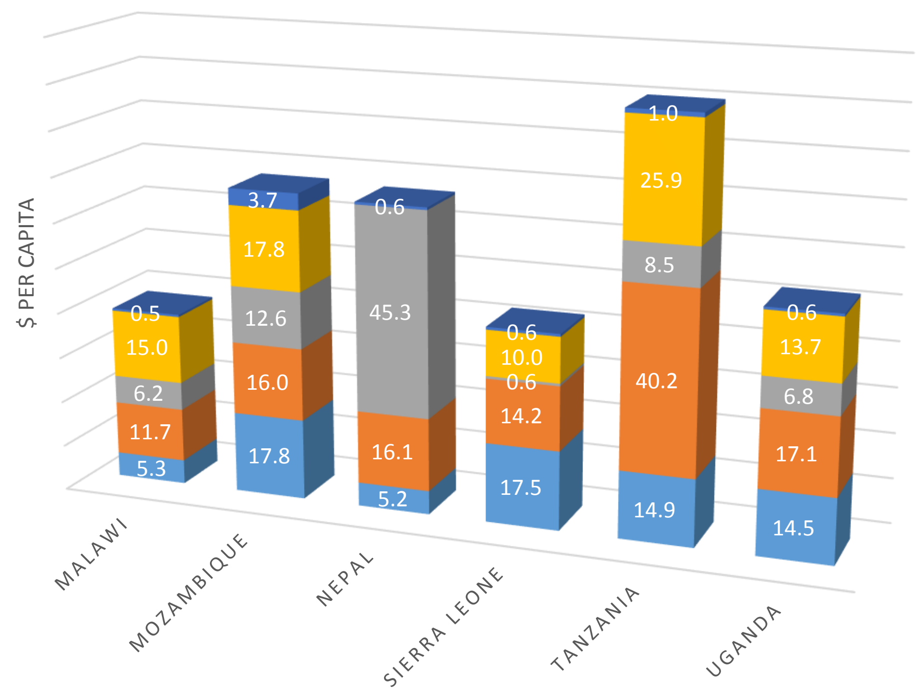
Revenue losses by country

Country	Estimated annual revenue loss	Revenue loss per capita	Revenue loss compared to aid allocated by donors	Revenue loss compared to government budgetary allocation to health and education sectors
Malawi	$627 million (12.9% of GDP)	$38	63%	Nearly twice the combined education and health budget
Mozambique	$1.75 billion (11.4% of GDP)	$66	97%	Same as the combined education and health budget
Nepal	$1.87 billion (7.4% of GDP)	$67	Over 100%	Nearly double the combined education and health budget
Sierra Leone	$265 million (6.4% of GDP)	$43	28%	Nearly double the combined education and health budget
Tanzania	$4.53 billion (9.4% of GDP)	$90	Over 100%	More than the combined health and education budget
Uganda	$1.9 billion (7.7% of GDP)	$52	84%	More than the combined health and education budget
Sub-Saharan Africa	$182 billion (11.4% of GDP)	$182	Over 400%	More than combined health and education budgets

Revenue losses by type of resource ($ million)

	Tax avoidance by multinational companies	Informal sector	Tax incentives	Corruption	Debt payments
Malawi	86	190	100	243	8
Mozambique	457	412	325	459	95
Nepal	145	448	1,260	No estimate	32
Sierra Leone	108	87.5	3.5	62	3.7
Tanzania	748	2,020	429	1,300	49
Uganda	529	625	248	500	21
Sub-Saharan Africa	34,800	49,000	31,800	51,500	14,400

Lost revenue per capita



	Malawi	Mozambiq ue	Nepal	Sierra Leone	Tanzania	Uganda
Debt PC	0.5	3.7	0.6	0.6	1.0	0.6
Corruption PC	15.0	17.8		10.0	25.9	13.7
Tax incentives PC	6.2	12.6	45.3	0.6	8.5	6.8
Informal sector tax avoidance PC	11.7	16.0	16.1	14.2	40.2	17.1
Corporate tax avoidance PC	5.3	17.8	5.2	17.5	14.9	14.5

Implications of this analysis

This analysis shows that low income countries have significant potential revenues streams available to them and that they are likely to be able to double their spending on health and education if lost revenues could be curbed. The key priorities are to raise more taxes from the informal sector, by reforming tax administrations, take steps to curtail corruption, especially in the government budget, and eradicate harmful tax incentives. All these areas are within governments' competence and control.

Low income governments and advocates must also press international actors to halt corporate tax avoidance and Northern states must seriously act to prevent multinational companies under their jurisdiction from depriving countries of revenues.

The figures suggest that high income governments also need to re-evaluate the role and purpose of aid in light of the availability of domestic revenues. Aid is often marginal or small compared to revenue losses and should be reconfigured to support low income countries' ability to raise more domestic revenues, such as by aiding reform of their tax administrations.

Individuals and organisations committed to social justice must individually and collectively divest from, and shun, multinationals which engage in irresponsible tax practices in low income countries. Such companies should be categorized as unethical, similar to fossil fuels, tobacco and the arms trade by fund managers which offer ethical alternatives to customers.

COUNTRY DATA

MALAWI

Summary

- Malawi is likely to be losing around $627 million a year - equivalent to 12.9% of its GDP[1] - in revenues from different sources.
- Revenue losses amount to over 60% of the aid allocated to Malawi by donors.
- This $627 million resource loss is nearly twice the combined education and health budget.

Malawi's revenue losses

Issue	Annual revenue loss	Comment
Tax avoidance by multinational companies	$86m	This figure is calculated by Cobham/Jansky in recent research.[2]
Informal sector	$190m	The size of Malawi's informal sector (shadow economy) was estimated by the Tax Justice Network at 41.8% of GDP in 2011.[3]Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of $380 million.[4] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (one half of $380 million is $190 million)
Tax incentives	$100m	This is an estimate based on past independent research. The government does not publish a figure for its tax expenditure. Thomas Munthali, a former president of the Economics Association of Malawi, estimated in 2015 that Malawi was foregoing $100 million/MK 47 billion a year in tax incentives.[5] A 2012 report for the Malawi Economic Justice Network estimated that Malawi lost MK 100.1 billion in the 5 years 2008-12 – an average of MK 20.02 billion a year.[6] This involved exemptions/incentives granted to companies and was derived by looking through a sample of company accounts. At a rough average exchange rate for the years 2008-12[7], MK 100.1 billion converts to $588 million in the five years meaning an average of $117.6 million

		a year.
Corruption	$243m	By definition, an accurate figure for revenue losses from corruption is not obtainable. A detailed 2011 analysis by the World Bank estimated that corruption amounted to 5% of GDP, in addition to the tax fraud of 8-12% of GDP.[8] This estimate uses the 5% figure. Malawi's GDP in 2014/15 was MK 2,848 billion.[9] Thus 5% is MK 142 billion, equivalent to $243 million.[10]
Debt payments	$8m	The figure is for 50% of Malawi's interest payments on external debt in 2015, according to the World Bank.[11] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[12]
TOTAL LOSS	**627m**	
Revenue loss per capita[13]	**$38**	

NB. IMF estimate of Malawi's 'tax gap'

A detailed analysis by the World Bank in 2011 estimated that tax fraud alone in Malawi (mainly evasion of VAT, corporate taxes, and import/export duties by trade mispricing) amounted to 8-12% of GDP.[14] Using the middle figure (10% of GDP), Malawi would then have been losing around MK 285 billion ($487 million).[15] The study noted that if the national tax authority had collected all the taxes it was due, government revenue would increase by 50%, which was approximately how much Malawi then received in foreign aid (11.7% of GDP).[16]

Aid

Malawi was allocated $1.0 billion in aid by donors in 2015.[17]

What could the lost resources fund in health and education?

In the government's 2016/7 budget, MK 95.8 billion is allocated to health and MK 147.6 billion is allocated to education.[18] These convert to $132 million and $204 million, respectively.[19] This $627 million resource loss is nearly twice the combined education and health budget.

MOZAMBIQUE

Summary

- Mozambique is losing an estimated $1.75 billion - equivalent to 11.4% of its GDP - in revenues from different sources.
- This revenue loss is very nearly as much as aid allocated to Mozambique by donors ($1.8 billion)
- This revenue loss amounts to the same as the government's combined education and health spending.

Mozambique's revenue losses

Issue	Annual revenue loss	Comment
Tax avoidance by multinational companies	$457m	This figure is calculated by Cobham/Jansky in recent research.[20]
Informal sector	$412m	Estimating the size of the informal sector is difficult. The Ministry of Planning and Development estimates using national accounts data suggest that informal activity represented 40% of GDP in 2004.[21]Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of $824 million.[22] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (one half of $824 million is $412 million)
Tax incentives	$325m	A 2016 IMF report gives figures on Mozambique's overall tax expenditure. It states that this was 4% of GDP in 2013 and 3.3% in 2014.[23] The report does not give amounts in meticais or dollars but using another IMF report these revenue losses would amount to around MT 19.3 billion / $640 million in 2013 and MT 17.6 billion / $561 million in 2014.[24] The IMF report does not state what proportion of the revenue losses derive from corporations. But a 2009 report for USAID provided figures on revenue losses from corporate income tax incentives. These amounted to MT 3.97 billion (out of total tax exemptions of MT 6.86 billion) in 2007 – thus 58% of all tax incentives.[25] We use this figure of 58% of the 2016 figure for all

		incentives (MT 17.6 billion/$561 million in 2014) to arrive at an estimate of $325 million. One study has noted that Mozambique's tax gap for VAT collections alone is 5.5% of GDP[26], which would amount to around $842 million (to $15.3 billion).[27]
Corruption	$459m	A 2016 study estimated that revenue losses from corruption during 2004-2014 amounted to between $1.8 billion and $4.9 billion (the latter figure being average of around 4% of GDP.[28]) The middle figure ($3.35 billion in total or an average of $335 million a year) may be around 3% of GDP a year on average. Based on Mozambique's GDP in 2015 of MT 598 billion[29] equivalent to $15.3 billion[30], 3% would amount to $459 million. In the above-noted report, corruption practices in customs were identified as the main site of corruption, involving bribery and non-payment of fees on imports. Other sites of corruption were State-owned Enterprises (SOEs), private companies owned by state institutions and Public-private partnerships.[31]
Debt payments	$95m	The figure is for 50% of Mozambique's interest payments on external debt in 2015, according to the World Bank.[32] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[33]
TOTAL LOSS	**$1.75b**	
Revenue loss per capita[34]	**$66**	

Aid

Mozambique was allocated $1.8 billion in aid by donors in 2015.[35]

What could the lost resources fund in health and education?

In 2016, the government budget allocated MT 54.4 billion ($1.2 billion) to education and MT 25.6 billion ($578 million) to health.[36] Thus the loss of $1.75 billion could more than double the combined health and education budget.

NEPAL

Summary

- Nepal is likely to be losing around $1.87 billion a year - equivalent to around 7.4% of its GDP - in revenues from different sources.
- This revenue loss amounts to much more than the amount of aid allocated to Nepal by donors.
- The lost revenues could more than double the combined education and health budgets.

Nepal's revenue losses

Issue	Annual revenue loss	Comment
Tax avoidance by multinational companies	$145m	This figure is calculated by Cobham/Jansky in recent research.[37]
Informal sector	$448m	The size of Nepal's informal sector (shadow economy) was estimated by the Tax Justice Network at 36.7% of GDP in 2011.[38] Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of Rs 96.2 billion ($895 million).[39] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half: thus Rs 48 billion ($448 million).
Tax incentives	$1.26 billion	Around 5% of GDP[40] - around Rs 136 billion ($1.26 billion).[41]
Corruption	Unknown	Corruption is reported to be significant in Nepal[42] (although less extensive than in neighbouring countries[43]) but there are no precise estimates available.
Debt payments	$16m	The figure is for 50% of Nepal's interest payments on external debt in 2015, according to the World Bank.[44] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[45]
TOTAL LOSS	**$1.87b**	
Revenue loss per capita[46]	**$67**	

Aid

Nepal was allocated $1.2 billion in aid by donors in 2015.[47]

What could the lost resources fund in health and education?

In the 2016/77 budget, the government allocated Rs 115.8 billion ($1.07 billion) to education and Rs 48.4 billion ($447 million) to health.[48] Thus the lost revenues could more than double the combined education and health budgets.

SIERRA LEONE

Summary

- Sierra Leone is likely to be losing $265 million a year - equivalent to around 6.4% of its GDP - in revenues from different sources.
- This revenue loss amounts to over a quarter of the amount of aid allocated to Sierra Leone by donors.
- This loss is nearly double combined government health and education spending.

Sierra Leone's revenue losses

Issue	Annual revenue loss	Comment
Corporate tax avoidance by multinational companies	$108m	This figure is calculated by Cobham/Jansky in recent research.[49]
Informal sector	$87.5m	The size of Sierra Leone's informal sector (shadow economy) was estimated by the Tax Justice Network at 45.6% of GDP in 2011.[50] Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of $175 million.[51] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (thus $87.5 million)
Tax incentives	$3.5m	The IMF and government estimate these in 2016 at 0.1% of GDP / Le 25 billion ($3.5 million).[52] In the recent past, Sierra Leone lost very large amounts of revenue from tax incentives. One estimate is that these losses were over $200 million a year in 2011 and 2012, a period of large mining investment.[53] Since then, however, some key large-scale mining projects have undergone substantial change and the government has been reducing exemptions/incentives
Corruption	$62m	Corruption is reported to be very extensive in Sierra Leone[54] but no figures or reliable estimates are available on the amount of revenues lost to corruption. We take a very conservative estimate – that 10% of government expenditure is lost to corruption, which amounts to around $62 million.[55]

Debt payments	$3.7m	The figure is for 50% of Sierra Leone's interest payments on external debt in 2015, according to the World Bank.[56] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[57]
TOTAL LOSS	**$265m**	
Revenue loss per capita[58]	**$43**	

IMF estimate of Sierra Leone's 'tax gap'

The IMF notes that Sierra Leone's GDP could increase by 1.0% by efficiency gains in the National Revenue Authority, by reducing exemptions and combatting fraud.[59] This amounts to around Le 267 billion ($36.0 million).[60]

Aid

Sierra Leone was allocated $946 million in aid by donors in 2015.[61]

What could the lost resources fund in health and education?

In the 2017 budget, the government allocated around Le 274 billion ($37 million) to the health sector was allocated and Le 794 billion ($107 million) to education.[62] The revenue loss figure ($265 million) is therefore nearly double combined health and education spending.

TANZANIA

Summary

- Tanzania is likely to be losing as much as $4.53 billion a year - equivalent to 9.4% of its GDP - in revenues from different sources.
- This revenue loss amounts to much more than the amount of aid allocated to Tanzania by donors.
- Revenue losses amount to well over combined health and education spending.

Tanzania's revenue losses

Issue	Annual revenue loss	Comment
Corporate tax avoidance by multinational companies	$748m	This figure is calculated by Cobham/Jansky in recent research.[63]
Informal sector	$2.0b	The size of Tanzania's informal sector (shadow economy) was estimated by the Tax Justice Network at 56.4% of GDP in 2011.[64] Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of $4.04 billion.[65] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (thus $2.0 billion).[66]
Tax incentives	$429m	The latest figure available is TShs 927 billion[67] ($429 million[68]) although this covers only import duty and VAT exemptions and not tax incentives on, for example, corporate income.
Corruption	$1.3b	Government officials estimate that each fiscal year, corruption is responsible for a 20% loss from the government's budget.[69] In 2016/17 government expenditure was slated to amount to TShs 29.5 trillion[70]; of which 20% is TShs 2.9 trillion ($1.3 billion).
Debt payments	$49m	The figure is for 50% of Tanzania's interest payments on external debt in 2015, according to the World Bank.[71] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[72]
TOTAL LOSS	**$4.53b**	
Revenue loss per capita[73]	**$90**	

NB. IMF estimate of Tanzania's 'tax gap'

The IMF calculates that the tax revenue gap in Tanzania – resulting from tax administration inefficiencies, tax evasion and tax policy design - was 4.3% of GDP in 2009–13 and is around 2.2 – 2.8% presently.[74] The IMF estimates Tanzania's tax capacity as 15.2–15.8% of GDP – meaning that anything short of this is lost revenues.[75] This puts Tanzania's tax gap, as defined by the IMF, at around $1.21 billion (TShs 2.7 trillion) in 2016/17.[76]

Aid

Tanzania was allocated $2.6 billion in aid by donors in 2015.[77]

What could the lost resources fund in health and education?

In the 2016/17 budget, health was allocated TShs 2.0 trillion ($895 million) and education TShs 4.8 trillion ($2.15 billion).[78] Thus revenue losses amount to much more than combined health and education spending.

UGANDA

Summary

- Uganda is likely to be losing around $1.9 billion a year - equivalent to around 7.7% of its GDP - in revenues from different sources.
- This revenue loss amounts to over 80% of the amount of aid to Uganda allocated by donors.
- This revenue loss is much greater than combined health and education spending.

Uganda's revenue losses

Issue	Annual revenue loss	Comment
Tax avoidance by multinational companies	$529m	This figure is calculated by Cobham/Jansky in recent research.[79]
Informal sector	$625m	The size of Uganda's informal sector (shadow economy) was estimated by the Tax Justice Network at 42.3% of GDP in 2011.[80] Using this figure, and the same method of calculating lost tax revenues as a result, produces a figure of $1.25 billion.[81] However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (thus UShs 2.2 trillion or $625 million)
Tax incentives	$248m	We estimate a very conservative figure equivalent to 1.0% of GDP.[82] It remains unclear how much Uganda is losing to tax incentives since the government does not provide full figures. A 2012 report cited African Development Bank estimates that Uganda's losses from tax incentives were 'at least 2%' of GDP.[83] This would amount to around UShs 690 billion ($272 million) in 2009/10.[84]A new, even higher figure was reported in the media in 2013, saying that a Uganda Revenue Authority audit for 2010/2011 reported losses of up to UShs 850 billion ($370 million[85]) in tax waivers and exemptions.[86] Since then, the government has taken significant steps to reduce VAT and some other exemptions. However, many incentives for corporations remain, notably for oil companies, which continue to result in large revenue losses.[87]

Corruption	$500m	Corruption is reported to be widespread in Uganda[88] but no figures or reliable estimates are available on the amount of revenues lost to corruption. We have conservatively estimated the figure at $500 million. In 2005, the World Bank estimated that Uganda was losing about $300 million (UShs 900 billion) through corruption and procurement malpractice every year. Recently, the Anti-Corruption Coalition Uganda has said that this might have doubled by now since the government has taken 'no serious step to curb corruption'.[89]
Debt payments	$21m	The figure is for 50% of Uganda's interest payments on external debt in 2015, according to the World Bank.[90] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[91]
TOTAL	**$1.9b**	
Revenue loss per capita[92]	**$52**	

Aid

Uganda was allocated $1.6 billion in aid by donors in 2015.[93]

What could the lost resources fund in health and education?

In the 2016/77 budget, the government allocated UShs 1.83 trillion ($510 million) to the health sector and UShs 2.45 trillion ($683 million) to education.[94] Uganda's revenue losses could more than double this combined spending on health and education.

SUB-SAHARAN AFRICA

The research has taken the figures for the five Sub-Saharan African countries to extrapolate figures for across the continent.

Summary

- Sub-Saharan Africa is likely losing around $182 billion a year, equivalent to 11.4% of its GDP, in revenues from different sources.
- This revenue loss amounts to over four times the amount of aid allocated to Sub-Saharan Africa by donors
- The lost revenues could double combined health and education spending in Sub-Saharan Africa.

Sub-Saharan Africa's revenue losses

Issue	Annual revenue loss	Comment
Tax avoidance by multinational companies	$34.8b	The average revenue loss for countries in Africa as calculated by Cobham/Jansky in recent research is 2.19% of GDP.[95]Sub-Saharan Africa's GDP was estimated at $1.59 trillion in 2015.[96]
Informal sector	$49b	The average size of the informal sector across the five African countries analysed is 45.2%.[97] Since sub-Saharan Africa's GDP is estimated at $1.59 trillion in 2015[98], the informal sector may amount to around $719 billion. Lost tax revenues on this figure may amount to around $97.2 billion.[99]However, many activities in the informal economy are carried out by extremely poor people who, it can be argued, should not be taxed. It is not possible to provide a precise estimate of the legitimate proportion of this lost income that should be gained by the state – we simply estimate one half (thus $49 billion)
Tax incentives	$31.8b	Across the five African countries analysed, the average proportion of GDP lost to tax incentives is 2.9%. However, this includes a very high percentage for Tanzania (8.9% of GDP). We have therefore chosen 2.0% of GDP as a more realistic average for Africa. Given Sub-Saharan Africa's GDP as $1.59 trillion in 2015,[100] the revenue loss is $31.8 billion.
Corruption	$51.5b	Across the five African countries analysed, the average proportion of GDP lost to corruption is 3.24% of GDP.
Debt payments	$14.4b	The figure is for 50% of external debt service, by public and private sectors, for sub-Saharan Africa in 2015.[101] This is a rough estimation of 'odious debts'; the figure of 50% is loosely based on

		the estimation that some 60% of external borrowing between 1970-2004 by Africa left the continent the same year in the form of capital flight (Illicit Financial Flows).[102]
TOTAL LOSS	**$182b**	
Revenue loss per capita[103]	**$182**	

Aid

Sub-Saharan African countries received $42.8 billion in aid in 2015.[104]

What could the lost resources fund in health and education?

Governments in sub-Saharan Africa allocated an average of 4.9% of their GDPs to education[105] and 5.5% to health.[106] Together these expenditures come to around 10.5% of GDP. Thus lost revenues could double combined health and education spending in sub-Saharan Africa.

RECOMMENDATIONS

Low Income Country governments

Low Income Countries should conduct a review of revenue losses from all potential revenue streams to see where leakages are occurring and to recommend actions to address them. Such processes must be transparently managed and involve civil society organisations.

Developed country governments

Developed country governments also need to review the various ways in which policies under their influence deprive low income countries of resources. In particular, they must take steps to stop illicit financial flows, require much higher levels of bank transparency, stop urging tax incentives for multinational companies and end unfair debt service payments. Aid should be used to support revenue authorities to build effective tax systems in low income countries.[107]

Individuals

We are all responsible for structural injustices and interact with these through the way we invest, consume and vote. Individuals committed to social justice should individually divest and collectively advocate for divestment from multinationals which engage in tax avoidance in low income countries. Many ethical investments avoid fossil fuels, tobacco and the arms industry, but we must also avoid depriving those living in low income countries the right to healthcare and an education.

Illicit Financial Flows

The international community and national governments should not tolerate the use of tax havens/secrecy jurisdictions by multinational companies. Governments could simply ban the use of tax havens by companies operating in their countries. Globally, much faster and deeper action is needed to achieve an international agreement to abolish tax havens. Multinational companies in all sectors must be required to report on their financial activities country-by-country.

Low Income Country governments, with financial support from the international community, need to significantly increase their capacity to monitor how multinational companies trade and price their goods, to ensure that trade misinvoicing and other schemes do not abuse countries.

Informal sector

Low Income Country governments must take far greater steps to broaden their tax bases by taxing all sectors and companies that should be taxed. National tax administrations need to be significantly built up, made more transparent and given greater powers, including with financial support from the international community.

Tax incentives

Low Income Country governments need to review the tax incentives they currently grant with a view or reducing or eliminating many of them, especially those given to corporations. Any tax incentives granted must be transparent, non-discretionary and time-limited.

Government budget/corruption

Low Income Country governments need to increase measures to ensure that public budgets are transparent and immune to corruption. National campaigns, stiffer penalties and greater monitoring are all needed. Civil society organisations can play a critical role in transparency and monitoring budgets at national, regional and local levels. In addition, some deeper structural problems need to be systematically addressed, such as low pay for civil servants.

Debt payments

Low Income Country governments should be paying back far less in debt service than they currently are: for example, lenders, such as donors, need to stop contributing to the debt crisis and provide aid as grants, not loans. There also needs to be greater transparency by making loan contracts publicly available and requiring parliamentary approval in the recipient country.

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