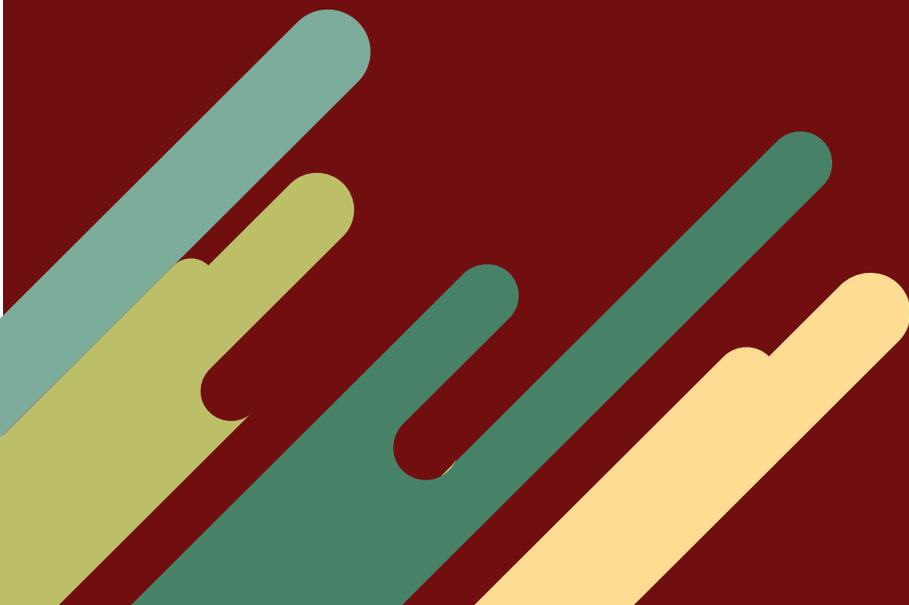


**JUSTICE AND ECOLOGY OFFICE (JEO) OF THE JESUIT CONFERENCE OF AFRICA
AND MADAGASCAR (JCAM), JESUIT HAKIMANI CENTRE (JHC)
AND JESUITENMISSION OF GERMANY**

***Improving Domestic Resource Mobilisation and
Stemming Illicit Financial Flows - Tax Justice for
Promoting Equality and Social Justice***

12TH - 14TH MARCH 2019, NAIROBI, KENYA

POST-CONFERENCE REPORT



INTRODUCTION

The Justice and Ecology Office (JEO) of the Jesuit Conference of Africa and Madagascar (JCAM), Jesuit Hakimani Centre (JHC) and Jesuitenmission of Germany, organized a Conference on “Improving Domestic Resource Mobilisation and Stemming Illicit Financial Flows – Tax Justice for Promoting Equality and Social Justice”. The theme of the 3-day conference, from March 12th – 14th 2019, was derived from the research on “Tax Justice and Poverty” conducted by the Jesuit Social Apostolate institutions in Germany, Kenya and Zambia.

The conference was attended by over 100 participants from Kenya, the rest of Africa, Europe, United States of America, and one participant from Australia. They discussed and exchanged views on the most effective ways to:

- Increasing transparency and accountability in taxation and financial matters.
- Improving international legal cooperation on tax matters.
- Improving national and international administrative cooperation on taxation.
- Ensuring that technical tax-related assistance should be provided to developing countries as part of Official Developmental Aid.

The above were issues the conference identified to be discussed to develop adequate and institutionalized international cooperation mechanisms for improving Domestic Revenue Mobilisation and for stemming Illicit Financial Flows. The participants proposed solutions aimed at public education, mobilisation and eliciting policy influencing for change. It was therefore proposed to move beyond the conference and engage in the mass sensitization on taxation and also ensure fair taxation policies, favouring the majority, as a means of redistribution and reducing inequalities and poverty.

This report is a brief summary of the most important insights. If interested in the original presentations, PPTs, reports of rapporteurs, media reports or photos, please turn to the conference website, whose permalink is: <http://tinyurl.com/NairobiConference>

Concluding Policy Recommendations

From the conference discussions and key takeaways, the Jesuit Hakimani Centre (JHC) and Jesuit Justice and Ecology Network Africa (JENA) plan to actively engage with the Catholic Church in Kenya through the Kenya Conference of Catholic Bishops (KCCB), to raise awareness on the importance of taxes for domestic revenue generation for service delivery. This is also expected to raise concerns about the social injustices arising from unfair tax policies and legislation that affect the revenue raising potentials – leading to more inequality and poverty. The engagement through the KCCB is expected to pave way for:

- Grassroots parish and diocesan level activities of awareness creation (importance of taxes and forms of tax injustice).
- Opportunities of working with Catholic institutions like schools, social justice centres, and faith-based organisations to generate and disseminate Catholic faith-based knowledge to influence tax policies and decisions aimed at the common good of all.

- Linking with other higher-level Church structures like Association of Member Episcopal Conferences of Eastern Africa (AMECEA) and Symposium of Episcopal Conferences of Africa and Madagascar (SECAM) for advocacy on tax justice.
- Linking with other religious groups to build synergies for more concerted advocacy on tax justice and poverty.
- Engaging with politicians, academics, technocrats, civil society organisations (CSOs), to jointly advocate for and develop tax policies and laws that reflect fairness.

Through such an engagement and also through collaboration with other Jesuit networks, the advocacy on tax justice and poverty is expected to result into national (country/grassroots) level, regional-continental (African) level activities and international cooperation between African and European institutions and member states through such activities recommended below:

Nationally:

1. Advocating for reviewing the tax laws in Kenya for progressivity and equity based on the “Ability to Pay” principle, balanced with the moral imperative of the “Right to Receive”. This is expected to contribute to redistributing resources, reducing inequality and poverty, while improving transparency in taxation policy review, reforms and implementation. This also means advocating for morality and ethics to guide policy and legislation for a more human-centred approach to policy formulation than economic principles that emphasize capital and profits. What is legal does not always translate into what is ethically or morally right. This also included the need to engender the tax policy, legislation and administration and tax revenue allocation.
2. Advocating for the review of the exorbitant tax exemptions and tax incentives to Multi-National Corporations (MNCs), high income earners and private wealth that lead to loss of billions of tax revenue, while balancing these reviews with tax forms that affect the low-income households e.g. VAT exemptions and reforming social security systems. This includes a better taxation of private wealth holder in accordance with the Principle of Ability to Pay.
3. Advocating for eliminating the capture of the policy space by a few influential politicians, powerful financial and economical corporations and the rich with their economic interests – thus blocking attempts like taxing wealth and the wealthy. There is urgent need to expand the tax base by focusing on rather progressive taxes on consumption and property that enable the rich to pay their fair share. This calls for enacting appropriate legislation in view of increased transparency and accountability and establishing enforcement mechanisms and reducing influence of the corporate and private sector.
4. Fighting corruption that contributes to weakening the DRM efforts by advocating for enforcing more transparency. This requires advocating for new beneficial ownership laws, recovering stolen assets and creating systems and structures for more financial transparency. Additionally, calling for strengthening the laws on fraud and crime, calling the government to increase co-operation and observance of other international tax governance and financial fraud regimes to reduce bribery, corruption and help recover stolen assets.

5. Advocating for curbing IFFs by establishing legal and policy frameworks that minimize these economic vices. This advocacy effort should be extended to enacting policies and laws to govern other forms of commercial and criminal IFFs like trade-based mis-invoicing, money laundering, cross-border cash transactions in human trafficking, wiring funds for terrorist activities, shifting proceeds of corruption into shell companies, financial intelligence, beneficial ownership, whole government approach, financial secrecy, advocating against tax havens, etc.
6. Advocating for greater transparency in tax collection, tax spending and all financial matters, as set in the 2010 Constitution of the Kenya. Such would include greater stakeholder involvement in the budgeting process and increasing public awareness on taxation, in relation to their roles in contributing to revenue generation, expenditure and issues of justice and fairness in taxation and wealth distribution. This advocacy should be in form of compulsory tax education through formal education systems and informal community structures.

Regionally:

1. Engaging with regional bodies like the East African Community (EAC), the Common Market of Eastern and Southern Africa (COMESA), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the African Tax Administration Forum (ATAF) and the Consortium to Stem IFFs. This will help in using the structures for establishing mechanisms for better regional policies to govern taxation arrangements, trade among the members and combating IFFs.
2. Advocating for the development of African financial architecture that helps in policy formulation and establishing legislation frameworks.
3. Advocate for reforms that improve budget transparency, increase public participation, and strengthen institutions of accountability in Africa. This will provide opportunities for the public to participate in decision making and also act as an extra check on the inappropriate, wasteful and corrupt spending which translates into good service provision and pro-poor initiatives

Internationally:

This Jesuit project is guided by an existing collaboration between Jesuits in Africa and Europe. This determines the range of advocacy issues raised for collaboration. Of interest to the collaboration and based on the research, the team will want to advocate to:

1. Stop Tax competition, improve Tax cooperation. Most importantly, find ways to close down Tax Havens, close legal loopholes by legal cooperation and, if needed re-negotiating multilateral and bilateral treaties (DTAs), followed by effective cooperation of respective, adequately staffed authorities to combat aggressive tax avoidance, tax evasion and other tax related crime and IFFs. We want to mention specifically the instrument of Joint Tax Audits and improved cooperation within the Financial Action Task Force
2. Eliminate the capture of the policy space by a few influential politicians and the rich individuals and corporate citizens who lobby for policies and legislations in their favour, thus blocking attempts of taxing better private and corporate wealth and shifting profits and capital

3. Live up to the commitment to seriously cut down IFFs by 2030, as enshrined in SDG Goal 16.4: Identify, remove or reduce options inherent in existing economic and financial structures enabling IFFs, non-transparent modes to transfer funds outside the formal financial sector, ways and means facilitating trade mispricing, abusive transfer pricing or the hiding of beneficial ownership behind shell companies, trusts or foundations, thus increasing transparency and accountability.
4. Building on the previous, a particular focus should be given to fighting bribery and corruption.
5. Lobby for use of existing international frameworks like the national risk assessments (NRAs) based on the World Bank's advisory package, and/or of UN, OECD and other frameworks for international cooperation and collaboration on tax matters and, by doing so, correct the existing bias benefitting developed countries more than developing countries.
6. Developed states should share data arising from AEOI and BEPS, even though developing countries might not yet be able to reciprocate. This could, in our mind, follow when the "Principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances" (Nr. 59 AAAA) is applied in this context.
7. We want donor countries and agencies to consider support for capacity building in DRM and stemming IFFs for sustainable revenue generation by using part of the Official Development Assistance (ODA).
8. Alternatives to taxation such as Corporate Social Responsibility, Social Impact Investment, charitable foundations need to demonstrate that they contribute as much to the common good, transparency and democracy as taxation does.

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