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## Follow-up Technical Meeting on Tax Expenditures

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# Ex-Ante in Tax Expenditures

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06 – 08 DECEMBER 2023; DAR-ES-SALAAM,  
TANZANIA

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# Agenda

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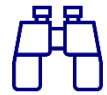
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**Conclusion**



# Learning Objectives



Understand the Potential Impact of Proposed Tax Incentives

1

**At the end of the session, participants are expected to:**

2

Evaluating the Fiscal Implications and Cost Effectiveness of Tax Measures



3

Gaining Insight into the Expected Outcomes and Consequences of Implementing Specific Tax Policies



4

Developed Informed Decision-making Skills to Optimise Resource Allocation





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# Synopsis of Ex-Ante in Tax Expenditures

- ❖ Anticipating potential impacts of tax incentives before implementation.
- ❖ Evaluating the cost-effectiveness and fiscal implications of proposed tax measures.
- ❖ Guiding policymakers to make informed decisions, ensuring efficient use of resources.
- ❖ Preventing unintended consequences and revenue shortfalls, promoting fiscal sustainability.



# Understanding Ex-Ante Assessments

Ex-ante assessments refer to evaluations before implementing policies, taxes, or measures.

**Purpose:** To anticipate potential outcomes, assess effectiveness, and evaluate feasibility before implementation.





# Significance of Revenue Forecasting

- ❖ **Budgetary Transparency:** Accurate revenue forecasts shed light on potential revenue losses due to tax expenditures. They clarify the fiscal impact of tax incentives, exemptions, or deductions, aiding in transparent budgetary planning.
- ❖ **Effective Allocation of Resources:** Reliable revenue forecasts guide policymakers in evaluating the cost-effectiveness of tax expenditures. This evaluation ensures that resources are allocated to incentives that generate desired economic outcomes without unduly compromising revenue streams.
- ❖ **Fiscal Responsibility:** Accurate revenue forecasts help maintain fiscal responsibility by preventing over-reliance on tax expenditures without clearly understanding their impact on revenue. It supports prudent decision-making and guards against revenue shortfalls that might arise from overestimating income due to tax breaks.



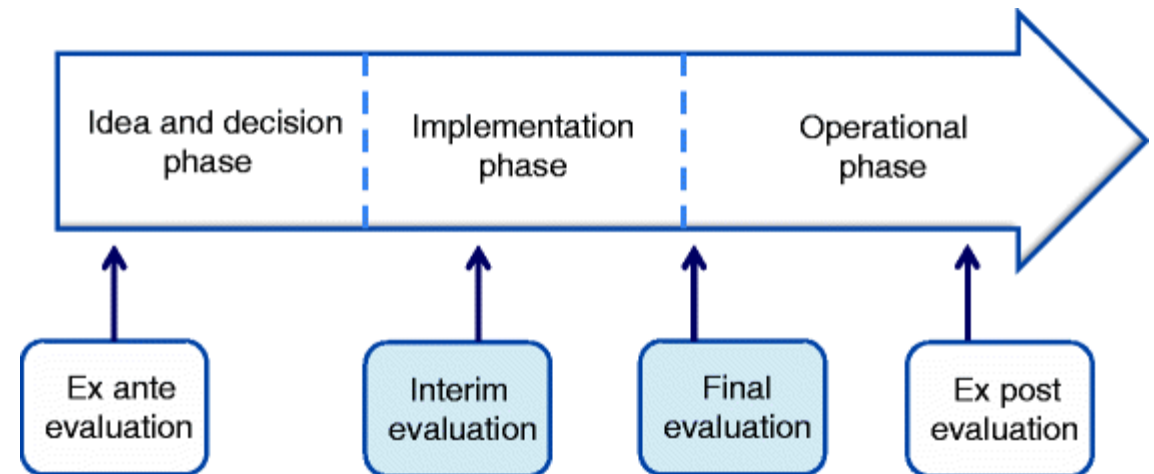
# Significance of Revenue Forecasting

- ❖ **Evaluation of Tax Policies:** Forecasts enable continuous evaluation of tax policies. They provide insights into the effectiveness of tax expenditures, allowing for adjustments or eliminating ineffective measures that might drain revenues without yielding significant benefits.
- ❖ **Sustainable Budgeting:** Reliable revenue forecasts contribute to sustainable budgeting by preventing budget deficits caused by unforeseen revenue shortfalls due to excessive or miscalculated tax expenditures. This ensures fiscal stability and avoids the need for corrective measures in the future.



# Importance of Ex-Ante Assessments in TEs

- ❖ **Mitigating Risks:** Assessing the potential impact of tax incentives before implementation reduces the risk of introducing ineffective policies.
- ❖ **Cost-Benefit Analysis:** Conducting thorough assessments helps weigh the potential benefits against the costs and drawbacks.

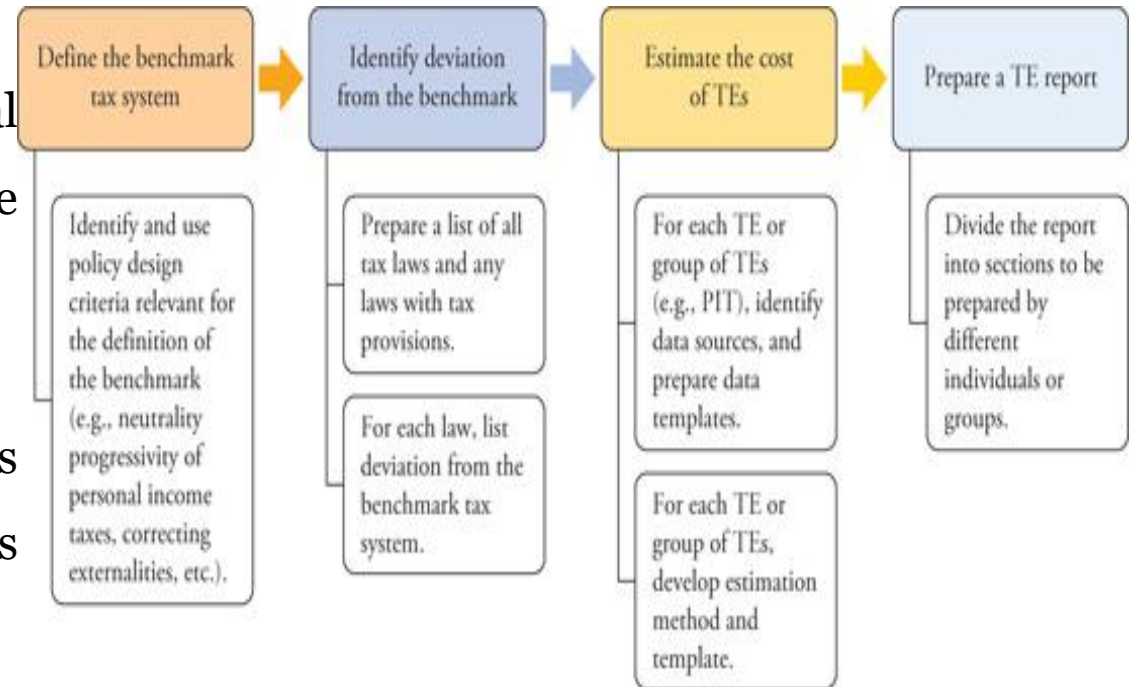






# Good Practices for Effective Ex-Ante Assessments

- ❖ Involving Experts: Engaging economists, financial analysts, and relevant stakeholders for comprehensive evaluations
- ❖ Simulations and Modeling: Using economic models and simulations to forecast potential impacts accurately





# Case Studies and Examples

Specific case studies or examples of ex-ante assessments in tax expenditures within the Economic Community of West African States (ECOWAS) region needed to be more extensively documented. However, there are potential areas and examples where such assessments could be applied or similar cases that might be relevant to the region:

- ❖ **Customs Union and Trade Policies:** Within ECOWAS, initiatives aim to promote regional trade and integration. Ex-ante assessments could be conducted on tax incentives or tariff reductions to facilitate intra-regional trade. These assessments would estimate potential impacts on trade volumes, economic growth, and cross-border business activities.



# Case Studies and Examples

- ❖ **Regional Investment Incentives:** Several ECOWAS member states offer investment incentives to attract foreign investment. Assessments could be used to evaluate the potential outcomes of these incentives on regional economic development, job creation, and industrial growth. Such assessments would help estimate the fiscal impact on government revenues while projecting the economic benefits
- ❖ **Renewable Energy and Environmental Policies:** ECOWAS member states increasingly focus on renewable energy and environmental sustainability. Ex-ante assessments could be applied to tax incentives or subsidies promoting green energy adoption. These assessments would estimate the potential impact on reducing carbon emissions, increasing renewable energy capacity, and fostering sustainable development.



# Case Studies and Examples

- ❖ **Agricultural Development:** Agriculture is a significant sector in many ECOWAS member states. Assessments could focus on tax incentives or exemptions for agricultural activities, aiming to boost food production, rural development, and agricultural modernization. These assessments might estimate the effects on enhancing productivity, ensuring food security, and supporting livelihoods. While specific case studies might be limited, the potential for conducting ex-ante assessments in tax expenditures within the ECOWAS region remains substantial. Such assessments are vital for informed policy decisions, ensuring that tax incentives align with regional development objectives and contribute positively to economic growth, trade facilitation, and sustainable development across member states.



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# Policy Recommendations

- ❖ Advocating for a systematic approach to ex-ante assessments in policymaking
- ❖ Proposing periodic reviews and evaluations of existing measures to ensure continued effectiveness



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# Closing

# THANK YOU!



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