

A message of hope to Africa on tax

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I have [published a report this morning that was written as a briefing for the Africa Progress Panel in January 2014](#). They asked me to compare the promises made to Africa in 2013 at the G8 and G20 summits with the outcomes that then looked likely. The report has now been published to [coincide with the Africa Progress Panel's report for 2014](#).

My report's findings are bleak. After the hope of 2013 by the beginning of 2014 the outlook for real reform was already limited across the whole spectrum of issues on which it was hoped there would be real reform. In summary, those issues were firstly country-by-country reporting, secondly automatic information exchange, thirdly the disclosure of the beneficial ownership of companies, fourthly continued progress with the Extractive Industries Transparency Initiative and lastly international tax reform.

Although many of these issues were on the agenda precisely because they were put there by development NGOs and were of particular importance to developing countries the organisation tasked with delivering reform is the Organisation for Economic Cooperation and Development — often seen as a club of rich companies and not without reason. The possibility for conflict of interests arising was created from the outset.

Unfortunately those conflicts have arisen. As the report summarises, across all the areas of concern it was already apparent by January 2014 that the OECD and the countries behind it were falling short on their promises. For example, as the report notes, by the time the OECD's Base Erosion and Profit Shifting was published the references to country-by-country reporting, so prominent in June 2013, had become a mere inferred hint within OECD Action Plan 13 implying it had already become, in the OECD's mind, a footnote to transfer pricing documentation. That, unfortunately, appeared true for all these concerns.

The inevitable consequence is a range of clearly expressed doubts within this report as to whether any promises will be fulfilled. Unfortunately nothing that has happened in the three months since the main body of this report was written has alleviated those

fears. Indeed, as very limited progress on (and opposition to) country-by-country reporting has indicated, those from major developed countries (and most especially the USA) are putting self-interest above any consideration for those countries for which this agenda was supposedly created.

So what can be done? Of course it has to be hoped that the OECD will still, despite current pessimism, deliver for Africa. But hope is not enough and the sentiment of this report is that if the OECD is not going to deliver now then the time has come for Africa to begin building its own tax solutions. In the last decade radical, and sometimes simple, solutions on how to define the tax base, find it, count it and then collect it (which are the four key elements in any tax system) have emerged and if the OECD and its member states do not want to embrace these solutions for Africa that does not stop Africa embracing them itself.

My report suggests ways it might do that. So, for example, it suggests simple but effective forms of information exchange that are likely to have the desired deterrent effect that most of such systems rely upon it. It also suggests that Africa may need to consider its own forms of regional or continent wide corporation tax base alignment, unitary taxation and accounting reform to deliver progress in the fight against corporate tax abuse.

It is, however, the underlying message that is important and that is that the time has come when if the world is not willing to help Africa on these issues then it has to help itself. I genuinely believe that is possible and innovation to meet its needs can be achieved. If that does not suit the OECD, so be it. The hope must be that the UN might be an alternative host for the creation of this African (and maybe Asian and South American) approach to tax, but if it also fails Africa now has institutions of its own that could begin to take on this task. I believe it should now have the confidence to do so. And that's where the message of hope in my report comes from.