AFRICA 2025

CONFERENCE THEME

THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025

23-24 November **2015**
Casablanca Hyatt Regency

FINAL REPORT

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I- CONFERENCES SERIES « AFRICA2025 » :

Since the beginning of the millennium, Africa has experienced a tremendous profitable growth ever chronicled in the economic records of the continent. Such progress has instigated some change in terms of discourse on Africa that is now increasingly focused on "emerging economy" or "economic transformation".

The theme “Rising Africa” has been in use across the continent and beyond in almost all the events continent-wide.

Several African countries have defined their "Visions" of government, economic and social development that would pledge a real emergence to a prospect of 10, 20 or even 30 years ahead.

As for the African Development Bank, the United Nations Commission for Africa and the African Union, they have defined a plan at continental level called "Agenda 2063" meant for the renovation of Africa.

The employers in all of the continent's countries have a role to play in this emergence plan. It is therefore fully involved in the debate over the mobilization of internal resources to finance state programs.

To facilitate experience sharing and encourage debate, All Africa Global Media and Casablanca Media Partners launched a series of conferences entitled "AFRICA 2025" on social and economic strategies in order to accelerate the emergence of African countries.

II- THE 1st EDITION « THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025 »:

Economic development of Africa is a persistent theme especially at the current time of crisis, insecurity and multiple migrations that rather require an open and constructive debate. Nevertheless, all observers would firmly agree that this continent represents a potential growth and a significant economic development.

In fact, despite the world economy slowdown, Africa with a GDP rate of 5.2%, it expands its emergence quietly but gradually.

As such, the main orientations for fiscal policies will play a fundamental role in the economic transformation of the medium and long term Africa.

III- DATA SHEET OF THE CONFERENCE:

TITLE	**THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025**
DATE	**November 23rd & 24th, 2015**
VENUE	**Hôtel Hyatt Regency – Casablanca**
SPEAKERS	**25 Moroccan and foreign speakers, Expert in fiscal policy, informal sector and security**
PARTICIPANTS	**178 participants: Moroccan and foreign Senior Officials, economists, experts, CEOs, Academics, Journalists, ...**
JOURNALISTS	**31 Moroccan and foreign journalists (TV, radio, press and web)**
WEB	**www.africa2025.com**

IV- DISCUSSIONS EXECUTIVE SUMMARY:

A success for the 1st edition of "AFRICA2025"

Conferences series on economic and social strategies accelerating African countries' growth and emergence

"Africa must trust African expertise for its economic transformation and human development"

Mostapha MELLOUK and Amadou MAHTAR BA, AFRICA2025 organizers

Africa is our wealth, our future, our responsibility …

Since the beginning of the millennium, Africa has been one of the regions with the highest economic growth. Africa experienced above 5% per year in the last decade growing for the whole continent.

Several African countries have established economic and social development policies that promise the emergence to a horizon of 10, 20 or even 30 years.

The African Development Bank, the United Nations Commission for Africa and the African Union has defined an "Agenda 2063" for a transformation of Africa..

It is in this spirit that is launched "AFRICA2025" …

Which vision? Which economic policy? What kind of social consolidation, what security? What are the cultural issues and the model of society for our continent, Africa by 2025? In fact, this is reflects the main lines that will feed AFRICA2025 think tank, a new driving engine for a new Africa development, while instigating wealth creation and human development.

AFRICA2025 was organized by Casa Media and AllAfrica Global Media Partners. It presented as a series of lectures on social and economic strategies aiming at accelerating the emergence of African countries in the next decade.

Taxation in the heart of the 1st edition of AFRICA 2025 in Casablanca …

The theme "**THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025**" was the first meeting of AFRICA2025 to be held. With the presence of Khalid Safir, the Wali of the Greater Casablanca-Settat Region at the Casablanca Hyatt Regency on the 23 and 24 November 2015 and over 200 professionals, both from the public and private sectors attended the event. of the countries of the WAEMU, the West Africa Economic and Monetary Union and their Moroccan colleagues.

For the opening session, Omar Faraj, Taxes General Manager, addressed the audience on behalf of Mohamed Boussaid, the Minister of Economy and Finance of Morocco. He said: "This makeover is the result of a strong political determination of African leaders who initiated audacious reforms and launched ambitious investment program, a way to prevail over social and economic infrastructure.

So as make this endeavor a success, it is obvious that tax policy should be a major and decisive leverage. He also added that «fiscal strategy model in Morocco has always required taking into account the relationship between the **decline in the tax burden and encouraging savings and investment**. It is in this respect that Morocco has gradually preceded with the easing of tax rates on companies from 45% to 30% and the marginal rate of income tax from 52% to 38%. [...] **But the informal economy weighs considerably on the attractiveness of our business climate and threatens our economic competitiveness today**. Morocco is concerned with reference to widespread phenomenon on the African continent. "

The program of the first edition of AFRICA 2025: Quality panels and productive recommendations …

The impact of fiscal policies on the development of enterprises, the tax burden and development of the informal sector, to deploy strategies to optimize national taxation, the fight against fraud, illicit trade, banditry, terrorism and insecurity in Africa were the focus of discussions over the two days seminar.

The most appealing points in the panels were due to the cohesion of many documented challenges and recommendations expressed by the various countries represented. These recommendations are hereafter:

- **Simplify tax laws and rules** for clarity improvement of the company ,to fight against fraud and integrate businesses into the formal sector;
- **Broaden the tax base through applying low rates,** echoing the recommendation of Dr. Laffer, a former economic adviser to Ronald Reagan. Flat tax or a low one (between 25 and 30%) is a manifestation of the harmonization advocated by WAEMU among its member states;
- **Generalizing information systems** for more transparency;
- **Strengthen the means and methods of control** and **penalize offenses relating to illicit trade** and organized gangs;
- **Encourage the opening up of the tax administrations to staid discussion with traders.** This is not only a real step towards a better understanding and application of taxation but also an attempt towards a greater trust between the administration and taxpayers. It is worth recalling that the distrust of government is one of the causes of the proliferation of informal activities;
- **Develop tax compliance** key to successful transformation of African economies and tax reforms related to them.
- **Strengthening public policies to regularize informal economic activity** and open discussions with the actors of the informal noting that in Africa, the weight of this sector, its sociological as well as economic reality for the development of emerging economies.

It seemed that informal definition is difficult to comprehend. From the micro-enterprises mainly doing survival work meant mainly to promoter ones family to the company deliberately defrauding at the level of the social, fiscal and legal rules, to becoming a company engaged in illicit activities, while realities are very diverse. The current security situation demonstrates, unfortunately, that the informal criminal- related issues have much wider implications than those of insufficient tax revenue or of the decline of competitiveness within enterprises.

Not to mention the development zones of insecurity in Africa …

Insecurity and instability remain a concern in the Sahel. This area remains under high pressure from the combined action of jihadist movements and traffickers of all kinds: cigarettes, weapons, drugs, oil and, humans ... The specialists of the region have confirmed the link between informal and illegal trade of both sides share terrorist activities: bartering, while the same roads are used, the same individuals, and groups involved ... for them, the situation in Libya is the most worrying and should be monitored closely in the months and years ahead. In this respect, facing criminal dangerousness requires the highest effort of cooperation. It should not only involve national actors but also all the stakeholders in the region in all countries in West and North Africa.

Objective: structural reforms …

In conclusion, it has become clear that tax reforms Africa would need are not isolated or sectorial reforms. Rather, it is to design and implement structural reforms beyond the simple framework of taxation in the strict sense. The issue of consent of taxes and education was sturdy among many stakeholders. In this sense, the development of tax compliance in particular was unanimous. A different view was taken in the informal sector. It's not just the combination of uninformed or massively defrauding the common rules. It is no longer only a serious threat to public health or safety of persons across counterfeits and other contraband. It is also a way of integrating this informal sector in the economy and way of expression of the entrepreneurial creativity. Without encouraging the development of such informal, it could be interesting to consider the constructive and inclusive manner without stigmatizing or excluding attempt. In this area, as in taxation, we should never forget that, above all, behind these often abstract and intangible notions, there are men and women.

Africa 2025 is also distinguished speakers:

Omar FARAJ, Taxes General Manager - Morocco, **Mamadou FALL KANE**, Economic and Financial Advisor to the President of the Republic of Senegal, **Abdallah BOUREIMA**, , Commissioner for Economic Policy and Taxation – WAEMU and former ministry of Economy and Finance of Niger, **Yacine Diama FAL**, Représentative of The African Development Bank - Morocco, **Dr. Arthur B. Laffer**, former Economic Adviser to Ronald Reagan and author of the Laffer curver, **Mustapha Aman**, Taxes Regional Manager of Casablanca - Moroccoa, **Abarchi FATI,** Taxes General Manager - Niger, **Pacome MONDON**, Fiscal Expert, President of MONDON CONSEIL INTERNATIONAL, Cote d'Ivoire, **Bassirou Samba NIASSE**, Taxes and Domains Deputy General Manager - Senegal, **Abdelkader BOUKHRISS,** President of Fiscal Commission, CGEM - Morocco, **Maitre Amadou Moustapha NDIAYE**, Vice-President of National Council of employers - Senegal, **Rajaa MEJJATI ALAMI,** Economist sociologist and informal economy expert, **Zouheir CHORFI**, Customs and Indirect taxes General Manager - Morocco, **Colonel Major Issa COULIBALY**, Customs General Manager, Cote d'Ivoire, **Moctar**

Kettani DOUCOURE, Customs House Deputy General Manager - Senegal, **Mor Talla KANE**, CNES, informal sector Specialist – Senegal, **Mohamed KABBAJ**, President of Moroccan Club of Taxation - Morocco, **Dialigue Ba**, Fiscalist, Advisor to the Minister of Economy and Finance - Senegal, **Habasso TRAROE**, Head of Local Tax Division, WAEMU - Burkina Faso, **Professor Mohamed BERRADA**, Economist and former Minister of Economy and Finance - Morocco, **Omer GNEBA,** Special Advisor to the Taxes General Manager – Cote d'Ivoire, **General Marc FOUCAUD**, former Division Commander of Operation Serval in Mali, **Alain Juillet,** former Director of Intelligence at DGSE and President of the Acdemy of Business Intelligence - France, and **Abdou Khadre Dieylani NIANG**, Director of Reglementation and International Cooperation (Customs House) – Senegal.

Outstanding partners …
The Ministry of Economy and Finance of the Kingdom of Morocco, the Laffer Institute, the Moroccan Club of Taxation, Akwa Group, Integra Africa, Emerging Senegal Plan.

Renowned African organizers …
Mustapha MELLOUK, president of Casablanca Media Partners and **Amadou MAHTAR BA**, president of AllAfrica Global Media, wish, through Africa2025, initiate debates, strengthen exchanges between African decision makers and allow them to share their experiences and their best practices.

The next meeting of AFRICA2025 has already been given in 2016 to continue the dialogue and assess progress!

For more information, please visit www.africa2025.com

V- COMMUNICATION TOOLS :

Conference room

Reception desk


Reception of participants

Some panelists


Participant folder

Reception easel

Participant folder's content:
(Badge, pad, pen, program)

Reception of foreign speakers in the airport

VI- SPEAKERS :

MOSTAPHA MELLOUK
PRESIDENT, CASABLANCA MEDIA PARTNERS – **MOROCCO**
« Africa 2025, new think-tank for Africa that drives its development »

AMADOU MAHTAR BA
PRESIDENT, ALLAFRICA GLOBAL MEDIA – **SENEGAL**
« This first conference is part of a dynamic that we are starting and we hope will continue »

DR. ARTHUR B. LAFFER
FORMER ECONOMIC ADVISER TO RONALD REAGAN AND AUTHOR OF THE LAFFER CURVER – **USA**
« Economics is all about incentives »

OMAR FARAJ
TAXES GENERAL MANAGER – **MOROCCO**
« For the success of this transformation, it is clear that tax policy is a major and determining lever »

MAMADOU FALL KANE
ECONOMIC AND FINANCIAL ADVISOR TO THE PRESIDENT OF THE REPUBLIC OF **SENEGAL**
« The economic transformation of Africa must be based essentially on financial resources mobilized within the countries »

AMADOU MOUSTAPHA NDIAYE
VICE-PRESIDENT OF NATIONAL COUNCIL OF EMPLOYERS – SENEGAL
« Regarding taxation, we deplore the lack of stability »

Rajaa MEJJATI ALAMI
Economist, sociologist and informal economy expert - **MAROC**
« It is time to organize study days about the informal sector»

Zouheir CHORFI
CUSTOMS AND INDIRECT TAXES GENERAL MANAGER – **MOROCCO**
« Informal sector is a complex economic reality that raises a number of challenges for public authorities »

Colonel Major Issa COULIBALY
CUSTOMS GENERAL MANAGER – COTE D'IVOIRE
We must try to support citizens in the informal sector and get them to leave it encouraging them to form economic interest groupings »

Moctar Kettani DOUCOURE
CUSTOMS HOUSE DEPUTY GENERAL MANAGER – **SENEGAL**
« We must first clean up the business environment in order to develop a sustainable tax policy »

ABDALLAH BOUREIMA
COMMISSIONER FOR ECONOMIC POLICY AND TAXATION - **WAEMU**
« The tax burden is badly distributed both among taxpayers and economic sectors »

YACINE D. FALL
REPRESENTATIVE OF THE AFRICAN DEVELOPMENT BANK – **MOROCCO**
« Tax policy is the most sustainable way to generate revenue and reduce dependence on external aid »

ABDOU SOULAY DIOP
ASSOCATE MAZARS CONSULTANCY - **MOROCCO**
« Companies insist that the tax burden decreases »

MOSTAPHA AMAN
TAXES REGIONAL MANAGER OF CASABLANCA – **MOROCCO**
« I expect this meeting to consider the investment aspects, creation of employment, business promotion … »

PACOME MONDON
FISCAL EXPERT, PRESIDENT OF MONDON CONSEIL INTERNATIONAL - **COTE D'IVOIRE**
« The Ivorian just apply a law for a special allocation of a portion of tax revenues to the VAT credit rembourssement »

Mor Talla KANE
ECONOMIST-CNES, CNES, INFORMAL SECTOR SPECIALIST – **SENEGAL**
« … since the informal sector is synonymous with unfair competition, we can not appeal to foreign investment … »

MOHAMED KABBAJ
PRESIDENT OF MOROCCAN CLUB OF TAXATION – **MOROCCO**
« We must make the laws clear and accessible »

Dialigue BA
FISCALIST, TECHNICAL ADVISOR TO THE MINISTER OF ECONOMY AND FINANCE – **SENEGAL**
« For national taxation, the challenge is to secure tax revenues »

HABASSO TRAORÉ
HEAD OF LOCAL TAX DIVISION - **WAEMU**
« It is necessary for WAEMU countries to combined their efforts together »

Mohamed BERRADA
ECONOMIST AND FORMER MINISTER OF ECONOMY AND FINANCE – **MOROCCO**
« Tax revenues depend on growth which depends itself on investment ... the focus should be directed towards economic policies and not tax policies »

OMER GNEBA
SPECIAL ADVISOR TO THE TAX GENERAL MANAGER – **COTE D'IVOIRE**
« ... in a long-term vision, we thought to target primary school children, who are the taxpayers of tomorrow, to explain and teach them the fiscal citizenship »

General Marc FOUCAUD
FORMER DIVISION COMMANDER OF OPERATION SERVAL IN MALI – **FRANCE**
« No country in West Africa and North Africa should think or believe it's safe from the terrorist threat »

BASSIROU SAMBA NIASSE
TAXES AND DOMAINS DEPUTY GENERAL MANAGER – **SENEGAL**
« For public institutions, when the exemption is late, the natural adjustment is done through taxation, which causes congestion of the tax debt »

Alain JUILLET
FORMER DIRECTOR OF INTELLIGENCE AT DGSE AND PRESIDENT OF THE ACDEMY OF BUSINESS INTELLIGENCE - **FRANCE**
« In an unstable country, taxation is badly exercised and illegal trades are developing »

ABDELKADER BOUKHRISS
PRESIDENT OF FISCAL COMMISSION, CGEM – **MOROCCO**
« The State should develop a tax strategy. This gives visibility and stability to the private sector »

ABDOU KHADRE DIEYLANI NIANG
DIRECTOR OF REGLEMENTATION AND INTERNATIONAL COOPERATION (CUSTOMS) – **SENEGAL**
« Against terrorism, the Customs Administration needs to take several steps in particular as regards the development of Intelligence in all its forms »

VII- PARTICIPANTS :

CATEGORIES	NUMBRE OF PARTICIPANTS
LOCAL AUTHORITIES, PUBLIC ADMINISTRATIONS, OFFICIALS	29
OTHER PARTICIPANTS - MOROCCO	66
PARTICIPANTS OUTSIDE MOROCCO	36
ORGANIZERS	16
JOURNALISTS	31
TOTAL PARTICIPANTS	**178**

VIII- PROGRAM :

CONFERENCE THEME

THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025

23-24 November 2015 - *Casablanca Hyatt Regency*

Program

MONDAY, NOVEMBER 23rd 2015

8h30 : Registration / coffee

9h00 : Opening ceremony

Welcome address and conference program introduction

- **Mostapha MELLOUK** : CEO, Casablanca Media Partners
- **Amadou MAHTAR BA** : CEO, AllAfrica Global Media

Official Panelists

- **Omar FARAJ**, Taxes General Manager, Morocco
- **Mamadou FALL KANE**, Economic and Financial Adviser to the President the Republic of Senegal
- **Abdallah BOUREIMA**, Commissioner for Economic Policy and taxation - WAMEU
- **Yacine D FALL**, Representative of the African Development Bank

10h00 : Keynote Speaker: Dr. Arthur B. Laffer, former Economic Adviser to Ronald Reagan and author of the Laffer curve

Tax policies, a strategic lever to accelerate growth and ensure the emergence in Africa.

11h00 : Panel 1 - Impact of tax policy on business development

- Fiscal policies models and the consequences of policies with tax pressure on growth.

The Panelists

- **Abdou Soulay DIOP**, Associate at Mazars Consultancy, Morocco
- **Mustapha AMAN**, Taxes Regional Director of Casablanca, Morocco
- **Omer GNEBA**, Special Advisor to the Taxes General Manager, Cote d'Ivoire
- **Pacome MONDON**, Tax Expert, President of Mondon Conseil International
- **Bassirou Samba NIASSE**, Taxes and Domains Deputy General Manager, Senegal
- **Abdelkader BOUKHRISS**, CGEM Fiscal Commission President, Morocco
- **Amadou Moustapha NDIAYE**, Vice President of the National Council of Employers, Senegal

12h30 : Lunch

14h30 : Panel 2 - Tax burden and informal sector development

- A learning space for economic activity
- Reaction to job creation deficit and a natural adjustment between supply and demand.
- Domestic production outside regulations and smuggling standardization

The Panelists

- **Rajaa Mejjati ALAMI**, Informal economy Specialist
- **Zouheir CHORFI**, Customs and Indirect taxes General Manager, Morocco
- **Colonel Major Issa COULIBALY**, Customs General Manager, Cote d'Ivoire
- **Moctar Kettani DOUCOURE**, Customs Deputy General Manager, Senegal
- **Mor Talla KANE**, Economist-CNES, informal sector Specialist, Senegal

16h00 : Coffee break

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CONFERENCE THEME

THE CHALLENGES OF FISCAL POLICIES WITHIN AFRICA'S ECONOMIC TRANSFORMATION BY 2025

23-24 November 2015 - *Casablanca Hyatt Regency*

16h00-17h30 : Panel 3 – Which strategies for optimizing the national tax ?

- Balance between growth and fiscal pressure.
- Strengthening public policies to regularize informal economic activity.
- Generalization of information systems for more transparency.
- Capacity building and monitoring methods.
- Penalizing offenses related to illegal trade in and organized gangs.

The Panelists

- **Mohamed KABBAJ**, President of Moroccan Club of Taxation
- **Dialigue BA**, Fiscalist, Technical Advisor to the Minister of Economy and Finance, Senegal
- **Habasso TRAORE**, Head of Local Tax Division, WAEMU
- **Professor Mohamed BERRADA**, Economist and former Minister of Economy and Finance, Morocco

17h30 – 18h30 : Presentation of Dr. Arthur B. Laffer's book

- Launching the French version of Dr. Arthur B. Laffer's book : **"Manuel sur la taxation du tabac: Théorie et Pratique".**

TUESDAY, NOVEMBER 24th 2015

9h30 : Registration / coffee

10h00 -12h00 : Panel 4 – Illegal trade and insecurity in Africa

- Mapping of informal and development areas of insecurity.
- How do illegal trade and banditry finance terrorism?

The Panelists

- **General Marc FOUCAUD**, former Division Commander of Operation Serval in Mali
- **Alain JUILLET**, former Director of Intelligence at the DGSE and President of the Academy of Business Intelligence
- **Abdou Khadre Dieylani NIANG**, Regulation and International Cooperation Director (Customs), Senegal

12h00 -13h00 : Closing Ceremony

- Summary reports and recommendations
- Concluding remarks.

13h00 : Closing lunch

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IX- ONE TO ONE MEETINGS:

Dr. Laffer with Mr Noureddine Bensouda, General Treasurer of the Kingdom

Dr. LAFFER with Mrs Yacine Diama FAL, Representative of the AfDB in Morocco

Dr. LAFFER with Mr Mohamed KABBAJ, President of Moroccan Club of Taxation

Mr. Khalid SAFIR, Wali of the Region Casablanca-Settat (in the middle) with General Marc FOUCAUD (on the left) and Mr Alain JUILLET (on the right)

X- OPENING CEREMONY :

Moderators	• **Mr Amadou Mahtar BA** • **Mr Mostapha MELLOUK**
Intervenants	• Mr **Omar FARAJ**, Taxes General Manager - MOROCCO • Mr **Mamadou FALL KANE,** Economic and Financial Advisor to the President of the Republic of Senegal • Mr **Abdallah BOUREIMA,** Commissioner for Economic Policy and Taxation - WAEMU • Mme **Yacine Diama FAL,** Representative of The AfDB - Morocco

Opening ceremony

Amadou Mahtar BA – President AllAfrica Global Media

Omar FARAJ, Taxes General Manager – Morocco

Mostapha MELLOUK – President Casablanca Media Partners

Mamadou Fall KANE, Economic and Financial Advisor to the President of the Republic of Senegal

Abdallah BOUREIMA, Commissioner for Economic Policy and Taxation, WAEMU

Yacine Diama FAL, Representative of The AfDB - Morocco

Arthur B. LAFFER, Economist, former Economic Adviser to Ronald Reagan, USA

The opening ceremony was jointly presented by Mr. AmadouMahtar BA (AllAfrica Global Media Chairman) and Mostapha MELLOUK (President of Casablanca Media Partners). The opening was marked by the reading of the letter from Mr. Mohamed BOUSSAID Minister of Economy and Morocco's Finance. The letter was read by Mr. Omar FARAJ, Taxes General Manager - Morocco.

Mr. BOUSSAID's speech synthesis:

Mr. BOUSSAID highlighted the Moroccan experience in the field of tax reform. Since 1984, Morocco has started adapting its tax system to the social and economic constraints expressed by economic operators and individual taxpayers.

These reforms have made it possible to gradually reduce the tax rate on corporations from 45% to 30% and the marginal rate of income tax from 52% to 38%.

These tax measures aim to:

- Stimulating productive investment, a prominent flows of foreign direct investment and economic growth,
- Discouraging economic entities of all measures related to fraud, or resorting to informal.

Mr. FALL KANE's Speech synthesis:

Mr. Mamadou Fall KANE, Economic and Financial Advisor to the President of the Republic of Senegal highlighted Senegal's efforts in tax policy.

Senegal had implemented a Strategic Development Plan of the Tax Administration (PDSAF 2008-2012) declined in Performance Contracting (PC 2009-2011). These measures have enabled Senegal, among others, to adopt a new Tax Code entered into force on 1 January 2013.

Result: the achievement of an average tax burden of 18.6% over the 2009-2013 period (the highest rate of WAEMU), with annual shifts of up to over 10%. In 2015, the tax ratio is expected at 19.2%. This led to reaching 60% of domestic resource mobilization in our consolidated investment budget today.

Mr. KANE concluded by stating that the economic transformation of Africa must be based primarily on internal financial resources to countries before relying on outside resources.

Mr. BOUREIMA's speech synthesis:

Since 1998, a comprehensive program of reform and harmonization of national tax legislation was launched by WAEMU. This project has three objectives:

- The creation of a customs union (a free trade regime, a common external tariff, a common trade policy).
- The harmonization of domestic tax regime.
- A significant improvement in the fiscal potential of the Union.

Recent studies by members of the WAEMU countries come together on the finding of the weakness of the tax burden in most Member States. It was also noted that the tax burden is unevenly distributed both among taxpayers and at the level of economic sectors.

The adoption of the Sustainable Development Goals by the United Nations in September 2015 is a reminder of the need for equity financing, secure and constantly changing. For that WAEMU countries have placed the issue of mobilization of tax revenues in the heart of the device Stability Growth Pact of Convergence and Solidarity adopted in January 2015.

It was thus retained, among other criteria, that the tax burden should be at least 20% of GDP instead of 17% previously.

Despite of all of this, some disadvantages remain:

- A dominant primary sector and low tax exempt,
- The importance of the informal sector in the productive system,
- Tax exemptions having vicious effect of duty competition between states,
- Weak capacity of tax administrations.

There were also areas for improvement mentioned in this logic:

1) Simplification and accessibility of national tax laws,
2) The amplification of the tax base and a more equitable distribution of the tax burden on all sectors,
3) The gradual modernization of the informal sector to better understand its contribution to GDP,
4) The provision of tax administrations adequate means to improve productivity,
5) Good governance at all levels of the management of public finances,
6) Alleviation of tax competition between states
7) The fight against the erosion of the tax base.

Summary - Remarks by Ms. FAL:

Domestic resource mobilization is a part of the transformation policy priorities of the continent and in particular the basic principles of governance and accountability of States.

Africa is experiencing a positive turning point and is moving towards its transformation. However, it still faces a number of challenges for which it must mobilize maximum resources.

Africa must rely on its own resources to finance its development.

Tax policy is the most sustainable way to generate revenue and reduce dependence on external aid. Nevertheless, the tax equation is complex in the sense that it must generate revenue but also encourage investment and to be fair vis-à-vis taxpayers.

AfBD (African Development Bank), a partner of most countries in the development process, has put in place mechanisms to support Member States in this process, in terms of:

- the expansion of tax base,
- Administrations capacity building,
- developping analyzes and studies for the formulation of relevant policies.

In Morocco for example, Tunisia and Cape Verde, loans were granted for the rationalization of tax incentives. Indeed, tax advantages should be focused on activities:

- Generating jobs
- Relying on technological innovation,
- Aimed at improving the local production,
- Aimed at improving the competitiveness of economies.

Mrs. FAL has commended the Moroccan experience in the integration policy of the informal sector instead of fighting against it, allowing a broader base of taxpayers.

It is necessary to endow our Administrations with means to enable them achieve their goals (*financial, institutional, and transparency standards and procedures of behavior*).

Ms. FAL also mentioned some studies concerning the Kingdom of Morocco, conducted by the AfDB. Eg:

- A diagnosis of growth realized in collaboration with the office of the Head of Government,
- A study on tariff policies in terms of customs, suggesting some interest for Morocco to move also, in terms of trade, to more distant countries, particularly in East Africa.

XI- THE PANELS:

a) Panel 1

Title	Impact of tax policy on business development
Moderator	Abdou Soulay DIOP – Associate MAZARS Consultancy - Morocco
Speakers	- **Abdelkader BOUKHRISS**, President of Fiscal Commission, CGEM – Morocco - **Pacome MONDON**, Fiscal Expert, President of *Mondon Conseil International* – Cote d'Ivoire. - **Mostapha AMANE**, Taxes Regional Manager of Casablanca – Morocco - **Bassirou Samba NIASSE**, Taxes and Domains Deputy General Manager – Senegal - **Maitre Amadou Moustapha NDIAYE**, Vice-President of National Council of employers - Senegal - **Omer GNEBA**, Special Advisor to the Taxes General Manager – Cote d'Ivoire
Synthesis	During this session, government experts, private sector operators and researchers shared their experience with a focus on examples where fiscal policies have contributed to promote growth. Panelists also cited examples or high taxation led to compromise economic development, mainly affecting the competitiveness of enterprises. Stakeholders have made relevant recommendations on economic policy with a fiscal approach which privileges the same time, the capacity of businesses to create wealth and jobs, and that the state to be able to collect maximum revenues.

b) Panel 2 :

Title	Tax burden and informal sector development
Moderator	Mostapha MELLOUK
Speakers	- **Rajaa MEJJATI ALAMI**, Economist, sociologist and informal economy expert - **Zouheir CHORFI**, Customs and Indirect taxes General Manager - Morocco - **Colonel Major Issa COULIBALY**, Customs General Manager, Cote d'Ivoire - **Moctar Kettani DOUCOURE**, Customs House Deputy General Manager - Senegal - **Mor Talla KANE**, economist-CNES, informal sector Specialist – Senegal
Synthesis	Several economists, researchers and economic actors of the social field are a direct link between the level of tax burden and development of the informal sector. Has he the informal sector some positive aspects, or should he be fought at all costs? The speakers in this session, from government circles and the private sector, have provided answers and clarification on the following points: • The informal sector is a learning space of economic activity • It is a response to the lack of job creation • It is a natural adjustment between supply and application • But it is a domestic outside the regulations • Admit informal means to encourage standardization of smuggling

c) Panel 3 :

Title	Which strategies for optimizing the national tax ?
Moderator	Amadou Mahtar BA
Speakers	- **Mohamed KABBAJ**, President of Moroccan Club of Taxation – **Morocco** - **Dialigue BA**, Fiscalist, Advisor to the Minister of Economy and Finance – Senegal - **Habasso Traoré**, Head of Local Tax Division, WAEMU - **Mohamed Berrada**, Economist and former Minister of Economy and Finance – Morocco
Synthesis	The financing needs of States are becoming more numerous because of social demands and obligations to invest more and more pressing. In a context marked by the decline in development aid in general and the loss of direct aid budget, it has become crucial for our countries to mobilize domestic resources. In this context, the tax lever becomes a strategic tool. This session led by tax experts, business leaders and government officials could discuss the best strategies for a tax system that combines the needs of States and the need not to penalize economic activity. The following topics were discussed by the panelists: • Balance between growth and fiscal pressure • Strengthening public policies to regularize informal economic activity • Generalization of information systems for more transparency • Strengthening the means and methods of control • Criminalization of offenses related to illicit trade and organized gangs

d) Panel 4 :

Title	Illegal trade and insecurity in Africa
Moderator	Amadou Mahtar BA
Speakers	- **General Marc-FOUCAUD**, former Division Commander of Operation Serval in Mali – France - **Alain JUILLET** former Director of Intelligence at DGSE and President of the Acdemy of Business Intelligence - France - **Abdou Khadre Dieylani NIANG**, Director of Reglementation and International Cooperation (Customs House) - Senegal
Synthesis	Many parts of Africa are facing a rise in insecurity unprecedented. The Sahel, together, face the same challenge. The situation is exacerbated by the terrorist groups or jihadists, followers of the smuggling and trafficking of all kinds. These threats undermine our states and endanger national cohesion. Are there a link between illicit trade, smuggling and growing insecurity? Are there economic, fiscal means to deal or prevent these threatening situations? In this panel, leading players in the security sphere discussed these issues and even offered fresh perspectives from their own experiences. Likewise, officials of the Customs Administration of the countries affected by this scourge brought a technical point of view on the issue and shared their field experiences.

XII- PRESENTATION OF THE FRENCH VERSION OF DR LAFFER'S BOOK:

After the intervention of Dr. Arthur B. Laffer, a presentation session and signature of the French version of his book « MANUEL SUR LA TAXATION DU TABAC : THEORIE ET PRATIQUE » was held on November 23.

Dr. Laffer during his book signing session

French version of Dr Laffer's book : « **Manuel sur la taxation du tabac : Théorie et Pratique** »

XIII- CLOSING CEREMONY:

Title	Closing Ceremony
Moderator	Mostapha MELLOUK
Speakers	- **Mohamed KABBAJ**, President of Moroccan Club of Taxaion - **Morocco** - **Hervé GEINDRE**, General Secretary of Moroccan Club of Taxaion - **Morocco**
Synthesis	A summary of the four panels of the conference was established by the Moroccan Club of Taxation. It includes a reading reflections of stakeholders and their proposals for: • Improve national tax systems, • Transform fiscal policies in a development lever, • Reconciling the taxpayer with the tax administrations, • Optimize the tax burden in the fight against the informal, illicit trade and reduce security risk relating thereto.

Summay of the panels, red by Mr Hervé GEINDRE General Secretary of Moroccan Club of Taxation

Mr Mohamed KABBAJ, President Moroccan Club of Taxation

Mr Mostapha MELLOUK, President of Casablanca Media Partners

APPENDICES

a) List of participants :

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RAFOUK	FATIMA	MAP		Morocco
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b) Speech of Dr Arthur B. Laffer:

I think the theme of today's event, "The Challenges of Fiscal Policies within Africa's Economic Transformation by 2025," is terrific. Paraphrasing President John F. Kennedy: "No country can ever be made better off by pulling another country down, and all countries are made better off if any one of us is made better off." The line that President Kennedy said next was used in the Reagan campaign of 1980: "A rising tide raises all boats." A growing world economy is the best antidote for poverty, for despair, for inequity, as well as for many other afflictions of the human condition.

Gains From Trade

Free and unencumbered trade amongst the many nations of this world is truly a win/win situation for every single country. Each and every country has some things it makes more efficiently than other countries, and those other countries, in turn, make other things more efficiently than yet other countries. All countries would be foolish in the extreme if they didn't sell those products they make more efficiently to other countries and, in turn, buy those products other countries make more efficiently than they do. Everyone is better off. The economic gains by all countries are called the Ricardian gains from trade and comparative advantage.

Professional reports about North Africa and Sub-Saharan Africa all have forecasts of GDP, prices, trade, budget deficits, etc., but not one went through the details of government spending, tariffs, non-tariff barriers or government taxation. Taxation and spending are exactly where the rubber hits the road, where policies really have an impact on both the country and the world. But in truth, you can never assess the prospects of a country until you see how that country treats its taxpayers, foreign producers and those who benefit directly from government spending.

Typical Government Industries, State-Owned Enterprises and Regulatory Activities

While I will discuss taxation, tariffs and government spending explicitly, please recognize that my remarks apply equally as well to public enterprises, state-owned companies, highly-regulated industries and other economic activities where government intervention is determinative. In Africa, these other activities are pervasive.

As often as not, government agencies regulate imports and exports, they control most, if not all, education, they own the highways and waterways, they exclusively operate the country's health system, and they own and operate water and electricity companies, the post office, the military, and almost all of the country's welfare system, etc. In fact, African countries today are part of one great big movement toward state-controlled means of production.

My comments are meant to refer directly to all of these activities, as well as taxation, tariffs and government spending.

Most African nations can't afford to have government spending as high as developed nations. Developing nations shouldn't want to emulate the policy choices of the United States, UK and France. Developing nations should make policy choices like those made by the now-developed countries when they were developing. Back in the early 1900s (1910, 1912, etc.), when the U.S. was growing more rapidly than any other country, government spending was 2% of GDP. And 2% of GDP is close to where many African nations' government spending should be today.

Central to understanding fiscal and other government reforms are a series of economic theorems. These theorems are essentially math—they are not political in the sense of Republican or Democrat, left wing or right wing, liberal or conservative, etc. They are, literally, mathematics.

Economics is All About Incentives

There are two types of incentives in this world—positive incentives and negative incentives. If you beat a dog, you know where the dog won't be. The dog will not be where you gave it a beating, but you have no idea where the dog will be. The dog will run as fast as it can away from you, but you won't know in which direction. Negative incentives tell people what not to do.

On the other hand, positive incentives tell people what to do. Using the same dog analogy, if you feed a dog, you know exactly where the dog will be at feeding time—it is going to be right where you gave it the food. While negative incentives tell people what not to do, positive incentives tell people what to do. Government spending and subsidies, as opposed to taxes, tell people what to do. So all you have to know to achieve economic prosperity and growth is to remember negative incentives and positive incentives. Economics is all about incentives

Taxation, for example, is a negative incentive—taxation, like other negative incentives, tells people what not to do: do not report taxable income. Taxation doesn't tell you how not to report taxable income. Much of this conference's primary agenda is how to stop people and businesses from not paying taxes. Potential taxpayers can evade, avoid or otherwise not report taxable income. As is so typical of government-centric gatherings, such as this conference, the purpose is how to prevent people from escaping the tax collector. In my opinion, the purpose of this conference should be to revise unfair and unjust tax codes, reducing the total burden of taxation and making government activities more efficient and goal-oriented.

Raising Taxes Reduces Output

Today, we tax people who speed on the freeways, we tax people who buy alcohol and we tax people who smoke. And why do we do this? Why do we tax speeders? We tax them to stop them from speeding. Why do we tax cigarettes? To get people to stop smoking. Why do we tax alcohol? To get people to stop drinking.

Thinking of taxation as a way to reduce an activity, ask yourself the following questions: why then do we tax people who earn income? Why do we tax people who employ other people? Why do we tax people who make a profit? The answer is: We don't tax income-earners, employers and profitable companies to stop them from earning income, we don't tax them to stop them from employing other people, and we don't tax them to stop them from making profits.

We tax income-earners, employers and profitable companies because government needs revenues to function. But just because government's purpose for taxing income, employers and profitable companies is different than the reason why governments tax speeders, smokers and alcohol imbibers, we must still remember the negative impacts of a government tax system.

No one can be oblivious to the fact that, when government taxes people who earn income, they will reduce the amount of income they earn and they especially will reduce the amount of income they report. When government taxes people who employ other people, employers will reduce the number of people they employ. When government taxes companies that make a profit, these companies will try to reduce the amount of profit they make or report. Negative incentives accompany all tax systems.

A tax system's function should be solely to raise enough revenues in order for government to perform its requisite tasks. While all taxes are bad, some taxes are worse than others. So what you want your government to do is to collect taxes in the least damaging way possible, but still able to raise the requisite amount of revenues for government to function effectively. In addition, because of the damaging consequences of taxes, government should spend as little as possible in achieving its objectives. Efficiency in government spending is essential for economic prosperity.

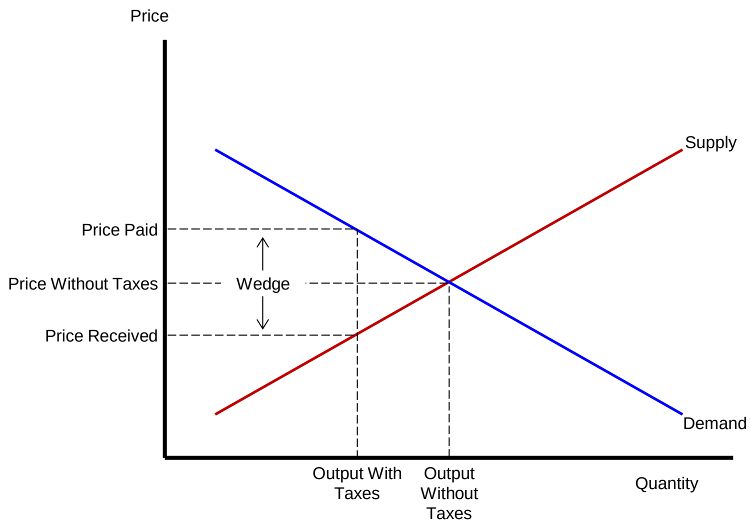
The principle is not really profound, but it's the complete essence of economics. If government taxes people who work and subsidizes people who don't work, don't be surprised if you find a lot of people who aren't working.

Economics is, after all, about incentives. People don't work to pay taxes; they work to get what they can after taxes. People don't save to go bankrupt. People save to augment their wealth, not to reduce their wealth. Therefore, the after-tax return on savings is critical to how much people will save, just as the after-tax return on work is critical to the amount of work that will be done. And finally, businesses don't locate their production facilities as a matter of social conscience; they locate their production facilities to make an after-tax return sufficient to incentivize their shareholders.

Taxation Reduces Demand and Supply

Consider a demand curve for a product. Using a graph where price is on the vertical axis and quantity is on the horizontal axis, the demand curve is downward sloping from the upper left to the lower right, and the supply curve is upward sloping from the lower left to the upper right. Suppliers want to supply more of a product at a higher price. Demanders want to buy less of a product at a higher price. For any product, there is that magical little point where the demand curve exactly intersects the supply curve, which defines the equilibrium output and the equilibrium price (Figure 1).

Figure 1



Now, introduce government taxation into the equation—government taxation drives a wedge between the price consumers pay for a product and the price suppliers receive for that product. If we are thinking about employers and employees, then taxation will drive a wedge between wages paid and wages received (Figure 1). This tax wedge is a disincentive to both suppliers and demanders and will reduce the quantity supplied and demanded in the market place. The tax wedge will increase the price demanders have to pay and will lower the price suppliers will receive. It's very simple.

The Higher the Tax, the Greater the Gain in Incentives to Produce From a Given Tax Cut

The higher tax rates are, the greater will be the increase in the incentive to work when tax rates are cut. When John F. Kennedy became president of the U.S., the highest marginal income tax rate was 91% and the lowest tax rate was 20%. What President Kennedy did was he cut that highest rate from 91% to 70%, which is a 21 percentage point cut, or a 23% reduction in the tax rate (21 ÷ 91). He also cut the lowest tax rate from 20% to 14%, which is a 6 percentage point cut, or a 30% reduction in the tax rate (6 ÷ 20). He cut all other tax rates between 20% and 91% as well, but the highest and lowest rates are plenty sufficient to illustrate my point.

In total, President Kennedy cut the highest tax rate by 23% and the lowest tax rate by 30%. But remember what I wrote earlier, people don't work to pay taxes. People work to get what they can after-tax. So let's look at what happens to income earners' after-tax incentives by looking at the change in incentives at the highest tax rate and at the lowest tax rate.

Before the Kennedy tax cuts took effect, workers who earned enough income to be taxed at the top rate of 91% got to keep 9 cents after-tax for every additional dollar they earned. That 9 cents per dollar of income was the incentive for people working in that tax bracket. For the lowest bracket, workers had to pay 20 cents in taxes per dollar of income earned and, thus, for every additional dollar they earned, they were allowed to keep 80 cents. A person's after-tax incentive in that tax bracket was 80 cents for earning an additional dollar.

Therefore, after the Kennedy tax cuts, those same workers in the highest income tax bracket were able to keep 30 cents after-tax for every additional dollar they earned instead of the 9 cents they could keep after-tax before the tax cut. The increase in that person's incentives went from 9 cents to 30 cents per additional dollar of income earned, which represents a 233% increase in incentives for earning an additional dollar in exchange for a 23% cut in the static tax rate. That is a 10:1 benefit/cost ratio.

Now, take a person in the lowest income tax bracket. Before the tax cut, for every additional dollar earned, a person in the lowest tax bracket had to pay 20 cents in taxes and was allowed to keep 80 cents. After the Kennedy tax cuts, for every additional dollar earned, that person had to pay 14 cents in taxes and was allowed to keep 86 cents. That is a 7½% (6 ÷ 80) increase in incentives for earning an additional dollar in exchange for a 30% cut in the static tax rate. That's a 1:4 benefit/cost ratio.

When you look at tax rates from an incentive to produce income perspective, government should always cut the highest tax rate the most, because that's where you get the biggest increase in after-tax incentives to produce income per dollar of static revenue loss. Remember, government should not tax to redistribute income, government taxes should solely be used to collect revenues, while doing the least damage to the economy, in order to fund government spending.

It Takes a Long Time to Create Prosperity and a Long Time to Destroy Prosperity

The next point about the role played by tax policy concerns the dimension of time and is also very clear: it too is a theorem in economics and taxation. The longer the time horizon, the greater the impact taxation will have on output and production. While an increase in taxes may not have all that big of an effect on output losses in the short-run, believe me when I say the negative impact of taxes on output will be a lot larger as time passes.

If a factory is built based on a presumed tax rate of, say, 9%, and when that factory is just finished, the government decides to raise the tax rate to 90%, what will the owners of the factory do? Do they tear the factory down? No, of course not. But as time goes on, and things wear out, the factory owners won't replace them. It takes a long, long time to create a capital stock and it takes a long, long time to destroy a capital stock. And if you don't believe me, just look at the city of Detroit, Michigan after Governor George Romney put in the income tax in the early 1970s. In 1950, Detroit had a population of 1.85 million people and it was called the Paris of North America. Today, Detroit has a population less than 700,000 and it is the tragedy of America. It takes a long time to create a capital stock and it takes a long time to destroy it. Believe me, the destruction of the economy will happen when the tax environment is toxic. Africa cannot tax itself into prosperity. If anything, Africa needs to err on the side of too low taxes rather than too high taxes.

Taxes Redistribute People, Not Income

As a theorem of economics—taxes determine where people locate. If you have two locations, A and B, and you raise taxes in B and lower taxes in A, producers and manufacturers and people are going to move from B to A. It is as simple as 1, 2, 3 or A, B, C. As Larry Gatlin says, "It ain't rocket surgery."

For example, if you look at a cross-section of the 50 states in the U.S., there are nine states that have no earned-income tax. Comparing the performance of these nine states to the nine states that have the highest income tax rates, every single year in the last half century—every single year—the nine states with no income tax have outperformed the nine states with the highest tax rates, with no exception.

In addition, the performance of every single one of the 11 states in the U.S. that have introduced an income tax in the last 60 years, without exception, has declined relative to the rest of the nation in terms of population, employment, labor force, gross state product and even tax revenues.

The U.S. today has the highest corporate tax rate in the world. And, as a result, a number of corporations are leaving the U.S. because of our punitive tax system. In 1986, in order to make the United States a more attractive location for production and employment, President Reagan cut the highest corporate tax rate in America from 46% to 34%. This tax rate cut made the U.S. the lowest corporate tax rate country in the OECD. Today, the U.S. is the highest corporate tax rate country in the OECD and is losing businesses and investments. Remember, location is determined by taxes.

The Incidence of a Tax is Not the Ultimate Burden of a Tax

Often the person a government taxes is not the person who actually suffers the damage of that tax. If government taxes an activity that is mobile, then that activity will either leave that tax jurisdiction, or it will go into the underground economy, or it will shift its income into other forms of income with lower taxes. Mobile activities will move quickly and easily and what is left behind are the people who can't move and who can't go abroad. The least mobile factors are always the ones left to suffer the damage.

When Proposition 13 passed in California, property values were the beneficiaries of that tax cut and those property values rose dramatically. Remember, property is the least mobile factor and, therefore, benefitted the most. Low-income workers, whose unemployment rate declined as overall income increased dramatically as well. Out-of-state employers also moved to California and created jobs and employment for the people who were stuck in California. California-based employers expanded their operations. The beneficiaries of the property tax cut were not the people who paid property taxes. Please remember, the incidence of a tax is very different from the burden of at tax, and he who pays it may not be the person damaged by it.

Tax Cuts on the Rich Often Increase Revenues, While Increases in Other Tax Rates Raise Revenues

The next theorem is about taxing the rich. So many economists advocate taxing the rich, especially the French economist Thomas Piketty in his book, Capital in the Twenty-First Century. He says, rich people have so much money, we need to tax them more. But the truth is, rich people are smarter than governments; rich people also benefit the most from government actions. If anything, government is the protector, creator and friend of rich people.

Rich people are highly incentivized to keep their money. They are smart and they have money—they can hire lawyers, they can hire accountants, they can hire deferred-income specialists, they can hire congressmen, they can hire senators. When you see a group of people hanging around with President Obama, do not for a moment believe that those people are there trying to explain to the President what it is like being poor. They are people who want a favor from the government. They switch jobs, going from Goldman Sachs to the Treasury, back and forth, back and forth, so they can make the laws that they can use to benefit themselves the next day. Rich people can buy influence. They don't only have the means to buy influence, but they also have the ways of doing it. Rich people can change the location of their income, they can change the timing of their income, they can change the composition of their income, and they can choose in which countries they put their factories.

For example, in 2010, Warren Buffett claimed that he earned $40 million and paid $7 million of taxes. And yet, in that same year, his wealth increased by over $10 billion and he gave almost $2 billion to the Bill and Melinda Gates Foundation and to his sons' and daughter's foundations. The way I calculate income is by how much a person spends, plus how much he gives away, and by the increase in his wealth. Warren Buffet in 2010 made over $12 billion and he paid $7 million in taxes. The taxes he paid were 6/100ths of 1% of his income. He's a perfect example of how rich people avoid taxes.

Rich people can get around taxes. If government taxes rich people too much, they will leave and not pay any taxes. The optimal tax system is one where taxpayers recognize their obligation to pay taxes and believe the tax system is fair. Then rich people will pay taxes willingly. Rich people should be treated nicely. They are customers.

Government Should be Incentivized to Behave Well

Because decision-makers in government spend other people's money, those decision-makers in government don't bear the consequences of the actions they take. In business, decision-makers do bear the consequences of their actions. For example, imagine there are two companies, company A and company B, that are exactly the same except the officers and directors of A are paid high salaries, but they own no stock and they have no stock options, and the officers and directors of B are paid low salaries, but they have a lot of stock and a lot of stock options. Which company would you rather invest in? Obviously, you'd rather invest in the company where the decision-makers bear the consequences of their actions. Government employees, especially in the U.S., don't bear the consequences of their actions. My view here is, if you really want to correct the problems with government, put politicians on commission. I would make politicians' compensation exactly proportional to the success of their policies in their country. In the U.S., I would give every congressman and senator a portfolio of $5 million and allow them to keep all the capital gains and hold them personally liable for any capital losses. Believe me when I tell you, they will not spend money the way they do now.

Government Spending is Taxation

Government has many legitimate roles, but it also has lots of illegitimate roles. Government spending is taxation. The tooth fairy no longer works at the U.S. Treasury—government doesn't create resources, it redistributes resources. Whenever government pays to get someone out of trouble, it is at the same time putting someone else into trouble. My colleague Milton Friedman always said, "There ain't no such thing as a free lunch." And he was right, there isn't. If government does some activity, that means that someone else is not doing that activity.

Now, it's very hard to understand the math, but I will try to explain this concept intuitively. Good economics is scalable. If good economics works in an economy with 350 million people, it also works in an economy the size of Morocco with 35 million people. Good economics works just as well in any size of an economy. It even works just as well in an economy with only 2 people. In a 350 million person economy, there's so much going on that you can't understand economics principles intuitively. But in a 2 person economy, good economics is intuitive.

To see just why government spending is taxation, imagine two farmers, Farmer A and Farmer B, where there's no one else except for Farmer A and Farmer B. If Farmer B gets unemployment benefits, who do you think is going to pay for those benefits? Farmer A. Government spending, such as unemployment benefits to Farmer B, is taxation for Farmer A. Government spending is taxation and it can be an economy killer.

Redistribution Reduces Total Income

Whenever government redistributes income, it takes from someone who has more and gives to someone who has less. That's what redistribution is all about. When government takes from people who have more, those people's incentives to earn income are reduced and they will produce less. And when government gives that money to people who have less, those people have an alternative source of income other than working and they, too, will produce less. Redistribution reduces everyone's incentives to work and there will be less produced and less income.

The first part of the theorem of redistribution is that whenever income is redistributed, total income declines. The second part of the theorem is that the more income that is redistributed, the greater will be the drop in total income. And the third part of the theorem is that if all income is redistributed equally, there will be no income because no one will have an incentive to produce income.

If government completely redistributes all income, then government has to tax everyone who makes above the average wage 100% of the excess and subsidize everyone below the average income up to the average income. Then everyone ends up with the exact same amount of after-tax income. No matter what anyone does, they will still have the same after-tax income.

What do you honestly think would happen to total income if everyone who worked, no matter how hard, was only able to receive the average income and everyone who didn't work or worked very little also received the average income? The answer: obviously total income, in short order, will fall to zero. 100% redistribution equates to zero income/output. Why would anyone ever work if their pay was unchanged? Economics is all about incentives.

Tariffs are Taxes

Tariffs are taxes on traded products. People work, produce and earn income in order to buy foreign products. If government taxes foreign products, then it is effectively reducing the income workers receive from working. For any given income, workers who prefer foreign-made products will be able to buy less than prior to the tariff. Tariffs are just like other taxes. They are job-killers and reduce output, income and employment. The U.S. from 1929 to 1931 enacted the biggest tax increase on traded products in U.S. history called the Smoot-Hawley Tariff. It was a government tax on traded products and it was the catalyst for the Great Depression. The volume of trade in the U.S. went from $11.5 bn to $3.9 bn, a drop of 66% in 3 years, and we consequently went spiraling into the Great Depression.

And then President Herbert Hoover decided that the government needed more money and he raised the income tax rate from 25% to 63% starting in 1932. The economy went further down and even faster. When Roosevelt won the election of 1932, he also raised taxes. He raised the highest income tax rate up to 91% and had a 90% gift and estate tax. There was also a 25% per annum retained earnings tax enacted.

If you ever wonder why the Great Depression was the deepest and longest downturn in U.S. history, you now know. You cannot tax an economy in prosperity. It just doesn't work. And in the same sense, a poor person cannot spend himself into wealth. It doesn't make any sense. Countries need to have a limit on government spending, and those limits should be reasonable. In most countries of Africa, government spending is way, way, way too large. Government spending and taxation are killing African prosperity.

Government Should be Limited and Taxpayers are Customers

Given that all taxes are bad and hopefully spending is good, government should collect taxes up to the point where, for the last dollar of taxes collected, the damage done is a little bit less than the benefit done by the last dollar of government money spent. And then government should stop taxing and spending. Good governments should make sure that the damage done on the margin by taxes is a little bit less than the benefit done by the last dollar of spending. That is the natural limit on government. But try telling this to a politician or bureaucrat who spends other people's money.

It has always been true but often overlooked that taxpayers are government's customers. Have you ever heard of a company that doesn't like its customers, yells at them, treats them badly and calls them cheats, liars and scofflaws? Of course, you haven't. If a company were to do that, they wouldn't have customers for very long. Taxpayers are customers and they should be treated nicely. Almost everyone understands that they have an obligation to pay taxes. What taxpayers want is to make sure that the tax code is fair and just and correct, and then they will pay their taxes fair and square. That's why government should treat taxpayers as customers. Treat them nicely, invite them over for dinner, treat them to shows, etc. Taxpayers should be marketed because they are wonderful people—they are the very people who provide the resources for the government to do the wonderful things the government does—so treat them with the love and respect they deserve. And when you look at taxpayers, don't focus obsessively on the ways of closing loopholes and catching bad guys, but rather look at ways to bring them in the fold nicely. Use positive incentives, not negative incentives. Taxpayers are the reason a country exists and operates. Who wants a country full of poor people looking for handouts with no taxpayers?

The Five Pillars of Prosperity

There are five policies ecessary for a prosperous economy: 1.) A country has to have a low rate, broad based flat tax. A low rate is necessary to provide people with the least incentives to avoid, evade or otherwise not report, taxable income; a broad tax base is necessary to provide taxpayers with the least number of places where they can put their money to not have to pay taxes. First and foremost, the primum primorum, the sine qua non of good policy, is a low rate, broad based flat tax.

And within this low rate, broad based flat tax, government should never include what we call tax expenditures (i.e. positive incentives) inside a negative system. If a program is good enough to deserve a tax break, it's even better to receive the money transparently through a government check. Do not put tax credits and tax exemptions and tax deductions in tax codes. A country needs a low rate, broad based flat tax with no exemptions, no exclusions, no deductions, no credits, nothing.

2.) Spending restraints—government spending is taxation. When the government has finished its job, it must stop spending. Don't spend any excess tax revenues. Cut tax rates further.

3.) Sound money—there is nothing that can bring an economy to its knees quicker than unsound money. When Ronald Reagan took office on January 20, 1981, the inflation rate in the U.S. was in double digits and the prime interest rate was 21.5%. The U.S. had an unsound monetary policy back then. Today, the U.S. has an equally unsound monetary policy.

Who wants to lend money today with interest rates at zero? The supply of resources for the housing market has disappeared. The housing monies have dried up. Remember that the housing market has a demand curve and a supply curve. No wants to lend money for 30 years at 3% interest, so they don't. This is why we have the worst housing market in generations. Interest rates can be too high or too low. The market should be allowed to clear at the correct interest rate.

4.) Free trade. There are some things America does better than foreigners and there are some things foreigners do better than Americans. We and they would be foolish in the extreme if we didn't sell foreigners those products that we make better than they do in exchange for those products that they make better than we do. It is a win/win situation. Free trade is really, really important to a country's prosperity. This is especially true in Africa today. Get rid of those tariffs and other non-tariff barriers. Just do it. Make it a free trade, competitive world.

5.) Minimal Regulations. Everyone knows there have to be regulations. You can't wake up in the morning one day and drive on the left-hand side of the road and then the next day drive on the right-hand side of the road. But we also want to make sure that regulations do not go beyond their specific purpose at hand and damage the overall economy.

As an example, in my country, where regulations are way out of control, on my trip to Casablanca, as I was leaving Nashville to get to my flight from New York's John F. Kennedy International airport to Casablanca, we were delayed on the tarmac for 5 hours because one of the lights went out on the plane's landing gear and, because of contracts and regulations, the airline needed a subcontractor to fix those lights and then government inspection to make sure it was done correctly. That over-extended regulation was simply to fix a light bulb. Now that's overregulation, and this is not an isolated case.

Summary

Whenever I talk about Reagan or Thatcher, I get a short of breath. It was really fun working with President Ronald Reagan and with Prime Minister Margaret Thatcher. I have been very blessed in my life.

In summary, you need to have five things: a low rate, broad based flat tax, spending restraints, sound money, free trade and minimum regulations, and then the government should get the heck out of the way and let the private sector go. The source of prosperity in every economy in this world is its people, not its government. For the source of strength, government is not the answer—as President Reagan once said, government is more often than not the problem. What we have to do if we want to have prosperity is to recognize the limits of government and do that job very, very well. Then collect your revenues in the least damaging fashion.

Today, we are in the middle of a political and economic revolution that has spread globally. The late 1970s were very similar to today. I was a much younger man back then and I wasn't sure what was happening, but I loved it. I have seen all of this happen before, and I want to tell you that you are in the middle of an economic revolution and prosperity will permeate the global economy. There is nothing you can't achieve if only you rely on your people.