MENA Fiscal and Tax Reforms: Imperative but Challenging

EY MENA Tax Conference

Dr. Nasser Saidi

19 March 2014

NASSER SAIDI & ASSOCIATES

Agenda

- ✓ MENA: Growth, Transition & Turmoil in a Changed Economic Geography
- ✓ Expenditure Patterns & Spending Reforms
- ✓ Revenue Diversification & Tax Reform
- ✓ External Pressures for Reform
- ✓ Takeaways

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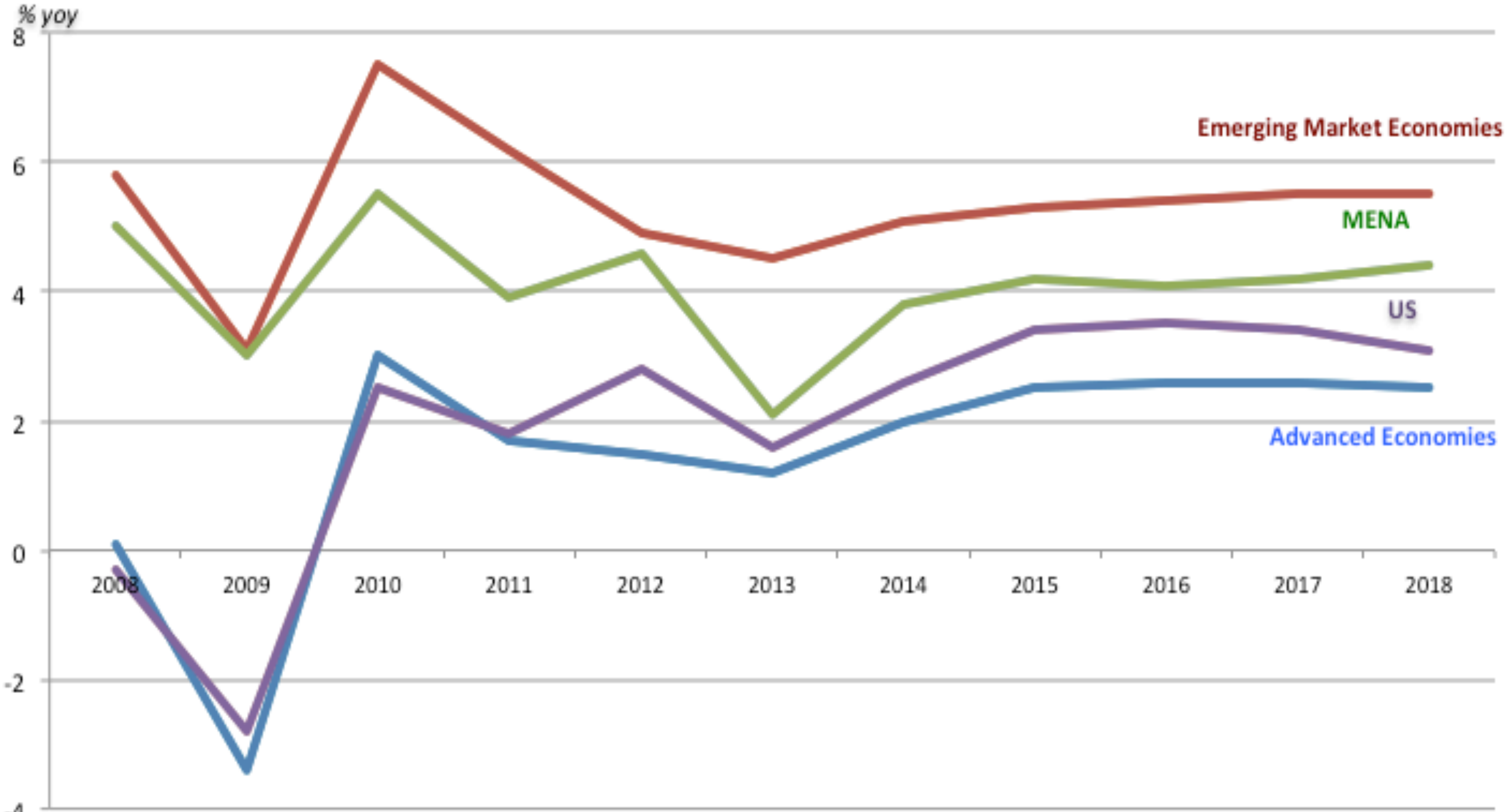
3-Speed Recovery from Great Contraction & Great Financial Crisis



Source: IMF World Economic Outlook, Jan 2014.

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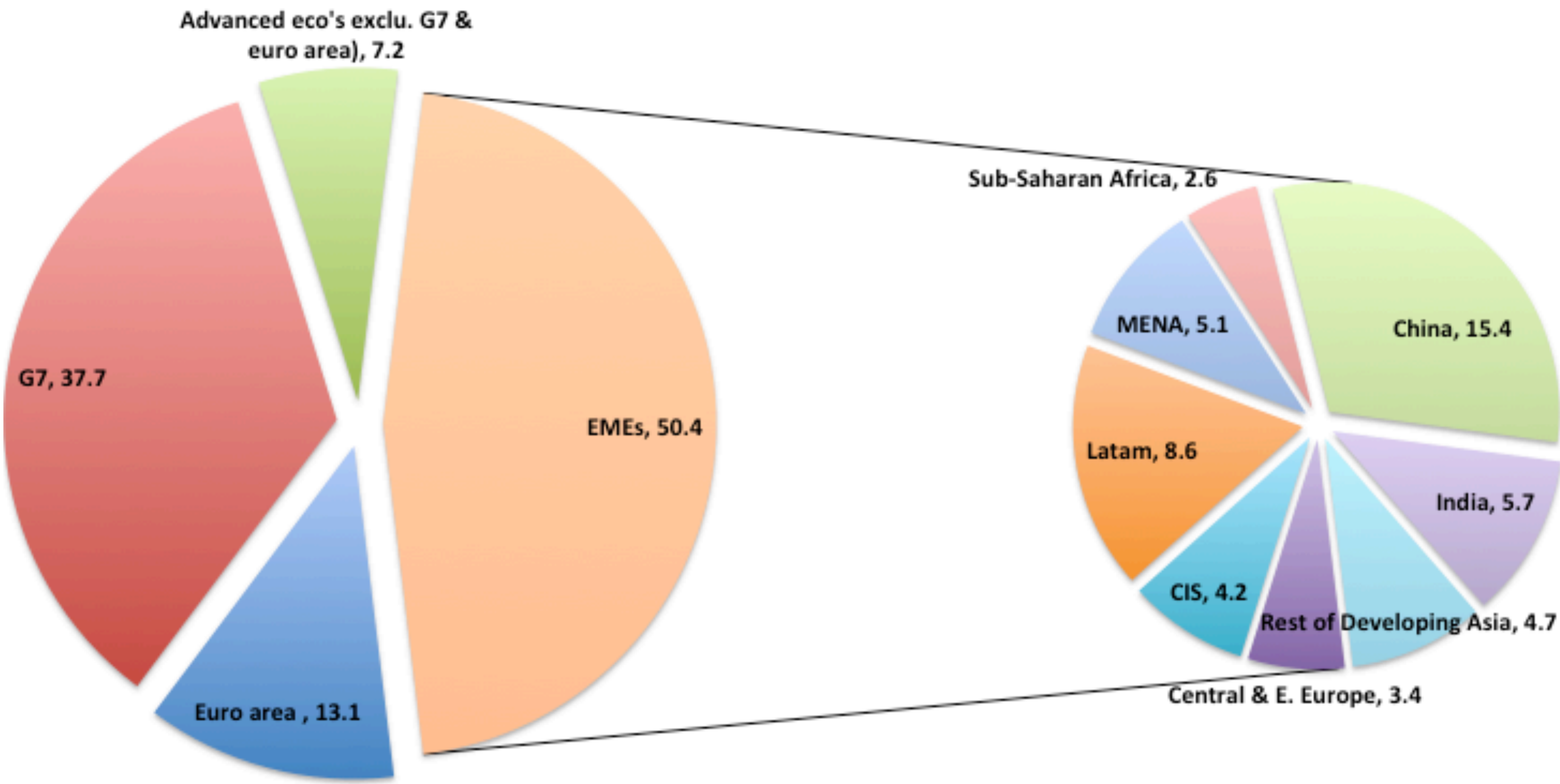
Economic Geography Shifting to Asia & EMEs: demographics, urbanisation, economic & technological convergence, policy liberalisation

Growing Share of World Output – GDP 2013 (@PPP rates)



Source: IMF World Economic Outlook, Jan 2014

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Tectonic Shift in Global Economic & Financial Geography Towards EMEs

- ✓ **GDP**: EMEs account for more than 50% of World GDP; Asia 26%
- ✓ **Trade**: Emerging markets account for 52% of world trade; Asia 34%;
- ✓ **Energy Markets**: OECD 40%; Non-OECD 60% (China dominant)
- ✓ **Tourism:** EME tourists & destinations increasingly dominant
- ✓ **Investment**: 45% of FDI flows into EMEs; 28% into Asia
- ✓ **New Wealth** being created in EMEs and will be deployed internationally; Of top 10 SWFs by asset size, EME nations account for 42%!
- ✓ **EME Capital Markets**: 25% of World Equity by 2012 from 8% in 1999;
- ✓ ***But banking different so far***: OECD 77% of global bank assets, 84% of insurance premiums & manage 91% of non-government funds

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EME Shift: Deep Implications for MENA/ GCC

1. Shrinking share of global activity in advanced economies, expanding in EMEs/Asia: 2 growth drivers no longer 1
2. Radical change in Structure & Dynamics of Energy Market
3. Monetary Policy conflicts: Pegs to US$ & US Monetary Policy vs. Growing Business Cycle links to Asia
4. Re-orient Trade, Labour, Investment, Financial Policies & Linkages to the EMEs; Asia/Africa main economic partners
5. MENA needs to integrate its economies into ‘New Silk Road” & new emerging supply chains

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Regional macroeconomic developments: growth, inflation & foreign assets accumulation in oil exporters; stressed economies in oil importers/transition countries

	2000-07 avg	2008	2009	2010	2011	2012	2013f	2014f
Oil Exporters								
Real GDP growth	6.1	4.7	2.3	5.9	4.6	5.4	1.9	4.0
Nominal GDP (USD bn)	910.6	1948.7	1653.3	1961.8	2389.2	2664.9	2542.1	2665.0
Non-oil GDP growth (% change)	7.4	5.8	5.0	6.5	4.3	4.4	3.5	4.5
CPI	7.5	13.4	5.3	6.1	9.8	12.1	15.1	11.3
Non-oil fiscal balance as % of non-oil GDP	-30.2	-42.9	-40.4	-42.8	-45.0	-44.3	-42.0	-40.5
Current account balance (% of GDP)	13.4	18.4	4.3	10.1	18.6	17.4	13.9	12.4
Gross International Reserves	297.5	886.1	863.5	942.3	1086.2	1260.1	1386.2	1475.4
GCC								
Real GDP growth	5.9	7.8	0.9	6.4	7.7	5.2	3.7	4.1
Nominal GDP (USD bn)	568.5	1180.8	955.2	1139.6	1446.1	1577.2	1604.7	1661.8
Non-oil GDP growth (% change)	7.6	9.4	3.8	6.3	6.5	5.2	5.0	5.3
CPI	2.2	8.4	2.8	2.6	3.1	2.4	3.2	3.4
Non-oil fiscal balance as % of non-oil GDP	-33.9	-40.3	-47.7	-52.3	-57.0	-52.3	-49.8	-46.8
Current account balance (% of GDP)	15.3	21.1	6.6	12.4	23.7	24.4	21.3	19.8
Gross International Reserves	166.2	514.0	485.8	543.7	631.9	774.9	885.8	983.0
Oil Importers								
Real GDP growth	5.1	5.7	3.8	3.9	2.4	3.0	3.1	2.9
Nominal GDP (USD bn)	366.9	641.2	675.3	741.1	753.0	782.5	808.1	835.2
CPI	4.9	12.9	10.4	8.6	9.9	9.4	8.3	8.7
Fiscal balance as % of GDP	-4.6	-5.5	-5.1	-5.9	-7.0	-8.4	-9.7	-8.0
Current account balance (% of GDP)	-0.8	-4.0	-4.6	-3.0	-3.5	-5.8	-4.8	-3.5
Gross International Reserves	64.7	125.4	137.8	149.1	121.8	99.1	99.3	110.5

Source: IMF Regional Economic Outlook, Nov 2013

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Contrasts in Growth Prospects b/n GCC & Oil Importers/Transition Countries

- Region is rich in natural/energy resources & has positive demographics with young populations and has accumulated substantial financial resources
- Region is set to benefit from its location between Asia and Africa and growing trade & investment links
- “Arab Firestorm”, political transition countries: Growth, employment, domestic & foreign investment, trade & tourism have been negatively affected by uncertainty and turmoil
- GCC countries are benefiting from access to cheap expatriate labour and continued high oil prices which has fueled growth in government spending and investment in infrastructure
- UAE/Dubai also benefiting from ‘safe haven’ status in a sea of turmoil

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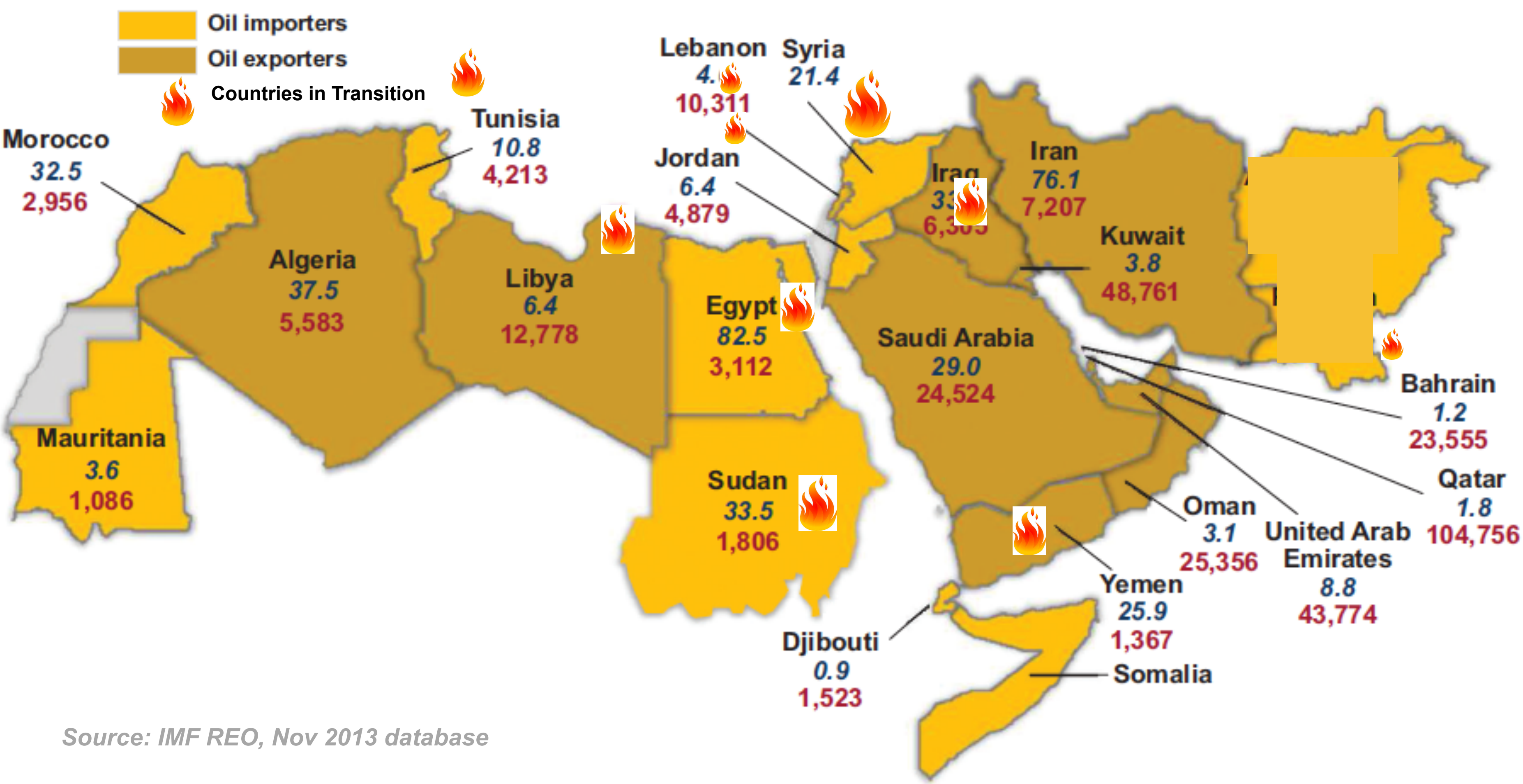
MENA: Wide Differences in Wealth, Resources & Incomes are Sources of Tension & Opportunity

Population, millions (2012)
GDP per capita, USD (2012)



Source: IMF REO, Nov 2013 database

Egypt: Continues to be Burdened by Politics

- **GDP growth** in Egypt has been stagnating and is estimated at 1.8% for 2013, down slightly from the 2.2% in 2012 (2011: 1.8%). Growth is estimated at 2.8% in 2014.
- Since Aug 2013, the interim government announced 2 economic **stimulus packages** for a total of $8.7bn. These stimuli are mainly financed by aid from Saudi Arabia, Kuwait and UAE.

Egypt: Selected Economic Indicators, 2010/11 - 2013/14

(Percent of GDP, unless otherwise indicated)

			Projections	
	2010/11	2011/12	2012/13	2013/14
GDP growth, percent	1.8	2.2	1.8	2.8
CPI inflation, period average, percent	11.1	8.6	6.9	10.3
Budget sector balance	-9.8	-10.8	-14.1	-13.1
Current account balance, excl. grants	-2.9	-3.3	-2.9	-3.6
Fiscal financing needs, (excl. grants),US$ billion[1]	25.4	31.2	39.9	47.9
External financing needs (excl. grants), US$ billion[2]	11.9	13.4	12.8	22.7
Public debt	76.6	80.6	89.5	91.8
External debt	14.8	13.4	16.2	18.8
Reserves in months of imports	4.7	2.7	2.6	3.0

- Total **investment declined** by 2%, reaching 14.2% of GDP in 2012/13 compared to 16.4 and 17.1% of GDP in fiscal years 2010/11 and 2011/12 respectively.
- **FDI** has yet to recover to pre- revolution levels but has shown some signs of improvement. Official data show that Egypt attracted a total of $9.2bn FDI inflows over the past three years ($3bn in 2013; historically: $9bn annually).
- **Unemployment** rates have been increasing, reaching 13.4% in Q3 2013; male unemployment rate stood at 9.8%, while that of females reached 25.1%

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Demographics & Urbanisation

- **Explosive Arab Demographics & Youth 'Bulge'**: : Young, fast-growing population + growing middle class
  - Population: 355 mn but 500 mn by 2025
  - Young 55% below 24yrs, 2/3 below 30yrs
  - LF: 146mn but 185mn by 2020
  - Need to create 100mn new jobs by 2020 or 130 if Female LFPR rises to 50% of male LFPR
  - Need growth rates of 6%-7.5% p.a. to create jobs

- **Rapid urbanization**: 3%+ per year; breeding ground for growth of market economy, enterprise localization, talent pooling, clusters of specialization

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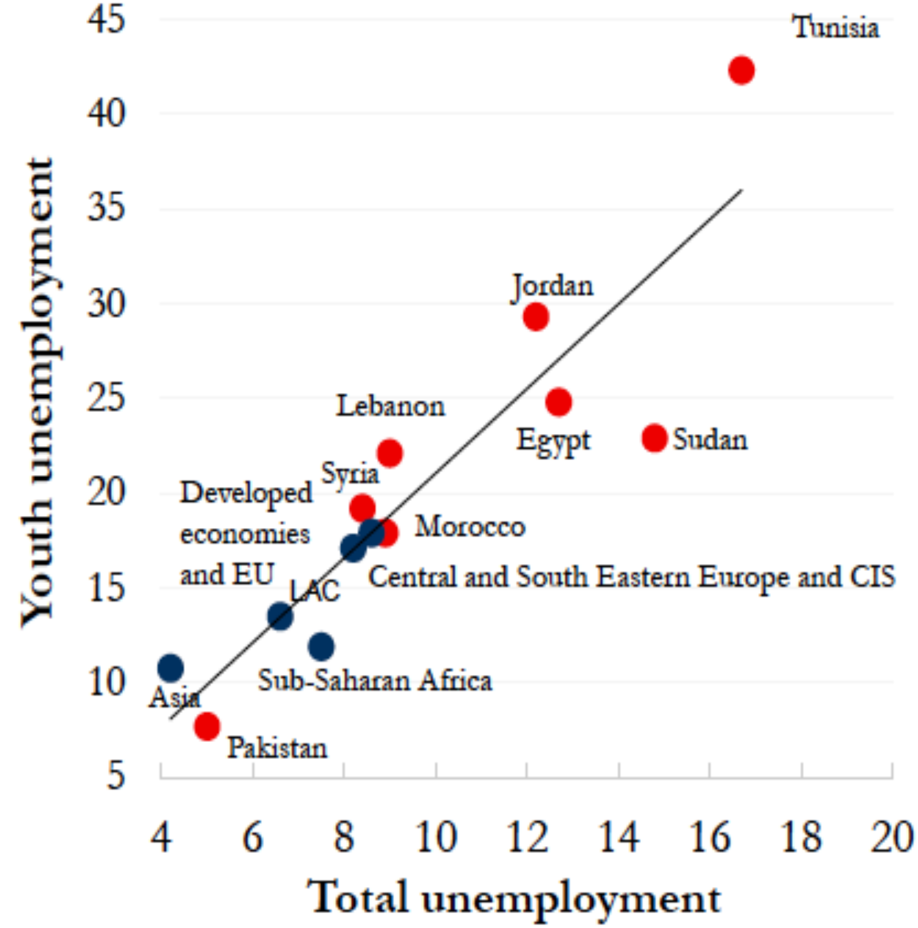
Job Creation & High Unemployment Rates: Main Economic Policy Concern in MENA



Source: IMF Regional Economic Outlook, Nov 2013

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Infrastructure Investment can be a Game Changer & Growth Lifting Strategy

- ✓ **Economic and social returns to infrastructure investments are high**; each $10 bn in infrastructure spending creates some 1 mn new jobs
- ✓ **Arab countries need to make trade facilitating investments to integrate into new emerging global supply chains, New Silk Road.**
- ✓ **MENA's infrastructure investment & maintenance** needs through 2020 is ~ $106bn pa or 7% of the annual regional GDP but facing a $60bn **financing gap**
- ✓ **Energy/Renewable, Infrastructure/Health/Education/Water & Finance**: **major sectors** in coming decade
- ✓ **Reconstruction of countries that experienced war & violence: $ 1tn in investments (Iraq $700bn, Syria $150bn, Libya $50bn, Yemen, Sudan, Palestine…)**

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MENA Economic Policy Challenges

GCC

1. Economic Diversification
2. Macroeconomic & Financial Risks from Oil Price Volatility
3. Food Security & Over-dependence on Energy Subsidies
4. Job Creation & Private Sector Participation
5. Externalities & Environmental Degradation

Arab Firestorm Nations

1. Macroeconomic stability
2. Job creation & “Pull–Up”/”Trickle Down”
3. Reduce subsidies & Increase Capital Expenditures
4. Lowering Cost of Doing Business & Investment Barriers
5. Externalities & Environmental Degradation

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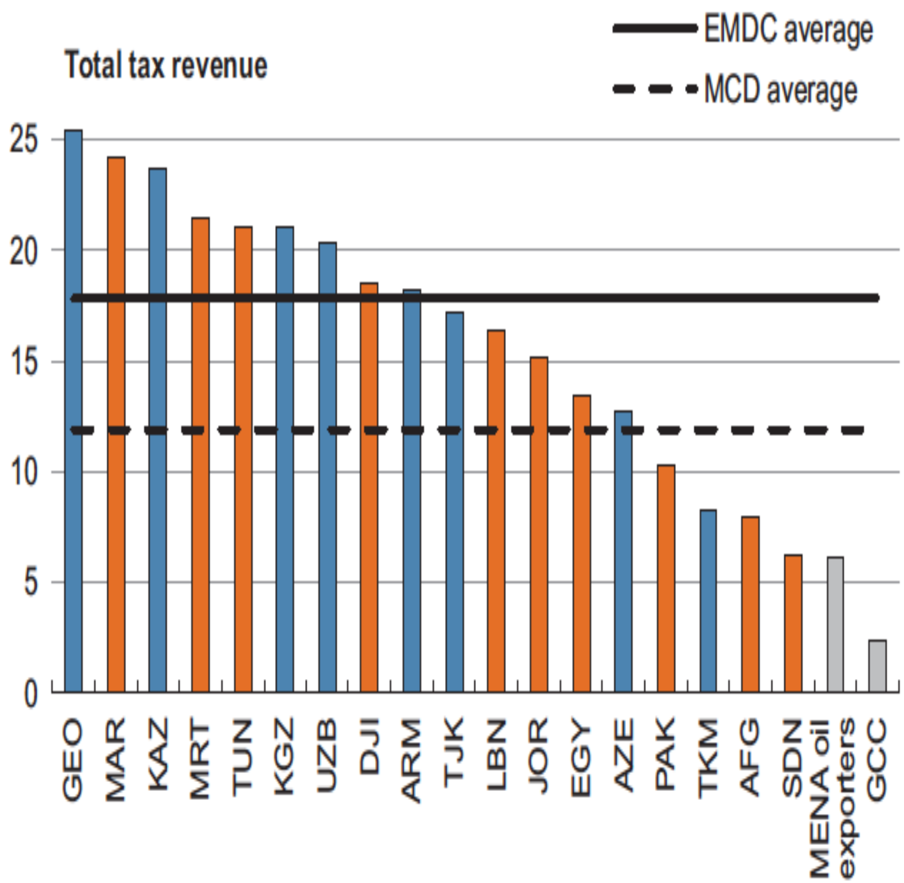
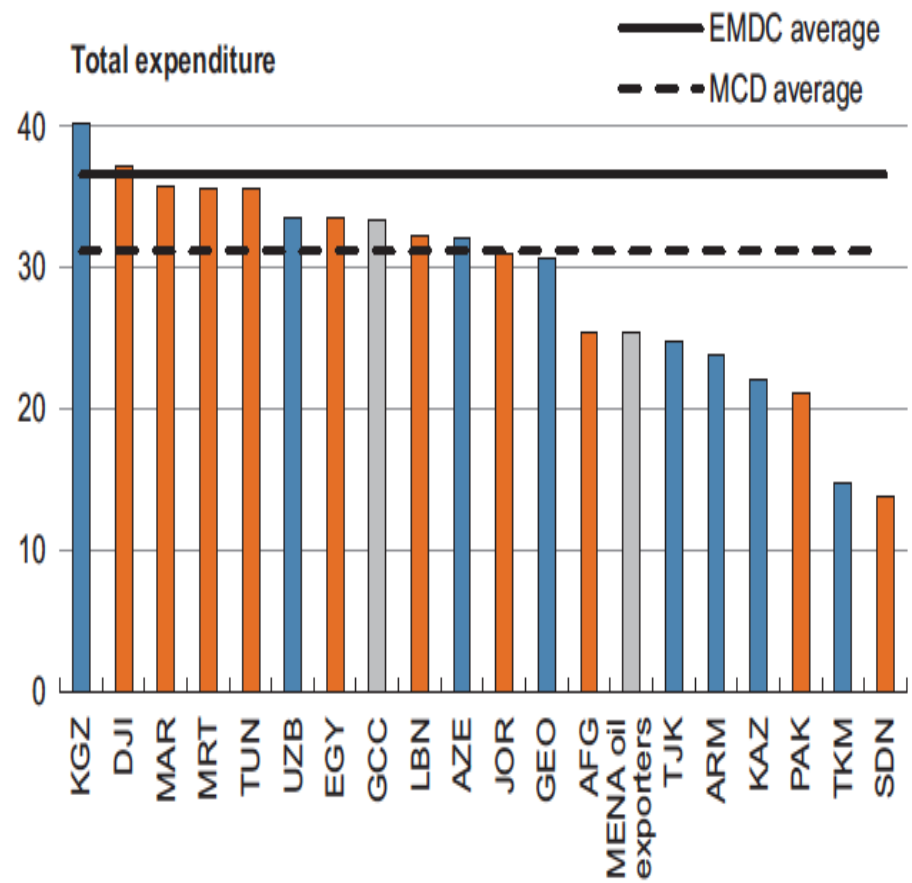
Revenue Mobilization & Spending Reorientation Imperative in MENA

Total Tax Revenue and Expenditure, 2012 (as % of GDP)





Source: IMF REO, Nov 2013
Note: EMDC refers to Emerging markets and developing countries

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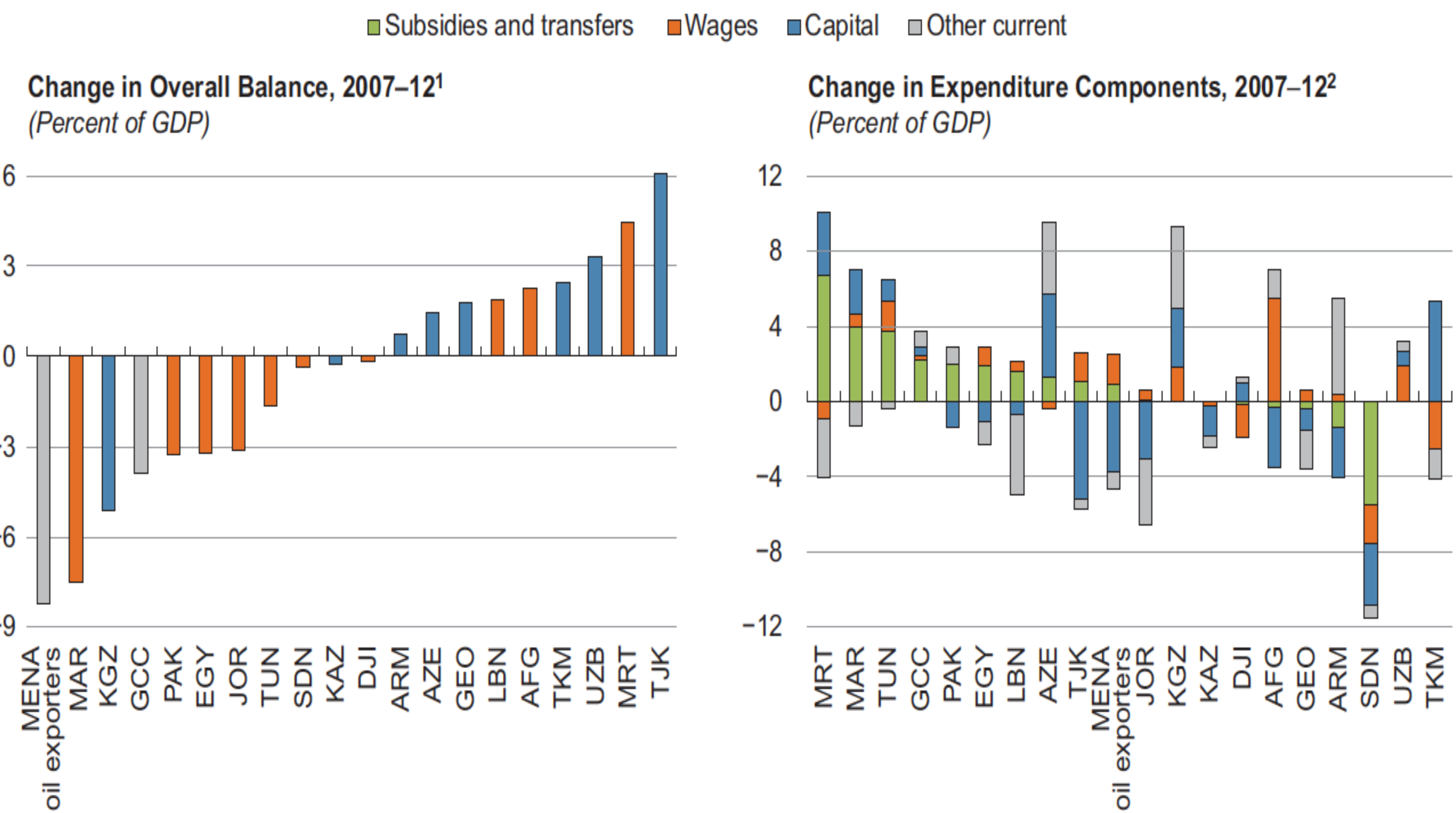
Expenditure Patterns: *Reorient spending toward more inclusive & growth-enhancing capital expenditures, while moving away from generalized subsidies & large unproductive public sectors*



Source: IMF REO, Nov 2013

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MENA energy subsidies: about $240bn, 22.4% of government budgets or 8.5% of regional GDP!

Pre-tax Subsidies for Petroleum Products, Electricity & Natural Gas, 2011

As %of GDP

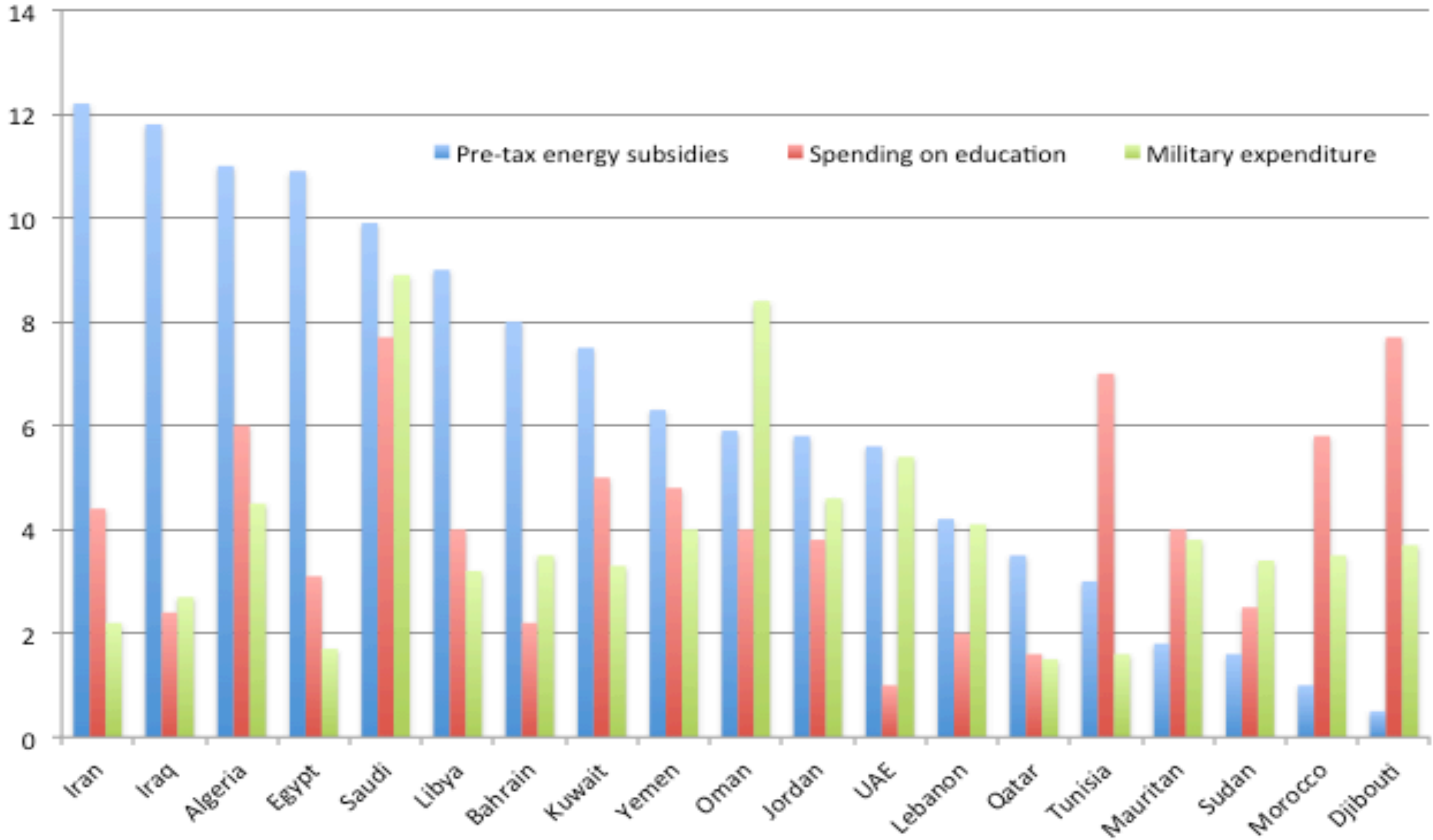
Country	Petroleum products	Electricity	Natural gas
Algeria	4.30	1.08	5.36
Bahrain	5.37	2.57	n.a.
Djibouti	0.00	0.45	n.a.
Egypt	6.74	2.30	1.60
Iran	4.20	3.61	4.83
Iraq	9.92	1.39	0.25
Jordan	2.15	3.81	n.a.
Kuwait	3.09	2.91	1.29
Lebanon	0.07	4.46	n.a.
Libya	6.40	1.85	0.59
Mauritania	0.00	0.85	0.80
Morocco	0.66	n.a.	n.a.
Oman	3.01	0.76	2.20
Qatar	1.22	1.20	1.07
Saudi Arabia	7.46	2.48	n.a.
Sudan	1.37	n.a.	n.a.
Syria	n.a.	n.a.	n.a.
Tunisia	0.77	2.23	n.a.
United Arab Emirates	0.48	1.86	3.37
Yemen	4.67	1.33	n.a.

As %of govt revenue

Country	Petroleum products	Electricity	Natural gas
Algeria	10.84	2.72	13.52
Bahrain	18.96	9.08	n.a.
Djibouti	0.00	1.32	n.a.
Egypt	30.61	10.44	7.25
Iran	16.95	14.54	19.45
Iraq	12.69	1.78	0.32
Jordan	8.13	14.41	n.a.
Kuwait	4.57	4.30	1.91
Lebanon	0.32	18.96	n.a.
Libya	16.64	4.80	1.53
Mauritania	0.00	3.09	2.91
Morocco	2.40	n.a.	n.a.
Oman	7.28	1.83	5.31
Qatar	3.17	3.12	2.78
Saudi Arabia	14.00	4.66	0.00
Sudan	7.33	n.a.	n.a.
Syria	n.a.	n.a.	n.a.
Tunisia	2.42	7.02	n.a.
United Arab Emirates	1.38	5.32	9.61
Yemen	19.03	5.42	n.a.

Source: "Energy Subsidy Reform: lessons & implications", IMF, Jan 2013.

Despite young populations, more is spent on subsidies & military than on education!



Source: "Energy Subsidy Reform: lessons & implications", IMF, Jan 2013, SIPRI, Regional Economic Outlook, Nov 2013.

Removal of Subsidies Is Key

- ***A comprehensive energy sector reform plan:*** include clear long-term objectives, an assessment of the impact, & consultation with those affected.
- ***A good communications strategy:*** emphasize not just the cost of subsidies but also the benefits of reform.
- ***Measures to compensate the poor:*** either by subsidizing the goods they consume, targeting regions where they live, or by providing them lifeline tariffs and cash transfers/minimum incomes.
- ***Phased price increases:*** Phasing in price increases and sequencing them differently across energy products can be helpful.
- ***Improved efficiency of state-owned enterprises to reduce producer subsidies:*** SOEs,/public utilities, receive substantial budgetary resources to compensate for inefficiencies in production, distribution, and revenue collection.
- ***Depoliticized price setting:*** Automatic pricing mechanisms can reduce chances of reform reversal, while price smoothing rules can help avoid large price changes.

Source: "Energy Subsidy Reform: lessons & implications", IMF, Jan 2013.

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Successful Country Energy Subsidy Reform Episodes

Country	Energy product	Reform episode	Reform outcome	Reform impact
Turkey	Fuel	1998	Successful	SOEs turned from net loss to net profitability
Armenia	Electricity	Mid-1990s	Successful	Electricity sector financial deficit declined from 22% of GDP in 1994 to 0% after 2004
Turkey	Electricity	1980s	Successful	Generated additional revenues for maintenance
Philippines	Fuel	1996	Successful	0.1+% of GDP
Philippines	Electricity	2001	Successful	Subsidies declined from 1.5% of GDP in 2004 to zero in 2006
Brazil	Fuel	Early 1990s–2001	Successful	From 0.8% of GDP in subsidies in mid-1990s to revenue generating since 2002
Brazil	Electricity	1993–2003	Successful	0.7 percent of GDP
Iran	Fuel	2010	Partially successful	Growth in the consumption of petroleum products initially stabilized
Yemen	Fuel	2005	Partially successful	Subsidies declined from 8.7% of GDP in 2005 to 8.1% in 2006
Yemen	Fuel	2010	Partially successful	Subsidies declined from 8.2% of GDP in 2010 to 7.4% in 2011
Ghana	Fuel	2005	Partially successful	50 percent price increase on average
Kenya	Electricity	Mid-1990s	Successful	Subsidies declined from 1.5% of GDP in 2001 to zero in 2008
Nigeria	Fuel	2011-12	Partially successful	Subsidies declined from 4.7% of GDP in 2011 to 3.6% in 2012
Niger	Fuel	2011	Partially successful	0.9% of GDP

Source: "Energy Subsidy Reform: lessons & implications", IMF, Jan 2013

Timid Subsidy Reforms in MENA

Countries	Recent Measures	Main Mitigating Measures	Next Steps
Egypt	2012–13: prices for 95 octane gasoline increased by 112% for high-end vehicles; fuel oil prices for non-energyintensive industries increased by 33% and for energy-intensive industries by 50% January 2013: electricity prices to households increased by 16% on average; natural gas and fuel oil prices for electricity generation increased by one-third.	No electricity tariff change for the lowest consumption bracket; Temporary subsidy for the tourism sector to finance the conversion to more efficient and cheaper fuel sources, and promote switching to natural gas for transport.	Adopt smartcards; Expand priority social programs and targeted cash transfers.
Jordan	June 2012: electricity tariffs increased for selected sectors (banks, telecommunications, hotels, mining) and large domestic corporations and households; November 2012: elimination of fuel subsidies January 2013: monthly fuel price adjustment mechanism resumed; August 2013: electricity tariffs increased by 7.5–15% for selected nonhousehold consumers.	Cash transfers to families below a certain income threshold (70% of the population) if oil prices are above $100 per barrel.	Gradually increase electricity tariffs and develop new energy sources with lower generation costs.
Morocco	June 2012: diesel prices increased by 14%, gasoline by 20%, and industrial fuel by 27% September 2013: started implementation of a partial indexation mechanism for certain petroleum products. As a result, diesel prices increased by 8.5%, gasoline by 4.8%, and fuel by 14.2%.		Launch a comprehensive subsidy reform combined with cash transfers.
Tunisia	September 2012: gasoline and diesel prices and electricity tariffs increased by 7% on avg March 2013: further 7–8% price increase for the same products.	Plans to strengthen the existing cash transfer program with the introduction of a unifi ed registry and improved targeting system.	Replace energy subsidies gradually with a well-targeted social safety net; Introduce an automatic price mechanism for fuel products in 2014.

MENA Government Expenditure Reforms

- Spending should be re-oriented away from distortionary subsidies towards economic & social development and reconstruction given demographics, growing urbanisation & historical under-investment in physical and social infrastructure
- Infrastructure & logistics investment should aim to complement & facilitate private sector investment
- Education & Health spending should be given priority given the need to build human capital endowed with market skills
- Subsidies should be gradually reduced to be replaced by Social Safety Nets & Targeted Subsidies

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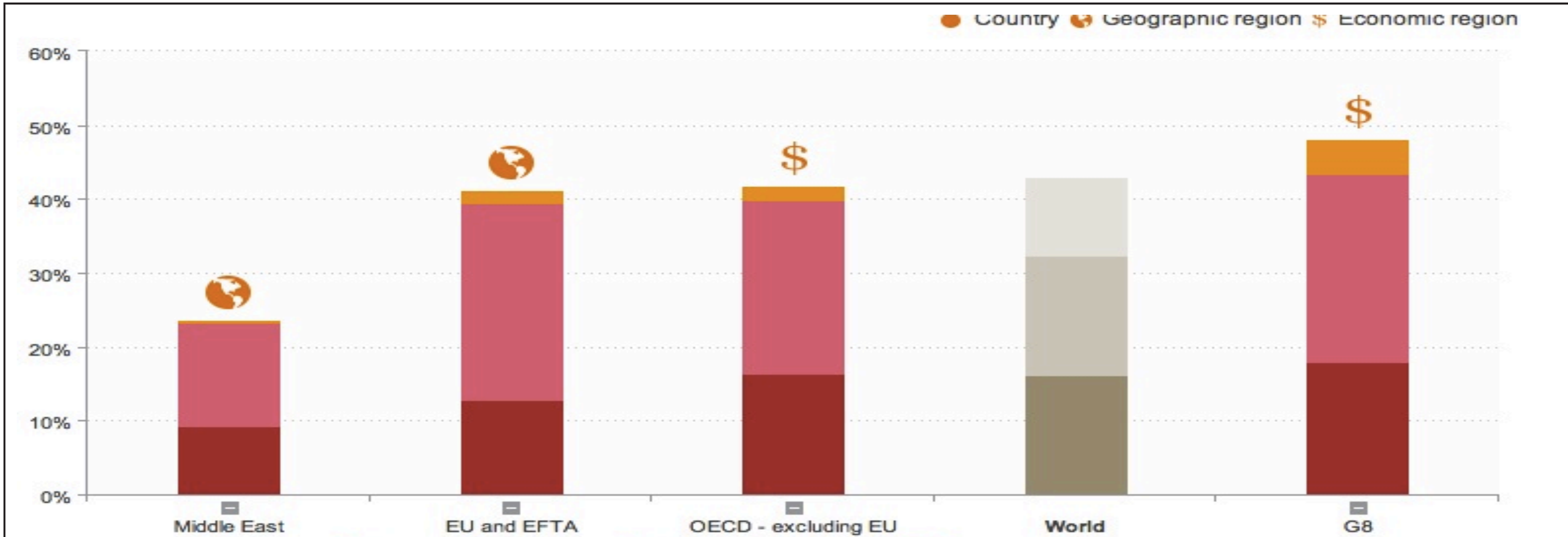
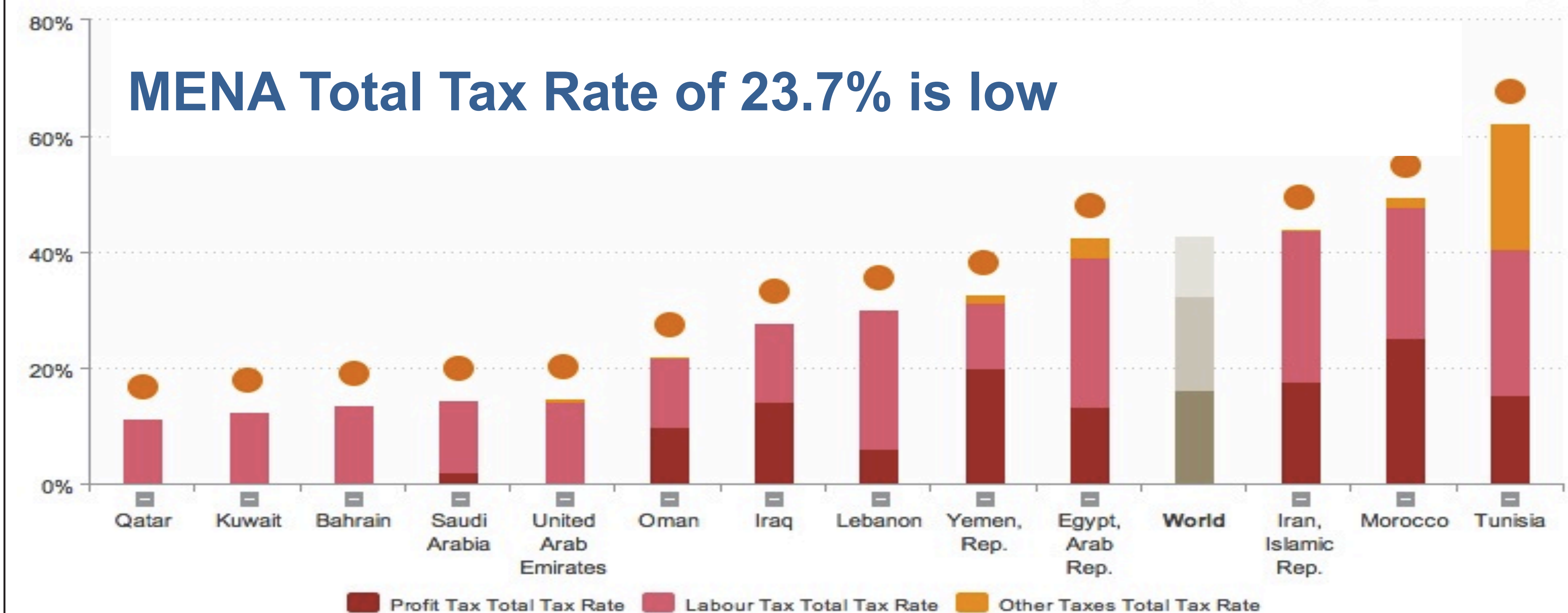
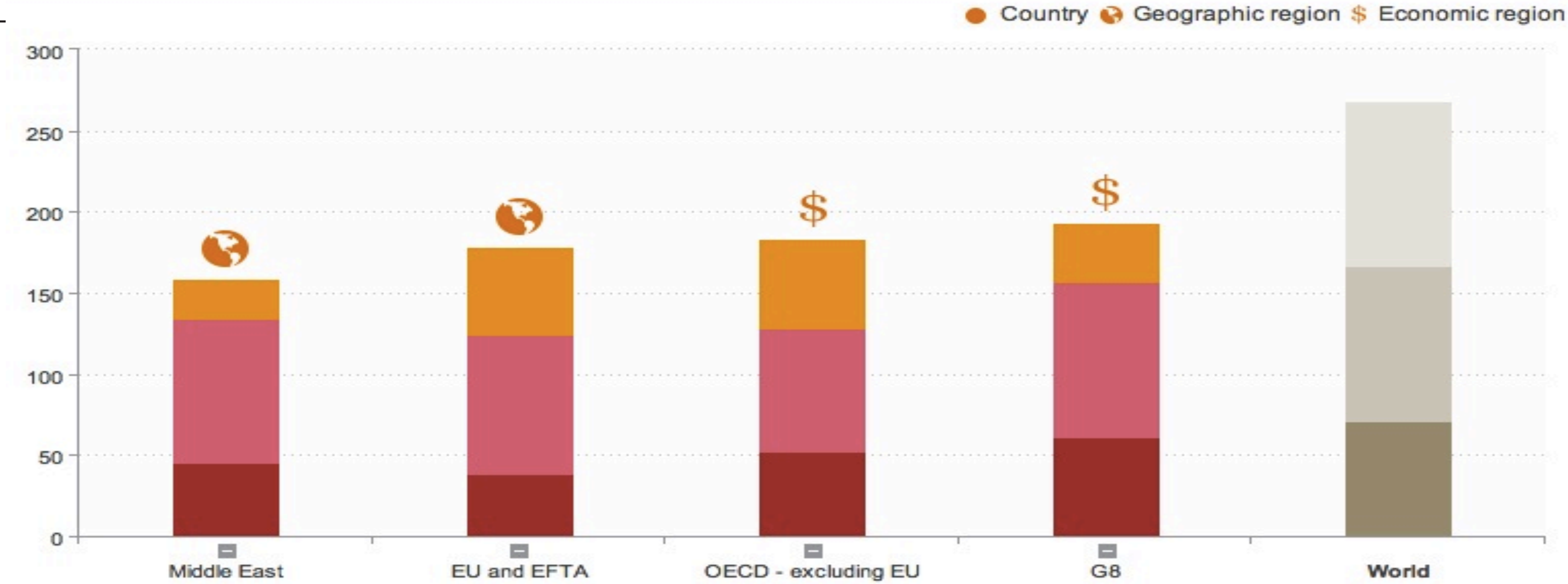
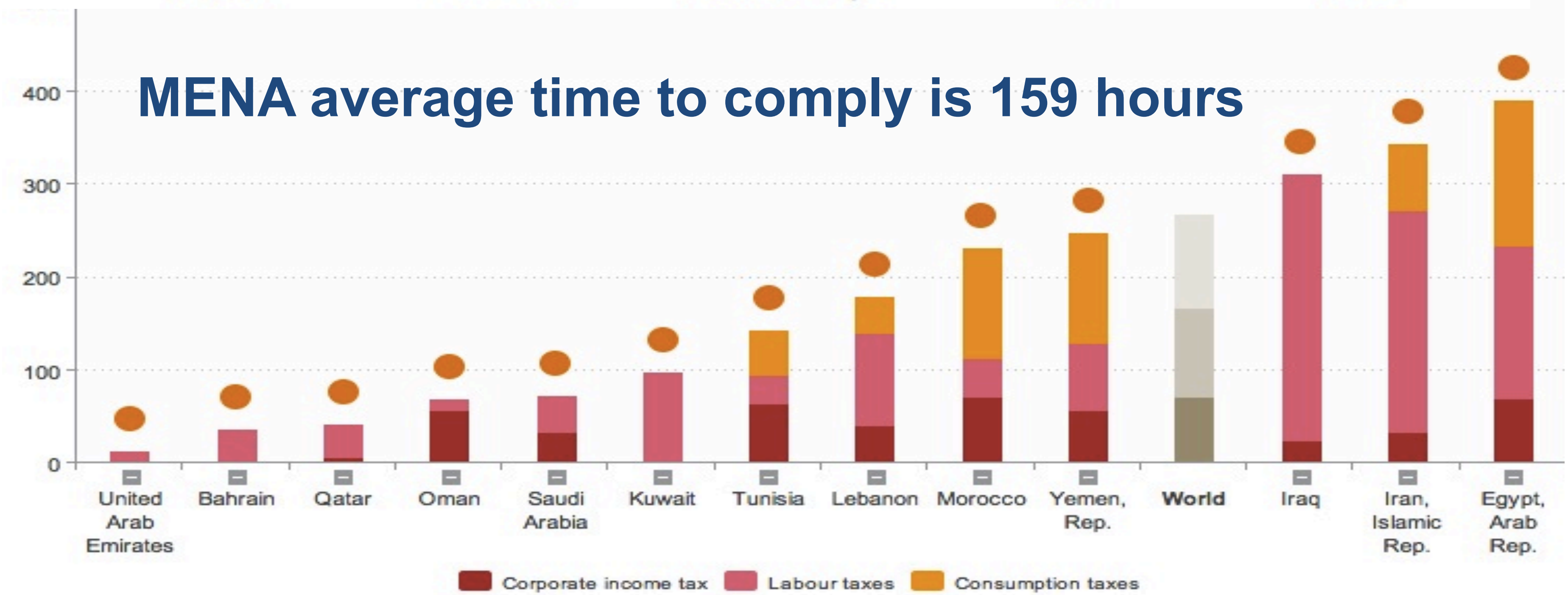
MENA Total Tax Rate of 23.7% is low

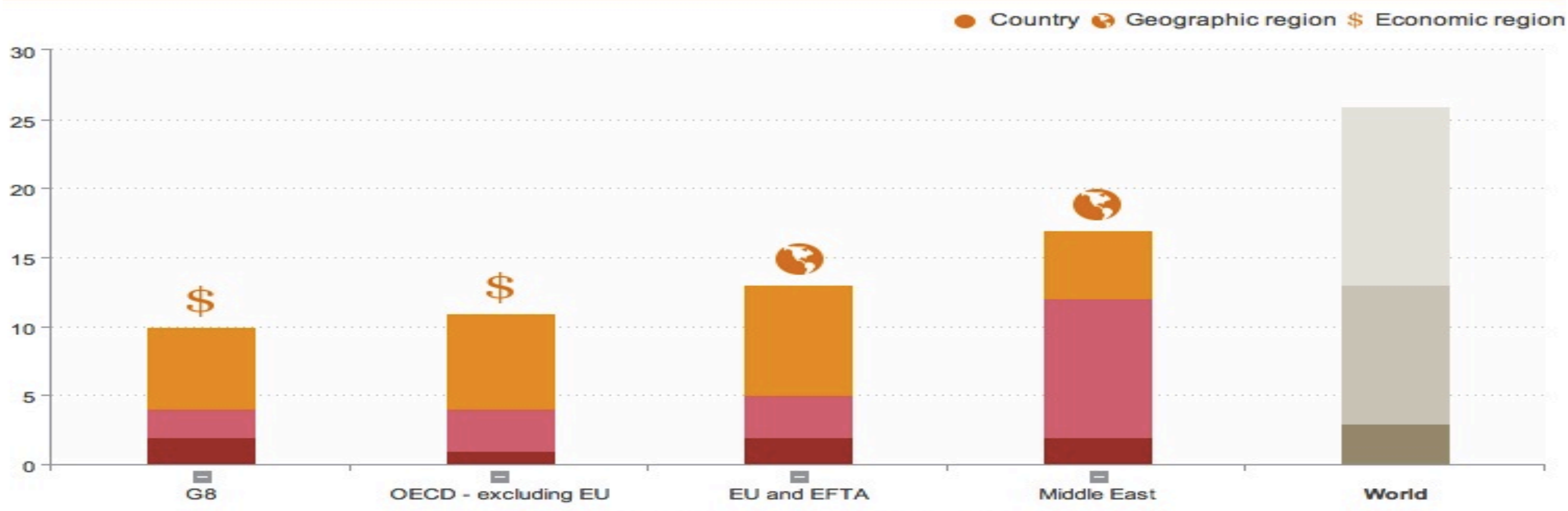




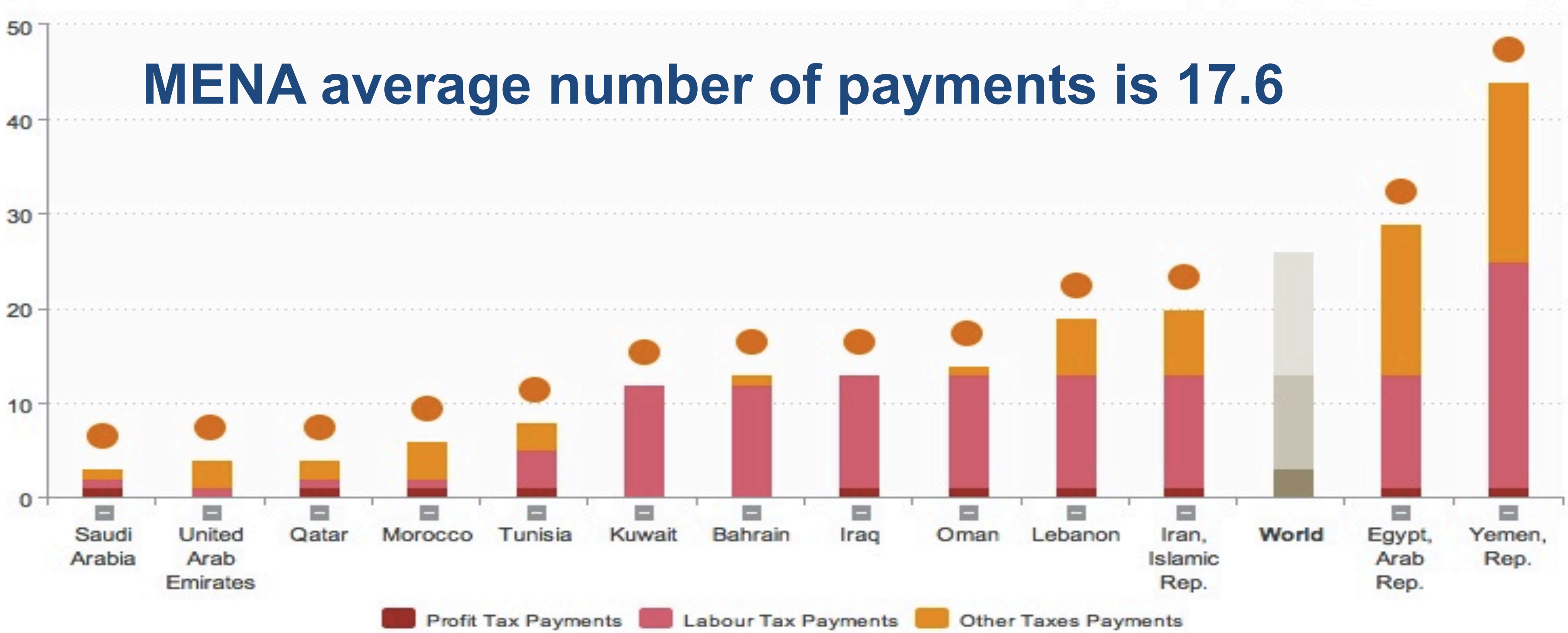


MENA average time to comply is 159 hours





MENA average number of payments is 17.6



MENA: High Dependence on Non-Tax & Natural Resource Revenues

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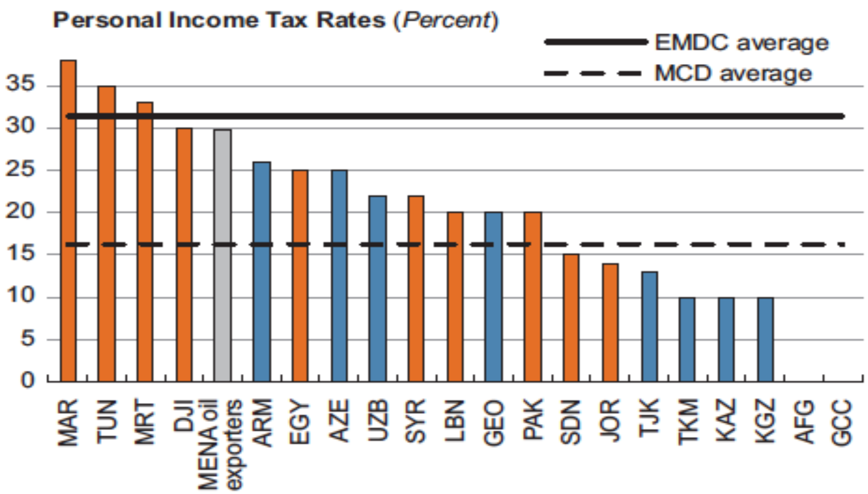
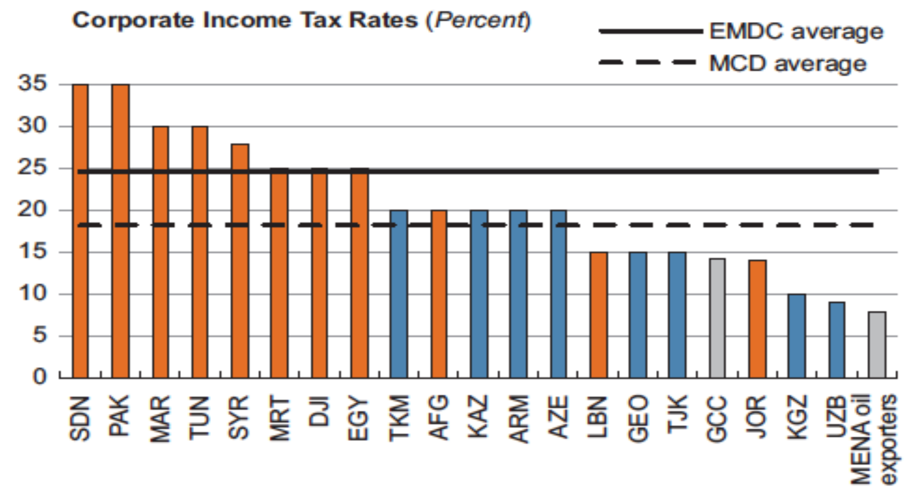
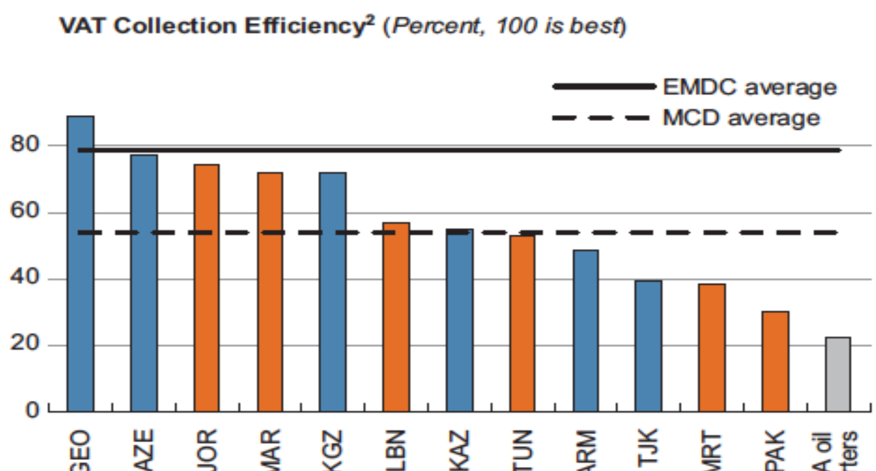
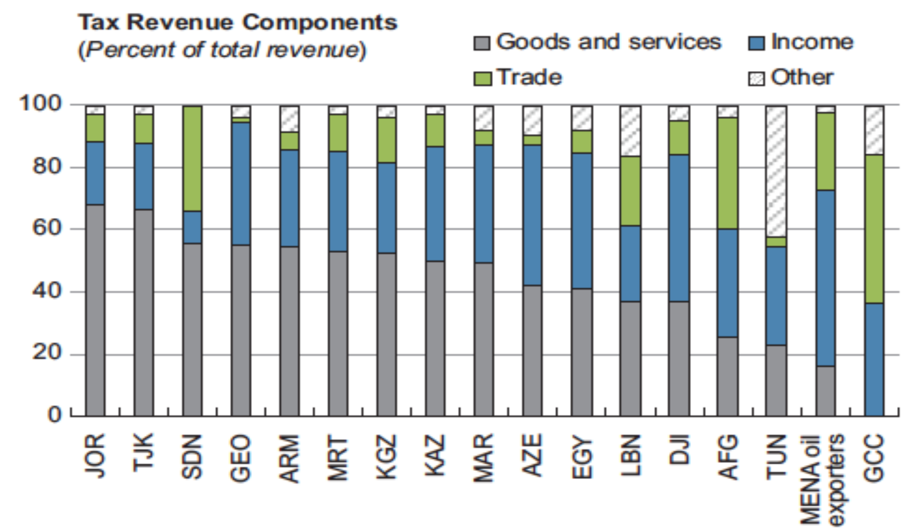
Revenue mobilization via broadening tax bases & establishing progressivity for social equity









Source: IMF REO, Nov 2013

Note: EMDC refers to Emerging markets and developing countries

Fiscal policy Issues

1. Diversify revenue sources away from dependence on oil revenues
2. Replace and develop alternatives to trade taxes (custom duties) to increase openness & maintain competitiveness
3. Finance infrastructure –including maintenance- on a sustainable basis
4. Provide efficient, equitable pricing of public services & utilities
5. Maintain foreign investment tax attractiveness in order to support economic diversification policies

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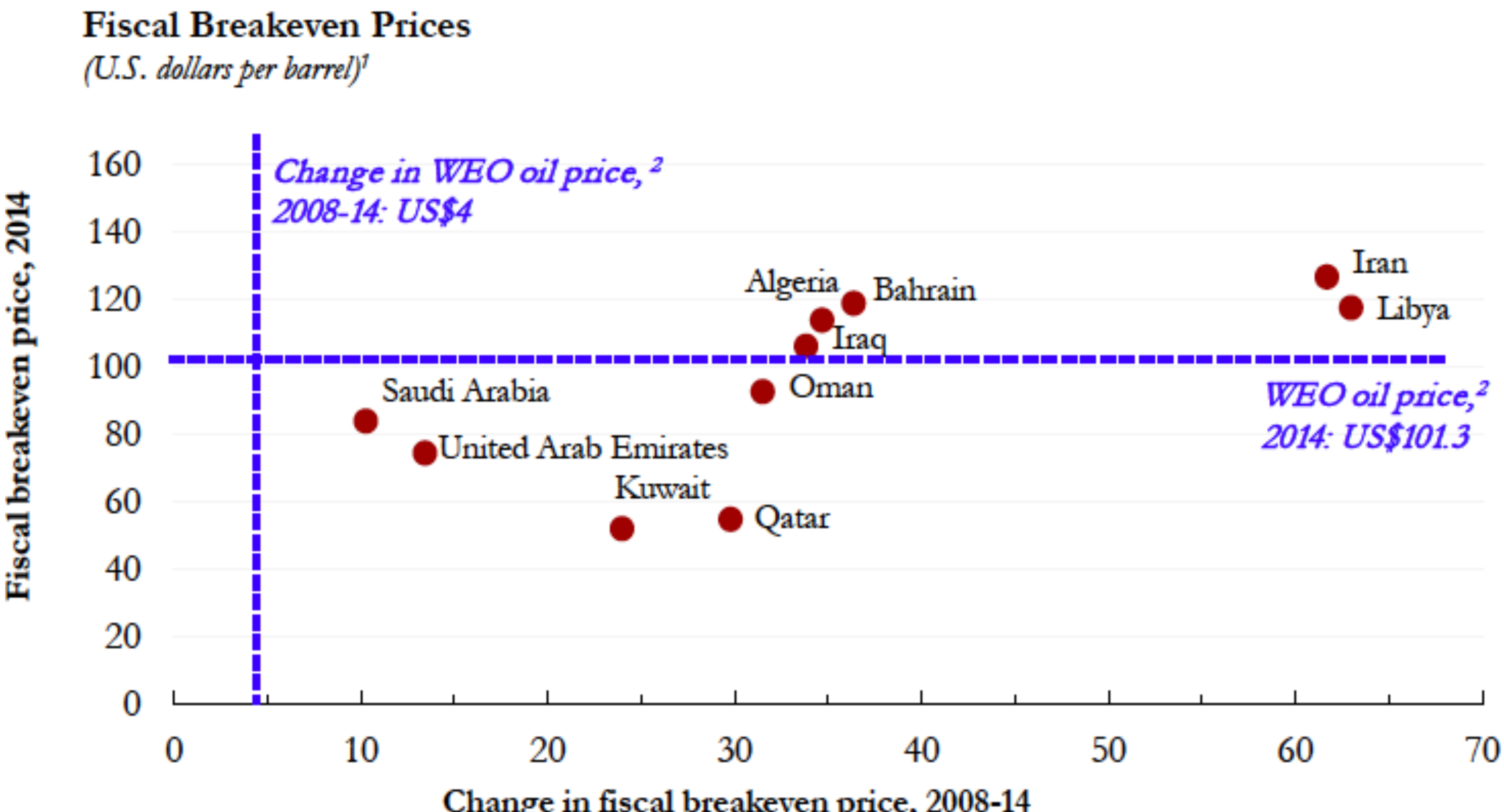
High growth of government spending in oil exporters => higher fiscal breakeven oil prices & threatens fiscal sustainability



Source: IMF Regional Economic Outlook, Nov 2013

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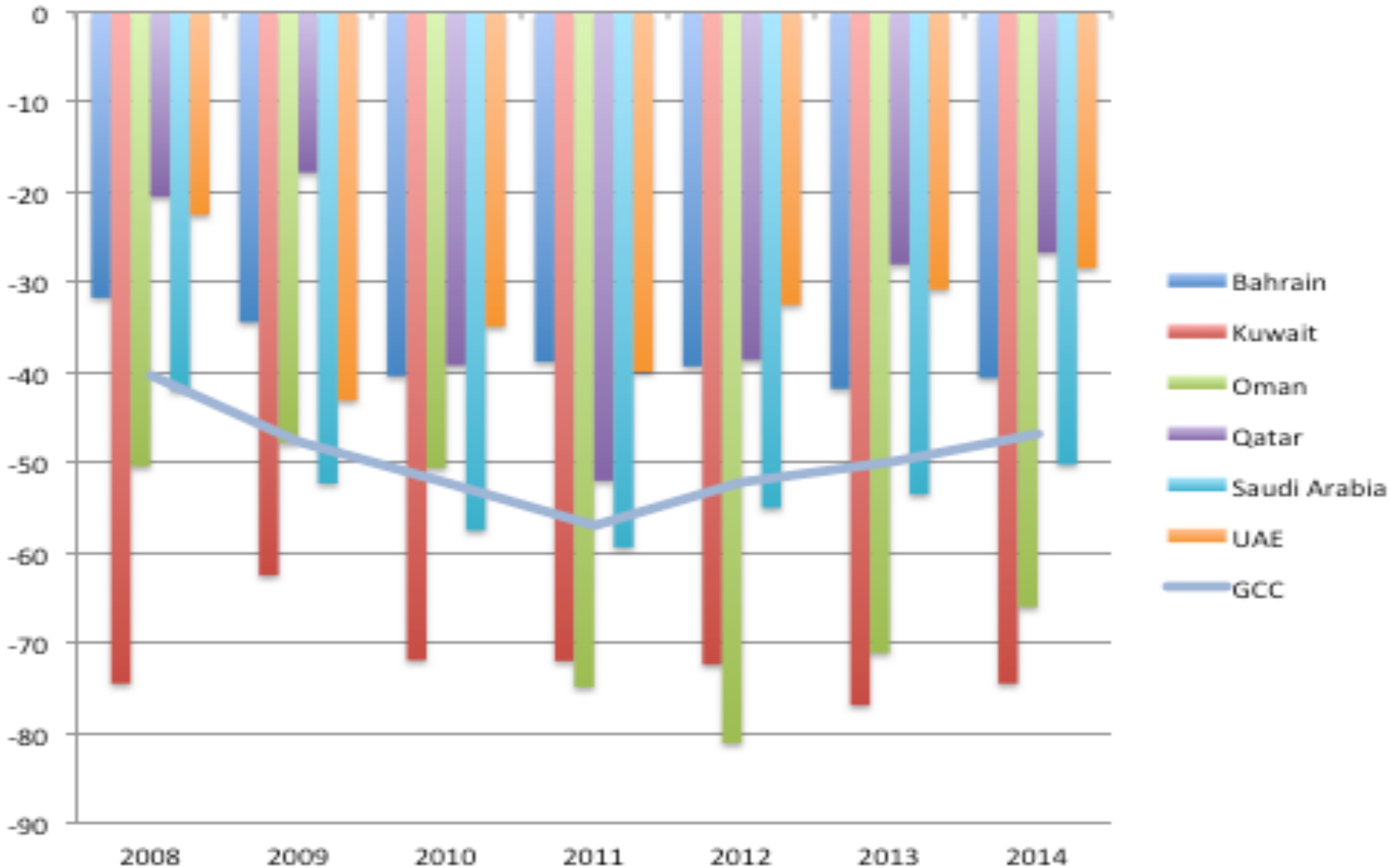
GCC Non-oil Fiscal Deficits (as % of non-oil GDP)



Source: Regional Economic Outlook, IMF, Nov 2013.

Limited tax instruments limits use & effectiveness of fiscal/tax policy

Main non-oil revenue bases: customs and fees and charges

- Do not constitute a complete panoply of modern tax tools
- Distortionary impediments to trade & distortive—with cascading due to taxation of inputs
- Significant loss in revenues due to FTAs with major trading blocs

Inadequate tools for counter-cyclical fiscal policy

- Considerable variation in oil revenues and investment income
- Led to stop-go investments, seen in the 1990s
- Major fluctuations in oil prices in the past couple of years

Limited ability to influence behaviour of private sector

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Benefits of VAT for Oil Exporters/GCC

- Oil exporters have an extremely narrow tax base with high dependence on oil revenues which limits ability to mobilise revenue
- A large number of small fees are collected from individuals/ businesses leading to cumbersome procedures & waste of time.
- Oil exporters require **stable, wide-based sources of revenue to finance investment & economic development requirements**: argues in favour of VAT or a GST
- **Potential to implement VAT as a potential revenue earner** increased:
  - Fiscal stimulus packages have pushed break-even oil prices higher;
  - Previous plans to introduce VAT were shelved in part due to inflationary pressures in 2008 and to Arab firestorm .
  - FTAs causing around 70-80% loss of revenues & VAT will help cope these losses after its implementation.
  - VAT should be **implemented in conjunction with a reduction in tariffs** (down to 1%) & a consolidation of the small, fragmented collection of fees and charges

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Fiscal/Tax Reform is Imperative over the Medium Term

- GCC economies are maturing: require stable, wide-based sources of revenue to finance investment & economic development requirements: argues in favour of VAT or a General Sales Tax (less preferable)
- Fiscal policy has been perverse: largely pro-cyclical and therefore aggravating the boom-bust cycle resulting from oil price fluctuations.
- Global Financial Crisis & its consequences for the GCC demonstrate need for developing new tools to support counter-cyclical fiscal policy
- Develop Public Debt Markets & Management to:
    - Allow governments to smooth volatile energy revenues
    - Enable conduct of counter-cyclical policies, including deficit financing
    - Finance infrastructure and public works

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External Factors: Legal & Regulatory Pressures I

OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (GF): 121 members—promotes effective exchange of information (EOI), with automatic EOI becoming the new standard. Peer reviews examine whether a country complies with the internationally agreed standards of EOI, which prohibit a country from declining to provide information on grounds of bank secrecy

Model Agreement on Exchange of Information on Tax Purposes

Enabling Effective Exchange of Information: Availability Standard and Reliability Standard

Peer Review: OECD conducts **a peer review process** which evaluates the compliance of a jurisdiction to the EOI, in two phases:

- ✓ **Phase 1** reviews examine legal and regulatory framework for EOI
- ✓ **Phase 2** reviews look into the implementation of the standard in practice

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Global Forum: MENA countries in Stages of Peer Review

Jurisdictions that have undergone only Phase 1 Reviews

		Availability of Information			Access to Information		Exchange of Information					
Jurisdiction	Type of Review	A1 – Ownership	A2 - Accounting	A3 – Bank	B1 – Access Power	B2 – Rights and Safeguards	C1 – EOI instruments	C2 – Network of Agreements	C3 – Confidentiality	C4 – Rights and Safeguards	C5 – Timely EOI	Move to Phase 2
Lebanon	Phase 1	Not in place	In place, but	In place	Not in place	In place	Not in place	Not in place	In place	In place	Not assessed	No
United Arab Emirates	Phase 1	In place, but	Not in place	In place	Not in place	In place	Not in place	In place, but	In place	In place, but	Not assessed	No

Jurisdictions that have undergone both Phase 1 & 2 Reviews

			Availability of Information			Access to Information		Exchange of Information					
Jurisdiction	Type of Review	Type of Evaluation	A1 – Ownership	A2 - Accounting	A3 – Bank	B1 – Access Power	B2 – Rights and Safeguards	C1 – EOI instruments	C2 – Network of Agreements	C3 – Confidentiality	C4 – Rights and Safeguards	C5 – Timely EOI	Overall Rating
Bahrain	Phase 1 + Phase 2	Phase 1 Determination	In place	In place, but	In place	In place, but	In place	In place	In place	In place	In place	Not assessed	Largely Compliant
		Phase 2 Rating	Largely Compliant	Partially Compliant	Compliant	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant	
Qatar	Phase 1 + Supplementary + Phase 2	Phase 1 Determination	In place	In place	In place	In place	In place	In place	In place	In place	In place	Not assessed	Largely Compliant
		Phase 2 Rating	Largely Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Largely Compliant	
Turkey	Combined	Phase 1 Determination	Not in place	In place	In place	In place, but	In place	In place, but	In place	In place	In place, but	Not assessed	Partially Compliant
		Phase 2 Rating	Non-compliant	Compliant	Compliant	Partially Compliant	Compliant	Largely Compliant	Compliant	Compliant	Largely Compliant	Partially Compliant	

External Factors: Legal & Regulatory Pressures II

- **US FATCA or Foreign Account Tax Compliance Act c**omes into effect July 2014 requires foreign financial institutions (FFIs) to report to the IRS information on financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest Non-compliant FFIs will face 30% withholding on all payments received from U.S. sources.
- **EU Commission** recently proposed to expand automatic EOI between member states to ensure that the scope of EOI within the EU is at least as comprehensive as that between member states and US in context of FATCA

Double Taxation Treaties & Agreements

- No tax treaties between GCC members
- Notable countries with which treaties are missing across the MENA region include Australia, Brazil and Japan
- UAE has one of the largest number of DTAs in place: 74 as of end-2013.

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FATF

- **FATF** has expanded the scope of AML/ CFT predicate offenses to include tax crimes and stepped-up requirements related to the transparency of companies and trusts.
- **IMF** will be including assessment and compliance in Article IV reviews

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External Pressures & Consequences for MENA

- Complying with External Standards will require higher standards of disclosure & transparency, legal and regulatory changes
- External pressures add to internal pressures to combat corruption & bribery, better governance, transparency & disclosure, fair economic systems
- MENA countries will have to invest in revenue/ tax administration capacity , create standardised reporting

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Agenda

- ✓ MENA: Growth, Transition & Turmoil in a Changed Economic Geography
- ✓ Expenditure Patterns & Spending Reforms
- ✓ Revenue Diversification & Tax Reform
- ✓ External Pressures for Reform
- ✓ **Takeaways**

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Key Takeaways I

- Fundamentals remain strong but focus of economic development must switch to the private sector for job creation: change role of State, focus on infrastructure investments
- Region in transition and turmoil. There is no 'road map' and no unified vision or leadership; no fast transitions
- Fair economic systems are key to political sustainability. Technology & globalisation have exacerbated wealth inequality within countries which can corrupt a country's political system
- Region-wide Infrastructure Investment Programme can be a Weapon of Mass Peace: need an Arab Bank for Reconstruction & Development

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Key Takeaways II

- Gulf region will be driver of economic growth and regional & international integration
- GCC Regional FTAs with ACTs & establishment of a “Neighbourhood Policy” with foreign aid conditioned on reforms
- Fiscal Consolidation & Reform Imperative for Sustained Long-term Growth
- Countercyclical fiscal policy and development of automatic fiscal stabilisers
- Revenue Diversification + Removal of Subsidies +VAT/User Fees

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Thank you

Dr. Nasser Saidi
nsaidi@nassersaidi.com

@Nasser_Saidi

NASSER SAIDI
& ASSOCIATES