

UNTC 31st Session

Stakeholder Input Template



Help inform the Committee's deliberations on their work programme for 2025-2029 by sharing your perspectives on challenges in tax policy and administration facing developing countries, emerging issues that need attention, and where there is a need for more or different guidance. Submissions should be made in one of the six (6) UN languages. All valid submissions will be published on the UN Tax Committee website in the language submitted.

Submission details: Deadline: **1 September 2025**, Email to: taxcommittee@un.org

Subject: Input for UN Tax Committee Work Programme (2025-2029)

INFORMATION

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Type: Business Sector

Organization (unless submission is in personal capacity): Click or tap here to enter text.

BACKGROUND (Maximum of 200 words) – Please respond on page 2.

Please provide a brief summary of your organization's mandate and areas of work unless this submission is in personal capacity, how they relate to international tax cooperation, domestic resource mobilization, sustainable development, or any other field. This will help us map and better contextualize your perspective and input.

Given Djibouti's experience and the challenges faced by many developing countries, the Committee's priority issues for the period 2025-2029 should include:

1. **Modernising and strengthening tax and customs administrations.**
2. **Rationalising and harmonising investment incentive schemes and free zones.**
3. **Managing the fiscal impact of regional integration and globalisation.**
4. **Combating tax evasion and formalising the informal sector.**

WORK PROGRAMME PRIORITIES (Maximum of 2000 words inclusive of any footnotes) – Please respond on page 3.

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

For each priority you recommend, please explain:

- a) Why is this issue important for developing countries?
- b) What specific guidance or tools should the Committee produce?
- c) How would this output be practical and valuable for countries?

The issue of taxation and its relationship to illicit financial flows (IFFs) has become a central concern for Djibouti with the GAFI evaluation (November 2024). At the heart of the debate is the recognition that without strong and equitable tax systems, developing economies cannot sustainably finance their development priorities or meet their commitments under the 2030 Agenda for Sustainable Development.

The United Nations Committee of Experts on International Cooperation in Tax Matters has underscored that IFFs—stemming from practices such as tax evasion, abusive transfer pricing, trade misinvoicing, and base erosion—represent a severe drain on public resources in developing countries. For Djibouti, a strategically located but small economy, tackling these challenges is not merely a technical necessity but a fundamental condition for fiscal sovereignty and long-term stability.

1. Modernization and Strengthening of Tax and Customs Administrations

In countries like Djibouti, tax and customs administrations often struggle with outdated systems, fragmented procedures, and limited human and technological capacities. These weaknesses make them particularly vulnerable to illicit financial practices, including underreporting of imports and exports, smuggling, and the manipulation of customs valuations. Such practices are among the most significant channels of IFFs in developing countries, according to UN studies. The result is a substantial loss of government revenue that could otherwise be invested in education, healthcare, and infrastructure. Modernizing tax and customs institutions—through digitalization, professional training, and improved data management—does not only strengthen domestic revenue mobilization but also enhances the ability of Djibouti to participate effectively in global tax cooperation initiatives. By aligning with the recommendations of the UN Tax Committee, Djibouti could reinforce transparency, curb trade-related IFFs, and build greater trust between taxpayers and the state.

2. Rationalization and Harmonization of Investment Incentives and Free Zones

A second critical dimension relates to the proliferation of investment codes, tax incentives, and special economic or free zones. While these instruments are designed to attract foreign direct investment, in practice they often overlap, contradict one another, and lack rigorous evaluation. In Djibouti, where the economy heavily depends on port-related activities and logistics hubs, the multiplication of free zones has created a fragmented tax environment. This not only erodes the tax base but also facilitates profit shifting and tax avoidance by multinational corporations that exploit inconsistencies in the system. The UN Tax Committee has highlighted that such uncoordinated incentives contribute to harmful tax competition between developing countries and intensify the risk of IFFs. Rationalizing and harmonizing these regimes in Djibouti would help ensure that investment incentives are transparent, time-bound, and aligned with national development goals. It would also reduce opportunities for tax abuse, thereby safeguarding revenue that is essential for poverty reduction and sustainable development.

3. Managing the Fiscal Impact of Regional Integration and Globalization

Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA), and its integration into regional and global trade systems has both opportunities and risks. The dismantling of tariff barriers and the adoption of common external tariffs (CET) are crucial steps

for promoting regional trade and competitiveness. Yet, for small economies like Djibouti, which remain heavily dependent on customs duties, these reforms can generate substantial losses in fiscal revenue. The UN Tax Committee has warned that such structural changes, if not accompanied by sound domestic tax reforms, can weaken the fiscal foundations of developing states and indirectly foster illicit flows by pushing trade into informal or unregulated channels. To mitigate this risk, Djibouti needs to expand and diversify its domestic tax base—for instance, by strengthening the Value-Added Tax (VAT) system, enhancing property and income tax collection, and ensuring fair taxation of multinational companies operating in strategic sectors. This transition would help maintain budgetary stability while reducing vulnerabilities to IFFs linked to trade misinvoicing and customs revenue leakages.

4. Combating Tax Evasion and Formalizing the Informal Sector

Finally, one of the most persistent challenges in Djibouti, as in many developing countries, is the predominance of the informal sector and the widespread culture of tax evasion. The informal economy provides livelihoods for a large share of the population but remains largely untaxed, depriving the government of vital resources. Moreover, informal practices often intersect with illicit flows, whether through unregistered cross-border trade, undeclared incomes, or cash-based transactions that escape fiscal oversight. This reduces the tax base, distorts competition between formal and informal businesses, and weakens the state's capacity to finance social and economic development. The UN Committee on International Tax Cooperation emphasizes that addressing informality requires a dual strategy: simplifying tax legislation to make compliance easier and more attractive, while simultaneously building a culture of accountability and fairness in taxation. For Djibouti, this means investing in better data collection, adopting inclusive tax policies tailored to small businesses, and strengthening enforcement against high-level tax evasion. By doing so, the country could reduce leakages to IFFs and broaden its fiscal base in a way that is equitable and sustainable.

For developing countries like Djibouti, the fight against illicit financial flows and the modernization of fiscal systems are not separate agendas but two sides of the same coin. Weak institutions, fragmented investment incentives, regional integration challenges, and a pervasive informal sector all contribute to an environment in which IFFs thrive. The United Nations Tax Committee provides a framework for international cooperation and capacity building that Djibouti can leverage to strengthen its fiscal sovereignty. By modernizing tax and customs administrations, harmonizing investment regimes, adapting to regional and global integration, and combating evasion and informality, Djibouti can secure the domestic resources it needs to invest in human capital, infrastructure, and sustainable growth. Ultimately, addressing these fiscal challenges is not only a matter of revenue collection; it is a prerequisite for equitable development and for ensuring that the benefits of globalization are shared by all segments of society.

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files. – Please respond on page 4.

BACKGROUND (Maximum of 200 words)

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Dr. Mohamed Omar Ibrahim is a highly experienced professional with over 30 years of experience as a senior executive in central administration. He holds a PhD degree in tax law, demonstrating a foundational expertise in fiscal matters. His commitment to this field is further evidenced by his training at the "École Nationale des Impôts" de Clermont Ferrand and the attainment of a DESS in Fiscal Administration from the University of Paris 9 Dauphine.

Throughout his career, **Dr. Mohamed Omar Ibrahim** has served as a pivotal tax advisor and leader within the government and public sector. He began his career as a tax inspector at the Ministry of Finance and Economy, steadily progressing to become the Director of Taxes in his country. This progression underscores his deep involvement and leadership in national tax administration.

His extensive career has equipped him with solid multidisciplinary expertise in general economics, macroeconomics, public finance, public audits, and policy governance. Notably, his experience includes leading initiatives for training, operational and financial monitoring, and evaluating government programs. **Dr. Mohamed Omar Ibrahim** has also been instrumental in the design and implementation of domestic resource mobilization strategies, ensuring compliance with Djibouti's customs regulations.

With strong analytical, synthesis, and writing skills, coupled with leadership and team management capabilities, **Dr. Mohamed Omar Ibrahim** is adept at knowledge transfer and mobilizing stakeholders towards achieving set objectives. He is currently applying for a position as an Expert in Commercial Policies and Capacity Building, contributed significantly to the popularization of AfCFTA strategies within the regional trade policies of IGAD member countries. This role seeks to leverage his vast experience to support IGAD in strengthening the commercial capacities of its member states.

WORK PROGRAMME PRIORITIES (Maximum of 2000 words inclusive of any footnotes)

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

For each priority you recommend, please explain:

- a) Why is this issue important for developing countries?
- b) What specific guidance or tools should the Committee produce?
- c) How would this output be practical and valuable for countries?

To address these priorities, the Committee should produce the following specific guidelines and tools:

- For the **modernisation and strengthening of tax and customs administrations:**
 - Guidelines for the computerisation and integration of tax and customs systems: Include models for the implementation of tax management systems (SIGTAS, AGIR) and customs systems (SYDONIA World), the widespread use of a unique Tax Identification Number (TIN), and automatic data cross-checking tools to improve taxpayer identification and fraud detection.
 - Performance management and risk-based audit frameworks: Develop models of key performance indicators for administrations, as well as methodologies for implementing tax and customs audit programmes based on risk analysis.
 - Human capacity building programmes: Develop standardised training modules on accounting, risk analysis, IT tools and ethics for tax and customs administration staff.
- For **the rationalisation and harmonisation of investment incentive schemes and free zones:**
 - Model legislation for simplified and consolidated investment codes: Propose legislative frameworks that integrate and harmonise the various tax incentives, minimising exemptions and ensuring transparency, while providing for systematic evaluation of tax expenditures.
 - Standardised methodologies for evaluating tax expenditures: Provide practical guides for estimating, analysing and monitoring revenue losses due to derogatory regimes in a consistent manner, enabling informed trade-offs between tax expenditures and budgetary expenditures.
 - Guidelines for the establishment of one-stop shops: Develop operational and technological frameworks for the creation of inter-administrative one-stop shops to facilitate business creation and management, thereby reducing the administrative burden on investors.
- For **managing the fiscal impact of regional integration and globalisation:**
 - **Domestic tax reform models in anticipation of Revenue Tax Authority:** Propose roadmaps for the transition to neutral and efficient consumption taxes (such as VAT) to offset the loss of customs revenue associated with regional integration agreements.
 - **Tools for analysing the budgetary impact of regional integration:** Provide models and methodologies for assessing the financial impact of regional

agreements on national revenues and help plan the necessary adjustments to tax policy.

- **Frameworks for the development of international tax treaty networks:**
Propose models for double taxation treaties and negotiation strategies to help developing countries secure their tax revenues in a context of growing cross-border trade and investment.
- For **combating tax evasion and formalising the informal sector:**
 - **Formalisation and simplified taxation strategies for SMEs and micro-enterprises:** Develop recommendations for tax regimes tailored to small businesses and the informal sector, focusing on incentives for compliance, communication and assistance rather than enforcement alone.
 - **Guides for the implementation of codes of ethics and professional conduct:**
Provide frameworks to strengthen integrity and transparency within tax and customs administrations in order to combat corruption and regain taxpayer confidence.

The Committee's findings would be practical and useful for Djibouti in several ways:

- **Significant improvement in domestic resource mobilisation:** Clear tools and guidelines would enable countries to modernise their tax and administrative infrastructure, leading to a sustainable increase in revenue. This would reduce dependence on external aid and strengthen fiscal autonomy, which is essential for financing sustainable development goals.
- **Creation of an environment conducive to investment and economic growth:** Streamlining tax incentives and simplifying administrative procedures would help establish a more transparent, predictable and attractive business climate. This would encourage the inflow of high-quality foreign direct investment (FDI) and foster the development of a dynamic private sector.
- **Strengthening tax fairness and compliance:** Simpler, more transparent and perceived as fair tax systems would promote greater taxpayer compliance and reduce tax evasion. By offering tailored advice and services, administrations could transform the perception of taxation, seeing it as a pillar of development rather than a constraint.
- **Strategic preparation for regional integration and globalisation:** Countries would be equipped with the tools to anticipate and manage the fiscal impact of regional and international trade agreements, including the transition to new revenue structures and compensation for customs losses. This would enable smoother and more beneficial integration.
- **Improved governance and anti-corruption:** Guidelines on integrity, transparency, and computerisation of processes would help reduce opportunities for corruption and tax evasion, ensuring that public resources are collected and managed ethically and efficiently for the well-being of the population.
- **Support for informed policy-making:** Tax expenditure evaluation methodologies and budget impact analyses would provide policymakers with reliable information to formulate tax policies that are consistent and aligned with national development objectives, enabling rational trade-offs and optimal resource allocation.

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files.