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**THIRD SUB-COMMITTEE ON TAX AND ILLICIT FINANCIAL FLOWS (IFFs)  
OF THE  
SPECIALIZED TECHNICAL COMMITTEE ON FINANCE, MONETARY AFFAIRS,  
ECONOMIC PLANNING AND INTEGRATION  
YAOUNDE, CAMEROUN**

**8<sup>th</sup> – 10<sup>th</sup> MAY 2024**

**THEME: STRENGTHENING AFRICA'S LEADERSHIP IN THE CONTINENTAL  
AND GLOBAL TAX REFORMS**

**CONCEPT NOTE**

## BACKGROUND

1. The Third Meeting of the Sub-committee on Tax and Illicit Financial Flows (IFFs) will take place in Yaoundé, Cameroon, from 8 to 10 May 2024 with the theme: "**Strengthening Africa's Leadership in the Continental and Global Tax Reforms**". The theme is broad to focus on Africa's ability to enhance its revenue generation capacity amidst evolving international tax norms and debates. The meeting aims to foster discussions and provide actionable recommendations for Africa's continued proactive engagement in global tax reform discussions, particularly within the United Nations (UN) Framework Convention on International Tax Cooperation. It seeks to ensure that these reforms benefit Africa by addressing the continent's unique challenges in revenue mobilization, thereby supporting its efforts towards achieving the Vision and Aspirations of Agenda 2063 for inclusive growth and sustainable development. The meeting is organized by the Department for Economic Development, Trade, Tourism, Industry and Minerals (ETTİM) of the African Union Commission (AUC).
2. The STC Sub-Committee on Tax and IFFs is a creation of the Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration arising from its Fourth Session held in May 2021. The Sub-committee is tasked with spotlighting and providing practical solutions to issues around tax and IFFs and making recommendations for the approval of STC and implementation by the stakeholders. Its focus remains to devise measures to unlock domestic resources for the development of Africa and its people. The Sub-committee's mandate is critical for realizing the African Union's strategic development agenda as encapsulated in Agenda 2063. In this sense, this year's meeting and its theme promise to be insightful, especially on how stakeholders could help the African Union and associated pan-African organizations make taxation and the fight against IFFs pivotal for African development through reforms both at the continental and global levels

## INTRODUCTION

3. Despite its vast economic potential, Africa faces challenges in mobilizing domestic resources to fund development initiatives. Historically, the Continent as the rest of the developing world, hardly participated in making the global tax and financial architectures. This has often disadvantaged Africa, leading to inequitable access to capital, revenue losses, illicit financial flows, Base Erosion and Profit Shifting (BEPS) and hindered economic progress. Currently, Africa loses around USD 89 billion annually to illicit financial flows (IFFs), equating to 3.7% of its gross domestic product (GDP), while tax incentives contribute to a further \$220 billion loss. The loss through IFFs increased from what was reported through the findings of the AU-UNECA High-Level Panel (HLP) on Illicit Financial Flows (IFFs) in 2015, that Africa were losing more than US\$50 billion annually in IFFs. Addressing these issues requires concerted efforts to promote fiscal transparency, enhance efficiency, and ensure accountability in tax administration.
  
4. Nevertheless, Africa's economic landscape has been evolving rapidly. As the Continent continues to grow and integrate into the global economy, there is a pressing need not just for it to seek to influence tax reforms at home and the global level but also to assume proactive and strategic leadership in those reforms, shaping agendas and crafting policies with specific angles for solving tax issues peculiar to Africa at the global level while looking inwards to address the domestic tax reforms, strengthen tax administration capacities and ensure that legislative loopholes are effectively tackled. It is only by so doing could it ensure that crucial and peculiar issues like BEPS, IFFs, taxing right allocation to the Continent, etc., are addressed while establishing a fair and equitable international tax system for all. Given its mandate deriving from the Policy Organs of the Union, the AUC is leading and coordinating efforts

with the technical support of the African Tax Administration Forum (ATAF), Tax Justice Network-Africa and other Pan-African stakeholders to ensure that Africa takes its rightful and strategic spot in the Continental and Global tax reform agenda. This concept note outlines the imperative for strengthening such leadership, recognizing the pivotal role that an effective tax system plays in protecting and expanding the tax base, fostering inclusive growth and sustainable development, reducing inequality, and ensuring fiscal sovereignty.

### **AFRICAN LEADERSHIP ON CONTINENTAL TAX REFORMS**

5. Africa, through the AUC and other Pan-African Organisations working within their mandate and the ambits of the Ministerial directives and the recommendations of the STC on Finance, Monetary Affairs, Economic Planning and Integration, has engaged in strings of activities and developed tools supporting reforms that target IFFs and BEPS while increasing the ability of member states to raise more resources for inclusive growth and sustainable development.
  
6. For example, the African Union through the work of sub-committee on tax and illicit financial flows (IFFs) of the STC has developed two strategies, on Tax and on IFFs, which were adopted by Policy Organs of the Union. These strategies, continue to guide the work of the AUC and its partners to effectively advance the domestic resource mobilisation and fight against IFFs agendas in Africa. The strategies have focused on alignment of tax policies with administrative practices, expanding the tax base to potentially lower tax rates, and harmonizing tax policies to limit inter-country competition. The relevant activities carried out by the organizations separately or jointly include, but are not limited to, in-country support and capacitation of members in tax audit, information exchange, research analysis, transfer pricing, digitization, tax and gender, etc. Other activities are the enlightenment of members on the new global rules like the two-pillar approach, production of tools and products like the Suggested Approach to the drafting of Qualified Minimum Top-up Tax (QDMTT), through regional consultation workshops on international tax reforms, policy briefs on carbon taxation, research briefs on tax expenditure, a comprehensive insight on income tax policy for cryptocurrencies, tariff revenue implication of the AfCFTA,

the ongoing work on Policy tracker for IFFs; amongst others.

7. In furtherance of its commitment to deepen African leadership on continental tax reforms, the AUC, in collaboration with ATAF, TJN-A and related organizations, seeks to track and measure the impact of different policies and measures taken against IFFs in different countries, push for inter-agency cooperation to tackle IFFs within member states while aggressively enlightening members, through more regional consultations, on the policy implications and options of the recently concluded global tax policies which bear domestic ramifications for the Continent.

### **AFRICAN LEADERSHIP ON GLOBAL TAX REFORMS**

8. Several Ministerial meetings of the STC have emphasized the importance of the participation of the Continent in the processes of global standard-setting and the contribution of African policy positions to such bodies. These have given impetus to the engagement of selected African countries and institutions in the activities of organizations such as the OECD-Inclusive Framework (IF) and the United Nations Committee of Experts on International Tax Cooperation (UNTC).
9. Since 2016, some African countries have joined the IF. Africa has 27 members in the organization, with four countries participating in its Steering Group. The Inclusive Framework was tasked with developing rules to tackle BEPS, and they have worked to produce BEPS 1.0, comprising the 15 Action plans, and BEPS 2.0, which includes the two-pillar solutions. While it is true that the Continent participated at both IF and UNTC, showing outstanding leadership, having produced co-chairs for both the IF-Steering group and the UNTC, such leadership has translated into rules that partly solve African problems like BEPS and IFFs and a lot more has to be done.
10. Against the above background, a new impetus for global influence has started mounting on the Continent. This new breeze of global leadership is led by a group of African diplomats at the United Nations namely the "African Group". Instructively, the African Group seeks to solve the root causes of African tax problems instead of just encouraging a situation where the developed countries

invited Africa to sit around with a pre-set agenda with little or no item specifically targeting the issues of peculiar interest to the Continent. This was specifically seen when resolution A/C.2/78/L.18/Rev.1, tabled by the African Group at the United Nations General Assembly under the title: “Promotion of inclusive and effective international tax cooperation at the United Nations”, was voted by a majority on 22 November 2023 at the UN Headquarters in New York. This marked a historic moment for Africa and the world. The resolution was passed with a 125 vote in favour of a UN Framework Convention on International Tax Cooperation, with 48 votes against, and 9 Abstentions. This unprecedented step represented a significant advancement, showcasing the African Group’s collective dedication to global tax reform and paving the way for a more equitable and effective global tax system. The African Group, with the support of AUC and partners, is seeking to birth a new international tax architecture built on fairness, equity and inclusivity at the UN.

## **STRENGTHENING AFRICAN LEADERSHIP ON TAX REFORMS**

11. Suffice it to say that for Africa to realize its tax reform potential, the Continent must speak with one voice and seize every opportunity at every platform to push solutions for African tax problems. The Continent must be present wherever global tax policies are formulated, whether at the G20, the OECD Inclusive framework and more importantly at the UN; and make its views heard. African institutions like AUC, ATAF, TJN-A, etc, must also be supported to strengthen their ongoing work. Continued guidance and support of the STC through its sub-committee and relevant Policy Organs of the Union are key in this endeavour. Countries should also capacitate their tax officials and institutions while engaging in reforms that may be required to effectively fight IFFs and boost domestic resource mobilization. The current push for the reform of the architecture for international tax cooperation therefore should also be supported.

## **OBJECTIVES OF THE MEETING**

12. The objectives of the meeting are summarised as follows:
  - *Strengthening African Leadership on Tax Reforms*: the meeting will highlight the state of play of the African leadership on tax reforms,

including the ongoing negotiations at the UN, emphasizing how members will support such leadership. Additionally, the STC Subcommittee will look at the ongoing implementation of the OECD Pillar Two solution, which commenced in January 2024.

- *Enhancing Domestic Resource Mobilization*: to discuss and consider establishing a comprehensive tax agenda for Africa to create a more effective, equitable, and harmonized taxation system. This agenda will focus on identifying and addressing key tax-related challenges, such as base erosion, profit shifting, digital economy taxation, and cross-border tax compliance. The goal is to enhance revenue mobilization, foster economic growth, and ensure fair tax practices across the Continent while also considering the unique economic contexts of African nations. This initiative will involve collaboration among African countries to develop and implement tax policies that support sustainable development and regional integration.
- Renew Continental commitment in the fight against IFFs. This will include the steps and policy options taken by the AUC and partners to fight IFFs and boost the capacity of African nations to mobilize domestic resources while highlighting what members could do to guarantee the desired outcome.
- *Take stock of the progress made and give an Update on the Implementation of the STC Recommendations*: the meeting will allow members of the committee to be updated on the implementation of their recommendations and to give feedback on the same.
- *Identify more issues Requiring Actions*: the meeting will enable members to identify more issues requiring further attention from the relevant participating agency or body.

## **TARGET AUDIENCE**

13. The meeting will be attended by experts and senior officials from the ministries of finance, tax administrations, government-specialized agencies, central banks diplomats of the AU Member States, representatives from the regional economic communities (RECs), and African tax experts. Observers and Contributors, including International Organisations, Civil Society Organisations

(CSOs), Non-Governmental Organizations (NGOs), Investigative Journalists, and Academia, will be invited to participate.

## STRUCTURE OF THE PROGRAMME

14. The meeting will be delivered over three days and will tentatively centre on the following topics such as:

### DAY 1

- **Session 1: Preliminaries:**
  - Welcome address by the AUC.
  - Goodwill messages from ATAF, TJNA, etc
  - Introduction of delegates
- **Session 2: Progress Reports on STC Recommendation Including IFFs:**
  - Global Tax reforms
  - IFF Tracker
  - IFF Mitigation Framework
  - Regional and In-country support
  - Feedback from members.

### DAY 2

- **Session 3: The Two Pillar Solution**
  - The GloBE Rules and QDMTT – the Way Forward for African States
  - 
  - The Status of Pillar 1 - ATAF
- **Session 4:** Making of an African Tax Agenda in Global Tax Policy Platforms (*UN, OECD processes*)
- **Session 5:** The African Union Membership in G20 and its implications for the African Tax Agenda

### DAY 3

- **Session 6:** Emerging Tax Issues from African Continental Free Trade Area (AfCFTA) Implementation:
  - Tax Reform Requirement – coordination and harmonization?
  - African Tax Transparency -Exchange of Information Framework
  - Coordinated Approach to e-Invoicing – Format, Interoperability and Exchange Protocols



- **Session 7:** Development of Additional Tools for Combating IFFs (Tax Treaty Negotiation Policy and Guidelines on Tax Treaty Benefits)
- **Session 8:** Update on the STC Subcommittee's Recommendations based on issues discussed.

### EXPECTED OUTCOMES

15. The expected outcomes for the third Sub-Committee on Tax and IFFs are:

- Updated African position on the ongoing developments on the UN resolution on the United Nations Framework Convention on International Tax Cooperation;
- Update on the current status of the implementation of the new global tax rules;
- Focus on Development of tools for African countries to reinforce their efforts in combatting IFFs;
- Approved Update on the work of the Commission on combatting IFFs from Africa for presentation at the 7<sup>th</sup> STC.

### FOR MORE INFORMATION

16. For further information, please contact:

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