

**PAN-AFRICAN CONFERENCE ON ILLICIT FINANCIAL FLOWS (IFFs)
AND TAXATION**

**Tunis, Tunisia
26th – 28th JUNE 2024**

THEME:

“Africa’s Tax Agenda in Combatting Illicit Financial Flows: From Words to Action”

CONCEPT NOTE

Background

1. The Pan African Conference on Illicit Financial Flows (PAC) is the annual premier forum for the collective convergence of actors to discuss issues of illicit financial flows and taxation in Africa.
2. The Pan-African Conference on Illicit Financial Flows and Taxation (PAC2024) will take place in Tunis, Tunisia from 26th – 28th June 2024, under the theme: **“Africa’s Tax Agenda in Combatting Illicit Financial Flows: From Words to Action.”** The theme will look at the substantial strides African countries have taken in combating IFFs considering the evolving dynamics of national, regional, and international taxation policies. It will also underscore the persistent challenges confronting the continent in its efforts to combat IFFs and highlight the commitment of actors to address those challenges. Notably, the fight against IFFs reinforces the determination towards achieving inclusive growth and sustainable development as envisaged in the vision and aspirations of Africa’s Agenda 2063.
3. This year, the PAC is co-organized by a coalition of pan-African organisations united in the fight against IFFs. The 12th edition of the PAC will be co-hosted by the Department for Economic Development, Trade, Tourism, Industry and Minerals (ETTİM) of the African Union Commission (AUC), the African Tax Administration Forum (ATAF), and the Tax Justice Network Africa (TJNA), in collaboration with the African Organization of Supreme Audit Institutions, (AFROSAI), the African Organization of English-speaking Supreme Audit Institutions (AFROSAI-E) and the African Organization of Public Accounts Committees (AFROPAC). The outcome of this programme will then feed into actionable report to the relevant AU Policy Organs.

INTRODUCTION

4. For Africa to meet its development objectives, specifically, the goals and aspirations of Agenda 2063 and the United Nations Sustainable Development Goals (SDGs), substantial domestic resource mobilization (DRM) is essential. DRM is expected to contribute between 75% to 90% on average per country towards the financing of Agenda 2063.¹ This involves enhanced fiscal resource mobilization, maximizing natural resource rents from oil, gas, minerals, agriculture, maritime resources, tourism, etc., curbing illicit financial flows (IFFs), and reducing inefficiencies and financial leakages due to governance issues and corruption, among other strategies. Unfortunately, the much-needed resources have continuously been streamed out of the continent through IFFs which has resulted in a lag in the continent's drive towards achieving the Agenda 2063 and SDG targets.
5. Consequently, as the Second 10-Year Implementation Plan of Agenda 2063, coined as 'The Decade of Acceleration (2024-2033)',² takes shape, aiming for a prosperous, peaceful, and integrated Africa by 2063, and considering the pressing deadline of seven years to meet the SDGs, tackling illicit financial flows becomes imperative. This programme focuses on tackling the tax aspect of IFFs which is essential to secure sufficient domestic resources for financing Africa's developmental aspirations in an inclusive manner.
6. IFFs can be defined as the cross-border exchange of value, monetary or otherwise, which are illegally or illegitimately earned, transferred, or used. These funds typically originate from three sources: commercial (tax evasion, trade mis-invoicing, and abusive transfer pricing); criminal activities (including drug trade, human trafficking, illegal arms dealing, and smuggling); and bribery and theft by corrupt government officials and their collaborators with commercial IFFs accounting for two-thirds of IFFs.³ This is bolstered by an international tax system that makes it difficult for source countries, where the resources are extracted, to capture fair tax revenues.
7. Africa, with its abundant resources, is home to almost a third of the world's mineral reserves. Extractive industries—metals, minerals, and hydrocarbons are a significant sector in many African economies, especially in generating revenue. Indeed, most African nations have the ambition to increase revenue across the extractive industries value chain, aligned with the

¹ https://au.int/sites/default/files/documents/33126-doc-08_financing_agenda_10_year_palan.pdf

² <https://au.int/en/newsevents/20240217/agenda-2063-launch-2nd-decade-acceleration>

³ <https://au.int/en/documents/20210708/report-high-level-panel-illicit-financial-flows-africa>

African Union's African Mining Vision: the continent's blueprint for making sure mining contributes to economic transformation through the "transparent, equitable and optimal exploitation of mineral resources underpinned by broad-based sustainable growth and socio-economic development." However, statistics indicate that, Africa may be losing more than US\$450-730⁴ million per year in corporate income tax due to the pervasiveness of multinational corporate tax avoidance in mining.

THE RENEWED IMPETUS FOR CURBING IFFS FROM AFRICA

8. Every year, approximately \$88.6 billion is lost from the continent due to IFFs.⁵ This figure constitutes about 3.7% of the total GDP of the continent and is nearly equal to the combined sum of the annual official development assistance, and the annual foreign direct investment, estimated at \$48 billion and \$54 billion, respectively, that African countries receive. This figure reflects the average for the years 2013 to 2015⁶ while tax incentives contribute to a further \$220 billion loss. Despite good efforts, the loss through IFFs has nearly doubled from US\$50 billion annually reported through the findings of the AU-UNECA High-Level Panel (HLP) on Illicit Financial Flows (IFFs) in 2015. In order to successfully accomplish the vision and aspirations outlined in Agenda 2063; it is imperative that the continent refocuses on domestic resource mobilisation and the fight against IFFs.⁷
9. The renewed motivation to combat IFFs in Africa is the growing concerns about their effects on the economic, socio-political, and environmental stability of African countries. The renewed and increased demand for Africa's transition minerals amid the ongoing global energy transition discussions has also raised concerns about the heightened risk of IFFs from the extractive sector given that currently, USD 40 billion is lost annually from the continent via this sector alone⁸. These outflows significantly drain governmental coffers, taking away vital investments in primary public sectors such as education, healthcare, and infrastructure, elements central to sustainable development and in stark contradiction to goals 2, 3 and 10 of Agenda 2063 and SDGs 4, 3 and 9 respectively. While countries lose billions of dollars through IFFs, the overall burden of regressive taxation and reduced domestic resources for countries in the Global South disproportionately falls on women owing to the fact that they spend a significant proportion of their income on consumption due to the disproportionate

⁴ <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/09/27/Tax-Avoidance-in-Sub-Saharan-Africas-Mining-Sector-464850>

⁵ <https://www.un.org/osaa/ar/content/tackling-illicit-financial-flows-africa-arising-taxation-and-illegal-commercial-practices>

⁶ <https://www.un.org/osaa/ar/content/tackling-illicit-financial-flows-africa-arising-taxation-and-illegal-commercial-practices>

⁷ <https://au.int/en/pressreleases/20230717/african-countries-must-embark-innovative-investment-strategies-achieve>

⁸ https://unctad.org/system/files/official-document/aldafrica2020_en.pdf

responsibility they carry in relation to care work, and their heavy reliance on public goods and services.

10. Additionally, IFFs also contribute to the weakening of state institutions and growing corruption, rent seeking and a pervasive mistrust in governmental entities, thus igniting further regional instabilities, and undercutting the principles of good governance, justice, and human rights as emphasised in Aspiration 3 of Agenda 2063 and SDG 16. Furthermore, IFFs manipulate the economic landscape by bolstering illicit sectors over industries that facilitate inclusive, people-centred growth, deterring crucial foreign investments and inducing economic imbalances, including currency depreciation and adverse trade balances. In certain cases, these flows are intricately linked with criminal activities such as drug trafficking and smuggling, amplifying conflict, and insecurity in the region. By fostering marked economic disparities and creating environments fertile for corruption, they obstruct the unified vision of an integrated, prosperous, and peaceful Africa embodied in Agenda 2063.

AFRICA'S PROGRESS IN CURBING IFFs

11. During the 24th Ordinary Session of the AU Assembly in Addis Ababa, Ethiopia, the Heads of State and Government of the African Union, having endorsed with appreciation the conclusions of the High-Level Panel report and taking note of the recommendations therein, were convinced that it was the time for Africa's Renaissance, and the continent was to take control over its natural resources whose derivable benefits should be maximized by adopting sound, prudent management and good governance.
12. Consequently, addressing the pressing issue of IFFs is of a paramount concern for Africa, aligning with Goal 20 of AU Agenda 2063, which underscores Africa's responsibility for its own development. To this end, the African Union, the African Tax Administration Forum and Tax Justice Network Africa and other African institutions have been actively working to bolster regional frameworks for combating IFFs, primarily through the implementation of strategic instruments like the IFFs and Tax strategies, guided by a five-year implementation framework.
13. In line with Finding 4 of the HLP report that recommended the increased monitoring of commercial related IFFs, the African Union Commission, African Tax Administration Forum and the Tax Justice Network Africa developed the Anti-IFFs Policy tracker that seeks to monitor the implementation of national level policies to curb tax related IFFs on the African continent. The tracker seeks to generate disaggregated country level data on key policy areas and

provide evidence of the issues that countries need to address to tackle illicit financial flows, strengthen their taxation systems, enhance their DRM strategies, and increase tax transparency. This tool will provide member states with the evidence needed to move from words to action in addressing IFFs at country level.

AFRICAN LEADERSHIP ON GLOBAL TAX REFORMS

14. The imbalance in global taxing rights and the complexities usually associated with rules and standards for taxing cross-border transaction and multinational enterprises (MNEs) have contributed, in no small measures to the continent's woes on IFFs. Historically, the above situation has been attributed to the exclusion of the continent from the global platforms that set the taxing rules or to the ineffective participation of the continent. This narrative is, however, changing as the continent through the leadership of the AU and its collaboration with ATAF and TJNA and other partners have ensured that the continent's voice is heard on global tax rules and standard setting in the different platforms upon which such negotiations take place.
15. Key amongst this, is the ongoing charge led by the African Group to ensure that the global tax architecture is rejigged to make it more inclusive, effective and equitable. The African call for the reform of the global tax system can be traced to the recommendation of Finding 12 of the High-Level Panel (HLP) Report on IFFs which indicated that 'there is as yet no global architecture for tackling IFFs. The HLP report, therefore, indicated that 'it might also be important to consider how best all these elements could fit into an overarching global framework, perhaps under the auspices of the United Nations.'
16. In December 2022, the African Group demonstrated leadership when they spearheaded the tabling of a resolution on the promotion of inclusive and effective tax cooperation at the United Nations (A/RES/77/244). This resolution was adopted by consensus by the United Nations General Assembly, setting off the process of the establishment of a forum for international tax cooperation at the United Nations. As a result of this, UN Member States called upon the UN Secretary-General to compile a report through consultations with relevant stakeholders. Upon consideration of the SG's report, the African Group spearheaded the tabling of another draft resolution on the Promotion of Inclusive and Effective International Tax Cooperation at the UN (A/C.2/78/L.18). This culminated in the adoption of Resolution 78/230⁹ which called for the establishment of a Member State-led, ad hoc intergovernmental committee to draft terms of

⁹ United Nations General Assembly. (2023). *Promotion of inclusive and effective international tax cooperation at the United Nations*. -< https://financing.desa.un.org/sites/default/files/2024-01/A.RES_78.230_English.pdf> - .

reference for a UN framework convention for international cooperation on tax matters. In 2024, efforts to actualise these resolutions are underway with the appointment of members of the bureau to the ad hoc intergovernmental committee. The most recent indication of the continent's commitment to this process is the election of Egypt as the Chair of Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation during its first session which took place in New York from 20th to 22nd February 2024. In that same session, three other representatives of the continent namely, Ghana, Kenya and Morocco were elected as Vice Chairs to the Bureau.

OBJECTIVES OF THE MEETING

17. The overall objectives of the conference are to:

- a) Take stock of the best practices and relevant continental-wide initiatives undertaken by institutions and partners in response to the African Union Heads of State and Government decisions and commitments to curb IFFs, meeting the financing gap for Africa's development as envisioned under Agenda 2063 and the HLP report findings and recommendations in combating IFFs in Africa;
- b) Discuss the effectiveness of different measures implemented in response to the findings of key reports in Africa on combating illicit financial flows (IFFs).
- c) Retrospect on the contributions of the African Union and stakeholders including the Africa Tax Administration Forum, Tax Justice Network Africa and others in addressing IFFs at different levels.
- d) Facilitate and engage multi-stakeholder partnerships to ensure meaningful inclusivity, and broad-based support.

TARGET AUDIENCE

18. The PAC will bring together about 250 diverse participants including high-level senior officials in key government ministries and departments such as supreme audit institutions, central banks, financial intelligence units, tax administrations, ministries of finance, mining and commerce; parliamentarians, anti-corruption agencies, from key public finance management agencies from different countries, international organisations, civil society organisations, revenue authorities, affiliated regional and sub-regional organizations (AfDB, RECs, UNECA, UNCTAD, Afreximbank, BADEA, ATI, NEPAD, AU-ABC, PAP, UNDP, UN-OSAA, etc.),

parliamentarians and cooperating partners.

STRUCTURE OF THE MEETING

19. The PAC will be a 3-day event with plenty of opportunities for discussion, debate, and networking. The event will be held in both English, French and Arabic and will be structured into the following sessions and activities:
 1. Opening ceremony
 2. Keynotes speeches
 3. Plenary sessions
 4. Side sessions
 5. Exhibitions
 6. Closing ceremony

EXPECTED OUTCOMES

20. The expected outcomes for the PAC 2024 are:
 - a) A collection of best practices and relevant continental-wide initiatives undertaken by institutions and partners in response to the HLP report findings and recommendations in combating IFFs in Africa;
 - b) A review of the effectiveness of measures implemented in response to the African Union Heads of State and Government decisions and commitments to curb IFFs, meeting the financing gap for Africa's development as envisioned under Agenda 2063 and the HLP report findings and recommendations in combating IFFs in Africa;
 - c) A compilation of the contributions of the African Union Commission and stakeholders including the Africa Tax Administration forum, Tax Justice Network Africa and others in addressing IFFs;
 - d) The establishment of a multi-stakeholder partnership to ensure inclusivity and broad-based support.

FOR MORE INFORMATION

21. For further information, kindly contact:

Department for Economic Development, Trade, Tourism, Industry and Minerals African Union
Commission |Email: MiyandaziL@africa-union.org | MauyakufaM@africa-union.org

Ms. Doreen Apollos | Communication | Directorate of Information and Communication| African
Union Commission | E-mail ApollosD@africa-union.org