

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

P. O. Box 3243, Addis Ababa, ETHIOPIA Tel.: Tel: +251-115- 517 700 Fax: +251-115- 517844 / 5182523

Website: www.au.int

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

LUSAKA, ZAMBIA

5th – 9th MAY 2025

**THEME: “ADVANCING AFRICA’S AGENDA 2063 THROUGH TAX AND FISCAL
POLICY MEASURES TO ENHANCE DOMESTIC RESOURCE MOBILIZATION”**

CONCEPT NOTE

BACKGROUND

1. The 4th Sub-Committee on Tax and Illicit Financial Flows (IFFs) of the Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration will take place in Lusaka, Zambia from 05 to 09 May 2025 under the theme: **"Advancing Africa's Agenda 2063 Through Tax and Fiscal Policy Measures to Enhance Domestic Resource Mobilisation"**. This meeting builds upon the progress made in previous sessions, particularly the 3rd Sub-Committee meeting held in Yaoundé, Cameroon in May 2024, which focused on strengthening Africa's leadership in continental and global tax reforms. The Sub-committee is tasked with identifying and providing practical solutions to issues around tax and IFFs and making recommendations for consideration and endorsement of the Ordinary Session of the STC on Finance, Monetary Affairs, Economic Planning and Integration. The STC Sub-committee is thus the beginning of a structured process leading to policy recommendations that will ultimately be considered by African Heads of State and Government. Its focus remains to devise measures to unlock domestic resources for inclusive growth and sustainable development of Africa and its people and, overall, realise the goals and aspirations of Agenda 2063.
2. During the 7th ordinary session of the African Union STC on Finance, Monetary Affairs, Economic Planning and Integration, Member States were encouraged to actively support the development of a United Nations Framework Convention on International Tax Cooperation to address issues such as IFFs, the taxation of the digital economy, and cross-border services, ensuring immediate revenue benefits for the continent. The AUC, African Tax Administration Forum (ATAF), Tax Justice Network Africa (TJNA), and the United Nations Economic Commission for Africa (UNECA) were urged to strengthen their support to Member States through capacity building, regional consultations, and briefing sessions to enhance technical capabilities for meaningful participation in negotiations. Additionally, Member States recommended committed participation by African tax experts to bolster technical expertise during negotiations on the Framework Convention on international tax cooperation. The theme of the 4th STC Sub-Committee on Tax and IFFs therefore provides an opportunity for members to critically examine what measures should be taken to enhance coordination among various stakeholders under the overall leadership of the AU in advancing the African tax agenda at regional and global levels with a view to raising the resources required to realize African Agenda 2063.

INTRODUCTION

3. Africa continues to face significant challenges in mobilizing domestic resources for inclusive growth and sustainable development. The average tax-to-GDP ratio in Africa stood at 16.5% in 2022, significantly lower than the OECD average of 34.1%. Meanwhile, illicit financial flows from Africa are estimated at \$88.6 billion annually, equivalent to 3.7% of the continent's GDP. The digital economy in Africa is projected to reach \$712 billion, or 8.5% of GDP by 2050, presenting both opportunities and challenges for taxation. Additionally, the implementation of the African Continental Free Trade Area (AfCFTA) necessitates harmonized tax policies and administration across the continent. This necessitates the need to come up with ways and means of financing inclusive growth and sustainable development in line with Agenda 2063 and the Sustainable Development Goals (SDGs).

Thematic Focus Areas:

International Tax Cooperation:

4. The current global tax norms have been in existence for 100 years and were designed in a manner that disproportionately distributed taxing rights between developed and developing countries, depriving the latter of essential revenue. In its current configuration, the global tax architecture fails to uphold principles of inclusivity, equity, and transparency in rulemaking. At present, global tax rulemaking is dominated by the richest countries within the OECD and has resulted in complex, one-size-fits-all solutions that often fail to address the specific concerns of developing countries, particularly in Africa. This lack of inclusiveness in OECD processes and the fact that issues such as tax avoidance due to the digital economy, IFFs, tax base erosion, and profit shifting continue to deprive African countries of crucial resources needed for sustainable development is what led the African Union in coordination with the Africa group to call for a United Nations (UN) Framework Convention on International Tax Cooperation. The UN Framework offers an opportunity for developing countries to participate in global tax rulemaking, leading to more inclusive, transparent, and equitable tax policies that better serve their development needs and fiscal priorities.
5. Having adopted Terms of Reference (ToRs) which prioritizes the development of the framework convention and two early protocols, one on taxation of cross-border services in a globalized and digitized world and another to be determined. Members are expected to play active roles in influencing the work going into the current phase. This programme would help members understand and make informed decisions regarding their involvement in the negotiations. It is also in accordance with H.E. Amb. Albert Muchanga, Commissioner for Economic Development, Trade, Tourism, Industry, and Minerals, mandated for the AUC, ATAF, TJNA, and UNECA to organize a two-day session during the 4th STC Sub-Committee on Tax and IFFs, dedicated to the UN Framework Convention, with a focus on progress, training on protocols, and negotiation strategies.

Beneficial Ownership and Tax Transparency:

6. Further, the AUC through the work of STC Sub-Committee on tax and IFFs developed two strategies, on Tax and on IFFs, which were adopted by Policy Organs of the Union. The IFFs strategy makes it clear that there is a need for a focus on three specific innovations: automated exchange of tax information, registration of beneficial ownership, and country by country reporting of corporate revenues. Building on this, it is important to note that to deal with the commercial, criminal, corruption aspects of IFFs and enhance domestic revenues for delivery of Agenda 2063 and the SDGs, tax transparency through registers of Beneficial Ownership is key.
7. In a significant move towards tax and financial transparency and accountability, approximately 37 out of 54 African countries have committed to enhancing beneficial ownership transparency, with 24 countries already implementing relevant laws or declarations as of late 2023. The push for transparency offers enhanced avenues for improved domestic revenue mobilization and equally aligns with Agenda 2063 and Sustainable Development Goal 16, focusing on strengthening institutions and promoting accountability. As African countries continue to embrace these measures, they are not only meeting global standards but also laying the groundwork for sustainable economic growth, improved ease of doing business, and more effective management of risks associated with illicit financial flows, high level transfer pricing risks as well as cloaks of secrecy associated with illicit and unexplained wealth. This session will put in perspective the importance of Beneficial Ownership registries and the role member states and related organisations like Open Ownership and initiatives like the Africa Beneficial Ownership Transparency (AfBOT) Network can play to make success of its implementation.

Other Measures

8. The programme will also focus on other measures that must be taken at the domestic level to shore up respective tax revenues. These measures would include digitization of tax administration and its processes, capacity building and peer learning, fiscal policy harmonization and broadening the tax base through focus on emerging technologies.

OBJECTIVES OF THE MEETING

9. The 4th Sub-Committee meeting aims to:
 - i. Assess progress on the implementation of recommendations from the 3rd Sub-Committee meeting.
 - ii. Enhance technical and negotiation capacities of Member States through capacity-building on the UN Framework Convention and process to ensure effective participation in negotiations, particularly those related to the digital economy, illicit financial flows (IFFs), and cross-border taxation.
 - iii. Highlight key measures that may be taken to enhance domestic public resources including in the area of Beneficial ownership and tax transparency generally.
 - iv. Increase member states' understanding of the importance of Beneficial Ownership Transparency (BOT) in tackling Illicit Financial Flows (IFFs) and strengthening governance
 - v. Identify innovative approaches to increase domestic resource mobilization in the digital age.
 - vi. Strengthen coordination among African countries, various government institutions and partners on tax policy measures, including on cross-border taxation and IFFs.

TARGET AUDIENCE

10. 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.

EXPECTED OUTCOMES

- i. Enhanced understanding and negotiation capacity for AU member states on international tax cooperation.
- ii. Advance Member States' understanding of other measures to enhance domestic public resources including Beneficial Ownership Transparency and other aspects in support of vision 2063.
- iii. Draft recommendations for presentation at the 8th STC on Finance, Monetary Affairs, Economic Planning and Integration 2025.

STRUCTURE OF THE PROGRAMME

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

DAY 1: Setting the Stage - International Tax Cooperation

Session 1: Preliminaries

- Welcome address by the AUC.
- Goodwill messages from ATAF, TJNA, UNECA, and others.
- Introduction of delegates.

Session 2: Presentation on the Theme of the STC

- Overview of the theme: *"Advancing Africa's Agenda 2063 Through Tax and Fiscal Policy Measures to Enhance Domestic Resource Mobilisation"*.

Session 3: Progress Reports on International Tax Cooperation and STC Recommendations

- Updates on global tax reforms.
- Tracking illicit financial flows (IFF Policy Tracker Tool).
- Implementation of the IFF Mitigation Framework.
- Regional and in-country support initiatives.
- Feedback from members.

DAY 2: Advancing Africa's Position in International Tax Cooperation

Session 4: Africa's Position on International Tax Cooperation

- Strategies for aligning Africa's tax agenda with global frameworks.
- Developing negotiation skills for the UN Framework Convention.

Session 5: Tackling Base Erosion and Profit Shifting (BEPS)

- African priorities and challenges in addressing BEPS.
- Tools for combating IFFs, such as Tax Treaty Negotiation Policy and guidelines on treaty benefits.
- Establishing coordinated approaches to e-invoicing, focusing on format, interoperability, and exchange protocols.

Session 6: Taxation of the Digital Economy

- Discussion on Africa's readiness for digital taxation frameworks including the Protocol on taxation of Cross-Border services.

DAY 3: Beneficial Ownership Transparency (BO)- Setting the Stage for BO and Transparency

Session 7: Opening Remarks and Keynote Address.

- Keynote on Importance of BO transparency in combating IFFs, tax evasion, strengthening governance and contributing to overall AU 2063 Development agenda by a high-level AU representative
- Opening remarks by AfBOTN Co-chairs (AfDB and FCDO), and Member state

Session 8: Introducing the concept and the progress in Africa.

- Brief introduction into the concept from a policy and technical perspective
- Showcasing what really goes into implementation - the different actors/players, resources required, objectives that can be achieved
- Landscape of BOT in Africa; challenges and progress

Session 9: Maximizing the value of BO for Anti-IFF, Tax and DRM as a Tool to Address IFFs

- Panel discussion on how BO frameworks contribute to curbing IFFs, tax evasion, procurement fraud, asset recovery including how BOT can facilitate competitive trading
- Case studies from African countries with established BO frameworks - evidencing the value of BOT from implementation so far.

DAY 4: BO Practical Tools and Policy Development

Session 11: Practical Training

- Hands-on training on a specific aspect of BOT implementation that emerges from potential planning discussions with member states.

Session 12: Regional Collaboration and Data Sharing

- Discussion on expanding data-sharing commitments across AU member states and the policy, legal and regulatory dependencies/building blocks for this.

Session 13: Actionable Takeaways and Next Steps

- Interactive session to identify common challenges and solutions.
- Development of country-specific commitments to advance BO reforms.

DAY 5: Closing and Way Forward**Session 11: Presentation of Recommendations**

- Summary of discussions and key outcomes.
- Finalizing and presenting recommendations to STC.

Closing Session:

- Commitments and way forward for implementing outcomes.

FOR MORE INFORMATION

For further information, please contact:

Department for Economic Development, Trade, Tourism, Industry and Minerals

African Union Commission

PO Box 3243

Addis Ababa, Ethiopia

E-mail: Miyandazil@africa-union.org; ezee@africa-union.org; ManhandoR@africa-union.org;

MauyakufaM@africa-union.org