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**Statement by**

**Ambassador Albert M. Muchanga**

**African Union Commissioner for Economic Development,  
Trade, Tourism, Industry**

**and Minerals**

**Delivered at the**

**Pan-African Conference on Illicit Financial Flows (IFFS) and  
Taxation**

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

**Held From**

**26 to 28 June 2024**

**Tunis, Tunisia**

**Your Excellency, Mr. Nabil Ammar, Minister for Foreign Affairs,  
Migration and Tunisians Abroad of the Republic of Tunisia;**

**Your Excellency, Mme Sihem Boughdiri, Minister of Economy and  
Finance of the Republic of Tunisia;**

**Your Excellency, Dr Sidi Ould Tah, President of the Arab Bank for  
Economic Development in Africa (BADEA);**

**Your Excellency Fatima Kyari Mohammed, Ambassador and  
Permanent Observer of the African Union at the United Nations  
Headquarters;**

**Representatives of African Ministries of Finance, Planning and  
Economic Development;**

**Representatives of African Revenue Authorities;**

**Representatives of Regional and International Organizations;**

**Representatives from the European Union and bilateral partners;**

**Representatives of the Civil Society Organizations;**

**Ladies and Gentlemen.**

I greet each and every one of you.

I convey greetings and best wishes for the success of this Pan-African Conference on Illicit Financial Flows (PAC) from Africa from the Chairperson of the African Union Commission, His Excellency Dr. Moussa Faki Mahamat.

I would also like to express my appreciation to the Government and People of the Republic of Tunisia for the warm welcome and gracious hospitality accorded to all of us.

We are meeting under the theme: **“Africa’s Tax Agenda in Combatting Illicit Financial Flows: From Words to Action”**.

As we meet, we all that this is the twelfth meeting.

The question is clear: what have we substantively achieved so?

And from the theme, the message is equally clear: we have done a lot of talking about illicit financial flows from Africa.

It is now time to move from words and act.

In this respect, I invite us all to come up with a scorecard to asses the impact of our actions in eliminating illicit financial flows from Africa.

The issue of domestic resource mobilization is becoming increasingly important in this current environment of unsustainable debt levels, decline of official development flows in real terms, low foreign direct investment flows to Africa on account of perceived high risks, disruption of global supply chains; and, among others, emerging geopolitics.

In this environment, we must develop capacities to increase tax collection as a percentage share of Africa's Gross Domestic Product, which is the lowest in the world.

We must also overcome mispricing which a major contributor to illicit financial flows from Africa.

Equally important, we must overcome base erosion and profit shifting by multinational corporations.

Furthermore, we must overcome smuggling of some of Africa's natural resources like gold.

And the tasks continue. We must manage our tax incentives we accord to foreign direct investment firms with strategic focus on ensuring that they do not contribute to undermining our domestic resource mobilization efforts.

At this point, let me state that as part of our capacity building efforts in addressing illicit financial flows from Africa and boost domestic resource mobilization, we have established the Africa Tax Administration Forum (ATAF) who are in this meeting.

We are also working with the United Nations Conference on Trade and Development (UNCTAD) to broaden the use of the Automated System for Customs Data (ASYCUDA) across Africa with the key objective of eliminating mispricing in Africa's foreign trade operations.

Furthermore, we have initiated collaboration with the UN Office of the Special Advisor on Africa to establish an African Alliance on Domestic Resource Mobilization to ensure synergies among all entities involved in financing operations in enhancing domestic resource mobilization.

At the policy level, the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration established a sub-committee on tax and illicit financial flows which has as so far come up with strategic frameworks aimed at aligning tax policies with administrative practices; expanding tax bases, and harmonizing tax policies to foster sustainable development across Africa by strengthening tax administration capacities and ensuring that legislative loopholes facilitating financial leaks are sealed and domestic resource mobilization is enhanced.

At this point, I would like us to recall that the 2015 High-Level Panel Report on Illicit Financial Flows from Africa estimated that, commercial and tax-related practices constitute the largest sources and are responsible for 65% of all illicit financial flows from Africa.

This is followed by crime, which accounts for 30% of these flows, while the remaining 5% emanate from corruption, both in-country and across borders.

Against this background, enhancing transparency and accountability under the rule of law is key to improving governance in the elimination of illicit financial flows from Africa.

In this respect, entities involved in political governance; environmental governance; investigations and law enforcement, including fighting corruption and money laundering; strengthening central and commercial banks; finance ministries, tax and customs administrations; collection of national statistics; fighting cyber-crime syndicates; and, among others, auditing of operations, including mining operations, both large scale and small-scale. Let me stress that effective auditing of mining operations is critical to curtailing the current smuggling of mineral outputs such as gold which are around US\$25-30 billion annually. This is a massive drain. Add this to the well-known figure, from UNCTAD, of US\$89 billion in annual illicit financial flows from Africa.

All the fore-going are the eco-system of fighting the scourge of illicit financial flows which in some African countries are as high 17% of Gross Domestic Product and in others, they are as high as 47% of total exports.

In strengthening this eco-system, we will consequently be strengthening our economic, social and political systems and achieve progress in mobilizing critical resources needed to improve the livelihoods of our people across the width and breadth of Africa. And this is the Africa we want.

As we do so, let us always remember two things.

First, illicit financial flows are nothing but illegal capital flight.

This illegality occurs when money is illegally earned, transferred or spent through trade mis-invoicing; tax abuse; cross-border corruption; environmental crime; and, transnational crime.

Second, without eliminating illicit financial flows from Africa, there will be no inclusive growth and sustainable development of our continent.

From the foregoing, it is clear that African countries also need to collaborate with the United Nations Office on Drugs and Crime (UNODC) in the historic task of eliminating illicit financial flows from Africa. In so doing, we shall be taking note of the fact that the fight against illicit financial flows from Africa is a fight against criminals. These will respond by promoting terrorism and violent conflicts as is already the case in some of our countries.

At this stage, let me point out that we are meeting here today to come up with a robust and unified response to the continental challenge of illicit financial flows.

This is what it means when we say that we must move from words to action.

In our efforts to eliminate illicit financial flows from Africa, we welcome collaboration with cooperating partners and civil society organizations like the Tax Justice Network Africa (TJNA).

Let me spend a few minutes on the Multi-Donor-Action project which aims to complement existing mechanisms and initiatives in Africa to strengthen tax administration and fight illicit financial flows from the continent.

It is funded by the European Union (EU), the German Federal Ministry of Economic Development and Cooperation (BMZ), and the Government of Finland and implemented by the Deutsche Gesellschaft für Internationale

Zusammenarbeit (GIZ) through the Good Financial Governance in Africa Programme.

The Multi-Donor Action project utilizes a two-pronged implementation approach to enhance the AU Commission's ability to coordinate elimination of illicit financial flows from Africa.

The project also focuses on carrying out pilot measures in countries through pan-African networks such as the African Tax Administration Forum (ATAF), Collaborative Africa Budget Reform Initiative (CABRI), African Organization of Public Accounts Committees (AFROPAC), African Organization of Supreme Audit Institutions (AFROSAI), African Organization of English-speaking Supreme Audit Institutions (AFROSAI-E), and Tax Justice Network Africa (TJNA). This initiative is part of broader international efforts, including the Addis Tax Initiative, the resolution on the Impact of IFFs on Development Finance, and the AU Special Declaration on IFFs.

I talked earlier about base erosion and profit shifting which annually drains of around US\$275 billion.

It is against this background that Africa is actively involved in international tax cooperation, like in the emerging discussions on a possible UN Framework Convention on International Tax Cooperation.

In addition to our involvement at the UN level, we are also contributing to the G20's global governance platform in the ongoing debate on international tax cooperation.



In this platform, we are advocating for, among other things, the need for collaboration and alignment of efforts on international tax matters between the United Nations and the Organization for Economic Cooperation and Development.

In closing, let me make two points.

First, since we are all committed to moving from words to action, let us come up with work plan and scorecard to measure the impact of our actions on the decisions and commitments which will emerge from this meeting. We should use the meeting for next year to evaluate our performance.

Secondly, since we are now in the digital era, I challenge ourselves to come up with ways and means of leveraging Artificial Intelligence to eliminate illicit financial flows from Africa.

I thank you all for your kind attention.