

Conference of Ministers 2018

Side event

Priorities for tackling illicit financial flows in Africa

Jointly organized by Economic Commission for Africa, the African Tax Administration Forum and the Government of Norway

Background

1. It is clear that illicit financial flows represent a significant drain on Africa's development. Although, in their research, analysts have come up with different estimates in this regard, all agree that the continent is losing tens of billions of dollars each year to these flows. The High-level Panel on Illicit Financial Flows from Africa has concluded that illicit financial outflows from Africa are likely to exceed \$50 billion annually. Beyond this, the flows have a number of other negative effects, such as undermining governance, contributing to environmental degradation, skewing income distribution, deepening inequality, and exacerbating conflicts, particularly in resource-rich countries. In this context, African countries have committed themselves to tackling these flows, through target 16.4 of the Sustainable Development Goals and the 2015 Special Declaration of the Assembly of the African Union on Illicit Financial Flows, by which the Assembly adopted in full the recommendations of the High-level Panel.

2. The High-level Panel has identified the mismanagement of the continent's natural resources, tax evasion, corruption and underhand tax practices by multinational corporations, the last of which are estimated to cost Africa at least \$35 billion annually in lost revenue, as some of the primary issues confronting Africa in connection with illicit financial flows. Building on the insights from the Panel's report, the Economic Commission for Africa (ECA) has produced two publications that outline priorities for tackling illicit financial flows on the continent, both of which will be launched at this side event. These are *A study on the global governance architecture for tackling illicit financial flows in Africa*, and a study on base erosion and profit shifting from an African perspective, outlining: reforms to facilitate improved taxation of multinational enterprises.

3. The African Tax Administration Forum continues to provide technical support to improve tax policy and administration in African countries, along with promoting and disseminating tax information and best practices among them. In addition, the Forum advocates Africa's interests in global forums negotiating approaches to international cooperation in tax matters, including those related to illicit financial flows. The Government of Norway has supported work on tackling illicit financial flows from Africa over an extended period, having provided financial support for the work of the High-level Panel throughout the process of completing its report and having supported efforts to produce estimates of illicit financial flows in, among other countries, the United Republic of Tanzania.

4. The session will focus on identifying the obstacles – such as lack of transparency, weak legal and regulatory frameworks and a lack of institutional responsiveness and coordinated action – to the efforts made by Governments to mitigate the impact of illicit financial flows on domestic resource mobilization. This will proceed in two stages: first, via a presentation and discussion of the key messages from two recent ECA reports on tackling illicit financial flows and on domestic resource mobilization; and, second in a round-table discussion of priorities for tackling illicit financial flows and their impact on domestic resource mobilization, conducted by representatives of ECA, the African Tax Administration Forum and the Government of Norway, which will conclude the event.

Objective

5. The side event will highlight critical tax policy and revenue mobilization concerns and will conclude with a discussion on the key messages from the above-mentioned report, *A study on the global governance architecture for tackling illicit financial flows* and ECA study on base erosion and profit shifting from an African perspective. The event will also provide an opportunity for representatives of ECA, the African Tax Administration Forum and the Government of Norway to discuss what they see as the priorities for tackling illicit financial flows in Africa.

Expected outcomes

6. The side event will help to deepen understanding of the measures required to tackle illicit financial flows from Africa and priority policies for that undertaking, including policies relating to the effective management of the continent's natural resources for the benefit of its people.

Target audience

- Officials from ministries of finance, economic planning and industry
- Representatives of civil society
- Representatives of development partners and international organizations working on issues relevant to illicit financial flows

Venue and date:

United Nations Conference Centre, Economic Commission for Africa, Addis Ababa
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