

**A PRIMER ON THE PREMIER
ECONOMIC GOVERNANCE REPORT**

INSTITUTIONAL ARCHITECTURE TO ADDRESS ILLICIT FINANCIAL FLOWS FROM AFRICA

CONTEXT

Africa is losing significant resources through illicit financial flows (IFFs), conservatively estimated by the 2015 report of the High-Level Panel on IFFs from Africa at \$50 billion a year. The \$50 billion loss, expressed in terms of the resources Africa needs to meet its SDGs, would be equivalent to:

- Three quarters of the estimated health financing gap of \$66 billion a year for Africa to make significant progress on SDG 3 on good health and well-being.
- One and a quarter times the annual education spending required over 2015–2030 to achieve SDG 4 on inclusive education in Africa, estimated by UNESCO at \$39 billion a year.
- One-third of the additional \$130–170 billion Africa needs annually to fund infrastructure projects.



AFRICA LOSES
US\$50
BILLION A YEAR IN
ILLICIT FINANCIAL FLOWS

The losses are equivalent to a proportion of:



HEALTH BUDGET:
 $\frac{3}{4}$ the amount
needed to make
progress on SDG 3



EDUCATION BUDGET:
 $\frac{1}{4}$ the amount
needed to achieve
SDG 4



INFRASTRUCTURE:
 $\frac{1}{3}$ of the additional
amount needed annually
to achieve SDG 9

This conservative estimate of the IFFs loss is also equivalent to a substantial proportion of the following:

- Between 10% and 9% of the value of Africa’s total annual exports and imports, respectively.
- Almost 3% of the continent’s gross domestic product..
- About two-thirds the \$44 billion used in 2018 to service external debt.
- Just over the \$46.3 billion in official development assistance that Africa received in 2018.
- Almost 60% of the \$84.4 billion in remittances that Africa received in 2018.
- About one-fifth of the \$800 million in net inflows of foreign direct investment to Africa during 2016–2018.



TOTAL ANNUAL
10% IMPORTS
9% EXPORTS

TOTAL ANNUAL
3% GDP

APPROX.



US\$44 billion
 used to service
 external debt in 2018

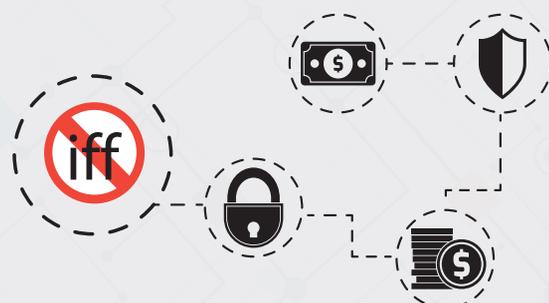


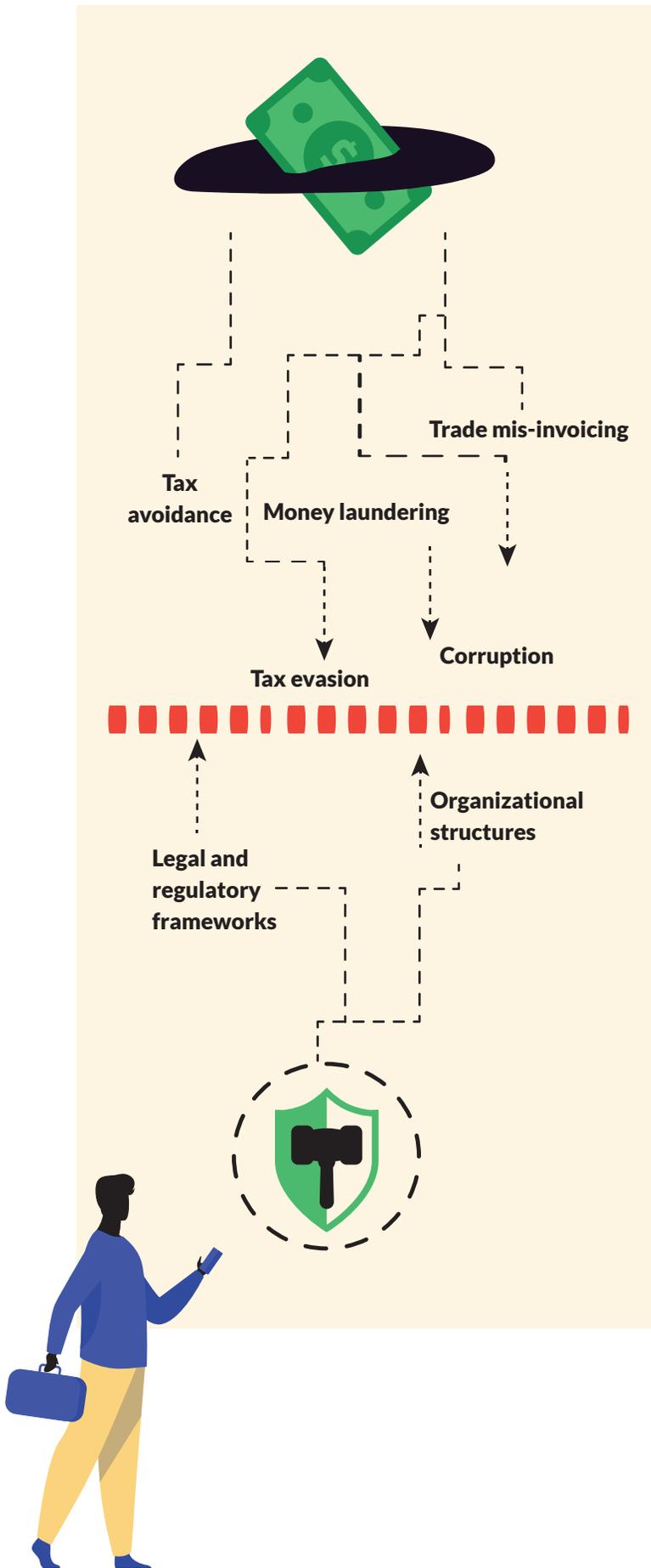
JUST OVER **US\$46.3 billion**
 received in ODA
 in 2018

ALMOST
60% **US\$ 84.4 billion**
 of remittances
 received in 2018

APPROX.
1/5 **US\$ 800 million**
 net FDI inflows
 2016-2018

IFFs are thus a financial security problem that deserve to be met with aggressive strategies by African countries.





Even though IFFs are transnational and involve complicity by countries beyond African shores, the 2015 report by the High-Level Panel on IFFs, chaired by former South Africa president Thabo Mbeki, underscored that there are significant actions African countries can take to supplement and strengthen international efforts to curb the financial leakage. Of the report’s 39 recommendations, 24 addressed African countries, including those that this report addresses.

Illicit financial flows refer to activities considered as criminal offences but also to some behaviour related to tax and commercial practices. The International Classification of Crime for Statistical Purposes defines four main types of activities that can generate IFFs: 1) tax and commercial activities, 2) corruption, 3) theft-type activities and financing of crime and terrorism, and 4) illegal markets. This report focuses on the first two.

This Economic Governance Report focusses on what African countries need to put in place to stem IFFs leakages before they leave Africa’s shores. Once the resources leave Africa, getting them back involves a complicated process requiring capacities often in short supply in African countries. Making this worse are the speed and ease of resources travelling across national boundaries, easily breaching Africa’s national financial security defence lines. This trend must be halted.

The report addresses the institutional architecture required to curb the illicit loss of financial resources from Africa through tax avoidance, tax evasion, trade mis-invoicing and illicit enrichment, including corruption. It takes a holistic approach to institutions, an approach that spans legal and regulatory frameworks, formal and informal practices, and organizational structures that act as enablers or curtailers at the national, regional and international levels in the IFFs value chain.

THE KEY FINDINGS

African countries have made efforts to establish dedicated institutional frameworks for combatting IFFs in the main channels of trade, investment, financial systems and corruption. But trade mis-invoicing, tax fraud (including corporate tax dodging) and money laundering continue to thrive. The primer of this report presents these findings in the analytical style of the main report to identify opportunities for action.



Illicit motivations continue to thrive despite the efforts of African countries to establish dedicated institutional frameworks for combatting IFFs across main channels.

TAX AVOIDANCE AND TAX EVASION

Five key institutions and nine legal framework elements are required to effectively tackle tax-based IFFs in a country. On the institutional side, one institution should be responsible for setting the policy environment, one dedicated to the administration of taxation, one dedicated to large taxpayers such as Multinational Enterprises (MNEs), one to deal with transfer pricing, and one to act as the supreme audit institution.

On the legal side, countries should have signed up to the forum for transparency and exchange of information for tax purposes and the automatic exchange of information. They should have a beneficial ownership law, common reporting standards, a convention in mutual administrative assistance in tax matters, country-by-country reporting and transfer pricing legislation. In addition, they should have base-erosion and profit-shifting multilateral instruments and multilaterals competent authority agreements.

To effectively address tax-based IFFs:

- 23 countries have all **5 institutions required** – Algeria, Angola, Benin, Burkina Faso, Cameroon, Cabo Verde, Chad, Congo, Cote d’Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Kenya, Liberia, Malawi, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia.
- 18 countries have only 4—Botswana, Burundi, Central African Republic, Djibouti, Eswatini,

Gabon, Gambia, Guinea, Lesotho, Madagascar, Mali, Namibia, São Tomé and Príncipe, Senegal, Seychelles, Togo, Tunisia and Zimbabwe.

- 9 countries have only 3—Comoros, Eritrea, Mauritius, Morocco, Niger, Sierra Leone, Somalia, South Sudan and Sudan.
- 4 countries have only 2—Equatorial Guinea, Guinea Bissau, Libya and Mauritania.

For appropriate legal frameworks:

- Only Nigeria has all 9 elements.
- 4 countries have 8 elements—Senegal, Seychelles, South Africa and Tunisia.
- 2 countries have 7 elements—Gabon and Mauritius.
- 4 countries have 6 elements—Burkina Faso, Cameroon, Egypt and Morocco.
- 7 countries have 5 elements—Benin, Cabo Verde, Côte d'Ivoire, Ghana, Kenya, Liberia and Uganda.
- 4 countries have only 4 elements—Botswana, Chad, Mauritania and Togo.
- 7 countries have only 3 elements—Djibouti, Guinea, Lesotho, Madagascar, Namibia, Rwanda and Tanzania.
- 3 countries have only 2 elements—Eswatini, Mali and Niger.
- 13 countries have 1 element—Algeria, Angola, Burundi, Congo, Democratic Republic of Congo, Ethiopia, Gambia, Libya, Malawi, Mozambique, São Tomé and Príncipe, Zambia and Zimbabwe.

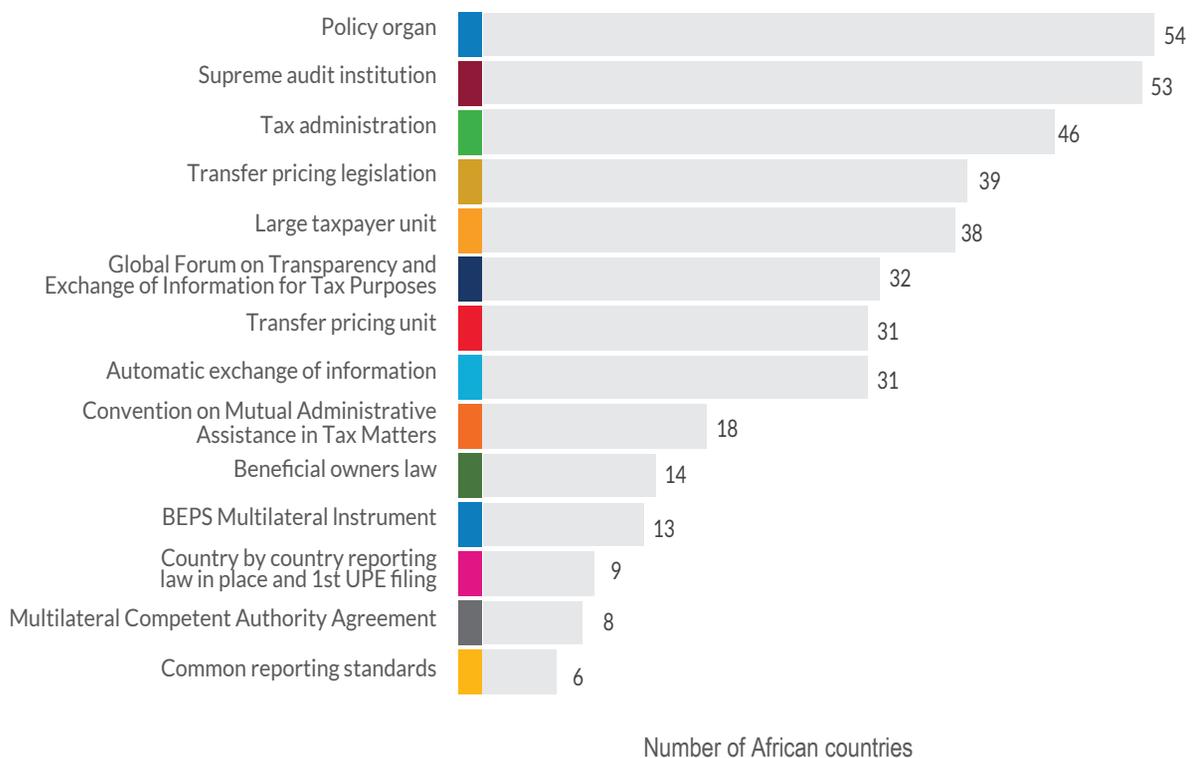
- 9 countries have no elements—Central African Republic, Comoros, Equatorial Guinea, Eritrea, Guinea-Bissau, Sierra Leone, Somalia, South Sudan and Sudan.

From an organizational perspective, all 54 countries have a **line ministry responsible for fiscal policy**, and all—except the Comoros—have a supreme audit institution (figure 1).

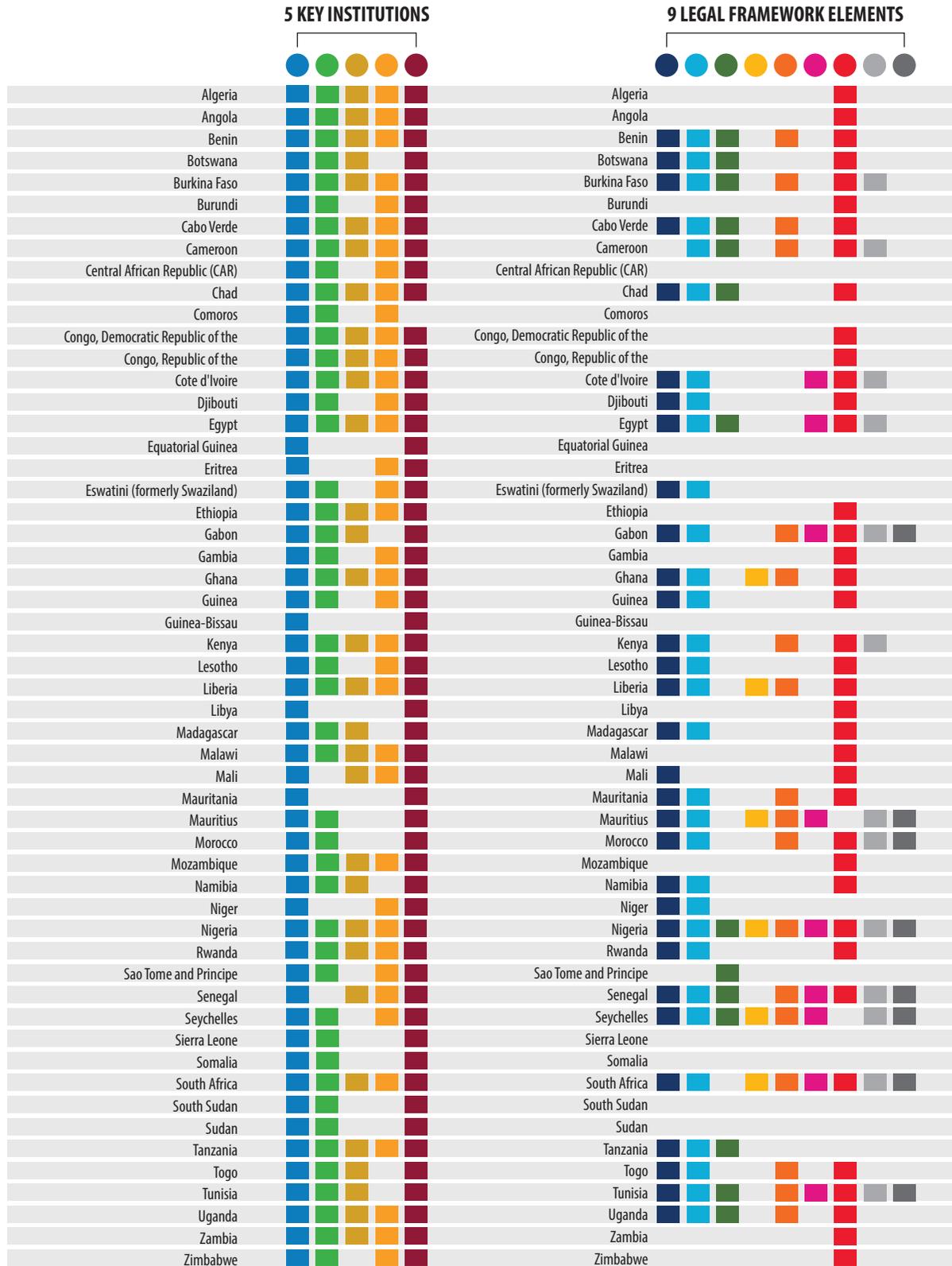
In terms of gaps:

- 8 countries do not have **separate tax administration institutions**—Equatorial Guinea, Eritrea, Guinea-Bissau, Libya, Mali, Mauritania, Niger and Senegal.
- 16 countries do not have **large taxpayer units**—Botswana, Equatorial Guinea, Gabon, Guinea-Bissau, Libya, Madagascar, Mauritania, Mauritius, Morocco, Namibia, Sierra Leone, Somalia, South Sudan, Sudan, Togo and Tunisia.
- 23 countries do not have **transfer pricing units**—Burundi, Central African Republic, Comoros, Djibouti, Equatorial Guinea, Eritrea, Eswatini,

Figure 1: Institutional architecture for addressing tax avoidance and tax evasion



TACKLING TAX-BASED IFFs



5 KEY INSTITUTIONS

- Policy Environment
- Administration of Taxation
- Transfer Pricing
- Large Taxpayers
- Supreme Audit Institution

9 LEGAL FRAMEWORK ELEMENTS

- Membership in the forum for transparency and exchange of information for tax purposes
- Automatic exchange of information (AEOI)
- Beneficial ownership law (BOL)
- Common reporting standards (CRS)
- Convention in mutual administrative assistance in tax matters (MAC)
- Country by country reporting (CbCR)
- Transfer pricing legislation
- Base erosion and profit shifting multilateral instrument (MLI)
- Multilaterals Competent Authority Agreement (MCAA)

Gambia, Guinea, Guinea-Bissau, Lesotho, Libya, Mauritania, Mauritius, Morocco, Niger, São Tomé and Príncipe, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan and Zimbabwe.

Designated line ministries are critical in curbing IFFs. Not having them limits the extent to which countries can address the transfer pricing practices of multinational enterprises (MNEs) and thus curb IFFs through these channels.

African countries have also struggled to comply with or **implement international reforms for tax transparency** (figure 1):

- 22 countries have yet to accede to membership of the **Global Forum on Transparency and Exchange of information for tax purposes**—Algeria, Angola, Burundi, Central African Republic, Comoros, Congo, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Libya, Malawi, Mozambique, São Tomé and Príncipe, Sierra Leone, Somalia, South Sudan, Sudan, Zambia and Zimbabwe.
- 23 countries have not signed up to the **Automatic Exchange of Information (AEOI)**—Algeria, Angola, Burundi, Central African Republic, Comoros, Congo, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Libya, Malawi, Mali, Mozambique, São Tomé and Príncipe, Sierra Leone, Somalia, South Sudan, Zambia and Zimbabwe.
- Using AEOI aligned instruments South Africa reported having collected additional revenues of USD 225 million from its Voluntary Disclosure Programme and Nigeria collected USD 82.6 million from a similar programme. Tunisia and Togo collected over USD 1 million each in 2018 as a consequence of EOI while Uganda reported collecting around USD 14 million from its EOI programme.

40 African countries have no **clear legal codes on beneficial ownership**—Algeria, Angola, Burundi, Central African Republic, Comoros, Congo, Cote d'Ivoire, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia,

Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Rwanda, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Togo, Zambia and Zimbabwe.

- 15 do not have **transfer pricing legislation**—Central African Republic, Comoros, Equatorial Guinea, Eritrea, Eswatini, Guinea-Bissau, Mauritius, Niger, Sao Tome and Principe, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan and Tanzania.

Only 32 African countries are members of the **OECD African Initiative**, a platform for assisting African countries in exchanging information effectively to tackle IFFs— Benin, Botswana, Burkina Faso, Cameroon, Cabo Verde, Chad, Côte d'Ivoire, Djibouti, Egypt, Eswatini, Gabon, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, South Africa, Tanzania, Togo, Tunisia and Uganda. Guinea (2019), Namibia (2019) and Mali (2020) are the latest to join, bringing the number of members from 4 in 2009 to 32 in 2020.

- Only 9 countries have **legislation on country-by-country reporting (CbCR)** for multinationals to complete and share with tax authorities in countries where they have a taxable presence— Côte d'Ivoire, Egypt, Gabon, Mauritius, Nigeria, Senegal, Seychelles, South Africa and Tunisia.
- Only 6 countries have signed up to the **common reporting standards (CRS)**, which require jurisdictions to obtain information from their financial institutions and automatically exchange that information on an annual basis with other jurisdictions—Ghana, Liberia, Mauritius, Nigeria, Seychelles and South Africa.
- Only 8 countries have signed up to the **CRS' multilateral competent authority agreements (MCAA)**, which specifies what information will be exchanged and when —Gabon, Mauritius, Morocco, Nigeria, Senegal, Seychelles, South Africa and Tunisia.
- Only 13 countries have the **BEPS multilateral instrument (MLI)**, which enables jurisdictions to swiftly implement the treaty-based recommendations from the BEPS package (including some of the minimum standards)—

Burkina Faso, Cameroon, Côte d'Ivoire, Egypt, Gabon, Kenya, Mauritius, Morocco, Nigeria, Senegal, Seychelles, South Africa and Tunisia.

- Only 18 countries have signed up to the **Convention on Mutual Administrative Assistance in Tax Matters (MAC)**—Benin, Burkina Faso, Cameroon, Cabo Verde, Gabon, Ghana, Kenya Liberia, Mauritania, Mauritius, Morocco, Nigeria, Senegal, Seychelles, South Africa, Togo, Tunisia and Uganda.
- Only 14 countries have **laws addressing beneficial ownership**—Benin, Botswana, Burkina Faso, Cameroon, Cabo Verde, Chad, Egypt, Nigeria, São Tomé and Príncipe, Senegal, Seychelles, Tanzania, Tunisia and Uganda.

Between 2014 and 2019, 8 African countries recovered, through the use of the **Exchange of Information Requests (EOIR)**, more than \$189 million in unpaid taxes—Burkina Faso, Cameroon, Kenya, Senegal, South Africa, Togo, Tunisia and Uganda. In 2019 alone 5 countries—Burkina Faso, Kenya, Togo, Tunisia and Uganda—recovered \$12 million. This should have been a big incentive for African countries to recover lost financial resources by strengthening their implementation of these global initiatives.

Overall, while there has been progress in engagement by African countries in exchange of information requests (EOIR), this engagement has skewed towards receiving requests from abroad rather than African countries making the requests for information themselves. While South Africa and Nigeria have made the most requests, they also suffer this information request deficit.

INSTITUTIONAL ARCHITECTURE FOR ADDRESSING TRADE MIS-INVOICING IN AFRICA

To tackle trade-based IFFs effectively, such as IFFs through trade mis-invoicing, countries should have appropriate IT platforms and capable customs administrations. They should use the harmonised system convention and use the authorized economic operator system (AEO) to ease the burden of trade facilitation. They should also sign up for membership of the Extractive Industries Transparency Initiative (EITI), and sign up to the World Customs Organizations (WCO) revised Kyoto Convention (figure 2).

- All African countries have a **customs authority**, whether embedded in tax administration or ministry of finance or standing as a separate entity, and 50 have a formally identified IT platform—with the exception of Egypt, Lesotho, Somalia and South Sudan.

To effectively tackle trade-based IFFs, such as through trade mis-invoicing, countries should have capable customs administration, appropriate IT platforms, sign-up to the World Customs Organizations (WCO) revised Kyoto Convention, use the harmonised system convention, sign-up for membership of the extractive industry transparency initiative (EITI) and use authorised economic operators (AEO) to ease the burden of trade facilitation.

TO EFFECTIVELY TACKLE TRADE-BASED IFFs



AFRICAN COUNTRIES SHOULD HAVE:

CAPABLE CUSTOMS ADMINISTRATION

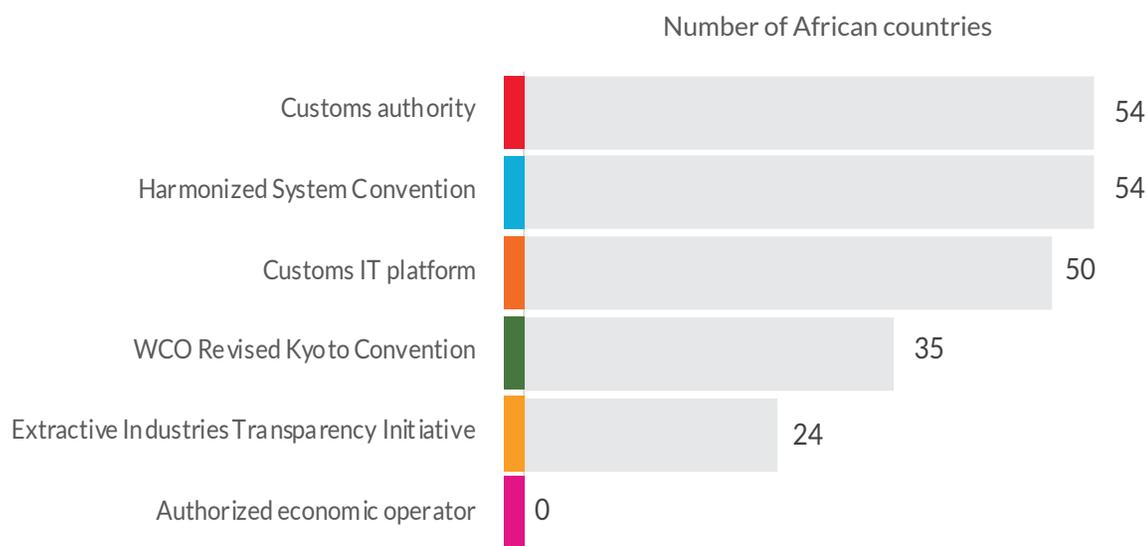
APPROPRIATE IT PLATFORMS

THE WCO REVISED KYOTO CONVENTION

THE HARMONISED SYSTEM CONVENTION

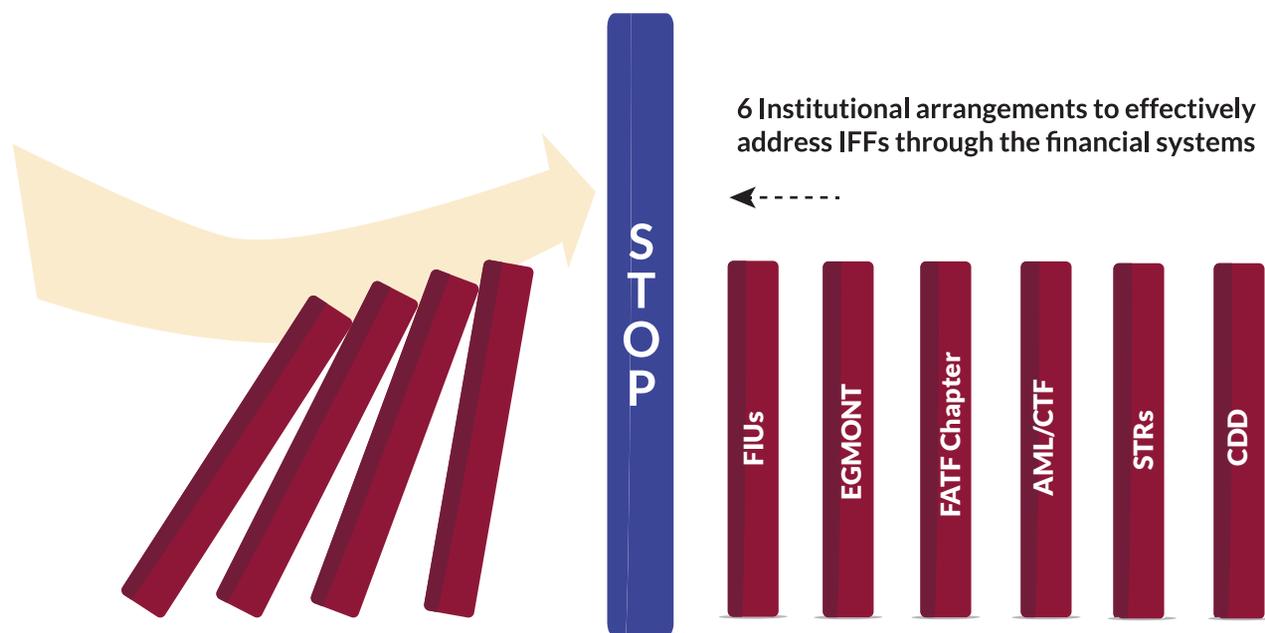
EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI)

AUTHORISED ECONOMIC OPERATORS (AEO)

Figure 2: Institutional architecture for addressing trade mis-invoicing in Africa

- All African countries have acceded to using the **harmonized system**—an international nomenclature for classifying products that gives participating countries a common basis for classifying goods for customs purposes—that reduces ambiguities exploited by IFFs perpetrators.
- 16 African countries have 5 of the 6 **institutional arrangements in place to tackle trade mis-invoicing**—Burkina Faso, Cameroon, Congo, Côte d’Ivoire, Democratic Republic of Congo, Ghana, Madagascar, Malawi, Mali, Mozambique, Nigeria, São Tomé and Príncipe, Senegal, Sierra Leone, Togo and Zambia.
- 25 have 4 institutional arrangements—Algeria, Angola, Benin, Botswana, Cabo Verde, Central African Republic, Chad, Eswatini, Ethiopia, Gabon, Guinea, Liberia, Mauritania, Mauritius, Morocco, Namibia, Niger, Rwanda, Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda and Zimbabwe.
- 11 countries have only 3 institutional arrangements—Burundi, Comoros, Djibouti, Egypt, Equatorial Guinea, Eritrea, Gambia, Guinea-Bissau, Kenya, Lesotho and Libya.
- Somalia and South Sudan have only 2 of the desired 6 institutional arrangements to effectively tackle trade mis-invoicing.
- By May 2020, at least 36 African countries had acceded to the **World Customs Organization’s revised Kyoto Convention**, the main global trade facilitation customs convention. This leaves the remaining 18 countries vulnerable to trade mis-invoicing practices—Burundi, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Liberia, Libya, Mauritania, Seychelles, Somalia, South Sudan and Tanzania.
- 30 countries are currently not active members of the **Extractive Industries Transparency Initiative (EITI)**, the global standard for good governance of oil, gas and natural resources. The Initiative strengthens governance systems along the value chain of extractive industries. The countries are: Algeria, Angola, Benin, Botswana, Burundi, Cabo Verde, Comoros, Djibouti, Egypt, Equatorial Guinea, Eritrea, Eswatini, Gabon, Gambia, Guinea-Bissau, Kenya, Lesotho, Libya, Mauritius, Morocco, Namibia, Niger, Rwanda, Somalia, South Africa, South Sudan, Sudan, Tunisia, Uganda and Zimbabwe. This list includes 8 oil exporters—Algeria, Angola, Equatorial Guinea, Gabon, Libya, Niger, South Sudan and Sudan—and 12 mineral rich countries—Algeria, Benin, Botswana, Djibouti, Equatorial Guinea, Lesotho, Namibia, Niger, Rwanda, South Africa, Sudan and Zimbabwe. All of these countries would benefit by signing up.
- No African country has implemented the **Authorized economic operator** system. The AEO, among other things, transparently expedites processing and release of shipments, thereby limiting opportunities for IFFs.

NATIONAL INSTITUTIONAL ARCHITECTURE TO ADDRESS IFFs THROUGH THE FINANCIAL SYSTEM



6 Institutional arrangements to effectively address IFFs through the financial systems

For countries to effectively address IFFs through financial systems, the following institutional arrangements should be in place:

- Create financial intelligence units (FIUs).
- Sign up with the EGMONT Group.
- Take up membership in a chapter of the Financial Action Task Force (FATF).
- Enact an anti-money laundering (AML) and counter terrorism financing (CTF) legislation.
- Institute a system for detecting and investigating suspicious transactions (STRs).
- Institute a system for carrying customers due diligence (CDD).

Overall African countries score relatively well:

- 29 countries having all the institutional arrangements in place—Algeria, Angola, Benin, Burkina Faso, Cameroon, Cabo Verde, Chad, Congo, Cote d’Ivoire, Egypt, Ethiopia, Gabon, Ghana, Malawi, Mali, Mauritius, Morocco,

Namibia, Niger, Nigeria, Senegal, Seychelles, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda and Zambia.

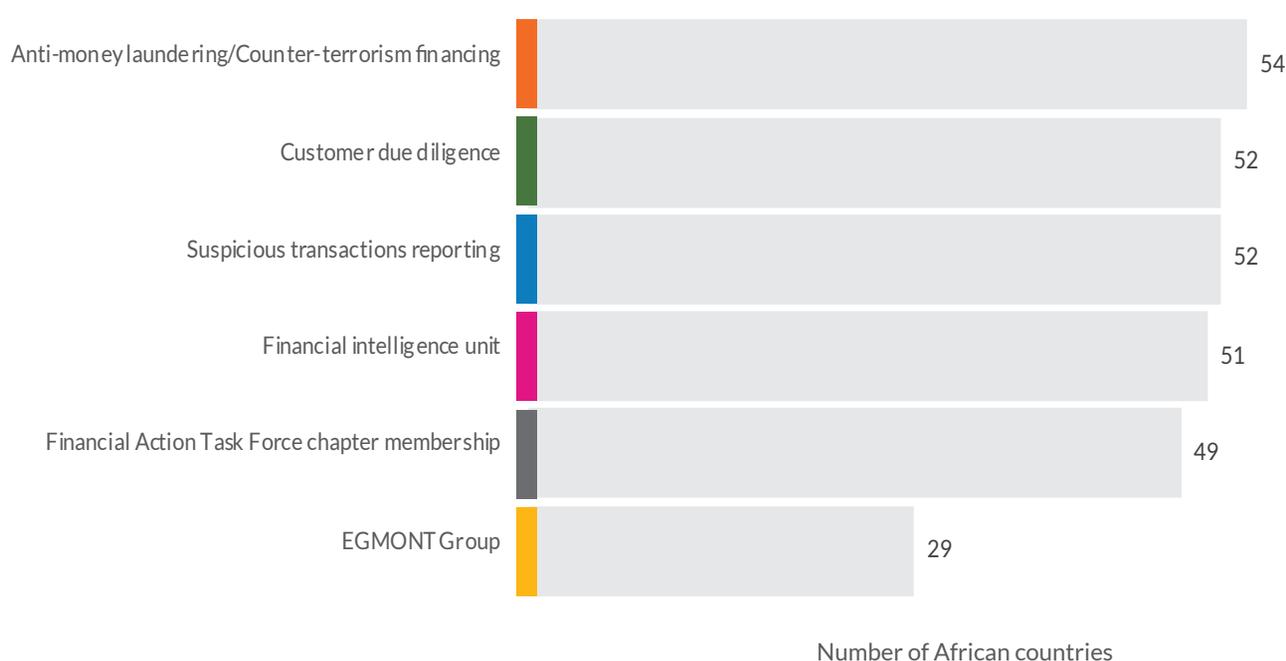
- 18 Countries having 5 of the 6 institutional arrangements—Botswana, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eswatini, Gambia, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Mozambique, Rwanda, Sierra Leone, Somalia and Zimbabwe.
- 3 countries having only four of the institutional arrangements—Guinea, Mauritania and South Sudan.
- 3 countries having only three of the 6 institutional arrangements—Central African Republic, Eritrea and São Tomé and Príncipe.
- Burundi is the only country with 2 of the 6 institutional arrangements—an FIU and the AML/CTF legislation.

Most African countries have the **national institutional architecture** to address IFFs through the financial system (figure 3).

- 54 have **anti-money-laundering and counter-terrorism financing legislation**.
- 52 countries (except Burundi and Central African Republic) having both **customs due diligence (CDD)** and suspicious transactions reporting (STRs) systems.
- 49 countries are members of different chapters of the **Financial Action Task Force (FATF)**—except Burundi, Eritrea, Mauritania, São Tomé and Príncipe and South Sudan.
- 51 countries have **financial intelligence units (FIUs)**—except Eritrea, Guinea and São Tomé and Príncipe.
- 29 African countries have signed up to the **EGMONT Group**, which provides a forum for FIUs around the world to enhance support of governments in the fight against money laundering, financing of terrorism and other financial crimes— Algeria, Angola, Benin, Burkina Faso, Cameroon, Cabo Verde, Chad, Congo, Cote d’Ivoire, Egypt, Ethiopia, Gabon, Ghana, Malawi, Mali, Mauritius, Morocco, Namibia, Niger, Nigeria, Senegal, Seychelles, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda and Zambia.
- 25 countries are without the benefits of **EGMONT** enhancing their effectiveness in addressing IFFs—Botswana, Burundi, Central African Republic, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Eswatini, Gambia, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Mauritania, Mozambique, Rwanda, São Tomé and Príncipe, Sierra Leone, Somalia, South Sudan and Zimbabwe.

While organizational setups exist to varying extent in most countries, the human resource, equipment, legal framework and institutions capacities to effectively address IFFs are inadequate. **Addressing IFFs effectively requires a whole-of-government approach where disparate organizations are coordinated to ensure the seamless flow of information.** This is lacking in most countries and so limits their ability to effectively address IFFs.

Figure 3: National institutional architecture to address IFFs through the financial system



ANTI-CORRUPTION MEASURES ADDRESSING IFFs

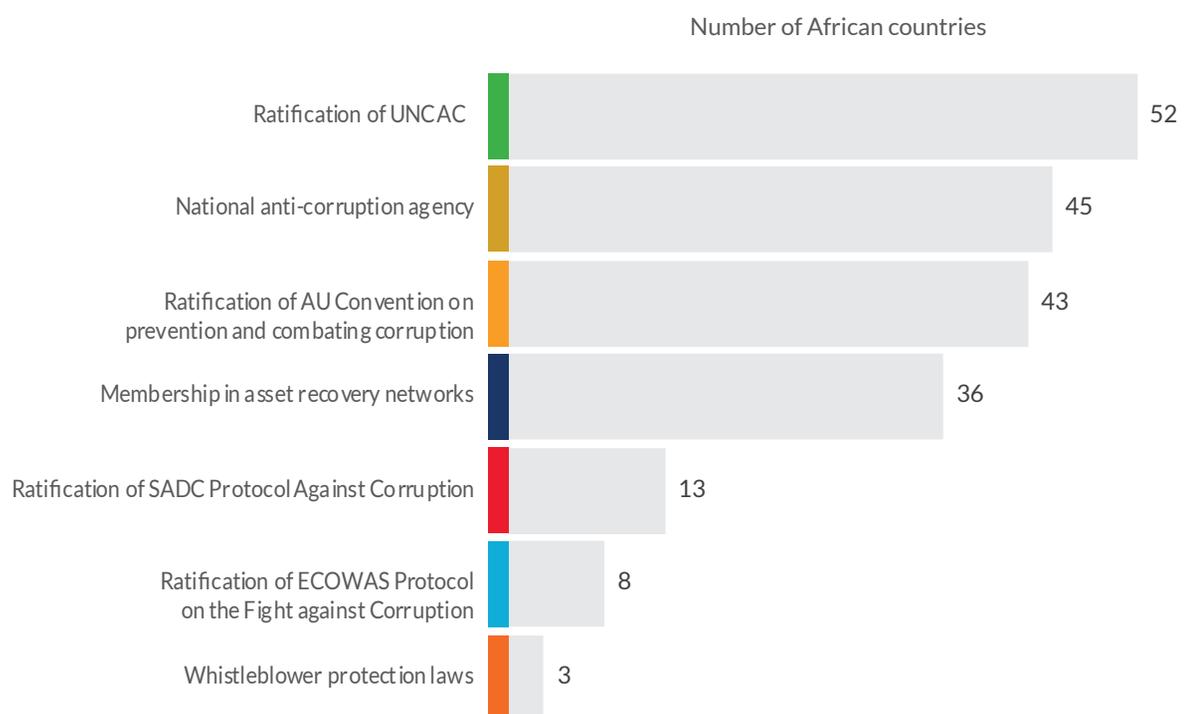
All African countries have ratified the **UN Convention against Corruption (UNCAC)** (figure 4), apart from Eritrea and Somalia.

- 43 countries have ratified the **AU Convention on preventing and combating corruption**—except Cameroon, Cabo Verde, Central African Republic, Democratic Republic of Congo, Djibouti, Eritrea, Eswatini, Mauritania, Morocco, Somalia and South Sudan.
- 45 countries have **institutionalized national anti-corruption agencies**—except Chad, Congo, Egypt, Equatorial Guinea, Eritrea, Gambia, Mali, São Tomé and Príncipe and Somalia.
- 36 countries are members of Asset Recovery Networks—except Algeria, Angola, Cameroon, Central African Republic, Chad, Comoros, Congo, Democratic Republic of Congo, Egypt, Equatorial Guinea, Eritrea, Gabon, Libya, Mauritania, Morocco, Somalia, Sudan and Tunisia.

At the sub-regional level, 14 of SADC’s 16 members have ratified the SADC protocol against corruption—except Madagascar and Seychelles—while only 8 of ECOWAS’ 15 members have ratified the ECOWAS protocol on the fight against corruption—except Cabo Verde, Côte d’Ivoire, Guinea, Guinea-Bissau, Liberia, Niger, and Senegal. More worrisome though, is that only three countries—Namibia, South Africa and Tunisia—have clear laws on protecting whistle-blowers, a key strategy in the fight against corruption.

While Cabo Verde is a signatory to UNCAC and has a national anti-corruption agency, it has not signed-up to the AU convention nor to the ECOWAS Protocol on the fight against corruption. Eritrea and Somalia have not signed up to the UNCAC nor the AU Convention, and they do not have anti-corruption agencies.

Figure 4: Status of institutional architecture for preventing and combating corruption in Africa



ANTI-CORRUPTION MEASURES

Ratified UN Convention against Corruption (UNCAC)	Ratified AU Convention on preventing and combating corruption	Have institutionalised national anti-corruption agencies	Are members of Asset Recovery Networks.
Algeria	Algeria	Algeria	Algeria
Angola	Angola	Angola	Angola
Benin	Benin	Benin	Benin
Botswana	Botswana	Botswana	Botswana
Burkina Faso	Burkina Faso	Burkina Faso	Burkina Faso
Burundi	Burundi	Burundi	Burundi
Cabo Verde	Cabo Verde	Cabo Verde	Cabo Verde
Cameroon	Cameroon	Cameroon	Cameroon
Central African Republic (CAR)	Central African Republic (CAR)	Central African Republic (CAR)	Central African Republic (CAR)
Chad	Chad	Chad	Chad
Comoros	Comoros	Comoros	Comoros
Congo, Democratic Republic of the	Congo, Democratic Republic of the	Congo, Democratic Republic of the	Congo, Democratic Republic of the
Congo, Republic of the	Congo, Republic of the	Congo, Republic of the	Congo, Republic of the
Cote d'Ivoire	Cote d'Ivoire	Cote d'Ivoire	Cote d'Ivoire
Djibouti	Djibouti	Djibouti	Djibouti
Egypt	Egypt	Egypt	Egypt
Equatorial Guinea	Equatorial Guinea	Equatorial Guinea	Equatorial Guinea
Eritrea	Eritrea	Eritrea	Eritrea
Eswatini (formerly Swaziland)	Eswatini (formerly Swaziland)	Eswatini (formerly Swaziland)	Eswatini (formerly Swaziland)
Ethiopia	Ethiopia	Ethiopia	Ethiopia
Gabon	Gabon	Gabon	Gabon
Gambia	Gambia	Gambia	Gambia
Ghana	Ghana	Ghana	Ghana
Guinea	Guinea	Guinea	Guinea
Guinea-Bissau	Guinea-Bissau	Guinea-Bissau	Guinea-Bissau
Kenya	Kenya	Kenya	Kenya
Lesotho	Lesotho	Lesotho	Lesotho
Liberia	Liberia	Liberia	Liberia
Libya	Libya	Libya	Libya
Madagascar	Madagascar	Madagascar	Madagascar
Malawi	Malawi	Malawi	Malawi
Mali	Mali	Mali	Mali
Mauritania	Mauritania	Mauritania	Mauritania
Mauritius	Mauritius	Mauritius	Mauritius
Morocco	Morocco	Morocco	Morocco
Mozambique	Mozambique	Mozambique	Mozambique
Namibia	Namibia	Namibia	Namibia
Niger	Niger	Niger	Niger
Nigeria	Nigeria	Nigeria	Nigeria
Rwanda	Rwanda	Rwanda	Rwanda
Sao Tome and Principe	Sao Tome and Principe	Sao Tome and Principe	Sao Tome and Principe
Senegal	Senegal	Senegal	Senegal
Seychelles	Seychelles	Seychelles	Seychelles
Sierra Leone	Sierra Leone	Sierra Leone	Sierra Leone
Somalia	Somalia	Somalia	Somalia
South Africa	South Africa	South Africa	South Africa
South Sudan	South Sudan	South Sudan	South Sudan
Sudan	Sudan	Sudan	Sudan
Tanzania	Tanzania	Tanzania	Tanzania
Togo	Togo	Togo	Togo
Tunisia	Tunisia	Tunisia	Tunisia
Uganda	Uganda	Uganda	Uganda
Zambia	Zambia	Zambia	Zambia
Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe

 Participating countries

 Non-participating countries

RECOMMENDATIONS

This report suggests the need for a **whole-of-government approach and greater inter-agency collaboration, coordinated reporting, removal of duplicated and competing mandates, as well as consistent political support for institutional reforms to combat IFFs.** More specific recommendations are grouped under five broad areas:

NATIONAL STRATEGIES

LEGAL FRAMEWORKS

OPERATIONAL FRAMEWORKS

CAPACITY BUILDING

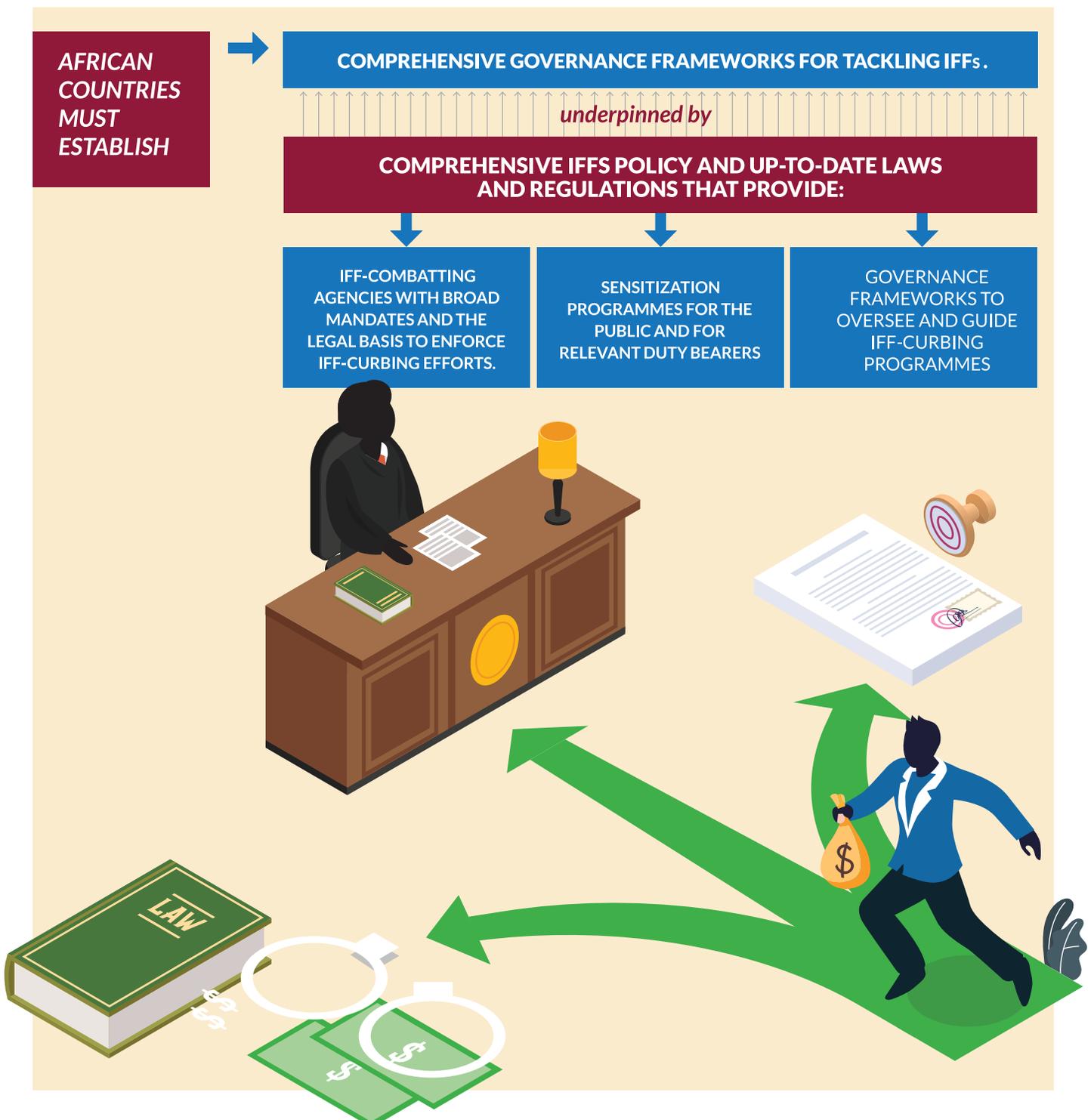
**REGIONAL AND INTERNATIONAL
COOPERATION**



NATIONAL STRATEGIES

African countries must establish comprehensive governance frameworks for tackling IFFs. These must be underpinned by comprehensive IFFs policy and up-to-date laws and regulations that provide:

- IFFs-combatting agencies with **broad mandates and the legal basis** to enforce IFFs-curbing efforts.
- **Sensitization programmes** for the public and for relevant duty bearers—policymakers; customs, tax and financial intelligence unit officials; anti-smuggling units and drugs enforcement agencies; as well as for oversight bodies.
- **Governance frameworks** to oversee and guide IFFs-curbing programmes in a collaborative and coordinated fashion.

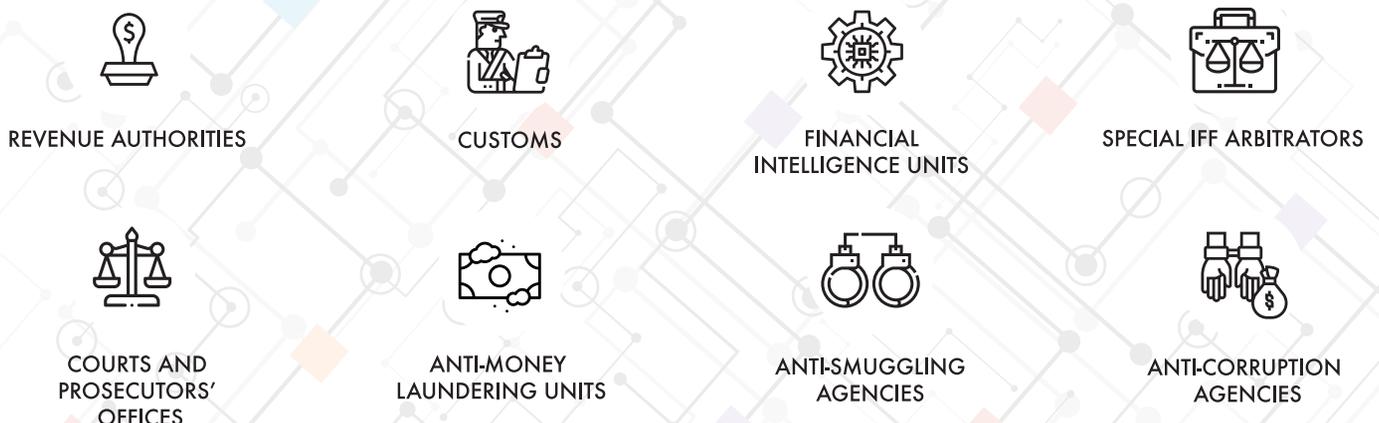
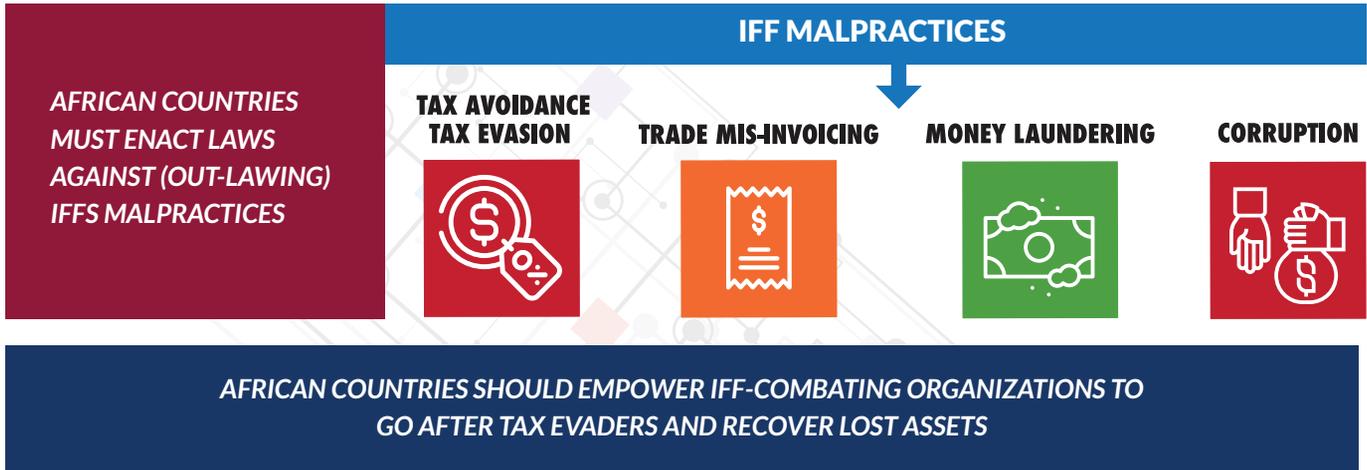


LEGAL FRAMEWORKS

African countries must enact laws and outlaw IFFs malpractices carried out through corruption, tax evasion, tax avoidance, trade mis-invoicing and money laundering. They should empower IFFs-combating organizations—customs, revenue authorities, special IFFs arbitrators, financial intelligence units, courts and prosecutors’ offices, anti-money laundering units, anti-smuggling agencies, anti-corruption agencies—to go after tax evaders and recover lost assets.

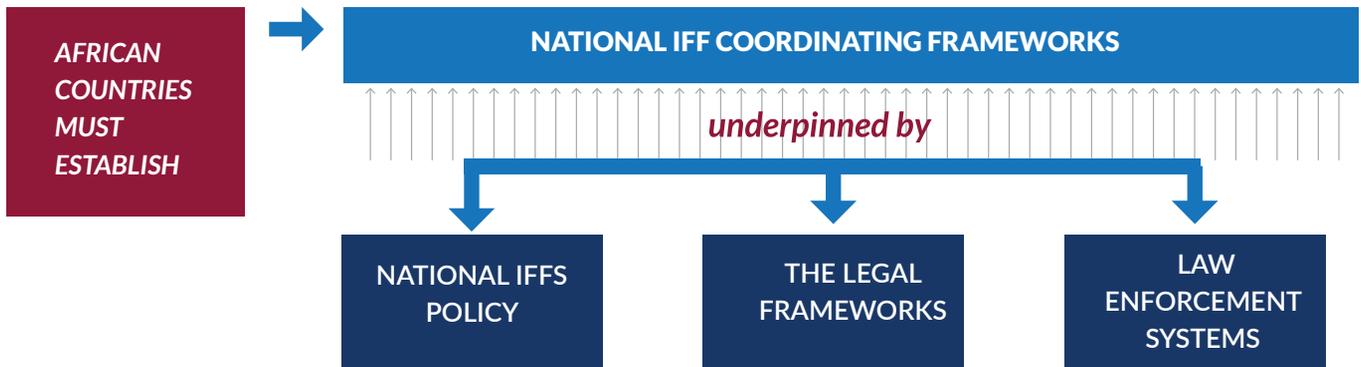
African countries with existing legislation should strengthen and scale-up enforcement to plug the revenue leakages. They should:

- **Outlaw practices** causing and facilitating IFFs.
- Require the **declaration of beneficial ownership**—of companies, accounts and legal entities—involved in transactions in their jurisdictions.
- **Clarify rules governing** the collection, sourcing, storage, protection and sharing (within and outside the country) and use of tax, finance, trade and other IFFs data, as well as the rules governing servicing risk analysis, mitigation, management, and compliance oversight and supervision.
- **Protect whistle-blowers** to enable risk-free diligent intelligence in support of audits and the prosecution of defaulters.
- **Require economic entities**, including multinational companies, to **publicly disclose** their revenues, profits, losses, sales, taxes paid, subsidiaries and staff levels on a country-by-country basis through adoption of country-by-country reporting (CbCR), as well as through the automatic exchange of information (AEOI) for tax information, with all other trading and corresponding partner countries.



OPERATIONAL FRAMEWORKS

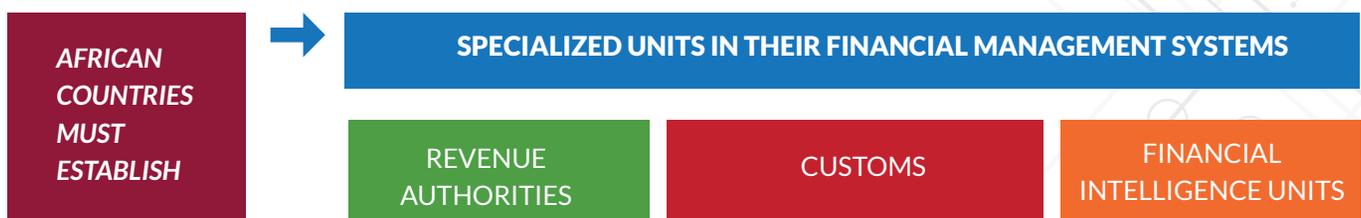
African countries must establish national IFF coordinating frameworks, underpinned by national IFFs policy, and the legal frameworks and law enforcement systems. The national coordinating framework should bring together agencies essential to tackling IFFs, and provide them with clear mandates and an interagency task force to oversee and report on the activities of each agency in curbing tax-motivated IFFs.



CAPACITY BUILDING

African countries must establish specialized units in their financial management systems—revenue authorities, customs, and financial intelligence units—and equip them with up-to-date skills and tools for:

- Auditing—including auditing MNEs, and finance and trade transactions.
- Investigating and prosecuting, transfer-pricing and establishing a roster of comparables of the most common commodities, services and skills.
- Enhancing procurement and giving access to the public on procurement information and trade mis-invoicing.
- Gathering and exchanging sensitive information—internally and with external jurisdictions.
- Increasing legal capacity to decode and navigate loopholes hidden by bilateral tax treaties
- Improving data collection, the availability of quality data, and the analysis of data to combat IFFs and money laundering to better detect and prosecute violators as well as to improve the exchange and sharing of information with collaborators within and outside the country.
- African governments must adequately resource FIUs with capacity to track, investigate, monitor and evaluate national strategies and legal instruments for stopping IFFs.



EQUIP THEM WITH UP-TO-DATE SKILLS AND TOOLS FOR:



AUDITING



INVESTIGATIONS AND PROSECUTIONS



TRADE MIS-INVOICING



SENSITIVE INFORMATION GATHERING & EXCHANGE



LEGAL CAPACITY FOR LOOPHOLES

REGIONAL AND INTERNATIONAL COOPERATION

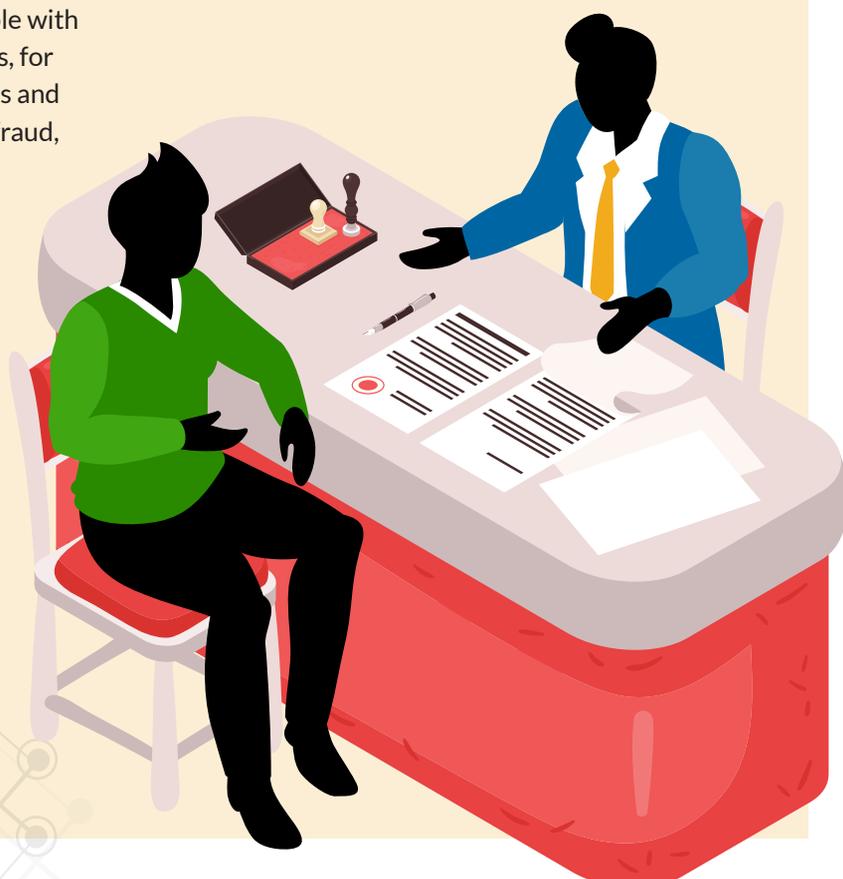
African countries should commit to and implement regional and international initiatives to curb IFFs such as:

- The Addis Tax Initiative and join other complementary initiatives.
- The Inclusive Framework on Base Erosion and Profit-Sharing (BEPS).
- The Global Forum on Transparency and the Exchange of Information, and the Tax Inspectors Without Borders (TIWB) initiative to further support efforts to curb tax-motivated IFFs as a key component of the development agenda.
- The UNCAC and the AU Convention and sub-regional protocols on anti-IFFs measures, and fully implement the tenets of the conventions and protocols.



African countries should also:

- Establish an apolitical dispute settlement and trade facilitation authority to promote regional efforts to curb corruption, tax-motivated and trade-based IFFs and money laundering.
- Establish a Mutual Administrative Assistance Legal Instrument at the regional level, interoperable with national systems and international standards, for mutual support in efficiently settling disputes and enforcing action on trade mis-invoicing, tax fraud, money laundering and corruption.





 United Nations
Economic Commission for Africa