

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA P. O. Box 3243 Telephone: 011-551 7700 Fax: 011-551 7844

Website: www.au.int

PAN-AFRICAN CONFERENCE ON FIGHTING IFFs IN AFRICA

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

26-28 June 2024 (Tunis, Tunisia)

Original: English

TUNIS DECLARATION

TUNIS DECLARATION OF THE PAN-AFRICAN CONFERENCE ON FIGHTING IFFs IN AFRICA

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

26-28 June 2024 (Tunis, Tunisia)

WE, African Union Member States Representatives, Public Policymakers and Private Sector, International Organisations, Development partners working on Illicit Financial Flows (IFFs), NGOs, Civil Societies, Journalists and Philanthropists, gathered for the Pan-African Conference on Fighting IFFs in Africa on 26-28 June 2024 in Tunis (Tunisia) under the auspices of the African Union and in collaboration with the African Tax Administration Forum, Tax Justice Network Africa and other key partners;

HAVING deliberated on the theme **“Africa’s Tax Agenda in Combatting Illicit Financial Flows: From Words to Action”** and **COGNIZANT** that illicit financial flows pose an unprecedented threat to achieve the Aspirations of Africa's development framework Agenda 2063 and the Sustainable Development Goals (SDGs);

CONCERNED with the increasing scale and extent of Illicit Financial flows from Africa, particularly from our extractive industries, which constitute a drain on the resources required for Africa's development. Approximately US\$88.6 billion is lost annually from the continent due to IFFs or “Illicit Capital Flight”, mainly through aggressive tax and commercial practices like mis-invoicing of trade shipments and criminal activities such as illegal markets, corruption or theft.¹ This figure constitutes about 3.7% of the total GDP of the continent. It is also nearly equal to the combined sum of the annual official development assistance and foreign direct investment that African countries receive;

RECALL the loss through IFFs, which has nearly doubled from US\$50 billion annually, as reported by the findings of the AU-UNECA High-Level Panel (HLP) on Illicit Financial Flows (IFFs) in 2015. Tax incentives contribute to a further US\$220 billion loss and can play an important role as an enabler or facilitator of IFFs. Finally, US\$40 billion is lost annually from the continent via the extractives sector;²

RECOGNISING that the Fourth Industrial Revolution (4IR) could help address significantly the IFFs outflows through the implementation of innovative digital solutions and upskilling educational programmes;

CONSCIOUS that the deterioration of global growth perspective- COVID, Climate and Conflicts- continues to affect African economies and is a developmental crisis derailing the decades of hard-won gains. Specifically, on African capacities to access sustainable

¹ <https://www.un.org/osaa/ar/content/tackling-illicit-financial-flows-africa-arising-taxation-and-illegal-commercial-practices>

² https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

financial resources with the correlative effect on capital accumulation, productivity, and social outcomes;

AWARE that the urgency to eliminate illicit financial flows is all the more imperative in the context of boosting intra-Africa trade through the African Continental Free Trade Area (AfCTFA) Agreement, which requires a more significant mobilisation of domestic resources to accelerate Africa's productive transformation to build resilient regional value chains for a continental and global productive and competitive economy;

RECOGNISING that illicit financial flows are a shared problem and a shared responsibility between developed and developing countries and thus, it is imperative to identify coordinated national, regional and international responses to combat them;

CALLING for decisive action from countries that allow wealthy individuals and Multinational companies to shift and hide their profits illicitly;

ACKNOWLEDGING that IFFs are complex and multifaceted, we deliberated on significant advances and persistent challenges in African tax policy to curb them. We discussed strengthening the global financial architecture to better serve Africa's development needs. We explored the nexus between IFFs and intra-African trade dynamics, particularly under the AfCFTA. Further, we examined the intricate linkages between IFF practices and burgeoning debt burdens across the continent, focusing on how IFFs exacerbate debt vulnerabilities. Our discussions also focused on the role of supreme audit institutions in auditing public finances and uncovering irregularities and corruption. Participants agreed that there is a need for supreme audit institutions to provide recommendations to improve transparency, accountability, and governance in managing public resources. Other important subjects were discussed among them, exploring the intricate connections between tax policy and gender dynamics, along with the importance of repatriating stolen assets through international cooperation, legal frameworks, and initiatives like the Common African Position on Asset Recovery (CAPAR) and the Stolen Asset Recovery Initiative (StAR), aiming to overcome technical, legal and political challenges in tracing, freezing, confiscating and returning illicitly acquired funds to support Africa's development;

FURTHER the need for precise measurement of IFFs for effective policymaking was highlighted, with possible collaborations involving the Economic Commission for Africa (UNECA), the United Nations Office on Drugs and Crime (UNODC), and the UN Trade and Development (UNCTAD). Environmental, social, and governance (ESG) frameworks were considered crucial for mitigating IFF risks, with a proposal to establish an African Sustainability Standards Board and an African Sustainability Ratings Agency tailored to the African context. Additionally, there is a need to forge a global alliance to combat IFFs and advance anti-money laundering/combating the financing of terrorism (AML/CFT) initiatives. Innovative strategies for domestic resource mobilisation were seen as essential for reducing dependency on external financing and ensuring economic stability and growth for Africa. Our discussions underscored the necessity of monitoring progress and reporting annually on the implementation of measures to curb IFFs from Africa;

NOTE the African Union Heads of State and Government, during its Thirty-Sixth Ordinary Session held on 18-19 February 2023 in Addis Ababa, Ethiopia, committed as per the decision (Assembly/AU/Dec.839-865(XXXVI)) to curb IFFs that continue to drain substantial financial resources paramount for economic and social development, and undermine the attainment of the goals and aspirations of Africa's Agenda 2063. This commitment by the African Heads of State and Government was reiterated in 2024 during the Assembly of the AU Heads of State, which took place from 14-18 February 2024, with calls for reform of the Global Financial Architecture;

FURTHER NOTE that the African ministers during the 6th Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration, held from 17 to 21 July 2023, endorsed the report of the 2nd STC Subcommittee on Tax and IFFs, which recommended the Commission commence implementation of the report's outcomes in collaboration with African Tax Administration Forum (ATAF), UNECA, and other Pan-African Institutions;

COMMENDING the continental and international efforts deployed to fight against illicit financial flows and the commitment of the "Good Financial Governance in Africa Partner Networks", including ATAF, the Collaborative Africa Budget Reform Initiative (CABRI), the African Organization of Supreme Audit Institutions, the African Organization of English-speaking Supreme Audit Institutions (AFROSAI and AFROSAI-E), the African Organization of Public Accounts Committees (AFROPAC) to curb IFFs, through their declaration from the international conference held from 24 May to 26, 2017 on curbing illicit financial flows through good financial governance "united against illicit financial flows";

ACKNOWLEDGING Africa's proactive leadership in continental and global tax reform discussions, primarily through the African Union and the African Group at the United Nations;

NOTING that engaging all stakeholders in capacity-building initiatives, raising awareness about the detrimental effects of IFFs and promoting ethical business practices is vital. It is also important to establish mechanisms to monitor the implementation of these commitments and report progress regularly through the relevant AU policy organs, as this can greatly contribute to alternative sources of financing Africa's development agenda;

WE HEREBY:

- 1. Reiterate** our resolve to attain the goals and objectives of stemming illicit financial flows from Africa to achieve continental socio-economic transformation as enshrined in Agenda 2063 and its flagship projects. This includes structural transformation and productive diversification powered by innovation, digitalization, and leveraging the fourth industrial revolution, investments, domestic resource mobilization, increased intra-African trade, and increasing Africa's share of global trade to reduce the continent's vulnerability to domestic and external shocks;

2. **Further** reiterate our determination to vigorously fight against IFFs from Africa to make the most of our domestic resources through:
 - Improving the tax systems and tax administrations of African countries to ensure fairness and increase revenues;
 - The intensification of the Pan-African collaboration on IFFs to speak with one voice in the global debate and follow a joint, coherent and systematic approach;
 - Upscaling the fight against money laundering by legislation based on domestic risk assessments, consistent implementation of the laws in place, and strengthening Financial Intelligence Units (FIUs);
3. **Reaffirm** that we will continue to strengthen our legal frameworks, enhance regulatory policies, and promote transparent tax systems to significantly reduce IFFs and tax evasion;
4. **Resolve** to support building capacities of our financial and tax authorities to detect, prevent, and prosecute illicit financial activities while enhancing cooperation between African countries and global partners;
5. **Urge** for more substantial international support for information exchange for tax purposes, asset recovery, and the global financial system reform to address IFFs challenges transparently and equitably;
6. **Advocate** for the active involvement of civil society, the private sector, and the media in promoting transparency and accountability in financial systems;
7. **Support** initiatives by partners like guidelines and tools for measuring IFFs to enable precise and effective policymaking and evidence-based responses to combat IFFs. Additionally, mechanisms should be established at all levels to monitor the implementation of commitments and report progress annually at various African Union meetings;
8. **Commit** to supporting AUC and its partners in their advocacy for a Common African Position in the global tax reform agenda (UN and G20);
9. **Further Commit** to enhancing the use of innovative strategies for the recovery and reintegration of stolen assets, emphasizing the role of international cooperation and regional mechanisms like the Common African Position on Asset Recovery (CAPAR);
10. **Propose** that the African Union consider establishing an African Sustainability Standards Board (ASSB) and an African ESG Rating Agency to develop tailored solutions for the continent's unique challenges;
11. **Hold** each other accountable for the progress of implementing conference resolutions, i.e. through already established forums, such as the Sub-Committee on Tax and Illicit Financial Flows of the AU Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning, and Integration;

- 12. Acknowledge** that combating illicit financial flows requires a range of actions that include deterring, detecting, preventing and countering such flows in source, transit and destination countries and expeditious law enforcement action and cooperation;
- 13. Express** the need to ensure that the international community gives the necessary attention to Illicit Financial Flows and their impact on domestic resource mobilisation, and in this regard, stress the need for robust international cooperation to address the problem.
- 14. Encourage** countries and relevant multilateral and international organisations to continue and strengthen their efforts to provide, upon request, technical assistance and capacity-building assistance to developing countries, as well as to support African and other regional initiatives to prevent, detect and combat illicit financial flows and to strengthen good practices on assets recovery and return to foster sustainable development in line with the 2030 Agenda for Sustainable Development.

VOTE OF THANKS

- 15.** Express our sincere appreciation to H.E., Mr. Kais Saied, President of the Republic of Tunisia, the Government and the citizens of Tunisia for the hospitality extended to all participants and for the courtesies which ensured the success of the Pan-African Conference in the fight against Illicit Financial Flows in Africa;
- 16.** Finally, we wish to extend our gratitude to the African Union Commission, the African Tax Administration Forum (ATAF), the Tax Justice Network Africa (TJNA), 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) for their excellent collaboration in organising this event. We also thank our generous donors for making this event possible.

Adopted on this 28th day of June 2024, in Tunis, Tunisia.