

Successes and Challenges of Implementing the Recommendations of African Union High Level Panel on Illicit Financial Flows

AU HLP - IFF Secretariat's Report



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Foreword



Although Africa is rich in resources, a large part of its population still lives in extreme poverty. A key factor driving this poverty is Illicit Financial Flows (IFFs), which drain the continent of essential resources needed for growth and poverty reduction. While many studies have pointed out the harmful effects of IFFs on Africa's development, it was the African Union's High-Level Panel Report on Illicit Financial Flows—commonly known as the Mbeki Panel Report—that offered the most detailed analysis of IFFs' scale and scope in Africa. Approved by the African Union Assembly in 2015 (Assembly/AU/17 (XXIV)), the report showed that Africa loses about USD 50 billion every year due to IFFs, with commercial activities making up 65%-70% of these losses. Recent data from the United Nations Conference on Trade and Development (UNCTAD) shows this number has increased significantly to USD 88 billion annually.

Despite Africa's notable progress in addressing IFFs, significant challenges lie ahead, particularly in strengthening regulatory frameworks and enhancing law enforcement capabilities at both the continental and national levels. As detailed in this report, many African countries have successfully established key institutions aimed at curbing IFFs, including Financial Intelligence Units (FIUs), Large Taxpayers Units, and Beneficial Ownership (BO) databases. However, the effectiveness of these institutions remains limited due to several persistent barriers. These barriers include inadequate coordination mechanisms, reliance on foreign regulatory standards that may not align with local contexts, weak financial regulatory environments, insufficient law enforcement capabilities, and evolving political dynamics. Moving forward, the African Union and its member states must decisively harmonize their regulatory frameworks and coordinate their law enforcement efforts more effectively.

Africa, being the world's youngest continent, faces the daunting challenge of creating millions of jobs for its rapidly growing youth population. Economic growth and job creation demand substantial investment in infrastructure, education, health, transportation, energy, and information technology. According to the African Union, the continent needs an additional USD 194 billion annually to reach its development goals.

African nations still face high debt levels and low tax-to-GDP ratios, problems worsened by rising global interest rates and increased competition for critical minerals worldwide. In this environment, IFFs have kept growing without stopping,

greatly raising the opportunity cost for Africa, which is experiencing a 2.4% annual population growth. Recent international efforts like the United Nations Convention on Global Tax Cooperation are positive steps; however, ongoing issues with global debt restructuring and unequal governance in international financial institutions (IFIs) show it's too soon to celebrate success.

Addressing IFFs requires a consistent, institutionalized, and cohesive response from African nations. As rightly emphasized by the AU High-Level Panel on IFFs, achieving such a response goes beyond just technical measures and demands strong political commitment from African governments. Since collective development and improved livelihoods are at risk, tackling IFFs should be a top priority. Therefore, I firmly believe that African governments must coordinate their efforts, standardize regulatory practices, and work together to fight IFFs effectively.

This report from the AU HLP-IFF Secretariat details the major developments over the decade since the Mbeki Panel Report, highlighting key achievements at both continental and national levels. Based on experiences in 16 African countries, it also points out ongoing gaps and challenges in implementing the AU HLP-IFF recommendations. While I applaud the Secretariat for producing this thorough assessment, I expect that African policymakers, researchers, civil society leaders, practitioners, and citizens will keep working together to develop an inclusive, adaptable, and strong framework to prevent IFFs.

Addressing the issue of Illicit Financial Flows requires collective effort. Africa has shown leadership by establishing and empowering the AU HLP-IFF to promote and direct efforts against this problem. Now is the time for sustained and coordinated action.

Dr. Abdalla Hamdok
Former Prime Minister of Sudan and
Alt. Chair of Board of Directors, CoDA

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This report was produced under an overall oversight of Ms. Souad Aden-Osman, the Executive Director of CoDA and AU HLP – IFF Secretariat, and technical guidance by Prof. Florens Luoga, Senior Advisor, retired governor of the Bank of Tanzania (BoT) and Commissioner of the Tax Reforms Committee. Chapters have been contributed by Prof. Horman Chitonge, Dr. Redge Nkosi, Mr. Getachew Teklemariam and Mr. Lameck Odada. The drafters are very grateful for a feedback from reviewers including Dr. N'dongo Samba Sylla, Amb. Adeyemi Dipeolu and Dr. Lebohlang Pheko. The Technical Annex on measurement methodologies benefited from feedback from the Ad-hoc Group on Measurement of IFFs in Africa consisting of Hon. Maxwell Mkwezalamba, Prof. Florens Luoga and Mr. Mousa Toure.

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As this report shares a decade of experience of the AU HLP – IFF Secretariat, we strongly believe that it will prompt policy discussions on containing IFFs, particularly at national levels, but also at continental level and internationally.

Abbreviations

<i>AETI</i>	<i>Automatic Exchange of Tax Information</i>
<i>AfBC</i>	<i>African Business Council</i>
<i>AfCDC</i>	<i>African Centre for Disease Control</i>
<i>AfCFTA</i>	<i>African Continental Free Trade Area</i>
<i>AfDB</i>	<i>African Development Bank</i>
<i>AFROSAI-E</i>	<i>African Organisation of English-Speaking Supreme Audit Institutions</i>
<i>AFIAP</i>	<i>African Financial Integrity and Accountability Project</i>
<i>AFREXIMBANK</i>	<i>African Export- Import Bank</i>
<i>AIF</i>	<i>African Integrity Fund</i>
<i>ALSF</i>	<i>African Legal Support Facility</i>
<i>AML/TF</i>	<i>Anti-Money Laundering and Terrorism Financing</i>
<i>AMV</i>	<i>African Mining Vision</i>
<i>APRM</i>	<i>African Peer Review Mechanism</i>
<i>ASYCUDA</i>	<i>Automated System for Customs Data</i>
<i>ATAF</i>	<i>African Tax Administration Forum</i>
<i>AU</i>	<i>African Union</i>
<i>AU HLP on IFFs</i>	<i>African Union High Level Panel on Illicit Financial Flows</i>
<i>AUC</i>	<i>African Union Commission</i>
<i>AUC - ETTIM</i>	<i>African Union Commission - Department of Economy, Trade, Tourism, Industry & Mining</i>
<i>AUCPCC</i>	<i>African Union Convention on Preventing and Combating Corruption</i>
<i>AUDA-NEPAD</i>	<i>African Union Development Agency-New Partnership for Africa's Development</i>
<i>BRICS</i>	<i>Brazil, Russia, India, China and South Africa</i>
<i>CAPAR</i>	<i>Common African Position on Asset Recovery</i>
<i>CBCR</i>	<i>Country by Country Reporting</i>
<i>CoDA</i>	<i>Coalition for Dialogue on Africa</i>
<i>COMESA</i>	<i>Common Market for East and Southern Africa</i>
<i>DRCM</i>	<i>Domestic Resource Creation and Mobilisation</i>
<i>DRM</i>	<i>Domestic Resource Mobilisation</i>
<i>EU</i>	<i>European Union</i>
<i>EITI</i>	<i>Extractive Industries Transparency Initiative</i>
<i>IFFs</i>	<i>Illicit Financial Flows</i>
<i>MDBs</i>	<i>Multilateral Development Banks</i>
<i>OECD</i>	<i>Organisation for Economic Cooperation and Development</i>
<i>SDGs</i>	<i>Sustainable Development Goals</i>
<i>TJNA</i>	<i>Tax Network Justice Africa</i>
<i>UNECA</i>	<i>United Nations Economic Commission for Africa</i>
<i>UNCAC</i>	<i>United Nations Convention Against Corruption</i>
<i>UN Comtrade</i>	<i>United Nations Commodity Trade Statistics Database</i>
<i>UNCTAD</i>	<i>United Nations Conference on Trade and Development</i>
<i>UNGA</i>	<i>United Nations General Assembly</i>
<i>UNODC</i>	<i>United Nations Office on Drugs and Crime</i>
<i>UNSC</i>	<i>United Nations Statistical Commission</i>
<i>WB</i>	<i>World Bank</i>

Executive Summary

This report assesses the successes, challenges and developments in the implementation of the recommendations of the African Union High Level Panel on Illicit Financial Flows (IFFs). It also assesses the institutional arrangements behind the AU's campaign to curb IFFs. Ten years after the launch of the AU High Level Panel Report, this report finds that there is a lot that can be done better and differently, and recommends practical steps on how to enhance the existing systems and structures designed to contain the outflows of illicit money. The report also finds that there is an urgent need for continent-wide shifts in the institutional arrangements for combating IFFs, given technological advances that allow the hiding of money trail.

The report considers, in light of the call for stronger collaboration among countries and regions to address the root causes of IFFs and enhance domestic resource mobilisation by the 31st Ordinary Session of the Assembly of the African Union, in July 2018, the limitations of the contemporary domestic resource mobilisation (DRM) framework. We find that as currently conceptualised and practiced, considerable burden is placed on taxation as the primary source of mobilised funds for development. Deficits, the framework recommends, should be financed from markets. The outcome of this DRM approach is the financialisation of Africa's development, unnecessary high debt, the reengineering of Africa's financial systems, hence the perpetuation of the global financial architecture, with significant deleterious macroeconomic consequences for African economies. Instead, this report recommends the creation of domestic finance (new domestic purchasing power) for infrastructural, industrial, technological and human capital investment so as to completely obviate the need for excessive reliance on foreign funding, the root cause of commercial IFFs. In other words, Africa's wherewithal for its development is not constrained by insufficient tax revenue and related income.

Increased and effective inter-agency cooperation and collaboration, especially in information and data sharing, is encouraged as there are still many gaps in this regard. Beyond the narrow focus on anti-money laundering and terrorism financing (AML/TF), African governments are advised to extend their fight against IFFs to the wider commercial sector, which accounts for nearly 70% of all IFFs, a major economic, ecological and developmental harm for Africa. Although African countries have made strides in creating institutions for fighting IFFs, such as Financial Intelligence Units (FIUs), Transfer Pricing Units (TPUs), Corporate Registration Offices, Beneficial Ownership Databases, financial reporting standards and other compliance processes, there remains significant gaps in effective use of

institutions to contain illicit outflows. Ten years after the first report of the African Union High Level Panel on Illicit Financial Flows (frequently referred to as the Mbeki Panel), Africa is still struggling to put in place an inclusive, legitimate and functional coordination mechanism to realize a coherent and coordinated African response to IFFs.

To date there is no agreed methodology of measuring IFFs. Public international institutions are piloting various methodologies. While the search for an appropriate methodology is welcome, this report recommends the joint use of Partner Country Method (PCM) and Price Filter Method (PFM).

Last but not least, this report highlights the fact that Africa's effort to contain IFFs should be well aligned with the changing winds of global geopolitics. In a world of tectonic shifts in geopolitical alliances, Africa would be well placed to coordinate its response to opportunities and risks. This should be the mindset with which the Continent attends the Fourth International Conference on Financing for Development (FFD4), the negotiations on global taxation at the United Nations, alternative platforms such as BRICS and discussion mechanisms, such as the G20. The report reflects that realising the Africa we want requires committed leadership at all levels.

Chapter 1

Introduction

The African Union (AU)/Economic Commission for Africa (ECA) High Level Panel on Illicit Financial Flows, hereafter referred to as the AU HLP (also known as the Mbeki Panel), was established in February 2012, following the adoption of the Resolution 886, as mandated by the 4th Joint African Union Commission /United Nations Economic Commission for Africa Conference (UNECA) of African Ministers of Finance, Planning and Economic Development, held in 2011. The Panel set out to ensure that Africa's development relies as much as possible on its own resources. This would contribute greatly to the elimination of the root causes of IFFs. The AU Assembly Special Declaration¹ on Illicit Financial Flows from Africa endorsed the findings and recommendations of the AU HLP Report published in 2015. Additionally, the AU Assembly resolved to ensure that all financial resources lost through illicit financial flows are identified and returned to Africa to finance the Continent's development agendas, and therefore directed the African Union Commission, supported by Member States, to mount diplomatic and media campaigns for the return of illicitly acquired African assets.

The landmark AU HLP Report set the tone for subsequent rigorous global debates on IFFs. It was a culmination of Africa's decade-old call against IFFs. The report was the political and economic basis for the Sustainable Development Goals (SDGs) Target 16.4 - which is a global commitment for the reduction of illicit financial flows, a target so central to the financing efforts to achieve SDGs. The closely related issue of domestic resource mobilisation (DRM) Target 17.1 flows from Target 16.4, along with efforts on the Tax Convention² deliberations at the UN. The adoption, in July 2017, of the global indicator framework by the UN General Assembly, consented to the measurement of IFFs as an important tool to engender economic development, gaining further prominence.

The framework for financing SDGs, the Addis Ababa Action Agenda (UN, 2015) on financing for development, as with the 2030 Agenda for Sustainable Development (the UN plan with 17 SDGs), identified the reduction of IFFs as a priority. It called for the redoubling of global efforts to substantially reduce IFFs, with a view to eventually eliminating them as it (UN General Assembly (UNGA)) invites "appropriate international institutions and regional organizations to publish estimates of the volume and composition of illicit financial flows" (UN 2015:8). The contemporary relevance of IFFs is such that, reducing IFFs has been a staple of declarations including those of the G8, G20 and the Organisation for Economic Cooperation and Development (OECD), which urge countries to counter IFFs on several fronts.

However, although IFFs feature so prominently on the global agenda, and have enthusiastic support from many domestic and international institutions, they are dampened by the absence of consensus on the measurement methodology, due to the lack of a universally accepted definition of the concept. However, the UN Statistical Commission endorsed a definition of IFFs in March 2022, defining them as financial flows that are illicit in origin, transfer, or use, that reflect an exchange

¹ AU Assembly Special Declaration on Illicit Financial Flows. Doc. Assembly/AU/17(XXIV)

² The UN Framework Convention on International Tax Cooperation

of value and cross country borders. This definition is part of a broader initiative to provide a UN-wide framework for statistically measuring IFFs.

1.1 Definition and Methodologies for Measurement

As detailed in Annexure I, there are many definitions for IFFs, both narrow and broad. The choice between them depends, inter alia, on the goals of the institution, and the capacity of a country/region to implement and enforce measures designed to curb IFFs. Given the developmental harm IFFs cause on developing economies, especially Africa, the definition used and considered in this report is one adopted by the AU HLP. It is sufficiently broad and developmental in context. The report defines IFFs as money illegally earned, transferred or used (UNECA, 2015:15).

Consistent with the spectrum of challenges brought about by IFFs, the full definition contained in the Mbeki Report implies taking into account the capacity of domestic, legal, economic and financial systems, as it also addresses criminal activities, illicit trade and corruption. Therefore, the High Level Panel established this definition as the foundation for Africa-based intergovernmental engagements, thereby making it the basis for the preferred measurement methodology. This report sets in motion a developmental approach to IFFs, straddling fiscal, monetary, financial and legal aspects. Consequently, IFFs should be understood as an overarching term for a broad group of cross-border economic and financial transactions, ranging from very simple mis-invoicing and mispricing, to tax abuse schemes and complex money laundering operations.

1.2 Main Economic Implications

Beyond draining development resources from Africa and other developing regions, IFFs have other deleterious effects on African economies. They undermine both productivity and economic growth. The large-scale criminality associated with IFFs create balance of payment challenges, market price distortions, price discovery challenges, discourage genuine investment, increase the cost of doing business, and aggravate the already high unequal exchange between developing and developed economies, including creating macroeconomic and financial volatility unconnected to fundamentals.

The fiscal and macroeconomic instability that ensues from the unending IFF risks can have hysteretic effects on economies, with a heightened potential of leaving African economies on a permanent debt, inequality, and poverty treadmill. These challenges can be more pronounced in economies largely dependent on the extractive sector for revenue and exports, as the Mbeki Panel Report observes:

“We established from the case studies and our consultations that indeed there

is a clear relationship between countries that are highly dependent on extractive industries and the incidence of IFFs. We found there is extensive underreporting of the quantity and sometimes quality of natural resources extracted for export, be it crude oil, diamonds, coltan, gold, shrimp, or timber, yet none of the countries we studied and visited had its own independent means of verifying the precise amount of natural resources extracted and exported. Instead, they depend on reports filed by the operators, who have an incentive to underreport, especially since requirements in legislation such as the Dodd-Frank Act cannot cover undeclared quantities.” (ECA, 2015: 67).

The nexus between natural resource-rich regions and IFFs risks arises, first, from the high dependence on natural resources to fund economic growth and development, and second, in the context of the complex and elaborate cross-border nature of global value chains, largely associated with the extractive sector, where opportunities for trade data and invoice manipulation can be created.

Therefore, breaking the nexus between natural resources and commercial IFFs should be the central plank of Africa’s efforts to curb or altogether eliminate IFFs. One way of doing so, as Chapter 3 attempts to spell out, is through the reconceptualisation of domestic resource mobilisation.

In order to achieve the mandates delivered by the African Union Heads of State and Government in the Special Declaration on IFFs, the AU HLP through its Secretariat, hosted by the Coalition for Dialogue on Africa – (CoDA), facilitated national level assessments in 16 AU Member States. These country assessments serve two main objectives:

- a) Inform the annual report of the Chairman of the AU/ECA High Level Panel on Illicit Financial Flows to the African Union Commission, in line with the AU Assembly Declaration; and
- b) Provide baseline information to guide the design of possible interventions aimed at strengthening the capacity of governments to curb IFFs and increase revenue from various sectors.

The country reports also provide essential information and address several issues on relevant matters including:

- a) What are a country’s main IFFs risks?
- b) Have the AU’s Assembly decisions on IFFs been adopted as national policy?
- c) What actions have been taken to stem IFFs and what were the key results?
- d) What is the volume of resources recovered from stolen assets abroad or from tax or related policy measures?
- e) Is there a mechanism to coordinate State institutions involved in the fight against IFFs? How effective is the mechanism?

The state-led, nationally-owned assessments would be validated by key government

agencies, heads of agencies and other relevant national stakeholders, under the guidance of an inter-agency committee. After validation, a nationally-owned plan of action will be developed and implemented, with the inter-agency committee serving as a monitoring and evaluation platform. Highlighted in Chapter V are the national level assessment cycle implemented by the AU HLP Secretariat and the lessons learned from the 16 countries that undertook the process.

1.3 Implementation Challenges

Ten years after the AU High Level Panel Report, and five years after the establishment of the Common African Position on Asset Recovery (CAPAR), efforts to curb IFFs and recover illicitly earned and transferred assets continue.

The implementation of the recommendations contained in the Report is underway. However, each country's pace and level of implementation are a matter of political will and technical capacity, both of which are within the control of any sovereign government. Due to political economy and institutional factors, not all Member States have adopted the resolutions. The implementation challenges include the lack of inter-agency cooperation within individual countries, poor inter-governmental cooperation among AU Member States, lack of data availability and human resource capacity, among others.

1.4 Purpose of the Report

This report presents the practical challenges encountered by African governments in implementing the AU High Level Panel recommendations. It does so by diving deep into country-level experiences, taken from the engagements undertaken by the AU HLP Secretariat in 16 African Union Member States.

The report also takes stock of successes and other dynamics in Africa's effort to contain IFFs. The aim is to chart the way and propose the institutional reorganisation of Africa's financial systems to enhance the fight against IFFs. Essentially, the report brings to light the experiences of the AU HLP Secretariat, hosted in CoDA, in its effort to streamline Africa's response against IFFs. It is therefore, the story of the journey so far.

1.5 Structure of the Report

This report comprises six chapters. Chapter I provides an overview of the background and introduction. Chapter II situates IFFs in the global and continental political economy context. This is followed by Chapter III, which presents key post-2015 debates and policy developments shaping IFFs and the closely related issues of domestic resource mobilisation and financing for development. Chapter IV provides details on continental level coordination mechanisms and the AU HLP's efforts to realise a consistent and coherent African response to IFFs. Chapter V presents the challenges AU Member States face in implementing the HLP recommendations. Challenges specific to the operationalisation of the African Integrity Fund (AIF) and implementation of the African Financial Integrity & Accountability Support Project (AFIAP) are also included in Chapter V. Chapter VI puts together a conclusion and recommendations on the way forward.

Chapter 2

Shifts in Global Political Economy and Implications for Africa

2.1 Introduction

The African continent has for a long time been experiencing massive capital flight, both legal and illegal (illicit) outflows. While the magnitude of the legal transfer of financial resources from the Continent can be estimated, illicit outflows are more difficult to capture due to their clandestine nature (AU/ECA, 2015). The scourge of IFFs is globally felt, however it has more devastating effects in developing countries (Fisseha, 2022; Gnanngnon, 2025). The impact of IFFs in Africa and other developing regions of the world is severe for various reasons, including weak regulatory capacity, high dependence on extractives, poor regulation of financial institutions, negative perception of the Continent, liberalised capital accounts, and small domestic capital markets. IFFs negatively impact on foreign exchange reserves, inflation, domestic capital mobilisation, interest rates, and most importantly, the availability of resources for investing in productive sectors.

IFFs can occur through individual and corporate actions or inactions, often facilitated by a global financial system. This includes banking secrecy and tax havens (Medina and Schneider, 2018). While there have been several studies which have estimated the scope of capital flight from the African continent (Boyce and Ndikumana, 2001; 2010; Kar and Cartwright-Smith, 2010; AfDB, 2013, Ndikumana and Boyce, 2021), it was the publication of a report in 2015 by the African Union High Level Panel on IFFs from Africa, commissioned by the African Union and the United Nations Economic Commission for Africa, which raised public awareness about the challenges and impact of IFFs (AU/ECA, 2015).

The AU HLP provided an assessment of the magnitude of the problem, a detailed analysis of the mechanisms through which these flows occur in Africa, and also suggested measures to address this challenge. Since the publication of the AU HLP Report (Mbeki Report) in 2015, there have been major changes not only within Africa, but also globally. In particular, the ongoing geopolitical and economic shifts have significant impact on financial flows. This chapter outlines some of the key shifts which have direct impact on the IFFs, domestic resource creation and mobilisation on the Continent. The chapter demonstrates that the changing global political and economic landscape presents risks and challenges with regards to IFFs, as well as opportunities for the Continent to act in tandem to contain it.

In addition to the changing global political and economic landscape, there have been a number of significant developments within the African continent over the past ten years since the publication of the Mbeki Report. For example, the operationalisation of the African Continental Free Trade Area (AfCFTA) in 2021, the sovereign debt crisis which has become a major risk in several countries, demographic dynamics, the deepening dependence on primary commodity

export, and the climate change crisis. All these have a bearing on IFFs. For instance, the growing external debt service obligations and the deepening commodity dependence exacerbate capital flight, making the Continent more vulnerable to external shocks. How well the Continent responds to the opportunities and the challenges induced by the ongoing geopolitical global shifts depends largely on grasping the nature of these shifts so that the Continent can position itself in a way that reduces the IFFs risks, while at the same time taking advantage of emerging opportunities.

2.2 Current Major Geopolitical and Economic Transformations

The current transformation of the geopolitical order began in the 1990s, following the collapse of the Berlin Wall. It accelerated during the early 2000s when the multilateral global order was weakened by the unilateral invasion of Iraq by the United States of America (USA) in response to the events of September 11 (9/11). In the last seven years, a series of events have significantly shaken the global economic system. There have been significant shifts which can be traced to the 2008/2009 Great Recession (GR). These include the slowing down of globalisation manifested in various ways, particularly the decline in global trade, which is now referred to as Deglobalisation (WEF, 2023) or Slowbalisation. It has for instance been estimated that the import intensity of production (IIP), which captures how much of intermediate goods used in production are traded between countries (widely used as a globalisation indicator) declined at an average annual rate of 3.7 percent between 2010 and 2019 (ADB, 2021). This is further compounded by the escalating trade war in recent years leading to geoeconomic fragmentation (IMF, 2023)³. Globalisation, with its increased cross-border financial flows creates avenues for IFFs to thrive, implying that dependence on foreign flows is harmful for African economies, and that domestic financing of investment is preferable.

Several other events over the past seven years have contributed to the unfolding geopolitical and economic shifts. The US-China trade war which started in 2018, the COVID-19 Pandemic, the Russia-Ukraine War, and now the current escalation of the trade war by the Second Trump administration. All these have significantly contributed to the geopolitical and geoeconomic transformations we are witnessing. Although there are other geopolitical shifts, here we focus on these to highlight the impact on Africa's economic situation. There is no doubt that fundamental changes to the global order are occurring quite rapidly, with some analysts acknowledging that the last five years (from 2020) will probably go down in history books as a period of rapid geopolitical and economic shifts

³ The IMF defines slowbalisation as "a prolonged slowdown in the pace of trade reform, and weakening political support for open trade amid rising geopolitical tensions" (IMF, 2023)

(Yakymenko and Yurchyshyn, 2024). The transformations at the global scale have various implications, and understanding what the implications of these shifts are can help the Continent respond appropriately to the challenges, as well as the opportunities they engender. In the context of IFFs, while globalisation does facilitate legitimate business and financial transactions, it also provides opportunities for illegal/illicit activities like capital flight, money laundering, and tax evasion.

2.2.1 US-China Rivalry

In the last seven years the world has witnessed the intensification of the rivalry between the USA and China, as they jostle for global economic and political leadership and influence. The tension and contest between these two global powers is not surprising when one considers the rising share of China in global economic output, which naturally translates into a bigger stake and influence in global affairs. According to the World Economic Outlook (IMF, 2024), the USA's GDP was US\$30.4 trillion while China's, which is the second largest economy, was estimated at US\$19.5 trillion (market exchange rate). While China's GDP is much smaller, it is the closest to that of the USA. The third and fourth largest economies (Germany and Japan) were only a quarter of China's GDP, estimated at US\$4.7 trillion and US\$4.2 trillion, respectively (IMF, 2024).

While the US-China rivalry is still evolving, what has become clear is that foreign policy and economic relations between these countries and between other countries and regions, including Africa, are now shaped by their strategic consideration of this rivalry. This has resulted in the fragmentation of the global economic order, as the two superpowers forge alliances with other nations and blocks to strengthen their respective positions in the global economy.

The resulting geopolitical tensions from the trade war have led to three broad developments. The first is the politicisation of economic relations in such a way that economic exchange between the two global powers and their respective allies are now filtered through a political strategy underpinned by this geopolitical rivalry. At the global level, this has led to the weaponisation of economic power and relations, leading to new kinds of risks and uncertainties in geopolitical and economic governance including financial flows (UNCTAD, 2025).

The second major offshoot of the ongoing US-China trade war is the securitisation of different aspects of the global economy, from trade to technology. National security considerations have now become a critical factor in determining what kind of economic activities including investments, technology, services and trade, a country allows in its jurisdiction. For example, the US government in February 2025 issued an executive order requesting the Department of Commerce to investigate "whether imports of copper pose a threat to US

national security under Section 232 of the Trade Expansion Act of 1962” (Bown, 2025). While all countries in the world largely depend on economic exchange with other countries, this is now being conducted in a guarded way, not just between the US and China, but across many countries, leading to what has been referred to as the “weaponisation of interdependence” (Hurrell, 2024).

The third major outcome of the ongoing trade wars is the undermining of multilateral agreements and institutions resulting in the weakening of trust in the global political and economic system. An eloquent example of this is the declining confidence in the World Trade Organisation (WTO) as a multilateral body that is capable of resolving trade disputes between countries (Yaykmenko and Yurchyshyn, 2024). In the ongoing global trade war, the WTO has been reduced to a mere spectator on issues which fall perfectly within its mandate. This has exerted immense pressure on global multilateral governance institutions, including the UN itself, leading to increasing risks of further fragmentation of global economic governance.

Africa cannot remain unscathed by the growing rivalries. It may be too early to tell what the full impact will be. According to some estimates, the trade wars could lead to global GDP declining by between 0.2 to 7 percent. If the impact of technology decoupling is added, this rises to between 8 and 12 percent (BRICS, 2024:13). While there are still a great deal of uncertainties around the impact of the trade wars, the most general impact on Africa is the likelihood that tariffs will ultimately depress the prices of primary commodities, which are Africa’s largest exports (Davenmont and Chian, 2019). The trade wars are also likely to negatively impact local currencies, investment flows, cost of external financing, inflation, capital flight and the performance of local capital markets.

The African Development Bank (AEO, 2024) estimates that trade wars could lead to a 2.5 percent decline of GDP for resource-rich countries in Africa, 1.9 percent decline for oil exporters and 1.1 percent decline for non-resource-rich countries, between 2019 and 2021. These estimates are based on certain assumptions which may not materialise since uncertainties around what the trade war will lead to are still high. Should they materialise, decline in GDP means less tax revenues for development.

However, while the African continent is likely to be negatively impacted by the trade wars, the tensions between the two biggest economies present opportunities for the Continent to strengthen intra-Africa trade and regional integration. The current trade wars can lead to trade diversion for the US and China, and trade creation for the Continent if the right policies are adopted to take advantage of the opportunities that may arise from the realignment of global trading patterns (Nantambele et al, 2023).

In terms of the IFFs, this rivalry has the potential to create loopholes that

lead to a rise in IFFs, affecting third parties such as Africa. There are growing concerns that the scale and scope of IFFs could be increasing as authorities get distracted and overwhelmed by the unprecedented economic fallout. Such concerns are particularly acute in developing countries, many of which are already characterised by poor governance, weak regulatory oversight and corruption. Crises often lead to increased IFFs as countries ignore the need to reform their tax regimes (Medina and Schneider, 2018).

2.2.2 The COVID-19 Pandemic

The other global development in the last seven years which has induced significant geopolitical shifts is the COVID-19 pandemic. Although the COVID-19 pandemic is now under control, its aftermath triggered significant geopolitical and economic shifts (UNCTAD, 2025). The disruptions to production networks and supply chains generated risks and shocks, which forced many countries and multinational corporations to consider the economic security dimension, focusing on reducing the risks and vulnerability of supply chains. Economic security and de-risking considerations have been associated with the growing trend of shortening supply chains through strategies such as locating production near the source of major inputs (near-shoring), and the relocation of production units closer to markets (reshoring), with supply chain becoming more regionally oriented (Timmer et al, 2021). Although the practice of nearshoring and reshoring has been ongoing for some time even before the COVID-19 pandemic, as part of the broader dynamic of slowbalisation, the trends intensified during and after the pandemic as firms sought measures to reduce the risks of possible supply chain disruptions (WEF, 2023).

At the national and regional level, the experience of supply chain disruptions during the COVID-19 pandemic resulted in shortages of essential commodities, including personal protective equipment (PPE). This forced countries and regions to begin to consider measures that increase a country or region's "strategic autonomy." The concept of strategic autonomy has been deployed in the post-COVID-19 context, to highlight and identify areas of strategic interest to a country or region to protect national or regional interest. The European Union (EU) has repeatedly called for the region to strengthen its strategic autonomy as a necessary means to protect its sovereignty, prior to the supply chain disruptions caused by the COVID-19 pandemic (Best, 2023).

In the aftermath of the COVID-19 pandemic several countries in Europe and other regions pushed for measures which secured strategic national autonomy by increasing control over strategically important resources. A perfect example of this is the French President, Emmanuel Macron, who at the height of the COVID-19 pandemic, when his country was facing shortages of critical PPEs,

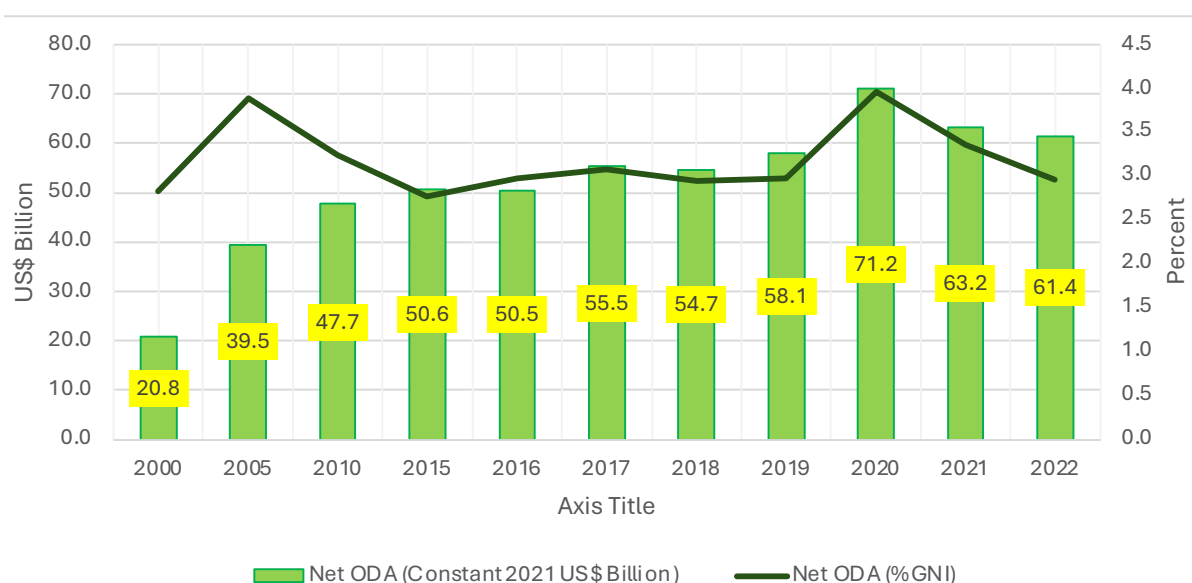
including masks, ventilators, oxygen machines, hand sanitizers, argued for the need to implement measures to rebuild French and European capacity to manufacture strategic and essential goods as a way to strengthen sovereignty (Herault, 2021). As a practical response to the challenges posed by the COVID-19 disruptions, he set up a High-Level Planning Commission to come up with a list of strategic goods and services affected by global supply shocks linked to the COVID-19 pandemic. The Commission was expected to assess the country's dependence on production of goods and services over which it has no control or influence (ibid, 7).

The strategic response of firms, countries and regions to the disruptions caused by the COVID-19 pandemic has gradually brought into policy consideration the issue of 'geopolitical distance'. This has led to increased protectionism, cross-border restrictions, resulting in further fragmentation of not just global trade but other economic activities, including investment and technology flows. Consequently, there is a slow realignment of global trade and economic activities along geopolitical lines, and with this, the reordering of global economic and political power.

For the African continent, the COVID-19 pandemic, as in other parts of the world, awakened the need to assess the Continent's vulnerabilities which stemmed from being overwhelmingly dependent on medical supplies from outside. This became a source of concern when African countries could not procure COVID-19 vaccines on time to protect their people, partly because countries with the capacity to manufacture the vaccines could only allow vaccines to be shipped to Africa when there was a more than adequate supply for domestic use. Most African countries had to wait for almost a year to procure vaccines, leading to what has been referred to as the "Vaccine Apartheid" (Achiume, 2022).

In response to this, the African Union established the Partnership for African Vaccine Manufacturing (PAVM) Framework for Action, in April 2021, in a bid to build capacity to produce vaccines to strengthen the health security and sovereignty of the Continent (AU/Africa CDC, 2021). This led to relying on collective structures like the Africa Centre for Disease Control (AfCDC), which played a central role in coordinating the procurement and distribution of the COVID-19 vaccines. The lesson from the COVID-19 pandemic is that the Continent needs to take measures to strengthen its strategic autonomy in many sectors, including health. Therefore, while the pandemic created many challenges for the Continent, it also presented opportunities for Africa to rethink its position in the global economy. For the Continent, the COVID-19 pandemic has revived the need for collective self-reliance, and more importantly, the need to mobilise domestic resources for such emergencies.

Figure 1: Official Development Assistance (ODA) % of GNI and Constant 2021 US\$ Billion



Source: World Development Indicators Databank. NB: The figures are for Sub-Saharan Africa.

2.2.3 Russia-Ukraine War

The Russia-Ukraine war is another recent development which has triggered several dynamics with significant implications for the African continent. The war, which started on 22 February 2022, has several geopolitical ramifications. First, the war exposed and precipitated a crisis within the United Nations (UN) System, mainly because the war itself was an indication of a clear disregard of the UN Charter. Consequently, the war was another indication of the weakening of multilateralism similar to the dynamics around the US-China trade war. Second, is the consolidation of geopolitical blocks, with Europe and its North Atlantic Treaty Organisation (NATO) allies on one side, and China-Russia and their allies on the other. Although this is not a replay of the Cold War political alignment, the war is slowly giving rise to political and military blocks, with NATO re-examining its capability to protect its members, while Russia is seeking to form formal and informal alliances with different countries, including North Korea. This geopolitical realignment has implications on global trade, investments, capital flows, technological transfers and the global financial system.

The notable immediate impact of the Russia-Ukraine war was the disruption of supply chains, similar to the impact of the COVID-19 Pandemic. The war disrupted not only food supply chains, but also oil and gas, which precipitated a crisis in many European countries. This has prompted a search for alternative sources of gas in the region. Furthermore, this brought to the fore the susceptibility

of globally integrated supply and production networks to geopolitical risks. For instance, it has been observed that since the start of the Russia-Ukraine war, trade and investments have become sensitive to “geopolitical distance” signaling that economic interactions such as trade and investments are now being carried out along geopolitical lines— friendshoring (Jean, 2024).

In addition to disrupting global supply chains, the Russia-Ukraine war also triggered processes that have significant implications on the global financial system. As a result of sanctions imposed by Western countries on Russia, the latter has been searching not just for alternative trading partners, but also alternative international payment systems and a different reserve currency for settling cross-border payments. This was a necessary outcome of the weaponisation of the global international financial system (BRICs, 2024). Several countries including China are now considering alternative cross-border payment systems and reserve currencies to reduce dependence on the US dollar, giving rise to the calls for de-dollarisation. At this stage it is not clear how far the de-dollarisation momentum has gone. However, if the process persists, it could cause a massive transformation of the global economy, which currently relies overwhelmingly on the dollar and the SWIFT infrastructure for cross-border financial transactions.

The consequences of the Russia-Ukraine war on Africa are many. The most obvious example of negative impacts includes the disruption of food and fertilizer supply for countries in North and West Africa, which rely heavily on imports from Russia and Ukraine. This led to sharp rise in the prices of food, gas and other agricultural inputs like fertilizer in many African countries (UNCTAD, 2025). The other negative impact of the Russia-Ukraine war on Africa is the likelihood of decline in aid (Official Development Assistance, ODA) as members of the Development Assistance Committee (DAC) reprioritise their budgets to accommodate the need to beef up defense and security for the region. We have seen many European countries, including Germany and the UK, embarking on measures to reinforce their defense systems as a response to the security risks precipitated by the Russia-Ukraine War. As the Europeans and other countries take steps to strengthen their defense systems, this could have a negative impact on the flow of aid to the Continent as the Graph below indicates. As mentioned earlier, IFFs risks increase in times of global and economic turbulence.

Although the share of ODA in Gross National Income (GNI) declined from 2005 and has stagnated since 2015, the impact of the Russia-Ukraine war is likely to push these levels down.

Additionally, the Russia-Ukraine war has also exposed the lack of a common voice among African countries. This became evident when the United Nations General Assembly (UNGA) on 2 March 2022, asked its members to vote on the Russia-Ukraine war resolution. The African vote was split into two, with 28

members voting in favour of the motion while the other 26 members abstained. The splitting of the vote has been attributed to the effects of the geopolitical forces induced by the Russia-Ukraine war. However, this split is contrary to the AU's vision of the continent speaking with one voice on global issues (Manboah-Rockson et al, 2024). The failure to speak with one voice is an indication of the AU block being pulled in different directions along geopolitical lines.

On the positive side, the Russia-Ukraine war has created opportunities for African countries with natural gas and oil to get a share of the European energy market. Several European countries, in response to Russia's restriction of gas supply, following the EU sanctions, have been in talks with African countries to find alternative sources of energy, including natural gas. The other positive impact of the Russia-Ukraine war is related to the unfolding process of de-dollarisation, which could push African governments to consolidate existing infrastructure to further develop a Pan-Africa Payment and Settlement System (PAPSS), officially launched in Accra in 2022, with a view to facilitating trade and financial integration of the Continent. If PAPSS is scaled up, it can reduce the size of currency reserves African countries are required to hold in international banks to support cross-border financial transactions (UNCTAD, 2025). Broader participation in PAPSS by African countries can have an immediate impact on capital flow (reducing IFFs), domestic capital mobilisation, macroeconomic stability and economic sovereignty.

2.2.4 The Geopolitics of Climate Change

Climate change is another important aspect of the changing geopolitical order. As the world seeks to move to cleaner energy systems, countries and regions are positioning themselves to be at the forefront of the decarbonisation race, which requires access to renewable energy resources. In terms of the geopolitical dynamics, there are two sides to the climate change issue. On one hand, in a bid to move away from fossil fuels to align with the Paris Agreement goals, major global economies and economic blocks are now vying for access to critical renewable energy sources, and this has created a race to control renewable energy resources, as well as the new technology required for the green economy. On the other hand, major global economies are watching each other to determine whether they are doing enough to meet the GreenHouse Gas (GHG) emission targets under the Paris Agreement. On this side of the climate crisis, there have been accusations and counter accusations centered around who is doing and who is not doing enough to meet the agreed targets.

The main geopolitical issue related to the climate crisis is that economies which are not cutting their emissions fast enough are seen to have an unfair advantage

over those that are quickly adopting cleaner energy, because the carbon-based production systems are regarded as cheaper than systems relying on clean energy. In response to the perceived unfairness in the production systems, the EU has for instance introduced the Carbon Border Adjustment Mechanisms (CBAMs) to factor in the differences in the costs incurred in the production of goods and services between countries. The politics of climate change therefore have “broader effect on trade relations, finance and investment flows, scientific cooperation, official development assistance, as well as efforts to promote conflict prevention and peacebuilding” (Tanzler et al, 2020:10).

In the climate change crisis context, the rising tensions between major economies present significant challenges, because achieving decarbonisation targets requires the cooperation of all countries including the ‘big’ and ‘small’ emitters. So far, the climate diplomacy approach has done little to create a global framework in which the different aspects of climate change, including a fair and responsible financing mechanism for green transitions can be implemented. Part of the challenge in this regard is related to the weakening of multilateralism, leading to the lack of trust and cooperation between countries, particularly major world economies. The financing of the green transition, in particular, has different geopolitical dimensions. For instance, China and the US, and their allies belong to different contending blocks (Yakymenko and Yurchyshyn, 2024). While there are costs associated with the transition to the green economy, there are also benefits that come from adopting green growth, including the development of green-based technology, which gives a country an advantage over others.

The unfolding geopolitical dynamics around climate change create challenges as well as opportunities for the African continent. Although Africa contributes insignificantly to GHG emission and global warming, it nevertheless bears the brunt of the climate change burdens. It suffers most from the deleterious effects of climate change such as “unpredictable weather events and patterns, including prolonged droughts, devastating floods, out-of-season storms, and wildfires, which cause massive humanitarian crisis with detrimental impacts on economies, health, education, peace and security, among other risks” (AU, 2023). In addition, the Continent also faces a disproportionately huge green financing gap relative to the size of renewable energy resources, due to the low levels of capital available for green financing, including adaptation and mitigation. It has been estimated that while the African continent hosts 40 percent of renewable energy resources on the planet, it has on average been receiving only 2 percent of renewable energy investments since 2013 (AU, 2024). This situation is worsened by IFFs which undermine domestic resource mobilisation to finance green energy projects. Other than the green financing challenges, the rising demand for critical energy resources is increasingly exposing the Continent to intense IFFs, partly because these flows are largely associated with commodity extraction and export (AfDB, 2013).

However, the unfolding geopolitical transformation creates opportunities for the Continent as a whole. Given Africa's huge renewable energy resources, including a vast array of critical minerals and metals required for developing the green transition technology, there are huge opportunities for the Continent to take advantage of the rising demand for these resources in order to stimulate industrial development and structural transformation. In this context, the Africa has become a strategic region when it comes to the global politics of climate change, with many countries seeking to secure access to the Continent's critical resources. This is evident in what the Economist Magazine has referred to as the "embassy boom" in Africa, in which several leading and emerging economies are seen to be enlarging their diplomatic presence through opening of new embassies and consulates across the Continent. According to the economist Magazine:

"Governments and businesses from all around the world are rushing to strengthen diplomatic, strategic and commercial ties. From 2010 to 2016 more than 320 embassies were opened in Africa, probably the biggest embassy-building boom anywhere, ever. Turkey alone opened 26. Last year India announced it would open 18" (Economist, 2019)

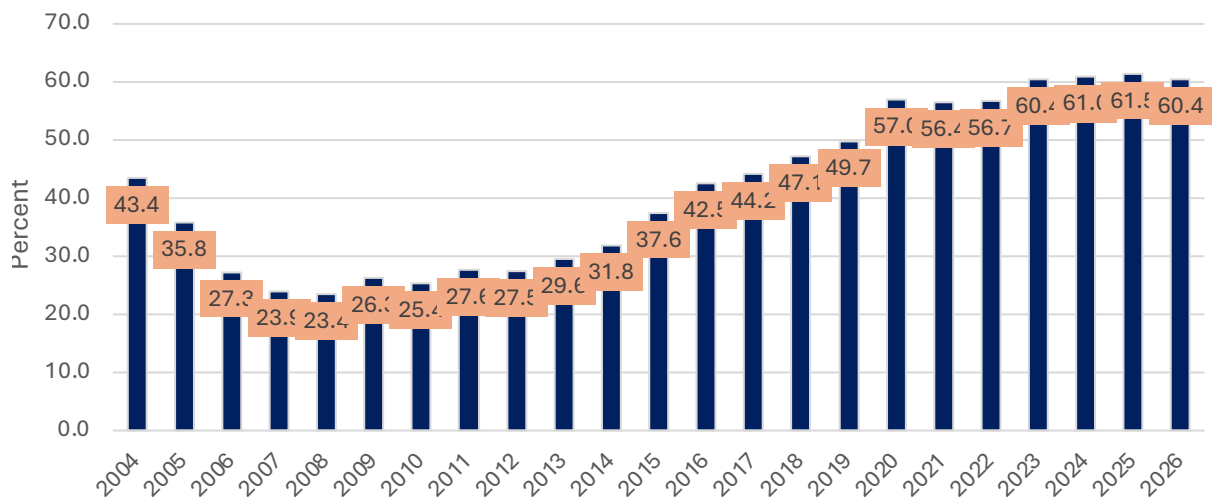
The opportunities from the changing global climate change politics and economic strategies are huge. However, to exploit the growing strategic importance of the Continent in global economic and political transformation, Africa must coordinate the exploitation of critical natural resources, and use this to build productive capabilities which can strengthen its strategic autonomy (Chitonge, 2025). At the moment, it is not clear if the Continent has put in place mechanisms to ensure that it derives maximum benefits from the emerging opportunities.

While opportunities abound in this regard, curbing IFFs should be heightened, as investment in renewables, like in extractives, generates increased IFFs.

2.3 Geopolitical Transformation and Sovereign Debt in Africa

The rising sovereign debt levels on the Continent has serious implications on capital flows and Africa's strategic autonomy. Over the last decade, several African countries have experienced rising sovereign debt levels, mostly denominated in foreign currency (see Figure 2 below). The rising sovereign debts have serious implications on the Continent, including capital flight. High levels of sovereign external debt service lead to outflow of the valuable financial resources needed to finance economic development projects. The huge debt burden also makes the Continent vulnerable to geopolitical manipulation, especially through conditionalities imposed by multilateral financial institutions as well as bilateral creditors.

Figure 2: Sovereign Debt % of GDP for Sub-Saharan Africa (2004-2026)



Source: Author based on data from World Economic Outlook Database. NB, figures for 2026 are projections

Although the Continent's average public debt to GDP ratio is actually low, there are several countries with extremely high public debt-to-GDP ratio, with a very high external debt service-to-GNI ratio (Chitonge 2025).

High geopolitical tensions can also indirectly affect a country's debt situation via the real economy by negatively impacting global trade, rising interest rates, declining demand for commodity, uncertainty in global supply chains (Hodula, et al,2024). The uncertainty created via the financial and the real economy route impact on IFFs, and ultimately on economic growth. For Africa, the high geopolitical risks heighten capital outflows as investors seek what they perceive as safe assets, a situation that can have negative effects on domestic investments.

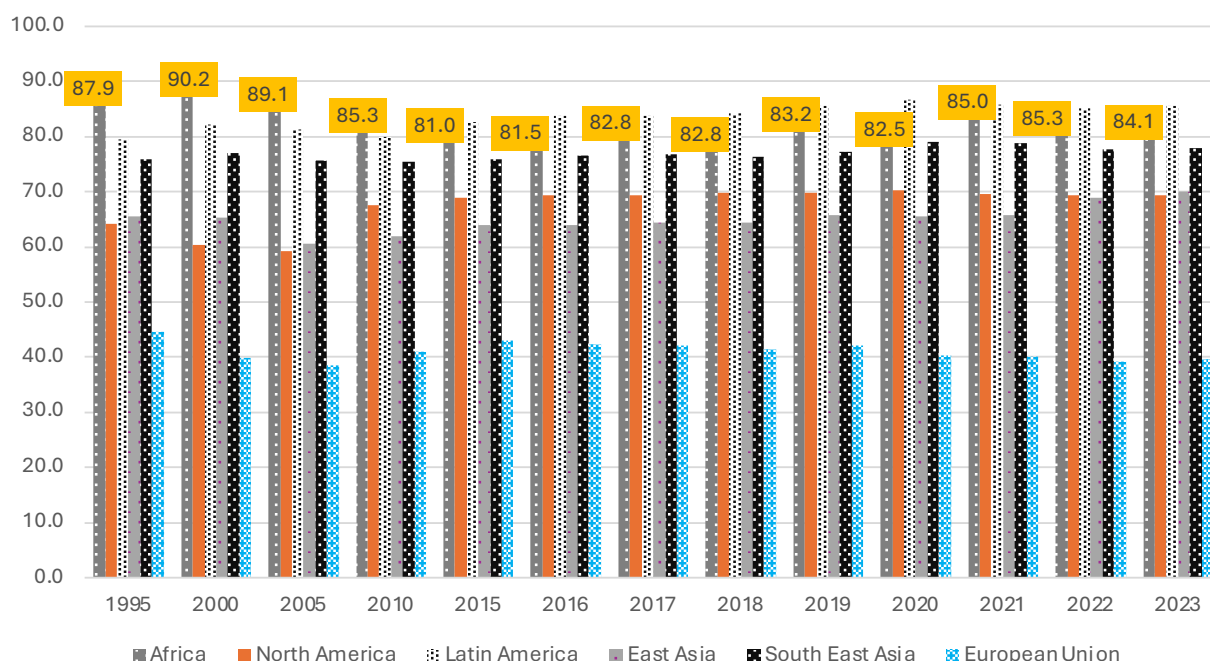
2.4 Shifts within the Continent

In addition to the geopolitical shifts outlined above, there have been some internal developments within the Continent. Since the AU HLP on IFFs report was published, one of the most important developments is the operationalisation of the African Continental Free Trade Area in 2021. The AfCFTA has the potential not only to promote regional integration, but to also promote trade-led industrialisation of the Continent (ECA, 2024; UNCTAD, 2025). The launch of the AfCFTA in 2018 has been regarded as a game-changer for the African continent. Analysts are pointing to the potential development and strengthening of regional value chains (RVCs) which can help reduce the Continent's vulnerability to geopolitical shocks and the negative effects of supply chain disruptions (UNCTAD, 2019).

The Continent's vulnerability to geopolitical risks is evident in its high extra-Africa export ratio, which ranged between 80 and 90 percent since 1995. This

remains the highest in all regions of the world (see Figure 3). This level of extra-Africa export dependence does not only make the Continent vulnerable to external shocks related to geopolitical risks, but also vulnerable to high levels of IFFs, which are often associated with cross-border transfers of resources (AfDB, 2013).

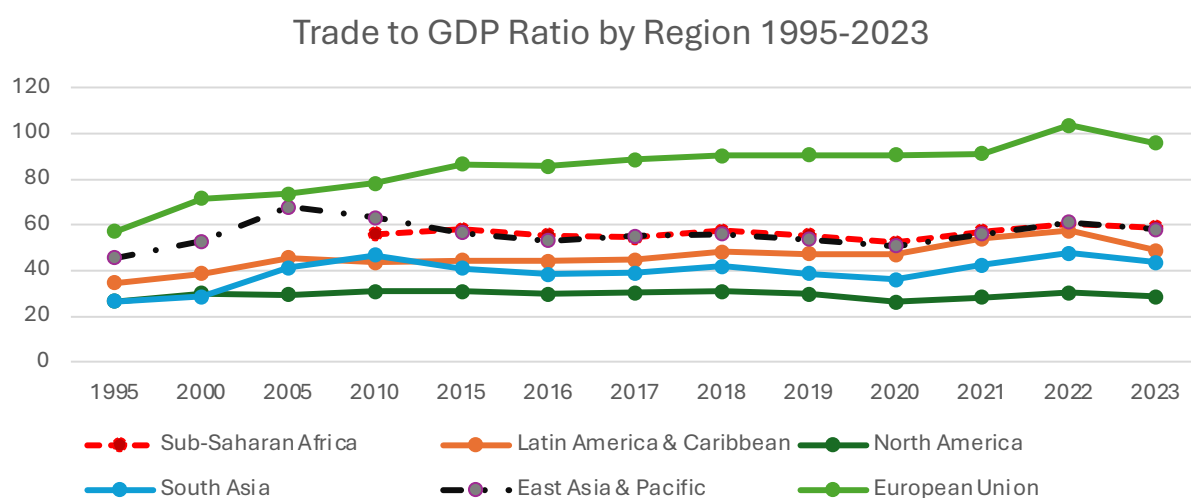
Figure 3: Extra-Region Export Ratio by Region 1995-2023



Source: Author Based on Data from UNCTAD Database

Africa's vulnerability to geopolitical shocks becomes more evident when we consider that the bulk of the Continent's GDP is generated from trade (Figure 4), and much of that trade is extra-Africa export as figure 3 above shows.

Figure 4: Trade to GDP Ratio by Region 1995-2023



Source: Author, Based on Data from World Development Indicators Databank.

While the EU Trade to GDP ratio is the highest, the region is less vulnerable to geopolitical risks because the larger portion of the trade is within the region. The Continent's strategy is to reduce vulnerability by optimising regional trade to create resilience (UNCTAD, 2025).

To reduce the Continent's vulnerability by increasing intra-Africa export, several RVCs, especially in the agro-processing sector, which include textile, leather, wood and wood products and food value chains have been identified as "low hanging fruits". These and other RVCs have the potential to contribute to improving food security, intra-Africa trade, the diversification of African economies and the creation of resilient regional supply and production networks. For this reason, the AfCFTA is widely seen as "a pivotal opportunity for Africa to boost intra-African trade, diversify economies, and enhance industrialization. It has the potential to increase intra-African trade by 45 per cent in 2045, with significant gains in manufacturing, agro-processing, and services" (ECA, 2025:3). However, realising the potential of the AfCFTA needs to overcome several challenges, most of which are political.

Other than the AfCFTA, the Continent has, in the past decade experienced significant demographic shifts, not just in terms of size, structure and composition of the population, but also the shifting geographical location of the population, with the urban now growing at a faster rate than in rural areas (Chitonge, 2023). Average income levels have also risen, despite the setback suffered during the COVID-19 Pandemic, leading to the expansion of the middle class. The growing urban population and average income play an important role in attracting investment in various sectors of the economy, and signal the growth of the domestic market.

The other major economic shift within the Continent in the last decade is the deepening of commodity dependency following the first commodity supercycle of the 21st century from 2003 to 2014. Although the commodity supercycle ended a decade ago, levels of commodity dependence on the Continent have increased with several countries, which were not commodity dependent, falling into this category (Chitonge 2025). The deepening commodity dependence makes the Continent vulnerable not just to commodity price volatility but also to IFFs, which are strongly correlated with commodity export.

Conclusion

In view of the geopolitical development discussed above, the African continent is presented with challenges and opportunities due to the ongoing transformation of the political and economic global order. These geopolitical and economic transformations have significant implications on capital flows, including IFFs, on the Continent. In order to navigate the challenges and take advantage of the emerging opportunities, African governments have to grasp the nature of the challenges as well as the opportunities, and design deliberate policies (including IFFs policies) and strategies to respond to these changes. This requires taking into account the domestic changes within Africa, which have a bearing on how the identified geopolitical dynamics impact the Continent. How well it will respond to the challenges and the opportunities largely depends on the capacity to coordinate key strategies such as measures to reduce IFFs, at continental level, through the structures of the African Union.

There are existing examples of how a coordinated African response to the geopolitical risks can be effective in protecting and advancing the interests of the African peoples. The initiatives for the procurement of the COVID-19 vaccine coordinated by the AfCDC, offer valuable lessons for a collective strategic response from the Continent. Therefore, in order for the Continent to take advantage of the opportunities presented by the current geopolitical shifts, it is important to adopt a unified strategic response envisioned by Agenda 2063. However, taking collective strategic responses has been a persistent challenge for the Continent. This weakness must be addressed in order to effectively respond to both the challenges and opportunities arising from the current geopolitical transformations.

Chapter 3

Debates and Developments on Illicit Financial Flows

3.1 Post 2015 Developments

The publication of the AU HLP on IFFs in 2015⁴ attracted considerable attention and debate both in Africa and globally. This ranged from international corruption scandals, predatory international financial systems, high-profile leaks about extensive tax abuse schemes, the continued fight against terrorism financing and organised crime, to debates about how to define the IFFs concept and its measurement methodologies. The prominence and relevance of IFFs have remained of significant policy and academic interest.

Developments and debates about IFFs revolve around three main areas. These are; (1) awareness and advocacy; (2) implementation of the recommendations of the AU High Level Panel; and (3) definition and measurement methodologies.

On the Continent, both the AU Commission and the AU HLP Secretariat (CoDA) have made significant strides in popularising and advancing the first two areas, advocacy and implementation of the AU HLP recommendations. Civil society organisations (CSOs) have also played an essential role in mainstreaming IFFs. In areas such as tax transparency, exchange of information, developing capacities and related areas, CSOs have made significant interventions, whereas the private sector is involved in ensuring ethical compliance and combating corruption.

At global level, debates about IFFs and DRM have been and continue to be dominated by international financial institutions in and outside the UN system. In both academic and policy circles, discussions take place largely within the context of a global economic governance architecture and frameworks. These are generally unsupportive of the developing world's structural transformational priorities, especially those of Africa. The "outdated, dysfunctional and unfair⁵" nature of the international financial architecture makes it not only difficult for discussions, debates or other efforts to address the root cause of IFFs from an African perspective, but also an obstacle to creating and mobilising stable and long-term domestic finance necessary for structural and ecological transformation and the achievement of SDGs. The architecture imposes significant roadblocks to advancing Africa's agenda, including curbing IFFs.

One of the notable post 2015 developments is that IFFs policy recommendations since the SDGs, especially by the World Bank and the IMF, linking domestic resource mobilisation and IFFs, have tended to reorganise financial systems and structures in developing countries towards the dangerous and fragile market-based finance (Gabor, 2018)⁶, which relies on open markets for raising

4 https://au.int/sites/default/files/documents/40545-doc-IFFs_REPORT.pdf

5 <https://www.un.org/sg/en/content/sg/speeches/2023-09-18/secretary-generals-re-marks-the-high-level-political-forum-sustainable-development>

6 <https://us.boell.org/sites/default/files/financialisationfaqs.pdf>

capital. This approach exposes Africa to vulnerabilities, because such reliance has the ability to facilitate complex and opaque transactions, potentially enabling the laundering of illicit funds. The international financial institutions (IFIs) prescriptions for financing for development, engenders the exportation of institutional structures of the global North to developing countries. This is part of a complex and multifaceted approach of global finance to expand in developing countries, and its policy initiatives that aim to facilitate that expansion. This increase, rather than reduce, the challenges of illicit financial flows. The arcane nature of this development in financing makes it appear as a genuine global collaboration effort in advancing Africa's Agenda 63, and meeting the SDG targets, whereas they amplify, instead of absorbing, shocks and expose Africa to many more vulnerabilities than would be the case if alternative approaches (see 3.3 below) were used.

The macroeconomic and financial stability consequences of re-engineering Africa's (domestic) financial systems towards market-based financial systems of the US and EU are rarely examined or debated meaningfully in policy circles, yet are key to the Continent's economic outcomes. However, in academic circles, debates about DRM, SDGs and the changing financial structures in Africa and the global South are more robust⁷.

Another important IFFs development since 2015 has been on measurement methodologies. As a consequence of the UN General Assembly adopting the Global Indicator Framework for the SDGs in July 2017, significant institutional attention and debate have been focused on the statistical measurement of IFFs, as an important tool through which to engender economic development in Africa and elsewhere. In this framework, the UN emphasises that the development of a methodology to estimate IFFs is necessary so as to comply with the data requirements stemming from the SDG Indicator Framework. Therefore, the General Assembly assigned UNCTAD and UNODC as the custodians of the SDG Indicator 16.4.1 ("Total value of inward and outward illicit financial flows, in current United States dollars"). This is now the global metric to monitor Target 16.4 of the SDGs. The concepts for measuring IFFs were adopted by all Member States represented at the Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs), and the United Nations Statistical Commission, as well as endorsed at the political level by the Financial Accountability, Transparency & Integrity (FACTI) Panel (United Nations, 2021) and Cluster V of United Nations Regional Commissions on Financing for Development in the Era of COVID-19 (United Nations, 2020).

As a result, in March 2022, UNCTAD and UNODC published a Conceptual Framework for the Statistical Measurement of Illicit Financial Flows.

7 <https://www.tandfonline.com/doi/epdf/10.1080/09692290.2022.2098359?needAccess=true>

For statistical purposes therefore, the Conceptual Framework provides the first ever UN-wide (global) definition of IFFs, being “financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders” (UNCTAD and UNODC, 2020). The definition allows global comparability in statistics on IFFs, thus shedding light on activities, sectors and channels prone to illicit flows, and highlighting where actions can be undertaken to curb these flows. This has however not dampened academic enthusiasm as to the completeness or otherwise of the definition⁸.

Where measurement methodology of IFFs depends on what definition is adopted, and while debates about definitions of IFFs may still be raging, the statistical definition ultimately settles this rather contentious debate, at least for SDGs purposes and the search for a common definition. Accordingly, the Conceptual Framework identifies four main types of activities: (1) illicit tax and commercial practices, (2) illegal markets, (3) corruption and (4) exploitation-type and terrorism financing (UNCTAD and ECA, 2022).

Following on the work of UNCTAD and UNODC, pilot studies on measuring illicit financial flows are being conducted in Africa and other regions. Workshops providing training to enhance data collection and analysis (statistical capacity) of African governments to define, measure and disseminate statistics on IFFs are ongoing as at the date of this report. In the meantime, the implementation of the HLP recommendations has been underway since 2015.

Other initiatives intended to shed more light on how to engage with IFFs include matters of data availability and others connected thereto, such as institutional roles and data confidentiality, are ongoing across nations. Efforts to strengthen capacities, collaboration and cooperation, as well as enhance development cooperation take various forms such as the European Union study on tax motivated IFFs. The purpose of the study was “to suggest potential interventions, emphasizing the EU’s role, to assist Africa in addressing IFFs⁹”. This followed the Joint Vision for 2030 adopted by political leaders at the 6th African Union- European Union Summit¹⁰ of February 2022, where Heads of State stressed their commitment to jointly develop strategic capabilities to fight complex and context-specific IFFs.

8 <https://www.crimrxiv.com/pub/8u6vn718/release/1>

9 <https://www.eeas.europa.eu/sites/default/files/documents/2024/Study%20on%20Tax.pdf>

10 <https://au.int/en/pressreleases/20220218/6th-european-union-african-union-summit-joint-vision-2030>

3.2 Multilateral Development Banks, Anti-Money Laundering and Terrorism Financing

The spread of illicit activity in Africa presents challenges to states, international organisations and international development. As public sector organisations operating as a global network of development actors, Multilateral Development Banks (MDBs) are expected to not only build robust organisational protocols that safeguard themselves and the wider commercial sector against illicit activity, but also liaise with their local jurisdictions, as well as work with academia on how to establish the best domestic and global financial institutional structures required to minimise or completely eliminate the root causes of IFFs.

Debates surrounding MDBs role in responding to illicit activity are mixed. Some assert that corruption and fraud are political matters beyond the mandates of these institutions, while others hold the view that development and criminality are inseparable concepts. Yet, as these aspects of the debate show, the focus is more on two of the three categories of IFFs. The commercial component of IFFs that contributes over two thirds of IFFs is often neglected, as well as the optimal institutional design that places reliance on domestic finance for development.

However, as part of their efforts to curb IFFs, they provide financial assistance, policy advice, and technical expertise to countries, helping them build systems for asset disclosure, combat money laundering, and recover stolen assets, while aligning with Sustainable Development Goals. Their efforts are largely related to anti-money laundering and terrorism financing. However, MDBs seek to hold on to the global financial architecture and consolidate their current role in the global economic and financial system. Yet, in the context of IFFs and DRM this system is dysfunctional and obsolete, requiring fundamental reform.

Consequently, MDBs are ill suited to advance appropriate frameworks pertaining to both IFFs and DRM. Therefore, the institutional reforms, as described in the next sub-section, needed to eliminate IFFs requiring the reform of the global financial architecture would not be supported by MDBs. They become less helpful in advancing Africa's agenda as it pertains to the elimination of IFFs. This point is further expanded on in the DRM section below.

Other efforts related to money laundering and terrorism financing are those of the Financial Action Task Force (FATF). It sets international standards to combat money laundering, terrorist financing, and the financing of weapons of mass destruction. Countries implement these standards through measures adapted to their circumstances. In order not to fall foul of FATF regulatory requirements, most African governments have limited their scope of IFFs to those of FATF. Within the FATF institutional structure, the likelihood of fighting IFFs is significantly diminished. A more comprehensive structure that recognises the expansive nature of IFFs is essential.

3.3 Domestic Resource Creation and Mobilisation, IFFs and Taxation in Africa

For developing countries, IFFs present a major challenge to political, social and economic security, insofar as they undermine domestic financial mobilisation efforts. IFFs not only erode public revenue that countries need to invest in their social and economic development, they perpetuate the underdevelopment of Africa and other developing regions. Solutions to addressing IFFs differ, depending on country or regional contexts and the underlying activities, systems and structures that result in illicit flows.

Contemporary global focus on IFFs is largely on ways of minimising or curbing tax losses and related illicit flows of money, as well as maximising tax and other revenues. The source of IFFs, especially commercial IFFs, which account for the bulk of IFFs, lies in the financing of investment, i.e. foreign financing of investment, be it in manufacturing, extraction of natural resources and cross-border value chains. Therefore, eliminating the main sources of IFFs is central to the fight against IFFs.

This sub-section seeks to shed light on how to achieve this hitherto neglected aspect of fighting IFFs, to wit, tackling the sources of IFFs.

In development discourse, DRM, is a process through which countries, especially low to middle-income countries, raise and spend their own funds to provide for their development. In line with the Addis Ababa Action Agenda, which highlights the need for “nationally owned development strategies supported by integrated financing frameworks,” DRM is about catalysing finance for the SDGs. The DRM notion has therefore become synonymous with sustainable economic growth, increased policy autonomy, debt retrenchment, domestic ownership of development strategies, and reduced aid dependence.

DRM in the context of both IFFs and taxation, and hence financing for development, was popularised back in 2002, at the UN’s Monterrey Consensus on Financing for Development Conference in Mexico. The notion rose to significant prominence and was the first of the six “leading actions” called for in the Consensus Declaration. Subsequent conferences have amplified its role, especially among developing countries. International financial and other institutions have gone along to elevate the concept and the redeeming role it has for developing countries. As such, DRM occupies unrivaled discourse in development policy circles. Almost a quarter of a century later, its relevance and prominence has remained unperturbed. .

The Monterrey Consensus implicitly recognised the challenges of external financing for developing economies as being inextricably linked to the challenges of unsustainable debt creation and debt burdens, as well as, the reversal of

external flows and matters connected thereto. However, it provided little in the way of concrete measures for reversing the trend or de-linking external finance to the challenges, other than noting that developing countries bore the responsibility for their own development, basically through the implementation of domestic policies to generate more domestic resources and to attract more external resource flows.

The word “resource” in the “domestic resource mobilisation” concept refers to financial assets, both public and private, that a country can use to fund its development programmes. Therefore, DRM is all about increasing the availability of financial resources within a country to finance development initiatives, rather than relying heavily on external aid or loans.

The ‘resources’ in DRM refers to four types:

- Tax Revenue: Income from taxes on individuals, businesses, and property;
- Non-Tax Revenue: Income from sources like fees, licenses, and fines;
- Borrowings: Loans taken by the government from domestic or international sources. These are largely, if not entirely, market-based loans;
- Private Sector Investment: Funds from businesses and individuals within the country.

It is in this context that tax revenues are deemed to be the priority area in the mobilisation of domestic resources for development. Here, public resource mobilisation through taxation, occupies a central role in building states and shaping ties and accountability to society. Compared to external resource mobilisation through foreign aid, external loans and FDIs, the latter are tied to the objectives of foreign donors, lenders and investors, which include inimical political objectives and profiteering. DRM offers the advantage of greater domestic policy ownership and greater consistency and alignment with domestic priorities. They also secure autonomy. Therefore, the purported increase in policy space and ownership of development strategies should be an extremely welcome development, especially for Africa.

Resulting from the above persuasive points, the Addis Ababa Tax Initiative, which emerged from the 2015 Addis Ababa Action Agenda, enshrined global DRM aspirations, prompting an acceleration of DRM-related technical assistance and programmes. It is also in this context that reforms of the global tax regimes have become intertwined with the DRM initiative. Taxation is, in the current dominant approach to securing finance for development, at the core of financing development.

3.4 Theoretical Roots of DRM

Though new in development policy discourse, DRM has its antecedents in the highly persuasive, extensive and dominant neoclassical literature on savings, investment and growth. This order of logic is significant in that it states that savings (“pools” of existing money in various places from households, firms and government), should be mobilised, then invested. Investment brings about growth, jobs and development. Implicit in this view is the idea that governments the world over, face an ex-ante challenge to locate financing for their spending plans. African policy makers, including many academics, follow this narrative.

Therefore, taxation and borrowing typically describe how a government can increase its cash flow, which can then be used for investment through government expenditure. The narrative is one where the government has limited funds and must compete with businesses and individuals to borrow from markets. However, this often derives from the highly problematic conceptualisation of the loanable funds theory, which erroneously assumes that there is a defined quantity of ex-ante financial resources that must be reallocated. While there is some merit to this view in commodity money systems (which rarely apply in our world today), the opposite is true in a credit money system- which is the dominant system today.

This dominant view that has been refuted by all major central banks, starting with the Bank of England in 2014¹¹, then by the Deutsche Bundesbank in 2017¹², and subsequently by all other key central banks, including the IMF¹³, which surprisingly continues to advocate the discredited approach, somehow refuses to die in policy circles. The purchasing power creating view by banks is one that heterodox economists had long known and extensively written about. In this view, financial resources referred to in DRM are not scarce, and need not be “mobilised” from a “pool” of exist

ing ones, but simply created. This purchasing power creating approach is not the same as the one expounded by neoclassicals that relates to money (credit) multiplier.

In the heterodox system, new credit money (financial resource needed for investment) is created ex nihilo when a financial institution gives a loan or purchases a security from a counterparty (a company, a worker, etc.). This implies that the monetary system has an inherent potential for expansion, which can be

¹¹ <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>

¹² <https://www.bundesbank.de/resource/blob/654284/df66c4444d065a7f519e2ab0c476df58/m/2017-04-money-creation-process-data.pdf>

¹³ <https://www.imf.org/en/Publications/WP/Issues/2019/12/20/Money-Creation-in-Fiat-and-Digital-Currency-Systems-48843>

leveraged for financing a large-scale transformation. While some reallocation of existing money, although insufficient, can potentially be beneficial, the bulk of money required for financing any development can be endogenously created, rather than having to be redistributed.

Therefore, Africa, like any other continent, does not necessarily need savings (mobilisation of savings from firms, individuals and government (tax)) to undertake industrial, infrastructural and related investment. It is for this reason that we have reconceptualised the notion of DRM to DRCM (Domestic Resource Creation and Mobilisation¹⁴), to denote the creation of financial resources and mobilise a few that may already exist. It should be noted that in many, if not most of IMF's conditionalities, the creation of domestic financial resources is discouraged, often on the pretext of inflation, leaving a country dependent on taxes and loans from IMF and other Western institutions.

In the DRCM, the licensor of credit or money is the state itself. It has the sole prerogative to create money through its state-owned banks or central bank for public purposes (for infrastructure, industry etc.), as has been the case throughout the history of economic development. Here, the examples of the economic development of Germany, East Asia and specifically China today, bears mentioning. The US and much of Europe adopted this approach during their development phase, only to discourage it for Africa and others wishing to go the same route. However, the state can, if it so wishes, license the creation of resources (credit/money) to private individuals and institutions, commonly referred to as banks. Without exercising control of its prerogative, or by political choice, governments may be under the whims of those it has licensed to create such resources (the market).

Resource mobilisation, as in mainstream DRM, on the other hand, entails taxing the population and largely, procuring credit from markets (government licensed banks, capital markets etc.) at a cost considerably higher than it would create itself, hence endless debt challenges for most developing countries that have abrogated their prerogative to create their own financial resources. Creditor countries often create the same resources from the process described here, and lend to developing countries in Africa, such as climate finance. It is worth recalling the words of the "father" of income tax withholding, former president of the Federal Reserve Bank of New York and former dean of social sciences at Chicago University, Beardsley Ruml, on the true role of taxes and how to finance development goals, who wrote that "Tax for Revenue is obsolete" (1946).

Ruml went on to say that the US government gained the ability to pursue these goals after WWII due to two developments. The first was the creation of "a modern central bank," and the second was the sovereign issue of a currency that "is not convertible into gold or into some other commodity." With those

¹⁴ https://codafrica.org/wp-content/uploads/2024/10/African-Monetary-and-Economic-Sovereignty_2024.pdf

two conditions, “[i]t follows that our federal government has final freedom from the money market in meeting its financial requirements....National states no longer need taxes to get the wherewithal to meet their expenses.”

However, due to old gold standards habits, the notion that a government’s wherewithal is provided through the tax system has remained dominant. Creditor nations find the continuation of this practice profitable and it has become an avenue for continued flow of foreign money (debt) for Africans and others.

Recent examples of governments relying on their power to create their own financial resources was during COVID times, where central banks, state owned banks created vast amounts of resources (domestic resources) to meet government goals without any inflationary impact. During the 2007-9 crisis, large amounts of sovereign monies were created by governments. Instead of inflation, economies began to fear deflation. The inflation bogeyman has been used by neoclassical economists, the IMF and related institutions to create fear among developing countries on the virtues of creating financial resources for their use.

Domestic (financial) resource creation entails the increase or expansion of purchasing power in an economy, not the redistribution or reallocation of existing purchasing power. Only when new purchasing power is brought on stream can economies typically grow, thereby increasing the number (quantity) of economic transactions, especially productive economic transactions. This implies that there is a decreasing rather than an increasing need to rely on foreign investment capital, which is the main source of IFFs.

3.5 Eliminating IFFs: De-Linking the Nexus Between IFFs and Natural Resources

The nexus between natural resource rich regions and illicit financial flows risks arises, first, from the fact that there is high dependence on revenues from natural resources to fund economic growth and social development. Second, in the complex and elaborate cross-border nature of global value chains, largely associated with the extractive sector, where opportunities for trade data and invoice manipulation can be created (often through mis-invoicing of goods within and across the production chains).

As discussed above, funding economic development can be accomplished by governments creating financial resources in addition to and independent of extraction of natural resources. This has happened in many poorly natural resource endowed countries. This implies recommending ways in which financing for development (of economic growth, structural and ecological transformation) is de-linked from pure dependence on natural resources. The financing of Africa’s economic growth and structural transformation should instead be fully dependent

on what is termed here as domestic resource creation and mobilisation. The extraction of natural resources should be for domestically transforming them into manufactured products through the process of beneficiation. Technologies for beneficiation or manufacturing can always be imported or researched. Accordingly, the African Mining Vision (AMV) would have benefitted from this reconceptualisation, by depending less on foreign funding. The Achilles' heel of the mining vision has always been the financing of its development through foreign capital. Domestic capital is readily available through governments' own resource creating power and prerogative. The importation of capital goods can be met through the exports of whatever goods or services a country produces.

By so doing, Africa would have begun to de-link the primary source of commercial IFFs from natural resources. The remaining IFFs such as corruption, money laundering etc. should continue to be handled through existing efforts.

3.6 Implications for Policy

The creation of own resources for development by economically sovereign states entails significant changes to Africa's monetary and financial institutional structures. This in turn has implications on the global economic governance architecture. Leveraging both domestic financial and natural resources, along with an intra-continental payment system would considerably reduce risks associated with IFFs. Through domestic resource creation and mobilisation, a new financial architecture designed to weaken the balance sheet link with centres of capital would slowly unravel. For this to happen however, an all-Africa approach is required. There is an urgent need for an AU agenda on this issue.

A return to a domestically controlled banking system is imperative. This implies the creation of a network of domestically owned and managed public banks (public policy driven banks), designed for public purpose, working alongside domestically owned private banks. This reduces the dependence on foreign capital for development, which in turn dials down the flows of money into and out of Africa, the main source of IFFs.

Chapter 4

Continental-Level Coordination and Collective Action Against IFFs

Realising the hugely political nature of IFFs, the AU HLP Report (2015) rightly highlighted that there is a need for a “concerted response [that] depends on the necessary decisions being taken at political level”. It underlined that the disparate works of various agencies need to be coordinated to ensure consistency and success in tackling the scourge of IFFs. Many of the recommendations of the AU HLP establish that coordination between various stakeholders at different levels – national, regional, continental and global – is key to making any meaningful strides in the fight against IFFs.

An important rationale that the AU HLP Report (2015)¹⁵ sets for coordination is the lack of appropriate capacity in any given agency to fight IFFs. Noting that IFFs are multidimensional in nature, the AU-HLP recognized that tackling them also requires multiple agencies leveraging their mandates and instruments in an avant-garde manner for the achievement of a clearly set objective.

In a world that is divided along multiple lines of fractures, countries, organisations and interest groups cannot bring about change on their own. Hence, the AU HLP Report highlighted that continental organisations such as the African Union and its various instruments, need to play their role in creating the right platforms for coordination. A coordinated continental engagement with non-African stakeholders is an equally important dimension the AU HLP highlighted in its report. With IFFs involving resources leaving the Continent, collaborative efforts by AU Member States and non-State actors will be crucial in advancing advocacy, policy action, legal proceedings, diplomatic efforts and other institutional responses to the challenge in non-African jurisdictions and/or global platforms.

As a proponent of coordinated action, the AU HLP has also been central to African efforts in creating an effective coordinating platform in the fight against IFF. The AU HLP Secretariat, hosted by CoDA, has been instrumental in the formation, advancement, maintenance and financing of various types of coordination structures. These structures take the form of a consortium of inter-governmental institutions and CSOs, thematic working groups, time-bounded advocacy campaigns, thematic conferences and forums, and dedicated technical committees. Over the last 10 years, the Secretariat has been incessant on advocating for a coordinated and coherent response against IFFs. It is also raising and deploying significant financial and human resources for the realisation of such a coherent response that ensures the long-sought consistency in Africa’s response to IFFs.

Evaluation of the status 10 years after the AU HLP Report was launched shows mixed results. Although a great deal has been achieved in sensitising various

¹⁵ UNECA, 2015: *Illicit Financial Flows: Report of the High Level Panel on Illicit Financial Flows from Africa*.

stakeholders about the serious negative impacts of IFFs, hence the need for creating the right legal, policy and institutional responses, little has been achieved in creating an effective continental coordination platform that can consolidate Africa's responses on the issues. Ten years after the AU HLP Report was adopted, Africa is still divided in its actions against IFFs. Key non-state actors operate in silos, instead of collaborating with others for optimal output. Multiple, fragmented, non-inclusive, interest-based, non-consultative and temporary structures, claiming to serve as coordinating platforms, exist in the Continent. Such structures play against Africa's interests, not only by dividing the limited capacity in the Continent, but also by dragging the momentum of the fight against IFFs. There is also an increasing tendency, especially by non-state actors, to perceive the fight against IFFs as a programming and/or fund-raising opportunity rather than as a serious issue that needs to be addressed in order to release resources essential for the advancement of the continent's development process.

This chapter, therefore, highlights the coordination platforms that the AU HLP Secretariat established, participated in, advanced, collaborated with and / or maintained in the last 10 years. While a brief description of the nature and structures of the platforms will be provided, the focus will be mainly on the major achievements and challenges of the platforms.

4.1 Consortium to Stem Illicit Financial Flows

As per the African Union Declaration on IFFs¹⁶, the AU HLP is mandated to advocate and advance the African agenda. Since this is a standing responsibility, the Panel needed to constitute a secretariat and other relevant structures enabling it to effectively discharge its mandate. In close consultation with the leadership of the African Union Commission (AUC), the AU HLP established its secretariat, which is hosted in the Coalition for Dialogue on Africa, a special initiative of the African Union, Economic Commission for Africa, African Development Bank, and Africa Export-Import Bank.

The Consortium to Stem IFFs was the first attempt by the AU HLP to create an African-wide collaborative platform for consolidating efforts of research, sensitisation and advocacy of policy action against IFFs. The Consortium was established in 2016, comprising CoDA, African Union Advisory Board on Corruption, African Capacity Building Foundation, African Union Development Agency (AUDA-NEPAD), African Peer Review Mechanism, African Development Bank, African Tax Administration Forum, African Organisation of Supreme Audit Institutions, ECA, Tax Justice Network Africa, Open Society Initiative of West Africa, African Legal Support Facility, Pan African Lawyers Union (PALU),

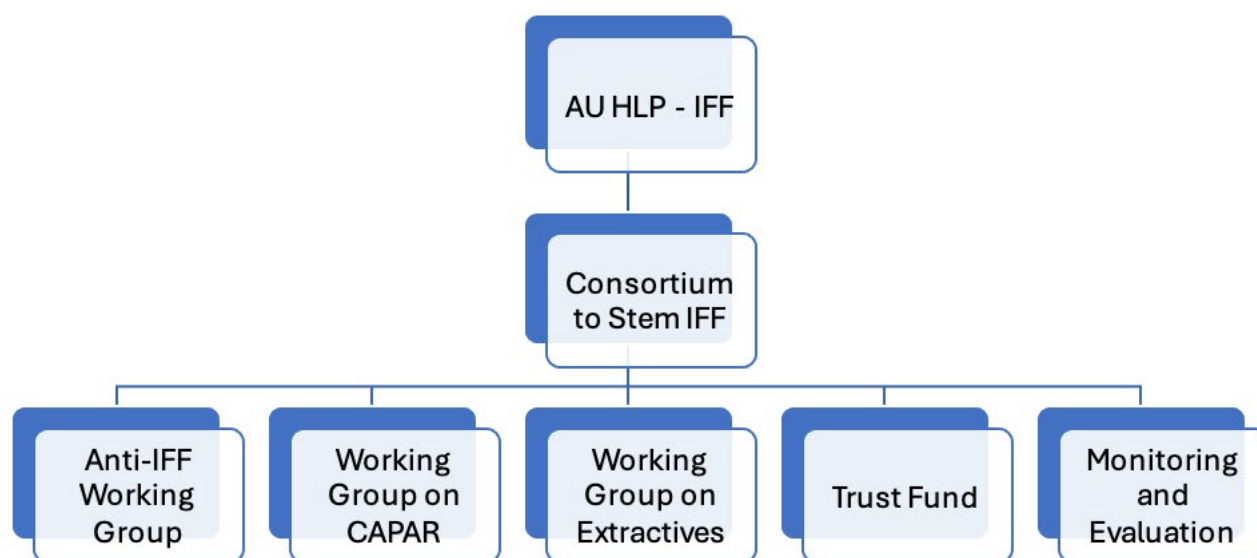
¹⁶ *Assembly Special Declaration on Illicit Financial Flows. Doc. Assembly/AU/17/(XXIV).*

Pan-African Parliament (PAP), and Trust Africa. The Consortium was chaired by H.E. Thabo Mbeki and the Deputy Chairperson (DCP) of the African Union Commission. The primary objective of the Consortium was to bring together all the different agencies working on the issue of IFFs to share information, align efforts, combine resources and streamline messaging so that the momentum in fighting IFFs could be maintained.

In his speech at the first meeting of the Consortium, the Chair of the AU HLP noted “there is a need to establish a global coherence of what has been agreed by African and non-African countries on efforts to curtail IFFs. And there is a need to develop a global mechanism that will ensure complete adherence to these agreements.” The remarks by the former DCP of AU, H.E. Kwesi Quartey, at the meeting of the Consortium in 2018, describes the objectives of the platform as:

“In order to achieve the mandates delivered by the African Heads of State in the Special Declaration on IFFs, it was clear that there is the need to not only disseminate the findings and recommendations of this report but also to prepare an actionable plan for these recommendations to be implemented at all levels. Strong collaboration and consistent engagement between various African institutions, particularly those who had been specifically identified within the Special Declaration, is extremely crucial.”

The Terms of Reference (ToR) of the Consortium state that the objectives are: ensuring coordination and coherence, leading advocacy efforts, galvanising support from a broad range of partners and monitoring the progress in the implementation of the decisions of the AU Assembly. Taking its ToR into consideration, the Consortium served as a platform to collectively plan and execute various activities targeted at enhancing Africa’s ability to put a plug on the loss of essential financial resources through commercial, criminal and corrupt activities.



Structurally, the Consortium has a chair (AU HLP), co-chair (AUC), and members. Over the years, the number of members of the Consortium varied. However, the commitment to coherence at continental and global levels remained steadfast. The Consortium's meetings are mostly annual, while members also meet on the sidelines of various international events. The fact that the Consortium involves inter-governmental organisations, civil society organisations, professional associations, think tanks and legislative organs, made it well suited to promote the IFFs issue on multiple fronts. It has also enriched discussions and widened the scope of solutions proposed to reduce IFFs at continental level. A key achievement of the Consortium was to push the agenda of IFFs forward at national, continental and global levels. The inclusion of IFFs in key global commitments such as the SDGs; continental evaluation systems such as the African Peer Review Mechanism (APRM) questionnaire; and in various national level policy instruments, would not have been possible without the relentless research, advocacy, training, capacity building and technical support efforts provided by the members of the Consortium.

Between 2016 and 2022, the Consortium was the central platform for Africa's collaborative actions against IFFs. It helped maintain the momentum built after the release of the AU HLP Report and kept the agenda alive. Despite headwinds from non-African agencies that attempted to reduce the issue of IFFs to criminal and corrupt activities, which according to the AU HLP Report jointly contribute to between 30% – 35% of the IFFs from Africa, the Consortium continued to underscore the fact that the majority of IFFs are being lost through illicit commercial activities, therefore the policy response should be proportionally focused on commercial IFFs.

Since 2022, the work of the Consortium has slowed down. This could be attributed to the unnecessary confusion, tension and institutional politicking around mandates, the intrusive and disturbing role of donor funding, the exit of crucial personalities from the leadership of Consortium member institutions, and the worsening capacity constraints of member institutions. As a result, the Consortium has struggled to function efficiently and revive its activities.

4.2 Anti-IFF Working Group

A subset of the Consortium to Stem IFFs, the Anti-IFF Working Group (IWG) was set up in 2016 and comprised institutions with direct programmatic engagements on IFFs. The IWG served as a technical arm of the Consortium in tracking the discourse around IFFs, undertaking various research, production of knowledge (policy briefs, background papers, technical notes and key messages), and harmonization of continental-level initiatives with the findings and recommendations of the AU HLP.

Co-chaired by the Department of Economic Affairs of AUC and CoDA, the

Working Group included organisations such as ECA, ATAF, ALSF, TJNA, PALU and Trust Africa. Since the members of the IWG have research and knowledge generation capacity, the IWG supported the production of various reports. It served as a focal point for sharing technical feedback amongst Consortium members in the production of various reports. In addition, as the chair and co-chair of the Consortium pushed the agenda of IFFs in global platforms, the IWG has been key in crafting their messaging and generating evidence for their arguments.

The IWG was also critical in sensitising key professional ecosystems, such as auditors and lawyers, on IFFs. Discussions on creating continental standards, principles and approaches on ethical practices of legal and audit professions vis-à-vis IFFs was also facilitated through the IWG. It also served as an informal platform where African institutions would share information, insight and opinion on the substantive discussions that relate to IFFs that were taking place in platforms such as the UN, OECD, G7, G20 and others.

Although the IWG held its meetings alongside the annual meetings of the Consortium, it also convened separate meetings when necessary. Its meetings were also organised on the sidelines of major events, in pursuit of a specific agenda, in consideration of an upcoming decision, or to discuss an urgent matter. Such meetings were often called for by the chair or co-chair of the IWG, in consultation with members.

In the light of the broader issue of IFFs and the collaboration that the Consortium sought to establish, the role of IWG was indeed significant. It was evident even from the AU HLP Report that advancing knowledge on IFFs is crucial to improve the ability of African countries to contain IFFs.

4.3 Working Group on Common African Position on Asset Recovery (CAPAR)

The Common African Position on Asset Recovery (CAPAR)¹⁷ is a natural follow-up to the African Union Declaration on IFFs. It came into being in 2020 with the collaborative efforts of Nigeria (African Union's Champion on Corruption), the AU HLP (through its Secretariat – CoDA), and African asset recovery experts. It was a direct response to one of the major findings of the AU HLP.

"Action should be taken to overcome the obstacles to the proper functioning of asset recovery initiatives in Africa, including providing legal and financial expertise and aligning domestic policy and institutional frameworks with global instruments. It was observed that the frameworks of asset recovery are mostly limited to the return of proceeds of corruption and illicit enrichment while efforts

¹⁷ African Union. 2020. EX.CL/1213(XXXVI) Add.1 Rev.1 Common African Position on Asset Recovery.

to repatriate proceeds of tax evasion usually depend on the efforts and abilities of individual companies.”

Although the United Nations Convention Against Corruption (UNCAC) and the African Union Convention on Preventing and Combating Corruption (AUCPCC) are anti-corruption instruments that incorporate asset recovery elements, CAPAR is the first full-fledged African instrument focused on asset recovery. It is a manifestation of the African commitment to create an effective continental regime to recover illicitly lost assets. As illustrated in the Preamble of CAPAR, the instrument is a result of the recognition that non-recovery of African assets taken out of the Continent to foreign jurisdictions has a severe negative impact on Africa’s economic, social and cultural development.

The Working Group on CAPAR was formed by institutions that have been instrumental in drafting and championing it through the different African Union processes. After CAPAR was endorsed by the Assembly of the African Union (Decision Assembly/AU/Dec.774(XXXIII)), the WG focused its efforts on popularising the instrument, sensitising various stakeholders about the elements of the instrument, collaboration with national level asset recovery agencies in building capacity, and drafting complementary instruments.

A major achievement of the CAPAR WG is the drafting of the framework for the management of recovered assets, and framework for the establishment of an escrow account. The two draft frameworks, which are essential for an effective asset recovery regime, were validated in the meeting of the WG in 2022 in Johannesburg, South Africa. However, their implementation requires wider consensus among African stakeholders, including regional multilateral development banks (MDBs).

The CAPAR WG has been actively engaged in raising awareness among national level prosecutors, African legal professionals, civil society organisations, investigative journalists and youth representatives. The Working Group collaborated with various national, regional, continental and global agencies to raise awareness on asset recovery issues. Through the Annual Citizens Forum, organised by the AU Economic, Social and Cultural Council (ECOSOCC), the WG introduced not only CAPAR as an instrument but also the wider negative impact that non-recovery of African assets, including African artifacts, has on Africa’s development.

Members of the WG, including national asset recovery agencies in Nigeria and Senegal, remain actively involved in the global discussions on asset recovery. The participation of WG members in regional asset recovery networks has also been instrumental in promoting the wider referencing and use of CAPAR in national and regional efforts to create effective asset tracing, recovery and management regimes. The WG also actively participated in the annual gatherings

of the UNCAC, with a view to aligning the continental discussions with global discussions.

Nonetheless, the impact of COVID-19 in limiting mobility, and the existence of parallel structures competing with the WG, reduced the commitment of WG members towards a genuinely African asset recovery instrument, resulting in a tendency to rely on what UN agencies proposed. The difficulty of asset tracing (a prerequisite for asset recovery), the disturbing role of donor funding and capacity issues, made the overall effort of creating strong asset recovery regimes in Africa extremely difficult. The not so positive role of regional MDBs is also worth mentioning. Guided by their capital structure, which involves non-African shareholders, the regional MDBs frequently adopt standards and instruments that are crafted by non-African agencies, leading to the delegitimisation of genuine African instruments such as CAPAR.

4.4 Working Group on Extractives

It is evident from the AU HLP Report that extractives constitute a significant part of commercial IFFs from Africa. The over-reliance of most African countries on natural resources, has made them vulnerable to loss of taxable income from commercial activities through various illicit practices. According to African Development Bank¹⁸, 22 of the 54 African countries could be classified as resource-rich, with minerals and natural gas contributing to more than 25% of their exports. Illicit financial flows in these countries are therefore closely linked to natural resources extraction and trading contracts.

The AU HLP Report underlined that there is a clear relationship between countries that are highly dependent on extractive industries and the incidence of IFFs. This relates to extensive underreporting of the quantity and quality of natural resources for export, such as crude oil, diamond, coltan, gold, and timber, etc. Drivers of massive loss of financial resources through tax evasion include natural resource trading contracts, involving exceedingly low unit prices compared to global prices, and sticky extraction contracts, which provide little or no leeway for countries to renegotiate.

The Working Group, comprising CoDA, World Bank, ALSF, AUDA-NEPAD, AfBC and AU-DEA, focused on following the discussion on mineral resources, including valuation, value addition, resource governance, linkages and environmental, social and governance (ESG) issues. Cognisant that the extractive sector in Africa involves exportation of primary products, i.e. raw minerals, the Working Group on Extractives was also instrumental in sharing information on best practices of contract structuring, local value addition, taxation of mineral resources and models of resources governance.

¹⁸ AfDB, 2016: *Catalyzing Growth and Development through Effective Natural Resources Management*.

As the scramble for Africa's mineral resources intensified, the Working Group on Extractives proved to be a platform for collaborative research, awareness creation and advocacy. The organisation of the Congress of Africa's Mineral Resources Development (CAMRED)¹⁹, an alternative platform for high-level policy dialogue on mineral resources development between African governments, private sector and civil society organisations, is testament to the efforts of the Working Group. Technical research on harmonisation of mineral resources taxation in Africa, plans for revitalisation of the African Mining Vision, and dialogues on the nexus between natural resources and governance, are some of the crucial undertakings of the Working Group on Extractives. The Working Group has also been instrumental in advocating for enhanced ethical standards of Extractive Industries Transparency Initiative (EITI) chapters at national level, and the overall practices of extractive sector transparency initiatives.

Yet, opacity around natural resources contracts, lack of established reporting standards, entrenched political sensitivities and a national interest firewall hinder effective collaboration of stakeholders in the Working Group on Extractives. Consequently, its actions were limited to research, sensitisation and advocacy works.

4.5 Illicit Financial Flows Week

The IFFs Week is a flagship event of the AU HLP, held annually, to streamline continental efforts to combat IFFs. The week-long advocacy and engagement event series brings national, continental and global partners together to discuss issues related to IFFs. Convened under the banner of the Consortium, but also involving non-Consortium members, the IFFs Week is a mechanism the AU HLP created to sustain the momentum, guide the narrative and highlight emerging issues in the areas of IFFs.

Over the last 10 years, the IFFs Week has taken place annually in Johannesburg, South Africa, in close proximity to the offices of the Chair of the AU HLP, H.E. Thabo Mbeki. Aligned with the continental priority of the day, IFFs Week is a way for the Chair to directly engage with various stakeholders, provide guidance to their work and share insights in terms of approaches. It has remained an opportunity for stakeholders to share results, discuss challenges and coordinate actions.

The Chair of the AU HLP underscored that "Africa needs to act in concert with partners" in the fight against IFFs. Pushing for such concerted action will not be possible without effective sharing of information among partners, an opportunity for collective ideation of programmatic interventions, vibrant discussion on alternative solutions, and effective strategies of engagement. IFFs Week, therefore, was intended to serve as a platform for such vibrant discussion for

¹⁹ <https://camred.org/>

enhanced strategic and tactical engagement at continental and global levels.

The IFFs Week comprises technical discussions, thematic working sessions, ad hoc working group sessions and bilateral meetings with the Chair of the AU HLP. IFFs Week establishes the rationale for advocacy campaigns, sets the tone of Africa's messaging on IFFs, defines timelines of engagement with various agencies, creates an effective division of roles between various stakeholders, and enhances networking between various stakeholders.

Although the IFFs Week has helped immensely in galvanising Africa's actions against IFFs, its impact is hugely dependent on the commitment of individual stakeholders. One major obstacle in Africa's fight against IFFs has been the inconsistent commitment of key stakeholders. Factors ranging from frequent leadership changes to lack of capacity, created confusion, unease and disruption to the extent that organisational commitments significantly vary in time. Therefore, stabilising the level of commitment of key African stakeholders through shared vision stands as the major challenge.

4.6 Other African Initiatives

A major impact of the AU HLP Report was the initiation of various efforts by different agencies aimed at researching the issue, creating awareness, undertaking training, facilitating advocacy and building institutional capacity. For the most part, these efforts have targeted a specific sector and/or specific audience. Furthermore, they only deal with a specific aspect of IFFs. If the past 10 years are to be a guide, most of these efforts have failed to bring any meaningful change in either creating effective collaboration and/or creating a sustainable response towards IFFs in Africa.

In this regard, two of the initiatives worth mentioning are Stop the Bleeding Campaign²⁰ and the Pan African Conference on IFFs and Taxation (also called PAC). While the first was a time-bound campaign initiated by six African organisations (TJNA, TWN, AFRODAD, FEMNET, ITUC-Africa and Trust Africa), the latter is an annual conference series organised by Tax Justice Network Africa (TJNA) and other stakeholders. Between 2015 and 2018, Stop the Bleeding Campaign helped mobilise youth movements, trade unions and local civil society, against IFFs in Africa. During its time, the Campaign reportedly collected one million support signatures, and undertook two regional and one national flagship events. However, since it was a time-bound campaign, it could merely raise awareness and sensitise a targeted audience.

²⁰ <https://www.un.org/esa/ffd/ffd3/commitments/commitment/stop-the-bleeding-africa-iff-campaign.html>

On the other hand, the Pan African Conference on IFFs and Taxation²¹ is an annual conference organised by TJNA and other stakeholders, to raise awareness on issues related to IFFs and taxation. Yet, the 12th Edition organised in 2024, in collaboration with AU and its EU partners, such as GIZ, treated IFFs and taxation as separate but interlinked concepts. This stood in sharp contrast to the stance taken by the AU HLP, whereby IFFs are taken as an integral part of taxable income of a given country. Documents show that the PAC has held 12 annual conferences as at 2024. Essentially, the PAC is a platform for information sharing among civil society organisations.

Although both PAC and Stop the Bleeding Campaign may be excellent initiatives, the fact that their focus has been on non-systemic elements and that they propagated the standards, initiatives and solutions often preached by the Global North, reduced their credibility to serve as genuinely African mobilisation platforms.

Certainly, there have also been various one-off trainings, workshops, campaigns and other activities organised around IFFs by various African stakeholders. Yet, Africa continues to seek an effective, inclusive, responsive, legitimate and institutionalised collaborative platform, to bring about the necessary consistency, coherence and consolidation of actions against IFFs, as recommended and envisioned by AU HLP. As described above, all of the efforts towards creating such a platform in the last 10 years fell short of this ambition.

²¹ <https://au.int/en/newsevents/20240626/pan-african-conference-illicit-financial-flows-iffs-and-taxation-tunis-tunisia>

BOX 1

The Dilemma Around African Integrity Fund (AIF)

An important window for the African Development Bank (AfDB) to enhance its support to projects aimed at stemming IFFs, recovery of stolen assets and promoting good economic governance in Africa is the African Integrity Fund (AIF). Established in 2016, the AIF is a fund formed from inflows of fines levied on entities with procurement contracts with the Bank that are found to have participated in sanctionable activities. The list of sanctionable activities varies from corruption, collusion, coercion and fraud, to obstructive processes. The sanctions process in the Bank allows negotiated settlement of cases, whereby respondents will pay an agreed upon settlement fee to the AIF. With the intention of putting in place stringent sanctions, the Bank's policy has established a two-tier settlement process. The first tier involves the General Counsel of the Bank reviewing the terms of settlement, taking the Bank's policies into consideration. The second tier involves an independently appointed sanctions commissioner reviewing the terms of settlement to ensure fairness, proportionality, transparency and credibility.

The document establishing the AIF states that the African Development Bank (AfDB) shall use the money channeled into it for projects that will enable member countries to carry out activities aimed at reducing the prevalence of prohibited practices, recovering stolen assets, ebbing IFFs, and promoting good economic and financial governance. Furthermore, the AIF also seeks to document innovative approaches to anti-corruption and good governance, as well as support CSOs, advocacy groups, media and academia in the fight against corruption. By the time it was established, the AIF had a total of 55.2 million USD as agreed payments, with 33 million USD lodged in escrow accounts.

Nine years after its establishment, the AIF has yet to be operationalised. No project has been financed from the Fund, while the money kept in the escrow accounts continues to earn interest. Inquiries by intergovernmental organisations, such as CoDA, and civil society organisations about the the Fund's operationalisation in order to support activities that could help Africa to stem illicit financial flows have been dismissed by the Bank. This, despite the fact that inter-governmental organisations and initiatives, professional associations, think tanks and CSOs working on issues relating to IFFs, corruption, asset recovery and governance, have requested grant support from the Fund.

Recent reports are confusing. A report by Financial Times indicates that the Bank's non-operationalisation of the Fund relates to "risks regarding conflict of interest, transparency and due process which were identified during the process of implementation." On the other hand, the same report states that the Bank has proposed to its Board "the closure of the Fund and the appointment of an independent institution to deploy the funds." Little is known about whether such a decision has already been made, and which independent institution is entrusted with the role of deploying the funds.

In view of the wide reaching impact of governance challenges in Africa, more so on the economic fronts, the passivity of the AfDB in operationalising the AIF and providing a clear framework for its accessibility, contradicts the principles of transparency and accountability. Cognisant that Africa is scrambling to tame IFFs, corruption and poor governance, the role the AIF could play to improve the situation cannot be underestimated. This is all the more so at a time when Africa needs to organise itself effectively against an anti-developmental global financial architecture, unfair global tax system, misgoverned global financial institutions and an increasingly discredited multilateral system.

4.7 Challenges of Creating Effective Coordination Platform Against IFFs in Africa

Despite 10 years of efforts to put together a functional coordination platform for Africa's fight against IFFs, such a platform is yet to be formed. Although the AU HLP, as the primary mandated body to advocate for consistent and coherent African action against IFFs, has been attempting to introduce structures that could facilitate effective coordination and collaboration of the various stakeholders working on the issue, it continues to face challenges ranging from unnecessary politicisation of efforts, to lack of commitment from participating institutions. By and large, there is a consensus that IFFs are a huge problem for Africa's development, robbing the Continent of essential resources that could have been used to enhance the state of education, health, infrastructure, agriculture, water supply and sanitation, job creation, women's economic empowerment and youth development. However, there seems to be immense confusion amongst continental, regional and national actors on how to coordinate their efforts to contain the scourge and stop the flows of resources leaving the Continent.

As the host of the AU HLP Secretariat, CoDA has been involved in facilitating the day-to-day undertakings of various structures of the AU HLP in the last 10 years. It has therefore had firsthand experience of the twists and turns in the AU HLP's efforts to create an effective collaboration and coordination mechanism for Africa. Accordingly, the following are some of the major obstacles to Africa's aspiration to institute a responsive, inclusive, well-resourced and politically supported coordination mechanism.

4.7.1 Lack of Commitment

The 2015 AU HLP Report built significant momentum across the board with regard to initiatives such as training, media reports, commentary, workshops, campaigns, etc. geared towards raising awareness and institutionalising the fight against IFFs. These and other compelling issues prompted the AU HLP to establish the Consortium as a coordinating platform, using the big tent approach to allow new members to come on board.

While it all got off to a good start, it did not maintain the momentum. Although various organisations have been involved in the Consortium, their participation was largely guided by the leadership of the time. The commitment to the issue of IFFs was not a matter of institutional policy, but rather the prerogative of the leadership at the time. Consequently, changes in leadership within the participating institutions brought about a decline in commitment to the approach, principles and activities of the Consortium.

Some of the participating institutions initiated parallel processes, where they established another consortium, outside the purview of the AU HLP, and in response to non-African processes. Frequency of information sharing declined, as did attendance at meetings of the Consortium. Unlike the ownership of the

issue that was observed in earlier years, the onus of managing the Consortium was left to the AU HLP Secretariat. Due to the limited capacity of the Secretariat, Consortium activities declined tremendously, especially since 2022.

The state and function of the Consortium could have gone differently had the commitment to combating IFFs been sufficiently institutionalised within the policies of the participating institutions. Beyond the understanding and prerogatives of the leadership of the time, institutions should embrace such commitments in their statutes and policy documents. Their programming and budgeting cycles should be adequately aligned.

4.7.2 Lack of Shared Vision

Effective collaboration results from shared vision. In pursuing the goals and aspirations of Agenda 2063 and the SDGs with coherence and consistency, the need for a clear and shared vision is imperative. However, this is lacking in the African context

Not all stakeholders agree with the emphasis on creating a mechanism for a lasting, sustainable and institutional response to IFFs. The focus on different aspects of IFFs might not be a problem in itself, as different institutions have different resource advantages, capacity, networks and pivoting. However, a fragmented approach to the problem reduces the impact, as it leads to duplication of efforts and unnecessary competition. It also leads to competition for financial and human resources. Organising events focusing on the same issues without inviting other partners has become the norm. While Africa should be standing together to push forward its narrative and consolidated stance, the race between different institutions has become all about garnering the attention of non-African agencies. Some stakeholders adopt the standards of non-African agencies that are sometimes in stark contrast with the African stance expressed in the AU HLP Report and the Agenda 2063.

Despite the popularity of the findings of the AU HLP Report and its recommendations, there remains a divergence of views on how to tackle IFFs. This divergence seems to be the underlying factor for reduced participation and commitment of African stakeholders to the coherent and coordinated African response to IFFs. As a result, the task of the time appears to be about elaborating a clear and shared vision on how Africa should approach IFFs at continental level.

4.7.3 Insufficient Capacity

Most of the continental institutions working on IFFs issues lack sufficient human and financial resources. Even when these institutions have clear and concrete policies or activities to address IFFs, they often stay away from crucial collaborative platforms, and when they participate, may not commit to joint actions.

Inadequate capacity is frequently put forward by members of the Consortium. However, collaboration was meant to address the capacity conundrum as it enables partners to harness their comparative strengths, share resources, optimize results and maximize impact. Nonetheless, the institutional culture seems to be that capacity issues are treated as internal matters and therefore an issue that is rarely discussed with outsiders. Instead, various other excuses are provided to cover the capacity constraints.

It is difficult to ensure consistency and coherence in a collaborative manner with partners who do not have genuine discussions about their limitations. This becomes more complicated in the case of IFFs, as the issue itself is complex, politically sensitive and systemically entrenched. The detractors of a coherent and coordinated response are well-resourced and well-positioned, and in a position to dynamically adjust their play. It will, therefore, be extremely difficult to contain IFFs without building the capacity of key stakeholders.

For this reason, one important area of focus for an effective cooperation platform to happen in Africa is to have an African approach to addressing the capacity challenges that key institutions are facing.

4.7.4 Interventionist Donor Policies

Unfortunately, the reality in the IFFs space is that the very actions that are meant to contain the outflow of financial resources away from Africa are largely financed by handouts from the destination countries. With the money comes the influence and intervention on where, how, when and with whom it should be invested. In cases where it is not explicit, it comes with latent conditionalities attached to project and programme funding.

The donor conditionalities affect the structure, target and forms of investment to be made by grantees. Sometimes, certain views that contrast with the African stance are imposed on grantees. Such is the case, for example, where institutions working on economic and political governance are made to focus on corruption, although it only accounts for 5% of the total IFFs from Africa.

The push for reducing IFFs to Anti-Money Laundering and Terrorism Financing (AML/TF) is also another aspect imposed by donor money. This is happening despite the fact that what is illicitly lost is considerably more than what is laundered. Donor's imposition of certain practices in measuring IFFs, although the approaches do not align with data availability, institutional and human capacity, as well as access to some crucial trading databases by African countries, can also be traced to donor conditionalities.

Consequently, this intrusive nature of donor money remains a huge roadblock for Africa's effort to create an effective and responsive coordinating platform. Furthermore, the task of the day for all stakeholders is to ensure that financing agreements provide the required institutional autonomy. Strengthening African sources of financing development activities, including structures to fight IFFs, will also be crucial.

Chapter 5

National Level Challenges of Implementing the Recommendations of the AU HLP

Although the world stays connected, the fight against IFFs is the responsibility of individual countries. Therefore, much as the responsibility for providing basic infrastructure, education, health, water supply, sanitation and other services lies squarely with governments, so does the responsibility to fight IFFs. This comes with the realisation that what is lost through IFFs are resources that should be available for the development of countries and the improvement of the livelihoods of their citizens. In recognition of this, the AU HLP Report argues that:

“The resource needs of African countries for social services, infrastructure and investment underscore the importance of stemming IFFs from the continent.”

As rightly described in the Report, poverty incidence in Africa is extremely high. Latest figures²² show that 490 million people in Africa live in absolute poverty. According to the Oxford Poverty and Human Development Initiative (OPHI)²³, 47% of Africans live under multidimensional poverty. Yet, Africa is the youngest continent in the world, with the median age projected to be 25 in 2050, compared to the average of 36 for the whole world. The inability of African economies to create decent and sufficient jobs for their young populations is closely related to factors driving the loss of resources through IFFs.

In elucidating the intricacy of IFFs, the AU HLP finds that it is a mix of commercial, criminal and corrupt activities that lead to the loss of around 50bn USD in IFF per annum. Recent figures show that this amount has increased to 90bn USD per year. Commercial activities leading to losses include transfer pricing, trade mispricing, misinvoicing of services and intangibles, unequal contracts, aggressive tax avoidance, and illegal export of foreign exchange. Outright criminal activities, including money laundering, human trafficking and drug trafficking, aggravate the case for African countries. A major facilitator for these two types of IFF is corruption and abuse of office.

According to a projection by the Mo Ibrahim Foundation²⁴, the development financing needs of Africa ranges from 900bn to 1.3 trillion dollars per annum. The African Development Bank estimates that infrastructure needs alone range from 181bn to 221bn USD per year. On the other hand, Climate Policy Action²⁵ estimates that Africa needs an average of 230bn USD per annum for climate adaptation and mitigation purposes. The Continent faces a total financing gap of 402bn USD to accelerate structural transformation, provide infrastructure and ensure basic services for its growing population, according to AfDB²⁶.

22 <https://unctad.org/press-material/facts-and-figures-7>

23 https://ophi.org.uk/sites/default/files/B56_Africa_online.pdf

24 <https://mo.ibrahim.foundation/sites/default/files/2024-06/2024-forum-report.pdf>

25 <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/06/Climate-Finance-Needs-of-African-Countries-1.pdf>

26 <https://www.afdb.org/en/news-and-events/scaling-financing-key-accelerating-africas-structural-transformation-73244>

When contrasted with the fact that Africa loses 90 billion USD per annum in IFFs, Africa could have met many of its developmental ambitions by putting in place the right legal, policy and institutional responses to contain IFFs. This is indeed the reality that many African countries are faced with. IFFs involve not only direct losses of financial resources that could have been invested in crucial development, but also a huge opportunity cost to the 1.5 billion Africans in the Continent.

In the light of the above facts, the AU HLP Report, highlighted 24 recommendations, which were endorsed by AU Assembly Declaration 17 (XXIV) for implementation by African countries. Creating a robust policy, as well as legal and institutional firewalls against IFFs at national level is the main objective of the recommendations.

By and large, the focus of the AU HLP in the last 10 years was on building the right momentum at global and continental level. This involved advocating for the creation of inclusive standards, uptake of the issue by global institutions such as the UN, the creation of appropriate policy frameworks for the fight against IFFs, and popularisation of the concepts and meaning of IFFs at different levels. As such, the AU HLP has been actively involved in the global discussion at the UN, G20, G77, and other international platforms.

Members of the AU HLP have been traversing the world with the ultimate mission of highlighting the widespread impact IFFs have on the development of Africa and the rest of the World, and how important it is for the world to join hands to fight the haemorrhage. Bridging the global divide, the AU HLP has worked incessantly to advocate the concept that the IFFs are a challenge not only for Africa, but also for the Global North, as they essentially involve hiding financial resources that should rightfully have been captured by the established regulatory system.

With the widespread uptake of the issue globally, as is being evidenced from the inclusion of IFFs in key global instruments, such as the SDGs, the UN conventions and declarations, the policies of IMF and WB, the policies of regional MDBs, Africa Union Agenda 2063, the various AU Declarations, etc., the AU HLP shifted its emphasis towards national level implementation of the recommendations. In this phase, also referred to as Phase II, the focus has been to track the progress of countries in implementing the recommendations of the AU HLP Report, identifying the existing gaps and crafting a nationally-owned roadmap for creating stringent systems, processes and institutions that can enable countries to reduce IFFs. To organise the Phase II engagements, the AU HLP Secretariat, in close consultation with the Panel, African experts and national level partners, created what can be called a full-fledged national level assessment process. This state-led, nationally owned process is guided by a step-by-step national level assessment cycle that is customised to the realities

of countries.

In essence, the national level assessment cycle could be divided into Five Steps, as follows:

1. Pre-Assessment

This phase includes high-level political engagement by the Panel, preparatory meetings between the Secretariat and country level focal agency, planning missions and initial stakeholder discussions;

2. Assessment

Incorporated in this step are formal meetings of the Secretariat with national agencies (including presentation of the national assessment process), establishment of an oversight inter-agency structure (inter-agency committee), identification and recruitment of the national consultant, filling of the national assessment matrix by the national consultant and preparation of the national assessment synthesis report;

3. Validation

This involves organisation of a validation workshop, collecting feedback from relevant national agencies, improvement of the national level assessment matrix and synthesis report, and creation of national-level ownership;

4. Responding - National Level Action Plan

The fourth step in the cycle is the development of the national level action plan by the relevant agencies under the oversight of the inter-agency committee;

5. Implementation, Monitoring and Evaluation

The final stage in the cycle is the implementation of the national level action plan by all relevant agencies, continuous monitoring of progress in the implementation of the plan, periodic evaluation of progress and creating the right feedback loop with high-level policy making (and political decision-making).

The following schematic representation could summarise the national level assessment cycle described above:



The base of the national level assessment cycle is the national level implementation matrix designed by the AU HLP Secretariat. This is a detailed matrix of national level recommendations made by the AU HLP in its Report, systematically structured in a way that enables countries to undertake thorough evaluations of the status of their response to IFFs, as per the AU Assembly Declaration.

Since 2021, the AU HLP Secretariat has facilitated national level assessment in 16 African countries. While 2 countries (Sudan and Nigeria) have completed the full cycle, 8 have reached the national level action plan phase, while 6 are at assessment level. As much as IFFs are political issues, national level assessments are highly politicised processes. Therefore, a high-level political buy-in is crucial for the successful completion of the national level assessment cycle in any given country.

In its effort to facilitate national level assessments, under the guidance and leadership of the AU HLP, the Secretariat has gained significant insights into the determinants of successful implementation of the recommendations, factors affecting implementation, detractors of effective implementation of the recommendations, shortcomings at national level, and ways to enhance the creation of an effective anti-IFF regimes at national level in Africa. Summarised in the next sections of this chapter are, the observations and lessons learned by the AU HLP Secretariat on implementation of the recommendations at national level. Although all events might not apply to all countries, we have attempted to list dominant trends and challenges as learned from the 16 countries where national level engagement was carried out in the last 4 years of Phase II of the AU HLP's engagement.

5.1 Set 1 - Institutions

This set of recommendations target the establishment of institutions to address a specific aspect of IFFs.

- *Establishment and strengthening of statutory institutions and agencies of government responsible for preventing IFFs.*
- *Establishment of transfer pricing units by African countries. These units should be appropriately situated in revenue authorities and should be well equipped in accordance with global best practices.*

Out of the total of 24 recommendations by the AU HLP focusing on national level response, these two specifically address sustainable institutional responses that nations could adopt to contain IFF. Beyond qualifying the purpose and status such institutions should be given, the AU HLP did not attempt to specify the types of institutions countries should establish. This comes with the recognition that the political, economic, social and cultural contexts of countries vary significantly.

By and large, the institutional recommendations made by the AU HLP have been effectively addressed by most, if not all, of the countries that the Secretariat has engaged with. Despite variations in form, status and mandate, all countries have one or more agency(ies) dealing with one or all aspects of IFFs. The dominant response is that commercial IFFs is dealt with by a financial intelligence unit (FIU), crime-related IFFs is dealt with by a specific unit within the national police or security structure, and corruption related IFFs is dealt with by an anti-corruption agency.

However, in terms of mandate, the focus of FIUs is largely on Anti-Money Laundering and Terrorism Financing (AML/TF). Moreover, this has largely related to the increasing popularity of the Financial Action Task Force (FATF) standards²⁷. Countries are highly vigilant about their FATF listing, closely monitoring their systems to ensure they can effectively prevent, trace and capture laundered and terrorist finance. Gray or black listing by FATF has immediate and direct impact on a country's financial transactions and investment flows. Consequently, there is a growing tendency by national level policymakers to regard FATF standards as the gold standard in the fight against IFFs. IFFs represent far more than just money laundering and terrorism financing. They include all acts of tax evasion, trade mispricing, unequal contracts, and other corporate practices that conceal and transfer financial resources. Therefore, stringent AML/TF standards alone should not give countries the assurance that they are containing IFFs.

Based on the experiences of the Secretariat, particularly in West African

²⁷ <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>

countries like Senegal, Burkina Faso and Mali, and North African countries such as Algeria and Tunisia, it was observed that there is an increasing focus on AML/TF. FIUs are highly focused on the issue, and governments create inter-agency AML/TF committees and special units to address it. In Senegal, for example, there is an Inter-Agency AML/TF Committee established by a presidential decree mandated to develop national level tactics against it. The committee is a direct response to Senegal's greylisting by FATF in 2021. Additionally, in Senegal and the Alliance of Sahel States (Burkina Faso, Mali and Niger), there is an emergent structure, known as the judiciary pool, which is used to tackle financial and economic crimes. This structure is designed to investigate, clamp down on, and prosecute large-scale economic crimes. The judiciary pool is a tool used by reformist governments to fight IFFs, particularly in the extractive sector.

In Nigeria, the evolution of the Special Control Unit against Money Laundering to a full-fledged Special Crimes Department is informed by the breadth and depth of financial crimes in the country. Through collaboration with the Corporate Affairs Commission (CAC) and Economic and Financial Crimes Commission (EFCC), the Department is responsible for investigating corporate entities involved in illegal economic activities. Malawi, on the other hand, has the Fiscal and Fraud Department within the Malawi Police Services (MPS) that deals with economic crimes. In the same vein, Ghana has the Organised and Economic Crimes Office (OECO) that works with the Financial Intelligence Center (FIC), in preventing and investigating economic crimes.

The increasing policing of IFFs also raises a question about the perspective through which the outflows are viewed in African countries. On the one hand, the focus on the illegal side of IFFs is reductionist, as IFFs also include financial flows that may be legal in sourcing countries, but illegal in their transfer and destination. Moreover, it overlooks the developmental implications of IFFs. The most significant impact of IFFs is the opportunity cost they impose on the development of a given country and its citizens. Therefore, perceiving it as such should be central in the response of countries. The Ministerial Declaration²⁸ that led to the establishment of the AU HLP rightly elucidates that "These illicit flows have a negative impact on Africa's development efforts: the most serious consequences are the loss of investment capital and revenue that could have been used to finance development programmes, the undermining of state institutions and a weakening of the rule of law." This understanding prompted the "whole-of-government approach" recommended by the AU HLP in its Report, which is now being promoted at national level

As regards corruption, all countries that the Secretariat has engaged have anti-corruption agencies. In the case of Nigeria, for instance, ICPC and EFCC are responsible for investigating and prosecuting corruption. Malawi,

28 https://au.int/sites/default/files/documents/30901-doc-com2011_proceedings_0.pdf

Senegal, Ghana, Tunisia, Tanzania, Algeria, Zimbabwe and Namibia all have national corruption agencies responsible for raising awareness, investigation and prosecution corruption activities. In some countries such as Ethiopia, the investigation and prosecution process is handled by the Office of the Prosecutor and/or the Ministry of Justice, while sensitisation, system creation and handling of whistleblowing is undertaken by corruption agencies. In contrast, in the Democratic Republic of the Congo (DRC), the anti-corruption agency is authorised to operate within the Presidency.

Countries have also established various structures for registering beneficial ownership. In Nigeria, this responsibility falls on the Corporate Affairs Commission (CAC), while in Ghana, Malawi, Zimbabwe and Mali, registration is managed by the Ministry of Revenues. In some other countries, such as Senegal and Ethiopia, registration is undertaken by the Ministry of Justice. However, the main gap in terms of Beneficial Ownership (BO) is not registration, but rather whether the registered information is used effectively in auditing and taxation processes. The lack of effective integration of systems between the various agencies is the main limiting factor observed in all the countries where we facilitated national assessment. Consequently, although the database exists, it is not effectively used in fighting IFFs.

Another almost universally accepted institutional recommendation of the AU HLP is the establishment of transfer pricing units within tax authorities. In all the countries where Secretariat has facilitated national level assessments, transfer pricing units exist within tax authorities. In some countries these units exist as stand-alone units, while in others they are a section within the large taxpayers unit. However, the capacity to enforce country-by-country and subsidiary-by-subsidiary financial reporting by the multinational corporations (MNCs) is generally very limited. Numerous key informant discussions held by the Secretariat with experts in African countries, revealed that the attention given to building the capacity of public servants working in the transfer pricing units is extremely low. Often, there is no dedicated capacity building budget for the units.

Overall, there had been significant uptake of the AU HLP's recommendation on building the right set of institutions in African countries. The challenge lies in clearly articulating the rationale for fighting IFFs (embracing the broader developmental definition of IFFs), creating the right synergy between institutions, optimising the potential of the existing institutions, and building the capacity of experts in mandated institutions.

5.2 Set 2 – Improving Processes and Procedures

A second set of recommendations by the AU HLP concerns putting in place appropriate processes and procedures. The following six of the 24 national level

recommendations of the AUHLP fall into this category.

- *African States should begin to collect trade transaction data and create databases from that information that can be searched and shared with other States towards robust dataset of local and regional comparables;*
- *Establishment of an automatic exchange of tax information systems/ frameworks between a given country and other African countries as well as with global partners subject to national capacity and to maintaining the confidentiality of price sensitive business information;*
- *African States' customs authorities should use available databases of information about comparable pricing of world trade in goods to analyze imports and exports and identify transactions that require additional scrutiny;*
- *African financial intelligence units should share with each other about cases of people and companies being prosecuted for facilitating the movement and laundering of the proceeds of these crimes;*
- *African countries should adopt best practices in open contracting to reduce IFFs through government procurement processes;*
- *Robust regimes should be put in place for the supervision of bank and non-bank financial institutions by central banks and financial supervision agencies. Such regimes must require mandatory reporting of transactions that may be tainted with illicit activity.*

In most of the 16 countries that the Secretariat of the AU HLP has engaged with in the past 10 years, there is some database available to customs departments for undertaking analysis of comparables. While the basic framework of analysis by most customs authorities involves Harmonized System (HS) Code Classifications, the widely used system for comparable analysis is ASYCUDA. As is true with any system, the quality of output will be defined by the quality of the input. Therefore, the feedback obtained shows that incomplete and poor quality of information is the main challenge for customs authorities to develop a reliable set of comparable trade data that can underpin any anti-IFFs measure in countries.

The AU HLP Report highlights that the completeness and quality of the database varies among countries. It was therefore suggested that the countries with better databases should assist those with weaker systems to build their capacity. In this regard, for instance, countries such as Ghana and Nigeria have better databases for comparables, particularly in the extractive sectors. The Secretariat's engagements reveal that the databases are weak in DRC, Senegal, Mali, Sudan and Guinea. Similarly, countries such as Algeria and Tanzania have

better databases on imports, whereas The Sudan, Burkina Faso and Niger require substantial improvements. Countries like Namibia have strong databases in tradables. Overall, the quality of data on services (export and import) is very poor across almost all assessed countries.

Cognisant that the quality of the database depends on the experience of officers who record it in the system, having qualified customs officers who have an all-rounded understanding of the implications of all the information (or absence of it) they enter into the system is essential. Countries such as Tanzania endeavour to improve the quality of trade databases by regular training of their customs officers. By putting in place mandatory training for officers, their capacity is continuously enhanced. Other countries, such as Nigeria, have established a hierarchical system of information verification within their customs system to improve the quality. According to the African Trade Report (2024)²⁹ by AFREXIMBANK, lower trade data quality is a major challenge in Africa, with discrepancies, omissions and misattributions being the norm rather than the exception.

FIUs are central to the fight against IFFs. Recognising this fact, the AU HLP recommended the creation of a dynamic information sharing mechanism for FIUs to exchange information on individuals and companies involved in money laundering. Although not as dynamic as the evolution of the crime of money laundering, FIUs in African countries maintain, update and share information with various government agencies. Such databases are readily accessible to central banks, revenue agencies, border commissions and the security apparatus.

Yet, our experience shows that such information is not accessible to all government agencies. Consequently, regulators sometimes lack the information to properly scrutinize documentation, particularly in the extractive sectors. Since the extractive sector involves significant foreign direct investment (FDI), with frequent changes in capital structure and ownership, having an all-government platform for sharing AML/TF information is essential. Similarly, this information should also be available to key stakeholders dealing with contracts, advisory services, fund management and financial intermediation.

There is increasing centralisation and consolidation of public procurement systems in Africa. By and large, this comes with efforts to increase economies of scale, enhance negotiation capacity with suppliers, improve efficiency, avoid wastage, track transactions and institute supplier compliant systems. This system appears to contribute towards containing IFFs. Countries like Malawi, Ghana, Ethiopia, Senegal and Algeria have reported establishing public procurement systems. Some have even digitized the entire process, thereby improving traceability of public procurement contracts. This undoubtedly enhances transparency and accountability of the procurement system. Given that public

29 https://media.afreximbank.com/afrexim/African-Trade-Report_2024.pdf

procurement involves considerable budgetary resources in African countries, and is often mentioned as one of a major avenue for IFFs, consolidation and centralisation of the system will contribute significantly towards the reducing the leakages.

Regulation of banks and non-banks is an area in which Africa faces great challenges. The Secretariat's experience in countries such as Nigeria, Senegal, The Sudan and DRC, reveals that the regulatory regime is extremely weak, susceptible to systemic risks, characterised by a high degree of informality and significant variance in application of compliance standards. The experience of the Secretariat in Senegal, Mali and Burkina Faso shows that there is a huge informal economy that is operating with cash only. The inability of the central banks in each of these countries to effectively control the amount of cash in the economy, due largely to the limitations brought about by the monetary union, worsens the situation. This environment facilitates money laundering and illicit financial flows, including those from criminal activities.

As countries pursue the path of foreign exchange liberalisation, non-bank foreign exchange bureaus have gained popularity. However, the regulatory framework for foreign exchange bureaus in most of the countries the AU HLP Secretariat has engaged with is found to be very weak. Licensing, periodic reporting, physical inspection, enforcement of know your customer (KYC) standards, deployment of digital infrastructure, documentation standards, etc., are either extremely weak or completely absent. Consequently, foreign exchange bureaus are akin to the "wild west" of the monetary policy frameworks of many of the countries we engaged.

In countries like Nigeria, Senegal, Mali and Guinea, the increasing cash-based informal economy is underpinning huge real estate developments, with little traceability as regards the source of funding. Authorities in Senegal, Mali and Tanzania, have reported that most of the real estate sector hosts significant inflows of illicit money, and serves as a money laundering platform for IFFs. In this regard, the role of real estate agents, lawyers and advisors in facilitating IFFs cannot be discounted.

Even in countries with stringent banking and foreign exchange controls, such as Namibia, Algeria, Tunisia and Ethiopia, banking regulation standards are insufficient. Backdoor channels between banking and the informal sector, the unchecked role of significant shareholders, the role of Politically Exposed Persons (PEPs) in the boardrooms and shareholding structures, exposure to foreign liabilities, correspondent banking, instant money transfer systems, and enforcement of sanctions are all areas where the banking sector continues to fall short of expectations. Therefore, financial intermediation remains a major enabler of IFFs in the Continent.

On the other hand, the rise of non-banks (including MFIs, Credit Cooperatives and fintechs) is also a feature of the African financial sector. According to AfDB,³⁰ Africa has experienced a total of 62 billion mobile money transactions, with a total value of 919bn USD, across 89 million accounts. The World Bank estimates³¹ that 30% of the adults in Sub-Saharan Africa have mobile money accounts, which is significantly higher than the global average of 13%. Despite the rising uptake and growth rate of non-banks, their regulation is not adequately standardised. This situation prevails despite the fact that most cross-border trade is now largely facilitated through electronic and mobile money transfer systems. Remittance from Africans living in Gulf Cooperation Countries (GCC), Europe, and North American countries is now increasingly facilitated through mobile money systems. However, the growing role of fintech in financial facilitation in African countries also brings vulnerabilities to IFFs. Since the settlement accounts of many mobile money apps used for remittance are located abroad, there is indeed an increasing risk of the systems being used to hide and launder illicit money.

In some countries, credit cooperatives are not even recognised as financial sector players, although they mobilise deposits, extend credit and own considerable assets. Yet, some credit cooperatives are as large as banks, and their systemic risk cannot be ignored. At the same time, they could be used to launder money and channel out illicit financial flows. According to the ILO³², there are 41,000 credit cooperatives in Africa, with 7 out of 100 people in the Continent being members of one. However, their financial intermediation role is perceived to be limited, and thus they receive less regulatory attention. The close relationship of cooperatives with religious institutions and communal structures could increase their vulnerability to bleeding. This is perceived as risks in Mali, Senegal, The Sudan and Ethiopia, where “community” organisations are classified as one area of risk for IFFs by governments.

Overall, although Africa has witnessed changes in the processes and procedures to fight IFFs, significant gaps remain in establishing stringent and responsive processes at national level. There is a need to create robust regulatory regimes that evolve with the changing dynamics of the economy and the nature of the players. The increasing digitization of African economies requires equivalent attention from regulators, as it involves new frontiers for IFFs.

30 <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/John%20brief%201-John%20brief%201.pdf>

31 <https://www.worldbank.org/en/publication/globalindex/brief/data-from-the-global-index-2021-the-impact-of-mobile-money-in-sub-saharan-africa>

32 https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_176632.pdf

5.3 Set 3 – Developing Rules and Regulations

A third set of recommendations by the AU HLP revolves around the development of stringent rules and regulations regarding various aspects of IFFs. As rightly captured by the AU HLP Report, lack of adequate regulatory framework is the primary factor that leads to the increasing amount of IFFs in Africa. Accordingly, the following recommendations were made:

- *Establishment of laws requiring the elimination of secrecy jurisdictions and introduction of transparency in financial transfers and crack down on money laundering by the global community, in all of its institutions, including parliaments;*
- *Development of clear and concise rules and regulations ensuring the registration of all corporations for tax purposes;*
- *Development of clear and concise rules and regulations against misstating the price, quantity, quality or other aspect of trade in goods and services in order to move capital to another jurisdiction or avoid taxation;*
- *Development of clear and concise rules and regulations for Multinationals and large corporations operating in African countries; requesting them to provide transfer pricing units with a comprehensive report showing their disaggregated financial reporting on a country-by-country or subsidiary-by-subsidary or project-by-project basis immediately in the extractive sectors and in the near term across all sectors;*
- *Development of clear and concise rules and regulations which require that beneficial ownership information is provided when companies are incorporated or trusts registered; which also require the declarations of beneficial ownerships by all parties entering into government contracts. Such information is updated regularly; and such information is placed on the public record. False declarations should result in robust penalties.*

The growing financialisation of African economies brings with it the risk of relaxed regulations on account opening and operations, company ownerships, disclosure of information, reporting of suspicious transactions, tax related information, and other features of secrecy jurisdictions. The ever-increasing competition to attract foreign direct investment (FDI) is one reason why countries pursue lax financial sector liberalisation. The conditionalities often imposed by IFIs on countries, in exchange for financial support, also set a precedent for easing regulatory controls, including capital controls and disclosure requirements.

When evaluating the progress of African countries in the light of the AU HLP's recommendation to establish laws for the elimination of secrecy jurisdictions,

the findings are mixed. In countries the Secretariat engaged, we have witnessed an increasing attempt by the regulators to tighten capital controls and enforce know-your-customer (KYC) requirements. In countries such as Nigeria, Malawi, Tanzania, Algeria, Tunisia, this tightening has occurred in response to international scrutiny, including FATF greylisting. However, the cash-dependent and a booming informal economy has made such tightening extremely difficult in countries like DRC, Zimbabwe, Senegal and Mali. There remains a significant compliance gap in account opening and operations, disclosure and KYC standards in the non-banking sector across all the countries engaged by the AU HLP.

It was also observed in most countries that the requirements for non-resident accounts are very relaxed, sometimes even more so than for locals. Although this is meant to facilitate FDI inflows, often in response to international ratings such as the defunct Doing Business Index of the World Bank, it certainly creates opportunities for facilitation of IFFs. Increasingly, African countries are being pushed to relax their financial sector laws, particularly on capital controls. This seems to contradict the commitment in the Addis Ababa Action Agenda, which emphasises the importance of risk-based regulatory framework for all financial intermediation, from microfinance to international banking. The key objective of the Agenda is financial market stability and the promotion of financial inclusion. Nonetheless, lax regulation increases systemic risk for the financial sector.

According to the Financial Secrecy Index (FSI)³³ by Tax Justice Network (TJN), which analysed the financial and legal systems of 141 countries, 18 African countries were featured. All of these countries have a financial secrecy score of more than 50, on a scale of 0 to 100 (0 being complete transparency and 100 being absolute secrecy). Between the Index's preparation in 2020 and 2022, four countries (Rwanda, South Africa, Seychelles and Ghana) have seen significant regression in financial secrecy regulation – including knowledge of beneficial ownership, transparency requirements of legal entities, integrity of tax and financial regulation, and international standard and cooperation. Two countries, Ghana and Liberia, have seen very high increases in secrecy value, particularly in relation to non-resident accounts.

The FSI result seems to align with the observation of the Secretariat's national level engagements. Significant gaps remain in establishing the right regulatory instruments for controlling corporate account opening and operation, instant reporting of suspicious transactions, integration of sanctioned individuals (companies) with financial transaction databases, and foreign exchange transactions. There is also considerable complacency in the financial

sector regarding verification of the source and destination of transactions, particularly when related to PEPs.

33 <https://fsi.taxjustice.net/>

Overall, the last 10 years have seen significant improvements in African countries in terms of reforming taxation systems and registering corporate entities. All 16 countries that the Secretariat worked with have undertaken some form of tax reform efforts. While some, such as Zimbabwe, Tunisia, Ethiopia and Tanzania, have initiated comprehensive reforms of their tax systems, others have undertaken reforms in one or more aspects of the tax system. The most frequent aspects of tax reform include the establishment of large taxpayers' offices, introduction of one-stop-shop services, enhancement of company registration services, creation of beneficial ownership databases, and enhancement of financial reporting standards (adoption of IFRS standards)³⁴. Yet, company registration systems in Nigeria, Malawi, DRC, Senegal and Zimbabwe fell short of full disclosure of ownership of companies and trusts.

Regarding the AU HLP's recommendation on country-by-country and subsidiary-by-subsidiary reporting standards, it was observed that almost all countries fell short of the recommendation. Legislative efforts, in this area, are not backed by enforcement measures, resulting in reporting trends being largely dictated by MNCs, rather than the countries themselves. Even transparency initiatives, such as the EITI, do not advocate the enforcement of CBC reporting. The efforts of the national chapters of EITI are primarily limited to reporting of MNCs declarations, without scrutinising the form and substance of financial reporting, including CBC reporting. This is particularly concerning in sectors such as the extractives, which see significant financial transactions. Observations in countries such as Senegal, DRC, The Sudan, Niger, Guinea and Nigeria showed that transparency initiatives act more like night watchmen than efforts of scrutiny.

Most of the countries have established rules and regulations on beneficial ownership and external trade declarations. However, the problem lies in the strict enforcement of the laws. In countries as diverse as Senegal and Ethiopia, interviews with experts indicate that a significant leap forward could be achieved in terms of improving the quality of trade declarations and beneficial ownership by implementing existing laws. The capacity of public officers responsible for the tasks was also highlighted as a major challenge by countries. Factors such as changing policy anchorage and leadership, political turmoil, low staff morale, and corruption also contribute to these challenges. In countries like Mali, Ghana, Nigeria, Malawi, The Sudan and Namibia, it was reported that poor culture of collaboration between public agencies affects the effective enforcement of rules and regulations.

An overall observation with regard to the development of rules and regulations is that over the past decade, robust rules and regulations have been adopted in areas such as corporate registration, fraud prevention, trade declarations, beneficial ownership disclosure, money laundering, financial sector compliance,

³⁴ *International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world. The IFRS is issued by the International Accounting Standards Board (IASB)*

and corporate governance. However, several factors, including competition to attract FDI, pressure from IFIs, poor collaboration between national agencies and capacity gaps, hinder the progress of African countries in developing strong, effective, dynamic and responsive regulatory regimes, to bridge the systemic gaps facilitating the rising amount of IFFs, particularly commercial IFFs, in the Continent.

5.4 Set 4 - Advocacy and Partnerships

The fourth set of recommendations made by the AU HLP involves advocacy efforts and strengthening partnerships at national level. Insofar as IFF is a multidimensional issue, cannot be contained by a single agency or stakeholder. Instead, a clear national vision to check the scourge should be met with effective division of roles and integration of efforts. The recommendations forwarded in this regard were:

- *Advocacy for operating space and legal reforms required for advocacy, activism and research on IFFs by civil society. Advocacy for African countries to continue to engage global campaigns against IFFs;*
- *Advocacy for African countries and companies operating in extractive industries in Africa to join voluntary initiatives like the Extractive Industries Transparency Initiative;*
- *Advocacy for African States to ensure that the public can access national and subnational budget information, and that processes and procedures for budget development and auditing are open and transparent to the public;*
- *Advocacy for African governments to regularly publish lists of Politically Exposed Persons (PEPs) as well as any asset declarations filed by PEPs and information about whether the country's laws prohibit or restrict the ability of their PEPs to hold financial accounts abroad;*
- *African countries should join the African Tax Administration Forum and provide it with the necessary support including giving it political standing in African regional processes*

By emphasising the importance of advocacy, the AU HLP rightly recognised the role civil society organisations (CSOs) could play in the national fight against IFFs. Citizens participation in the national undertakings through organised instruments, such as CSOs, is paramount not only to implement the acts and decisions of governments, but also to create an inclusive and fair economic system in countries. The existence of favorable regulatory and operational spaces for CSOs to undertake their activities is also crucial.

Political dynamics in Africa continued to erode the advocacy efforts of CSOs. This is particularly so for CSOs advocating for legal reforms, public sector transparency, and accountability of political systems. The Secretariat has observed widespread restrictions on freedom of expression on economic reform issues. The environment for independent advocacy on IFFs related matters also remained mostly hostile and restrictive in most countries. Alternative channels of advocacy, such as the digital space, are equally policed.

Yet, local CSOs remain resilient and adaptive. They play a critical role in raising awareness, supporting community initiatives, undertaking research, hosting local level dialogues, and informing policy. In countries such as Algeria, Senegal, Zimbabwe, Nigeria and The Sudan, local CSOs were instrumental in sustaining social movements, pushing for reforms and suggesting alternative solutions. Countries like Tunisia, Namibia and Tanzania also have strong CSO networks involved in advocacy.

However, the increasing dependency of local CSOs on foreign funding has made them vulnerable not only to governmental actions, but also to external agendas. For instance, some of the environmental advocacy on the extractive sectors, is devoid of local level achievements. The approach of forcing communities to choose between development and environmental protection does not align with their priorities, as communities often seek a balance between the two. Additionally, the fact that CSOs fund their activities through external donations has led financial regulators to list them as risk spaces. Religious CSOs in Senegal, Mali, Burkina Faso, Niger, Ethiopia and The Sudan are frequently cited by governments as spaces of illicit financial flows and money laundering.

Over the past decade, countries that the AU HLP Secretariat engaged with have increasingly adopted the transparency initiatives like the EITI. According to EITI³⁵, 24 African countries are members of the EITI network, which is higher than any other continent. National EITI chapters are anchored in partnerships³⁶ between government and private sector. Despite the establishment of national chapters, the heavy influence of government undermines their independence to the extent that their role is often limited to publishing self-declared financial reports of multinational companies in the extractive sector.

The EITI platform involves the creation of a national level multi-stakeholder committee. Often, the leaders of the national chapters are selected by governments. In several countries we have visited and had discussions with, we observed that the effective participation of local CSOs in EITI platforms remains constrained. Frequently, CSOs with connections to political interests are placed in these structures, undermining the independent operation of the national EITI chapters. In addition, the technical and institutional capacity of

³⁵ <https://eiti.org/countries>

³⁶ <https://internationalbudget.org/>

the national EITI chapters is severely limited. Furthermore, the involvement of MNCs in sponsorship, financial contribution and cost-sharing of national EITI chapter activities severely compromises the very purpose and objective that the chapters were meant to uphold – transparency and accountability of MNCs involved in the extractive sector. For instance, EITI’s annual event in 2023 in Dakar, Senegal, was sponsored by Glencore, a company found guilty of corruption and bribery in 6 African countries by US and UK courts, which pleaded guilty and paid a significant penalty. This raises significant questions about transparency initiatives.

Data from CABRI³⁷ shows that national level budget transparency has improved in the last decade. Its Budgets in Africa (BiA) database now contains the latest budget documents from 42 African countries. However, gaps remain in availability of budget statements, budget speeches, macro and fiscal frameworks and medium-term expenditure frameworks. The International Budget Partnership, on the other hand, shows that Africa has gained significant momentum in budget transparency over the last decade. The average budget transparency score of the region has seen a great leap from 23 to 39 on a scale of 0 to 100, with 0 being full opacity and 100 being utmost transparency, in 2021. Despite improvements, the data indicates that there is still a long way to go in ensuring budgetary transparency in Africa.

In the countries engaged by the Secretariat, parliamentary discussions on budget and other issues are often broadcast to the public. This enhances the awareness of Africans on crucial fiscal policy matters and the decisions of the government of the day. The increased adoption of social media has furthered this awareness, as political and social activism on social media platforms has become an important way to sustain advocacy, involve dissenting voices, and build social movements. Examples from Senegal, The Sudan, Tunisia, Algeria, Nigeria and Ethiopia show that social media activism was instrumental in pushing for policy and legal reforms in these countries.

A last aspect of this set of recommendations involves the creation of databases and transparency around PEPs. From the Secretariat’s experience, no country in Africa has made the databases of PEPs public. Often, the details of assets owned by PEPs come to public attention during changes of government, primarily to accuse past governments of wrongdoings, rather than to improve transparency around economic engagements of the PEPs. There have also been incidents where individuals who should not be considered PEPs are barred from economic undertakings for political reasons. Such cases have been witnessed in Nigeria and Tanzania. Therefore, African countries have much to do in terms of clearly defining who PEPs are, creating the right regimes for asset registry and declarations, and enforcing transparency laws for public accountability.

37 <https://www.cabri-sbo.org/en/our-work/transparency-and-accountability/budget-information>

Needless to say, while there has been considerable improvement in advocacy, there remains a significant gap for African countries to bridge, to ensure stringent and responsive local systems to contain IFF. Creating a favourable environment for advocacy, avoiding intrusive government policies on CSOs, and optimising the use of emerging digital media platforms for enhanced advocacy on IFF are crucial matters that African countries need to address.

5.5 Set 5 – Coordination, Training and Global Collaborations

The last set of recommendations made by the AU HLP concern coordination, training and global collaborations. Indeed, these are crucial elements if African countries are to stop the bleeding and enhance their economic development.

- *African States should create methods and mechanisms for information sharing and coordination among the various institutions and agencies of the government responsible for preventing IFFs with such coordination being led by the country's financial intelligence unit (FIU), or any other appropriate institution;*
- *Training and empowerment of investigators responsible for identifying the criminals engaged in illicit (criminal) activities by members of African governments;*
- *African countries should consider coordinating efforts and presenting regional or larger unified positions in response to OECD consultations and meetings;*
- *Liaising with the Bank for International Settlements with regards to their publishing of data held on international banking assets by country of origin and destination.*

While putting in place the necessary elements – policy, laws, institutions and personnel – to fight IFFs is crucial, the fight cannot yield the desired results without effective national level coordination. Public institutions acting individually lack the mandate, resources and instruments to address the multidimensional nature of IFFs. Therefore, it is essential to create a system where public institutions at national level can come together to share ideas, strategise, pool resources and ensure effective implementation, to fight IFFs.

In most countries assessed, there is no clearly defined and mandated coordination platform for anti-IFF efforts. As mentioned in previous chapters, some countries have fixtures such as an inter-agency AML Committee, joint security agencies committee or judiciary pools to address certain aspects of IFFs. Only in Nigeria and Ghana has an inter-agency committee on IFFs been established, recognising that such a structure is necessary for a coordinated stance and action. In The Sudan, Prime Minister Abdalla Hamdok put together an inter-agency committee to drive actions against IFFs.

We observed that there is a difference in terms of coordination at national level depending on which agency is designated as the focal point for anti-IFF efforts. Different countries assign different agencies, such as the Ministry of Finance, Central Bank, Anti-Corruption Agency, or a special unit within the Presidency, as the focal agency for the effort. The way coordination is facilitated in these different countries varies. Wide-reaching cooperation occurs when the Ministry of Finance is the focal agency. Conversely, when the central bank is the focal agency, as is the case in Namibia, technical discussions prevail over policy, legal and law enforcement matters. In cases where the Anti-Corruption Agency or a Special Unit within the Presidency is the focal agency, such as in the DRC, the focus tends to be more on criminal and corrupt IFFs rather than commercial IFFs.

Nigeria's inter-agency committee on IFFs could be taken as an example for effective national level coordination. The inter-agency committee is co-chaired by the head of the Independent Corrupt Practices Commission (ICPC) and the Economic Advisor of the president, which creates a balance between commercial, corrupt and criminal IFFs. The committee involves all key agencies and ministries, with a total membership of 14 agencies. The coordination platform enabled the country to develop a national plan against IFFs, with contributions and commitment from all agencies. As a permanent fixture, the inter-agency committee commands the necessary political and technical authority and garners support at all levels. Consequently, over the years, Nigeria has been able to prevent and recover significant resources lost through IFFs, including the recovery of 323 million USD from former Nigerian Statesman Sani Abacha in 2017³⁸.

For optimal outcomes, the AU HLP Secretariat advises African countries to establish an inter-agency committee against IFFs, preferably led by the Ministry of Finance.

In terms of training of investigators, we observed that training occurs in an ad hoc manner. Government agencies do not establish clear training plans at the beginning of the year, and lack mechanisms to monitor results. Often, training is initiated by non-state actors, and largely financed by the Global North countries, with little scrutiny of fiscal resources allocated to training. In many of the countries, there is often confusion between political indoctrination and capacity building training. Training opportunities obtained through partnerships are not allocated based on mandate. While government training institutions are well-organised in some countries, such as Nigeria, Senegal and Ethiopia, they face credibility issues. Consequently, most countries struggle to create a capable cadre of public bureaucrats.

Collaboration with academic institutions to create tailored public sector courses

38 <https://www.vanguardngr.com/2025/03/recovered-loots-nigerians-demand-transparency-accountability-on-utilization-aneej/>

and training is also weak. Schools of public administration are often disconnected from the real world of public administration. Involving these schools in public sector research, advisory and capacity building is also not a common practice in the countries we visited. In general, the education-public sector link remains extremely weak and untargeted. Furthermore, no African country has yet developed and implemented a course on IFFs, at the undergraduate, graduate or executive education level.

The final part of this set of recommendations involves global collaborations, particularly with the “not-so-inclusive” processes of the OECD and the Bank of International Settlement (BIS). The OECD processes have often been at odds with the interests and ambitions of African countries. Despite the promises of equal footing, in reality it is far from equal. It is a space where Global North countries set the rules and standards, while African countries stand at the receiving end, without any power to reject decisions made there. According to TJN³⁹, the OECD’s inclusive framework involves 141 countries, of which 23 are African. While most African members of the Inclusive Framework signed up to the new rules set by the OECD in 2021, only Nigeria and Kenya refused to sign. This division highlights Africa’s struggle against the intrusive and imposing policies of wealthier countries.

On the other hand, the African Group in New York has shown historic leadership in advancing the UN Convention on Global Tax Cooperation⁴⁰, the only truly inclusive platform that serves as an alternative to OECD processes. This indicates that Africans might be coming together, albeit belatedly. However, there is still a lack of clarity at national level in terms of participation in these platforms, leading to much confusion. Lack of political and public scrutiny of national experts taking part in these platforms, their significant role in negotiating matters that affect national sovereignty, is concerning. This is particularly important for African countries involved in both platforms.

Accessing disaggregated data from the Bank of International Settlements on banking assets outside of the countries proved daunting. Currently, South Africa is the only African country that is a member of the Locational Banking Statistics (LBS) initiative of the BIS, allowing it access to some level of data on banking assets outside of its jurisdiction. While some of the data maintained by BIS, especially debt-related data, is accessible through IMF and World Bank, it is not detailed enough to guide policy action against IFFs.

Overall, there are considerable gaps in the implementation of AU HLP’s recommendations on cooperation, training and global collaboration. While various factors contribute to this, much appears to depend on policy clarity, political commitment and collaboration among African countries.

39 <https://taxjustice.net/wp-content/uploads/2023/05/Tax-Justice-Network-beyond20-Strategic-Framework-May-2023.pdf>

40 https://financing.desa.un.org/sites/default/files/2024-08/Chair%27s%20proposal%20draft%20ToR_L.4_15%20Aug%202024.pdf

In general, the Secretariat's experience in facilitating national level assessments in 16 countries demonstrates that African countries have achieved significant progress over the past 10 years in implementing the 24 national-level recommendations of the AU HLP. Institutionalisation of solutions, creation and improvement of policies and laws, enhancement of processes and advocacy, are some of the areas that have witnessed a great leap forward. However, the glass is half empty on the sides of law enforcement, national level cooperation, capacity building, creating a favourable environment for advocacy, global partnerships and enhancing disclosure standards.

Therefore, the focus for the next decade should be focused on addressing practical issues to close the gaps identified under each set of recommendations. Leadership is paramount. It is time for Africa to take the lead in fighting IFFs. African institutions, particularly the African Union Commission, should recognise the gravity of the problem and advance the agenda of a coherent and consistent African response to IFFs. Reaffirming its commitment to support the AU HLP, actively participating in the Consortium to Fight IFFs, and recognising and supporting the role of coordinating instruments like CoDA in facilitating genuine African dialogue and response will be crucial.

As the world gathers for Financing for Development IV (FFD4), there cannot be a more opportune time for Africa to demonstrate ownership and leadership in combatting IFFs. Rather than getting bogged down in trivialities, all stakeholders should join hands to establish an integrated national, continental and global system that curbs IFFs and ensures inclusive development.

BOX 2

Africa Financial Integrity and Accountability Support Project (AFIAP)

The African Financial Integrity and Accountability Support Project (AFIAP) emerged as the first anti-IFF project, under the auspices of the AU HLP and the Consortium to Stem IFFs. It was initiated as a means of implementing the continental aspiration to streamline a consistent and coherent response to the scourge of IFFs. The request for its financing was first expressed in the letter from the Chair of the AU HLP, H.E. Thabo Mbeki, to the President of the AfDB, for a 15 million USD financing contribution towards the Trust Fund the AU HLP was establishing. The Chair's request was for funding from the Africa Integrity Fund (AIF), which was established by the AfDB to support anti-IFF and anti-corruption efforts.

It took more than three years of negotiations before a Protocol of Agreement (PoA) for the project was signed between AfDB and Coalition for Dialogue on Africa, which hosts the AU HLP Secretariat. Structurally, the financing introduced a project with three components, two implementing agencies and two separate Project Implementing Teams (PIT). CoDA was explicitly designated as the implementing agency for Components I and II, while the African Organisation of English-Speaking Supreme Audit Institutions (AFROSAI-E) served as the implementing agency for Component III. Instead of the 15 million USD initially requested, the financing was structured with a total value of 6 million UA (8.4 million USD). Out of the total, 4.5 million UA (6 million USD) was allocated to CoDA, while the remainder was earmarked for AFROSAI-E. The Project Appraisal Report (PAR), which is essentially an integral element of the PoA, indicated that the AUC-ETTİM would benefit from the activities of the project's second component solely as a beneficiary, CoDA managing the component.

The operationalisation of the grant began in February 2023, with the onboarding of the PIT, composed of a project coordinator, procurement officer, finance officer, and monitoring and evaluation officer. Project implementation started in March 2023 and continued for 7 months before being suspended. The project faced many challenges, including delays in disbursement, unclear allocation of funds, confusing guidance, and inauspicious engagements by the AfDB task team.

The following are the major challenges faced by CoDA/AU HLP – IFF Secretariat during the implementation of the project.

Delays in Disbursement – Disbursements made to AFIAP's Special Project Accounts were significantly delayed. The lateness of the first disbursement affected the implementation, as CoDA had to pre-finance the salaries of the PIT and high-level engagements from other sources. The delays in disbursements and unclear allocation of approved funds resulted in significant cost to CoDA, as it had to cover the costs of specific project activities.

Micromanagement by the Task Team - Although AfDB's financial manuals provide clear guidelines on processes that task teams should follow when engaging with the PIT, including pre-notification, pre-approval and post-approval, additional approval steps were imposed on the executing agency. This gave task managers undue power to delay and even dismiss project activities.

Lack of Recognition of PSC Decision – The Project Steering Committee (PSC) is the body responsible for overseeing the overall coordination of the project, including approval of work plans and budgets. Under the PoA, the PSC is also tasked with directing remedial measures where necessary. However, the AfDB resisted and rejected the PSC's decisions, especially when it involved adjustments to project

activities. This action not only contradicted the spirit and text of the PoA, but also the positive role a financier should play in the project's implementation and achievements of results.

Refusal of Participation by AUC-ETTİM - As per the PAR, AUC-ETTİM is listed as a beneficiary of Component II of the project. In the project's documentation, it is clearly stated that the department would benefit from activities under the component, while CoDA, the executing agency, would manage the component. However, the AUC-ETTİM declined all efforts to bring them onboard. Invitations to PSC meetings went unanswered, and requests for activity plans were not ignored. In the absence of their participation, the executing agency opted for remedial actions to advance the project. However, these actions were also rejected by the Bank.

Unclear Role and Limits of the Beneficiary - Although the PAR states that AUC-ETTİM will be a beneficiary of the Component II activities, none of the documents clearly define the role of the beneficiary. The financial and procurement manuals did not provide any guidance in this regard. It was unclear what would happen when a beneficiary is unwilling to collaborate with the executing agency implementing project activities. The default stance of the AfDB task team was to consider the beneficiary as another executing agency, albeit without accountability for results. The dilemma, therefore, lay in how an executing agency could ensure the achievement of project results when a significant part of the project was entrusted to a body that is not accountable to the project's governance structure.

Hierarchic Indecision - Organisations typically have processes and procedures to address challenges, with the authority divided between various personnel and/or groups of people. Issues that cannot be solved at lower levels are escalated to higher levels in the hierarchy, with more decision-making authority. However, the experience of CoDA/AU HLP – IFF in implementing AFIAP showed the opposite. Despite escalating challenges to higher levels of decision-making, the issues were relegated to the task team, making it impossible to find a solution.

AFIAP was a well-intentioned three-year project with a budget of 8.4 million USD, aimed at advancing Africa's consistent response to IFF by strengthening the AU HLP Secretariat, enhancing policy dialogues, facilitating the creation of effective asset recovery regimes, and strengthening Africa's position in the global space. However, the structural incongruences introduced during the project's design, coupled with misguidance from the AfDB task team, made it impossible for the AU HLP Secretariat to implement the project as envisioned. Instead of capacitating Africa's efforts to stem IFFs, the project ended up introducing further discontent amongst stakeholders.

The entire saga highlights that African financial institutions have much to do in order to enhance their commitment towards genuine African causes. It is also demonstrated that upholding the commitment to a consistent and coordinated response involves dealing with strong headwinds from both inside and outside the Continent. Effective financial structuring of endeavors is crucial to ensure impact.

Chapter 6

Conclusion and Recommendations

The scourge of IFFs is a global issue, but its effects are particularly devastating in developing countries. The impact of IFFs in Africa and other developing regions of the world, is severe due to several factors, including weak regulatory capacity, high dependence on extractives, poor regulation of financial institutions, negative perception of the Continent, liberalised capital accounts, and small domestic capital markets. IFFs negatively impact foreign exchange reserves, inflation, domestic capital mobilisation, interest rates, and most importantly, the availability of resources for investing in productive sectors.

If not for IFFs, which account for an annual loss of approximately 90b USD, Africa could have achieved many of its developmental goals by establishing the right legal, policy and institutional responses to contain IFFs. This is indeed the reality faced by many African countries. IFFs involve not only direct losses of financial resources that could have been invested in crucial development projects, but also represent a huge opportunity cost to the 1.5 billion Africans in the Continent.

While Africa has come a long way in containing IFFs since the first AU HLP Report in 2015, much work remains to be done. Evaluation of the status of the fight against IFFs 10 years after the first AU HLP Report reveals mixed results. Although much has been achieved in sensitising various stakeholders about the serious negative impacts of IFFs and the need for appropriate legal, policy and institutional responses, little has been achieved in creating an effective continental coordination platform to consolidate Africa's responses to these issues.

Ten years after the AU HLP Report was adopted, Africa is still divided in its efforts to combat IFFs. Key non-state actors operate in isolation, rather than collaborating for optimal output. The Continent is the home of multiple, fragmented, non-inclusive, interest-based, non-consultative and temporary structures, claiming to serve as coordinating platforms. These structures undermine the interests of the Continent, not only by dividing Africa's limited capacity, but also by slowing the momentum in the fight against IFFs. There is also an increasing tendency, particularly among non-state actors, to perceive the fight against IFFs as a programming or fund-raising opportunity, rather than as a serious issue that needs to be addressed to free up resources essential for the continent's development.

With the desire to see Africa marching towards a consistent and coherent response against IFFs, as depicted in the AU HLP Report, this report recommends the actions outlined hereunder. While not exhaustive, the recommendations are geared towards galvanising coordinated action by the African public, private, and civil society actors, to establish the appropriate institutional, legal and policy responses to IFFs.

Extracting Optimal Value from Natural Resources

Africa's vast extractive resource endowment, including minerals, oil and gas, represents one of the Continent's best assets for mobilising revenues for growth and structural transformation (UNECA, 2017). This confirms that the Continent has significant opportunities to self-finance its development priorities. Yet, Africa's high dependence on its extractives is the primary reason for the elevated risks of IFFs, and their disproportionate developmental harm.

Therefore, the most appropriate approach to curbing the high levels of commercial IFFs, so as to realise value from natural resources, is for the Continent to focus more on financing its economic growth, structural, and ecological transformation through its own financial (banking and monetary) systems. Indeed, the notion that governments need taxes to finance development is obsolete, much like the gold standard from which this notion originated, even though this practice erroneously continues. Economic growth and structural transformation can be achieved without relying on taxes raised from the extraction of natural endowment. Financing through domestic sources of capital can fulfill this purpose. Taxes are however crucial for other purposes such as fighting economic inequalities, managing money supply, and controlling inflation.

This recommendation calls for Africa to recognise that banks (financing of development) do not require ex-ante savings. In other words, banks do not require the accumulation of savings from anywhere to lend for investment, infrastructure development and other purposes.

This recommendation further implies that the creation of domestically owned banks, including a network of publicly owned banks, to undertake public investment to underpin development is necessary and urgent. It is on this basis that most of the now industrialised East Asia grew, despite lacking the array of natural resources found in Africa. However, technology acquisition, innovation and research are central to complement the creation and mobilisation of domestic financial resources.

Make Finance Domestic and Ensure Monetary Sovereignty

Domestic resources from domestic monetary institutions and capital markets should form the basis for development financing. This includes state-owned banks with a public policy mandate and private banks that are domestically based. Establishing a network of public policy driven monetary institutions is the top priority. These institutions should not be involved in providing foreign capital with risk free returns, as promoted by foreign international financial institutions and governments that claim that finance is scarce. Consequently, policy banks should not be subordinated to private investor priorities and profit maximising

agendas, through schemes aimed at mobilising private sector capital.

Additionally, it is recommended that public purpose banks adopt legal structures that strengthen rather than impede their ability to support high-risk, long-term projects. Therefore, they should not be established as limited liability companies, which follow rules and regulations that apply to profit maximising private commercial banks, as this would undermine the public banks' capacity to deliver on a country's development agenda.

Settle the Measurement Debate

The process of piloting measurement methodologies cannot continue indefinitely. It should be settled in a way that favours pertinent policy actions. While international agencies are using it as a fundraising rationale, African countries do not have the luxury to continue organising themselves for piloting various measurement methodologies. The focus should be on tackling the loss of resources. Therefore, it is recommended that African countries jointly use the PCM and the Price Filter Method (PFM) to estimate IFFs, based on data availability and capacity. These methods have been previously used (Mbeki Panel Report), and are less restrictive in terms of data availability and access.

However, efforts to estimate IFFs at the country level should begin by mapping relevant national stakeholders and studying national circumstances, using an IFF self-assessment matrix. Forming a technical working group (TWG) to examine the quality and availability of data serves as the foundation for developing a whole-of-government strategy. The working group decides on the best approach based on the results, creates a measurement strategy, and uses the chosen method(s) for IFF estimations. The formation of a TWG also promotes inter-agency relationships at the national level, which is essential for information sharing.

Realise an Inclusive, Legitimate and Responsive Coordination Platform

Over the last 10 years Africa's effort to curb IFFs have yielded mixed results. While significant progress has been achieved in sensitising various stakeholders about the severe negative impacts of IFFs and the need for appropriate legal, policy and institutional responses, there has been limited success in establishing an effective continental coordination platform to consolidate Africa's responses to these issues. A decade after the AU HLP Report, Africa is still divided in its actions against IFFs.

Key non-state actors are encouraged to work closely with state actors, pooling resources where possible, for maximum impact. Multiple, fragmented, non-inclusive, interest-based, non-consultative and temporary structures claiming to serve as coordinating platforms exist in the Continent. This dispersed structure works against Africa's interests, not only divides the Continent's limited capacity, but also weakens the momentum in the fight against IFFs. There is

also an increasing tendency, especially by non-state actors, to perceive the fight against IFFs as a programming and/or fund-raising rationale rather than a serious issue that needs to be addressed in order to free up resources essential for the Continent's development, and to meet the needs of its citizens.

It is therefore time to raise the alarm about the absence of an effective coordination platform. The key achievements of the past decade, such as the United Nation Convention on Global Tax Cooperation, show that Africa can only make some headway in its development efforts when united. Similarly, the best available option in the case of IFFs is to set aside institutional subtleties and join hands to work towards the clear vision encapsulated under the AU Declaration on IFFs.

Streamline National Level Actions

Over the past decade, African countries have made notable strides in reforming taxation systems and registration of corporate entities. Key aspects of tax reforms include establishment of large taxpayers offices, introduction of one-stop-shop service, enhancement of company registration services, creation of national level beneficial-ownership databases, and the adoption of IFRAS standards to improve financial reporting. Yet, most countries struggle to implement country-by-country and subsidiary-by-subsidiary reporting standards. Legislative efforts in this regard, are not backed by enforcement measures, leading to reporting trends that are largely dictated by the multinational companies instead of the countries.

Transparency initiatives, such as the EITI, tend to focus on MNCs declarations, without scrutinising the form and substance of financial reporting, including CBC reporting. This is particularly concerning in sectors like extractives, which involve significant financial transactions. While many countries have established rules and regulations on beneficial ownership and external trade declarations, enforcement remains extremely weak. The capacity of public officers responsible for the tasks falls short of expectation. Changing policy, pivoting leadership, political turmoil, low staff morale, and corruption further exacerbate the challenges. In addition, factors such as competition to attract FDI, pressure from IFIs, poor collaboration between national agencies, and capacity gaps, continue to hinder the progress of African countries in developing strong, effective, dynamic and responsive regulatory regimes to bridge the systemic gaps that facilitate the increasing amount of IFF, especially commercial IFFs, in the Continent.

Recognising that national-level action is at the core of an effective anti-IFFs effort, it is time for all African stakeholders to focus their efforts on this area. The ultimate goal should be to create streamlined national level policy actions against IFFs, which should serve as the primary indicator of success.

Align Financing with Continental Priorities

In light of the African stance on IFFs, there is a need for African financial institutions to step up efforts and support activities leading to a coherent and coordinated African response to IFFs. Alongside their traditional focus on corruption and AML/TF issues, they need to embrace the developmental perspective of anti-IFF policy action, particularly considering the serious impact that commercial IFFs have on African economies. Their engagement in international initiatives need to be evaluated against the Africa's interests and commitments made under AU Declarations.

Their support for key activities, such as guiding research, knowledge creation, convening and crowding-in the private sector, should also be aligned with the Africa's developmental priorities. In addition, they should proactively support key continental structures, such as the AU HLP and its multi-pronged recommendations, aimed at enhancing Africa's ability to stem illicit financial flows. This alignment is vital to ensure that Africa allocates its resources to address its most pressing challenges.

ANNEX I

Technical Note on Measuring Illicit Financial Flows in Africa

Methodologies for Measuring IFF

Due to their covert nature and the ethical, security, and confidentiality issues involved, IFFs are challenging to quantify. Indicators of IFFs must be monitored using specific methods, even when baseline values are available. Various agencies have different data needed to estimate IFFs, and data sharing requires political support for measurement and strategies for domestic and international collaboration. Current investments in these statistics and international support for country-led efforts are insufficient without further data collection, even though calculating IFFs may occasionally be attainable by evaluating specific datasets that are already in existence. Despite these obstacles, countries can now apply internationally accepted criteria and proven techniques, marking a major advancement since 2017.

Different methods have been piloted in different countries, but these efforts have not yielded a conclusive result on the measurement of IFF in Africa. Using a variety of approaches, nations have begun disclosing estimates of the different IFF subtypes (such as tax evasion, trade misinvoicing, unlawful market operations, and exploitation-type activities). However, these estimates could be difficult to combine into a single overall estimate, due to limited data and the possibility of double counting. The availability of data, institutional functions, and policy priorities, including those on data protection and confidentiality, make measuring IFFs a challenging endeavour.

The AU HLP Report measured corporate transfer mispricing, misinvoicing, and counterfeit goods using the Partner Country Method technique. The various approaches overlap and there are still problems with the data used for PCM measurement. To guarantee that the data are comparable across jurisdictions and to enable focused and successful policy interventions, the data must be reported more frequently, accurately, and consistently. On the other hand, UNCTAD tracks the bilateral flows between each developing nation and its trading partner, whether that nation is a developing or developed. It is evident that IFFs between emerging nations are common and are driven by several variables, such as more advantageous locations for money laundering, tax havens or secret locations, taking advantage of export subsidies, or evading import taxes and quotas, among others.

To reduce IFFs, measurement is connected to the value chain's preventive, detection, and investigation components. Six (6) methods, clustered into three (3) complementary pairs, have been developed to measure IFFs. The three clusters and the paired complementary methodologies are:

- Trade misinvoicing
 - Partner Country Method + (PCM+)
 - Price Filter Method + (PFM+)
- Profit shifting
 - Global distribution of profits within Multinational Enterprises (MNE)
 - MNEs versus comparable non-MNEs
- Offshore wealth
 - Undeclared offshore assets
 - Offshore financial wealth

METHOD 1 - PARTNER COUNTRY METHOD

Using a top-down approach, the PCM compares the import (or export) figures reported by one nation with the comparable values recorded by its partner nation. The foundation of PCM is the idea of a trade gap, which represents a difference in transaction values, as recorded independently by both trading parties. PCM's primary premise is that partner trade statistics are comparable and accurate enough to consider discrepancies in mirror figures as misinvoicing. As a result, it may be used to measure tax and commercial IFFs. However, this assumption is critical crucial and improbable, raising major questions about the method's reliability.

Trade asymmetry arises from numerous factors. Therefore, before attributing any asymmetry to IFFs or trade misinvoicing, every effort must be made to address other potential causes. Cost, Insurance, and Freight (CIF)-type values in import statistics and free on board (FOB)-type values in export statistics, as well as the use of different partner attribution criteria in import and export statistics, are the three primary causes of asymmetries in bilateral merchandise trade. In addition, different trade systems (General versus Special Trade System) are applied (UNSD, 2019).

Data Sources

PCM requires bilateral trade statistics between the reporting country and its trading partners, ideally broken down by individual partner rather than aggregated into a rest-of-the-world category. Data sources include:

- trade data collected nationally by the Customs or other relevant national

authorities;

- data are preferably at the most granular level of product classification (at least 6-digit Harmonised System (HS) code level with data on price, quantity, total value, CIF or FOB valuation, trading partner, country of origin or destination and type of flow, e.g., import/export or re-import/re-export);
- bilateral trade data (from national sources, such as partner nations' data or the IMF Direction of Trade Statistics (DOTS) and United Nations Commodity Trade Statistics Database (UN Comtrade);
- the OECD's International Transport and Insurance Costs (ITIC), the UNCTAD Global Transport Costs database, or comparable tools to resolve Cost, Insurance, and Freight (CIF)-Free on Board (FOB) disparities.

Using the lowest category within the product classification (i.e., the HS subheading for international comparability), engaging individual partners for the majority of trade (e.g., to cover more than 75%), and thoroughly inspecting discrepancies at the lowest-category commodities using a variety of inputs, including the expertise of experts, are all advised.

METHOD 2 - PRICE FILTER METHOD (PFM)

The PFM is a bottom-up approach that uses a price filter estimate for each commodity as a stand-in for arm's length prices. Trade mispricing occurs when a transaction's unit price deviates from the typical prices assumed by the price filter, or when an unusual price for a specific transaction is identified. Price filters vary from transaction to transaction based on the specifics of each transaction, including the buyer/seller's business strategy, the state of the economy, the conditions of the contract, etc. The price filter's upper and lower bound prices might be derived from statistical estimations (such as quartiles) or actual market prices for each commodity.

PFM's primary benefit is its usage of transaction-level data, which indicates that it operates cheaply and effectively. First, it can assist with real-time automated transaction monitoring for administrative purposes, enabling the review of past information. Furthermore, PFM is independent of the partner's transaction data and can identify mispricing in situations where importers and exporters collude, which PCM would miss. The main disadvantage of PFM is that statistical price filters will always discover transactions with aberrant pricing. In particular, statistical price filters are created endogenously, that is, by using every available transaction, including transactions with unusual prices. For instance, the interquartile range is used in their construction. As a result, PFM will consistently identify transactions that do not fit the statistical criteria.

Data Sources

- Sources include transaction-level statistics on global trade flows from Customs or other pertinent national bodies. In addition to the detailed code, these include, whenever feasible, a description of the commodity and information on trading partners (businesses), flows, price, value, quantity, and goods at the most detailed level of HS classification.
- Using microdata is crucial before making certain changes. For example, statistical authorities may adjust anomalous pricing to generate higher-quality statistics from the data on trade transactions. For the pricing to reflect the market price, it is advised that the invoice values of linked partner transactions be adjusted.
- International data sources, such as the World Bank's commodity market prices or UNCTAD commodity prices, can be used to obtain free-market commodity prices. UN Comtrade also provides a range of standard unit values (SUV) with global unit values, including their acceptable range unit value for each HS subheading. While these sources may be unduly compiled, when combined with the opinions of specialists, they offer a solid foundation for at least some of the commodities traded extensively around the world.
- In cases of bringing trading partners (companies) into analysis (e.g., transfer pricing), structural business statistics at the micro-level need to be linked to transaction data. This can be combined, when appropriate or available, with automatic exchange of economic data concerning MNEs (such as OECD's Country-by-Country Reporting (CbCR) data or the Analytical Database on Individual Multinationals and Affiliates (ADIMA) and the Activity of Multinational Enterprises (AMNE) database).

It is recommended to use free-market prices for the price filter, and to set price filters specifically for trade determinants, such as commodity, partner, periods, and mode of transportation. Additionally, customs experts should be consulted regarding detected outliers to ascertain whether or not there is a reason for the outliers.

METHOD 3 - GLOBAL DISTRIBUTION OF MULTINATIONAL ENTERPRISES (MNEs') PROFITS AND CORPORATE TAXES

The approach examines, using microdata, how an MNE's profits are distributed throughout its divisions worldwide. It links it to a certain unit's corporate (effective) tax rates and underlying economic activities. If another unit's tax system induces a reduced tax rate, it is assumed that an MNE unit will probably move its profits out of the nation. Following empirical research on corporate profit shifting, the approach evaluates a regression model that links the MNE unit's profits as the dependent variable with its economic activity, as determined by employment and assets, the general circumstances of the nation in which it conducts business, such as GDP per capita and population size, and tax rate differences between the MNE unit's and other units' rates in a given nation.

The technique assumes that any consistent departure from the unit's expected profitability, which is based on its economic activity and the host nation's conditions, indicates possible profit shifting. The semi-elasticity of profits to tax rates is used to assess this. Identified deviations are further quantified to propose a measure of IFFs from profit shifting. Results could be analysed with estimates generated through other means, although caution should be used when interpreting them. It is unclear if the approach overestimates or underestimates profit shifting, and this might differ from nation to nation.

Determining the tax rate that MNE units must pay in a given nation can be complex. Different tax rates may apply to different types of income, such as those offered by patent box regimes, which offer reduced rates on specific income, or special tax-reducing agreements with governments for specific activities, like research and development (R&D). Other non-tax incentives to shift profits, such as the fear of expropriation, may also exist. Furthermore, tax differences between a local MNE unit and another MNE unit may not fully capture the incentive to shift profits. Lastly, the tax sensitivity of profits may differ based on the size of the MNE or across different tax regimes, such as high and low-tax states.

Data Sources

- Data on MNEs and their units, including factors like profits before taxes, effective tax rates, workforce size, tangible asset values, and others, are needed for this approach. These statistics, particularly by national authorities with access to microdata, are available in the OECD's CbCR data. Extrapolations for the profit shifting of smaller businesses not included in the data are also necessary when using CbCR data.
- When reporting revenue and profit as "stateless" in both the transparent unit and the jurisdiction in which units operate, there may be some

“double counting” of items in CbCR microdata, i.e., regarding stateless entities (not resident anywhere for tax reasons). However, this issue is only marginally relevant when combined with other OECD guidelines for real reporting (such as those on intercompany dividends).

- Business statistics, tax data, and other sources provide national statistical authorities with comprehensive information on MNE units operating nationwide, which they can then analyse with CbCR microdata. Various regulatory frameworks allow national statistical authorities to share economic data, such as within the European Statistical System, to obtain information on overseas multinational enterprises (MNEs) that surpasses the CbCR criterion. GGR, EuroGroups registration, OECD databases (ADIMA, AMNE, and Tax Database), and other international data sources can also be used when suitable.
- The approach necessitates information on the demographics, GDP per capita, and tax rates of the nations where multinational enterprises operate. Data on population and GDP by nation are available from several international organizations’ worldwide databases (such as UN Data or UNCTAD Statistical Database). Tax data is available through the Orbis database, EY’s Annual Worldwide Corporate Tax Guides, and KPMG’s Corporate Tax Survey.

METHOD 4 - MNE vs COMPARABLE NON-MNE PROFIT SHIFTING

Like PFM, the MNE vs. equivalent non-MNE profit-shifting approach, bases its theory on divergence from the norm. The first step of this bottom-up approach is to identify the multinational enterprises that are evading taxes, and the second step is to calculate the associated Base Erosion and Profit Shifting (BEPS). The approach identifies deviations between the behaviour of comparable domestic businesses and the structural and economic characteristics of MNEs. The technique uses data from a double comparison between MNEs and non-MNEs (via propensity score matching) and an examination of the MNE group’s receiver operating characteristics (ROC). This method calculates BEPs based on the difference between disclosed and appropriate profits.

The amount of profits that tax-avoiding MNEs are required to report to be classified as non-tax-avoiding is used to determine the subsequent measurement of the corresponding amount of BEPS (second phase). Earnings Before Interest and Tax (EBIT) is the variable that needs to be changed in this procedure. Rather than focusing on all enterprises of a certain MNE in all the countries the group works in, which is not easily accessible in any data system, the indicator employs a vertical technique to quantify the BEPS of tax-avoiding MNEs. This method evaluates BEPs by examining discrepancies between a particular MNE and other (local) MNEs with comparable traits.

Data Sources

- This approach makes use of microdata that is accessible to a nation's National Statistics Offices (NSOs), making it possible to connect with national accounts. These statistics are probably more comprehensive than the CbCR data, which have a threshold for entity inclusion. Value-added, R&D expenditures, the proportion of salaries to overall expenses, and other economic and structural indicators are among the firm-level data included in the source data. Useful firm-level data sources include the NSO's structural business statistics and other pertinent sources.
- According to research, there are situations in which administrative data on taxable earnings taken straight from tax returns might be more appropriate than financial accounts (accounting profits).
- If available, the Foreign Affiliates Statistics (FATS) might be a helpful extra source of information. Additionally, integrating many data sources can be facilitated by establishing a Large Cases Unit (LCU) within the NSO.

METHOD 5 - FLOWS OF UNDECLARED OFFSHORE ASSETS INDICATOR

The undeclared offshore assets indicator is a top-down approach to addressing individual offshore tax evasion. This is done by calculating the difference between the value of citizens' assets reported by (partner) nations and those stated by citizens for tax purposes. It does not differentiate between different types of IFFs, and will include assets derived from illicit activity. Therefore, a significant drawback of the approach is duplicate counting. Additionally, it is solely linked to outgoing IFFs, since it focuses IFFs that depart or are outside the country under study.

Data Sources

- The Bank for International Settlements, which publishes data by location, provides source data. Although these are the most reliable statistics currently available, the countries this source covers are limited. Furthermore, some asset types, such as cryptocurrencies, real estate, or art, are not considered.
- The OECD CRS, which covers signatory economies, is an additional international source with similar coverage issues as BIS. Although the practice has revealed limitations in data availability, national tax authorities, to whom financial firms report, provide a significant and pertinent data source. Annual level and end-of-year stock data are presented.

METHOD 6 - FLOWS OF OFFSHORE FINANCIAL WEALTH BY COUNTRY

This is a top-down approach that focuses on wealth held by foreign nationals, which has not been disclosed to the local tax authorities.

Data Sources

- Source data can be obtained from statistics on foreign deposits and international portfolio securities, as well as in several international databases. The IMF's Coordinated Portfolio Investment Survey (CPIS), the IMF's International Investment Position (IIP), and the External Wealth of Nations Mark II database (EWN) are three international databases that offer trustworthy global data on portfolio securities. However, these have restrictions in terms of the countries they cover.
- Comprehensive information on bank deposits, bonds, equity, and mutual fund portfolios held by Swiss banks on behalf of foreigners is released by the Central Bank of Switzerland. BIS locational banking statistics are the source of data on foreign deposits, although there are coverage limitations, confidentiality requirements, and challenges in differentiating persons and entities.

Recommended Methodology for African Countries

As evidenced by target 16.4 of the Agenda 2030, which states that “by 2030, significantly reduce illicit financial flows and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organized crime,” IFF reduction is a key area. This goal is essential for funding initiatives aimed at achieving the SDGs. Additionally, the Addis Ababa Action Agenda (United Nations, 2015) for financing sustainable development designated IFFs as a global priority, calling for a redoubling of efforts to substantially reduce IFFs, with a view to eventually eliminating them.

To measure IFFs, publish, and share the statistical data, the following nations took part in the capacity-building pilots by UNECA/UNODC: Burkina Faso, Benin, Egypt, Ghana, Gabon, Mozambique, Namibia, Nigeria, Senegal, South Africa, Zambia, and Angola. All 11 pioneering countries tested Method #1 – ‘Partner Country Method Plus’ and 7 countries tested Method #2 – ‘Price Filter Method Plus’ to measure trade misinvoicing. The selection of methods was based on data availability for national institutions. Three countries tested Method #3 to measure aggressive tax avoidance by MNEs. The results indicate that the most difficult strategies involve aggressive tax avoidance by MNEs and tax evasion by individuals, since they require more precise data to be available. Furthermore, certain market and economic circumstances may restrict the options available. For instance, major industries (like mining) may be fully controlled by foreign

corporations, making it impossible to identify domestic units for use as a control group.

The report, therefore, recommends the Partner Country Method (PCM) + and the Price Filter Method (PFM) + to be applied in sample African countries in estimating IFFs, based on data availability and capacity. This is because these methods have been previously used (Mbeki I Report), and both methods have also been piloted in 12 African countries.

Method #1, Partner Country Method Plus, examines bilateral differences in reported trade flows; that is, it compares what country A reports as its imports from country B with what country B exports to country A. The approach to determine how much of the asymmetries should be attributed to IFFs, successively addresses the issue of various explanations for these differences, including partner country attribution and valuation, as well as existing trading systems, among others. This strategy is based on the detailed trade flow data from national and bilateral partner Customs Authorities that are available within the national statistical system.

Identifying unusually priced transactions in international trade is the basis of the Price Filter Method Plus (method #2), which first designs the price filter before identifying abnormally priced transactions to find indicators of IFFs. The technique uses granular, transaction-level microdata instead of depending on partners' transaction data. National customs experts' participation helps to mitigate the method's limitations and uncertainties.

It is recommended that the country-level effort begin with mapping pertinent national stakeholders, then studying national circumstances using an IFF self-assessment. Establishing a technical working group to examine the quality and availability of data serves as the foundation for developing a whole-of-government strategy. The TWG decides on the best approach based on the results, creates a measurement strategy, and uses the chosen method(s) for IFF estimations. The establishment of a TWG also promotes inter-agency relationships at national level, which is essential for information sharing.

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