



CONCEPT NOTE

THE 6th PAN AFRICAN CONFERENCE ON ILLICIT FINANCIAL FLOWS AND TAXATION “Corruption as driver of IFFs from Africa”

17th – 18th October 2018, Nairobi, Kenya

Introduction

The Tax Justice Network Africa (TJNA) in partnership with OXFAM, FEMNET, Pan-African Lawyers Union (PALU), Trust Africa, Coalition for Dialogue on Africa (CoDA), Financial Transparency Coalition (FTC), Global Alliance for Tax Justice (GTAJ), United Nations Economic Commission for Africa (UNECA) are organising the 6th Pan African Conference on Illicit Financial Flows (IFFs) and Taxation. This builds on our previous annual conferences which seek to provide a forum for policy actors from Africa and globally to articulate problems and propose solutions towards curbing Illicit Financial Flows (IFFs) from Africa. The 6th PAC will take place on 17th and 18th October 2018 in Nairobi, Kenya.

Background

The global financial architecture remains broken and vulnerable to manipulation that facilitates illicit financial flows (IFFs) from developing regions. In Africa, it is estimated the continent loses up to USD 100 billion annually through different forms of IFFs, one of them being corruption through proceeds of bribery and financial malpractices. At its most basic level, corruption is defined as ‘*abuse of power for private gain.*’ In the context of the IFFs discourse therefore it is a plausible argument to make that corruption cannot be limited to the public-sector dimension. Indeed, when considered through components of bribery, theft of public assets, and patronage, corruption, like other social vices, display both demand and supply side characteristics. According to the AU-ECA High Level Panel on IFFs report, it is estimated that corruption accounts for about 5% of global IFFs and the proportion of the USD 100 billion lost through IFFs from Africa is much higher.¹ The responses to the High-Level Panel’s questionnaires on the issue showed that most respondents felt that corruption was the main cause of IFFs from their countries.² In addition, the clandestine nature of corruption makes it difficult to estimate the volume of IFFs attributable to corruption.

The impact of corruption threatens the efforts aimed at promoting democratic governance, socio-economic transformation, peace and security in Africa. While the continent has experienced sustained socio-economic growth over the past two decades, the benefits associated by this growth is being undermined by the simultaneous haemorrhage of public

¹ Track it, Stop it, Get it – Report of the High-Level Panel on Illicit Financial Flows, (AU-ECA,2015)

²Report of the High-Level Panel on Illicit Financial Flows from Africa (2015) at 32.



funds through corruption and related activities. This leaves the continent in a situation where 50% of the population lives below USD 1.90 a day; rising inequality; lack of access to basic services like education, health, water and sanitation; and rising taxation burden because of the emptying of government coffers arising from corruption related IFFs.³

Combatting corruption in Africa has been the focus of the Africa Union (AU) in 2018. Themed “[*Winning the Fight against Corruption: A Sustainable Path to Africa’s Transformation*](#)”, the AU realises the urgent need to stem the vice of corruption which is a major societal flaw causing setbacks in the socio-economic and political development of the continent. Corruption continues to hamper efforts aimed at promoting democratic governance, socio-economic transformation, peace and security, and the enjoyment of human rights on the continent.

Corruption as a driver of Illicit Financial Flows from Africa

Corruption as a driver of IFFs from Africa can be viewed in two ways i.e. internal challenges that enable corruption on the continent, and externally as the global financial architecture enabling proceeds from corruption to be moved to tax havens and secrecy jurisdictions. These two dimensions illustrate the need to address both the demand and supply side of corruption. Both the public and private sector are culpable actors in permeating corruption in Africa. In the case of the former, the public-sector acts as the agent given the position of power/influence while it is the latter, as private agents, that gain from **the acts of corruption**. Therefore, it can be argued that corruption is both a source and enabler of IFFs and in the form of abuse of entrusted power for private benefit in both the public and private sectors thus remains an issue of continuing concern.⁴Corruption is also an inhibitor of anti-IFF measures. By weakening law enforcement agencies, financial intelligence units and the judiciary, corruption hinders investigations and prosecutions of IFFs related crimes and civil liabilities.⁵ This ultimately weakens the effectiveness of anti-IFF measures.

At the continental level, corruption is most commonly observed through bribery, theft of public assets, and patronage. The general poor governance structure and institutions in Africa find themselves vulnerable to rampant corruption and as a result the impact of this is then felt through at the government coffers. It is widely accepted that tax malpractice⁶ (avoidance and evasion) go hand in hand with weak legal policies and frameworks governing tax collection and administration and this often takes the form of corrupt actions of several actors. The combination of these factors therefore provides a fertile environment for IFFs to be generated and exported out of the continent. The impact of this is the gradual erosion of the economic and tax base of African countries, the continued use of regressive taxation

³ Sene Massamba, Dr Ligane J – *Mobilisation of Domestic Resources: Fighting against Corruption and Illicit Financial Flows (April 2018)*, Africa Union, Department of Economic Affairs

⁴ Track it, Stop it, Get it – Report of the High-Level Panel on Illicit Financial Flows, (AU-ECA,2015)

⁵ Goga K (2015) “Addressing corruption may act as a significant step to limit Illicit Financial Flows from Africa”, available at <https://issafrica.org/iss-today/how-corruption-drives-illicit-financial-flows>.

⁶ Ajaz, Tasheen and Ahmed, Eatnaz – *The Effect of Corruption and Governance on Tax Revenues*



policies to plug revenue gaps, increasing tax burden on already impoverished citizens, increased inequality with a strong gender dimension, and a general decay in the moral fabric of society as many of the perpetrators go unpunished for their actions.

At the global level, corruption is observed in a more sophisticated way that enables the proceeds from corrupt activities channelled from Africa to tax havens and secrecy jurisdictions in Europe, North America, and elsewhere. In contrast to Africa, the robust governance structures and institutions are by design enabling IFFs from Africa to be harboured with a *'no questions asked'* policy. Furthermore, the global financial architecture provides an avenue for the financial proceeds from corruption to be laundered.⁷ Evidence from recent exposes such as the Paradise Papers, Panama Papers, West Africa Leaks, Lux Leaks, lend further evidence to the role played by the international financial architecture in facilitating IFFs from corruption. In addition, at the global level, the perception that corruption is a developing country challenge has been challenged through these leaks and demonstrate how secrecy of jurisdictions and tax havens play a bigger role than actors in Africa in generating IFFs.

Winning the Fight against Corruption: A Sustainable Path to Africa's Transformation

The discussions will contribute and feed into ongoing efforts by the Africa Union to fight corruption and stop IFFs from Africa. Fifteen (15) years after the adoption of the [AU Convention on Preventing and Combatting Corruption \(AUCPCC\)](#), 2018 provides a good opportunity to take stock on progress made so far, assess what still needs to be done and devise new strategies that appropriately address new corruption challenges.

The 6th Pan African Conference will seek to provide a platform to multiple stakeholders and policy actors drawn from governments, CSOs, research and academia and other relevant players to deliberate on the emerging efforts to fight the scourge of corruption and IFFs from Africa. The conference will discuss national, continental, and global initiatives to fight corruption and its proceeds through mechanisms such as Africa Peer Review Mechanism (APRM) and Open Government Partnership (OGP), UN Convention against Corruption (UNCAC), Africa Union Convention on Preventing and Combatting Corruption (AUCPCC), Stolen Asset Recovery (STAR) Initiative of the United Nations and the World Bank, Financial Action Task Force (FATF) Anti-Money Laundering Guidelines, and other initiatives to fight corruption and IFFs from Africa.

The Conference will also provide opportunity to take stock of the success made so far and challenges facing African governments in their efforts to honour their commitments to stem IFFs through the implementation of the [High Level Panel \(HLP\) recommendations](#) and the [AU Convention on Preventing and Combatting Corruption \(AUCPCC\)](#). The Conference will further

⁷ Reed, Quentin and Fontana, Alessandra – Corruption and Illicit Financial Flows: The limits and possibilities of current approaches, U4 Anti-Corruption Resource Centre (January 2011) www.U4.no Chr. Michelsen Institute (CMI)



discuss the emerging issues in the corruption discourse including how the e-commerce and the digital economy present new opportunities for corrupt practices and challenge for government to track, monitor, and exercise jurisdiction.

A key outcome from the 6th PAC will be a Declaration by TJNA and its partners reaffirming their fight for tax justice and a call to implement the recommendations of the AU-ECA high-level panel on illicit financial flows from Africa.

Overall broad Objectives

The overall objectives of the 6th PAC are to:

1. Broaden the debate to incorporate the role of corruption and corruption related activities to IFFs from Africa
2. Connect the dots between corruption and tax related IFFs from Africa
3. Support the AU year of anti-corruption
4. “To establish the specific role of governments, CSOs, academics and other stakeholders in the IFF and corruption discourse.”

Specifically, the conference will:

1. Reaffirm commitments made in the Addis Ababa Action Agenda to redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminate them, including by combatting tax evasion and corruption through strengthened national regulation and increased international cooperation. And enhance disclosure practices and transparency in both source and destination countries, including by seeking to ensure transparency in all financial transactions between governments and companies to relevant tax authorities.
2. Understanding the drivers (internal and external) of corruption in the context of IFFs from Africa. At the internal level draw attention to the weak systems, political influence, complicated tax systems, procurement, bribery as drivers for corruption and IFFs. At the external level, draw attention on the complicity of international financial architecture in facilitating corruption through Tax Havens, Secrecy Jurisdiction the demand side of corruption.
3. Assessing the progress made by African governments to implement the AU’s Convention on Preventing and Combatting Corruption which was adopted in 2003; The recommendations of the HLP regarding the addressing corruption and IFFs; International processes and initiatives including AML under FATF; BEPS Process; OGP; and so on.

Deliverables/outputs

1. A Declaration by TJNA and its partners reaffirming their fight for tax justice and a call to implement the recommendations of the AU high-level panel on illicit financial flows from Africa.

Outcomes

1. Increased implementation of the recommendation of the HLP among African countries
2. Popularise the IFF debate to include broader concepts of proceeds of corruption outflow from Africa

Format and Structure

The 2018 PAC will take the structure of:

1. Presentations followed by Panel discussions and Plenaries
2. Issue specific roundtables
3. Networking sessions
4. Declaration drafting and adoption
5. Interactive group breakout session

Dates and Venue

The dates for the 6th PAC are 17th and 18th October 2018 in Nairobi, Kenya

Convener

Tax Justice Network Africa (TJNA)

Co-convenors

 <p>OXFAM Oxfam International</p>	 <p>Trust Africa</p>	 <p>Coalition for Dialogue on Africa (CoDA)</p>	 <p>Global Alliance for Tax Justice (GATJ)</p>
 <p>Pan African Lawyers Union (PALU)</p>	 <p>FEMNET</p>	 <p>United Nations Economic Commission for Africa (UNECA)</p>	 <p>Financial Transparency Coalition (FTC)</p>



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(Available in French and Portuguese)
