

Tax Dialogues

— An ACBF and HAUS Webinar Series

Knowledge Brief for **June 2025 Webinar**

**“Combating Illicit Financial Flows:
Strengthening Africa’s Fiscal Sovereignty”**



Illicit financial flows (IFFs) drain over US\$89 billion annually from Africa—exceeding the continent’s intake of official development assistance. This Knowledge Brief contributes to the debate on IFFs in Africa and their far-reaching impact on fiscal sovereignty, public service delivery, and the continent’s pursuit of sustainable development. Drawing on insights from a multi-stakeholder webinar co-hosted by the African Capacity Building Foundation (ACBF), and HAUS Finnish Institute of Public Management Ltd, the brief analyses the scale, drivers, and institutional weaknesses enabling IFFs. It outlines practical and strategic responses, including strengthening domestic resource mobilisation, promoting equitable and transparent tax systems, enhancing anti-corruption frameworks, advancing digital tax tools, and advocating for fairer global tax rules. The brief also emphasises the importance of strong political will, policy dialogue, and cross-border cooperation as critical enablers for building inclusive, accountable, and resilient economic systems across Africa. Combating IFFs is presented not merely as a technical challenge, but as a fundamental governance and development imperative for the continent.

1. Introduction

Illicit financial flows (IFFs) pose a significant threat to African economies, leading to substantial revenue losses and undermining sustainable development. Africa is estimated to lose approximately US\$50-80 billion annually through IFFs, and if this trend continues, the continent could forfeit around US\$800 billion over the next decade. These outflows represent 5 to 10 per cent of Africa’s GDP¹, draining resources that could otherwise support public services, infrastructure, and poverty reduction².

The challenges in combating IFFs are multifaceted. African countries often face limited technical and investigative capacity, weak inter-agency coordination, inadequate international cooperation, and limited access to financial data and beneficial ownership information³.

Furthermore, the global financial system, which enables the concealment of illicit assets in offshore jurisdictions, makes it difficult for African nations to trace, recover, and repatriate stolen wealth.

As external financial support is expected to decline in the coming years, African countries risk falling deeper into a cycle of poverty and underdevelopment⁴. To foster economic growth and resilience, it is imperative to develop and implement coordinated regional and national strategies aimed at curbing illicit financial flows. This includes strengthening legal and institutional frameworks, enhancing financial transparency, promoting international collaboration, and building the capacity of tax and law enforcement authorities.

1. UNCTAD (2020) Africa could gain \$89 billion annually by curbing illicit financial flows. Available at: <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows> (Accessed: 30 July 2025)

2. United Nations Economic Commission for Africa (UNECA), 2017. *Impact of illicit financial flows on domestic resource mobilization: optimizing revenues from the Macroeconomic Policy Division and African Minerals Development Centre*. Addis Ababa: UNECA. Available at: https://au.int/sites/default/files/documents/44207-doc-impact_of_illicit_financial_flows_-_april_2017_-_web.pdf [Accessed 31 Jul. 2025].

3. The African Capacity Building Foundation (ACBF), 2018. *Lesson notes on capacity development in Africa*. Harare: ACBF. Available at: <https://elibrary.acbfpact.org/acbf/collect/acbf/index/assoc/HASH0285/bcd73299/cccf70ec/24.dir/Lesson%20Notes%20Compendium%20en.pdf> [Accessed 31 Jul. 2025].

4. AFRODAD, 2022. *Analysis of the development finance landscape in Africa*. Harare: African Forum and Network on Debt and Development (AFRODAD). Available at: <https://afrodad.org/sites/default/files/publications/Analysis-of-Development-Finance-Landscape-in-Africa.pdf> [Accessed 31 Jul. 2025].

2. Key Insights from the Webinar



2.1 The Scale and Impact of IFFs

Africa loses an estimated US\$89 billion annually to IFFs, more than it receives in Official Development Assistance. These flows are concentrated in the extractive sector and digital economy, where weak oversight enables trade mis-invoicing and tax evasion. IFFs are not just an economic loss but reflect governance failures and accountability gaps. Addressing them requires both sector-specific reforms and broader efforts to strengthen institutions and transparency.



2.2 Regional Cooperation and Data Sharing

Regional platforms such as the West African Tax Administration Forum (WATAF) play a critical role in promoting real-time data exchange and risk profiling, enhancing tax authorities' ability to identify and address illicit financial flows. Strengthened cross-border cooperation is essential for detecting and investigating complex schemes such as VAT carousel fraud, transfer mispricing, and base erosion.



2.3 Capacity Gaps and the Digital Tax Challenge

Tax authorities across Africa face significant capacity gaps in auditing digital platforms, including e-commerce, fintech, and other technology-driven

business models. Existing tax frameworks often struggle to keep pace with the rapid evolution of these digital economies, leading to a growing mismatch between tax policies and actual value creation. This misalignment creates loopholes that illicit actors can exploit, exacerbating revenue losses. To address these challenges, there is an urgent need to invest in the digital transformation of tax systems—such as implementing e-invoicing, AI-driven audit tools, and real-time data analytics—to enhance transparency, improve compliance, and close existing enforcement gaps.



2.4 Political Economy Dimensions

Effectively tackling IFFs demands strong political will, ethical leadership, and robust systems of civic accountability. In many cases, IFFs are facilitated or shielded by politically connected elites, making institutional reform and transparency difficult to achieve. However, active citizen engagement—particularly through civil society organizations and youth-led movements—can play a critical role in challenging impunity, demanding reform, and promoting greater accountability in public financial management. Empowering these actors is essential to sustaining momentum for change and building inclusive, transparent governance systems that can curb IFFs.

3. Emerging Institutional Responses

3.1 African Capacity Building Foundation (ACBF)

ACBF plays a pivotal role in strengthening Africa's fiscal sovereignty and governance by enhancing institutional capacities in tax policy analysis, public financial management, and domestic resource mobilisation. Through its Building Excellence in Taxation and Administration (BETA) Program and initiatives like the Ubora Academy, ACBF supports Ministries of Finance and Revenue Authorities to improve transparency, efficiency, and accountability in tax administration, reducing reliance on external aid. The Foundation fosters peer-to-peer learning, technical assistance, and knowledge sharing to inform evidence-based policymaking and legislative reforms. It also promotes institutional capacity development among public servants, civil society, and private sector actors to effectively combat illicit financial flows. By facilitating high-level policy dialogues and convening think tanks, ACBF advances innovative solutions, particularly in digital taxation, to address emerging fiscal challenges across Africa.

3.2 Tax Justice Network Africa (TJNA)

The TJNA is a leading pan-African advocacy organization dedicated to promoting fair, transparent, and inclusive tax systems. It focuses on combating illicit financial flows, tax evasion, aggressive tax avoidance, and transfer mispricing, especially in revenue-critical sectors like extractive industries. TJNA supports global tax reforms, including the establishment of a UN Framework Convention on Tax Cooperation, to ensure equitable international tax rules that empower African countries to control their own economic policies and reduce dependency on external aid. Through research, advocacy, capacity building, and partnerships with civil society, regional bodies, and intergovernmental organizations, TJNA advances policy coherence aligned with Agenda 2063 and the UN Sustainable Development Goals.

3.3 West African Tax Administration Forum (WATAF)

WATAF is a key sub-regional platform promoting

tax cooperation and combating illicit financial flows among West African states. It aims to enhance tax transparency and address issues such as base erosion and profit shifting by facilitating real-time information exchange, data analytics, and joint audits. WATAF supports member countries in modernizing tax administrations through digitalization, capacity building, and policy harmonization. Through regular workshops and forums, it fosters knowledge-sharing, helping countries learn from each other's experiences to strengthen revenue mobilization and tackle cross-border tax fraud effectively.

3.4 African Union

The African Union (AU) provides essential political leadership and normative guidance in combating IFFs across the continent. It established the High-Level Panel on Illicit Financial Flows, which laid a foundational framework for addressing these challenges. Central to its efforts is the endorsement of a Common African Position on asset recovery and IFFs, promoting a unified approach to reclaim stolen assets and curb financial leakages. The AU collaborates closely with regional economic communities, African institutions, and international partners to build consensus on tax justice and anti-corruption, fostering coordinated policies and cross-border cooperation to enhance transparency and accountability. Additionally, the AU champions the adoption of digital tax technologies—such as artificial intelligence, blockchain, and e-filing systems—to improve tax compliance, reduce corruption, and strengthen oversight. It works to harmonise tax policies among member states, aligning them with international best practices while prioritising Africa's development goals. Strategic initiatives include advancing the UN Tax Convention to ensure inclusive global tax rules, promoting domestic resource mobilisation by curbing capital flight, and encouraging member states to criminalise IFFs and enforce anti-money laundering and anti-corruption laws, all aimed at protecting Africa's financial resources and supporting sustainable development.

4. Strategic Priorities to Address Gaps



Strengthen research and data analytics by leveraging modern monitoring technologies to improve data collection and oversight of vulnerable sectors.



Secure sustained political commitment and allocate adequate resources to support anti-corruption and enforcement efforts.



Enhance transparency and ensure timely data exchange among governments and agencies to empower accountability.



Advocate for equitable global tax rules under a United Nations-led framework that reflects the realities and priorities of African countries.



Harmonize cross-border policies and facilitate intelligence sharing to effectively detect and prevent illicit financial flows.



Prioritize investments in productive sectors such as agriculture, manufacturing, renewable energy, and technology to foster economic resilience and reduce dependence on external flows.



Invest in digital auditing technologies and build the capacity of customs and tax officials through targeted training to uncover financial fraud.



Strengthen legal and institutional frameworks while promoting a culture of integrity across public and private sectors to deter tax evasion and illicit practices.

Experts anticipate that sustained, coordinated interventions will drive incremental but meaningful progress. Reforms will strengthen governance and regulatory frameworks, enhance financial transparency, build institutional capacity, and deepen stakeholder collaboration. While systemic challenges remain, these efforts will establish a foundation for a resilient, transparent, and accountable fiscal architecture capable of curbing IFFs and supporting inclusive growth.

5. Conclusion

Illicit financial flows continue to deprive Africa of critical resources needed for development and poverty reduction. Effective response demands a multi-stakeholder approach integrating legal reform, technical capacity building, political leadership, and international cooperation. Accelerating digital tax innovation and promoting equitable global tax governance are key. With sustained political will and regional collaboration, Africa can reclaim financial sovereignty, boost domestic resource mobilisation, and chart a sustainable development path free from the drag of illicit outflows.

Agenda

Time (GMT+3)	Segment
Facilitator: Amina Ebrahim; Research Fellow, UNU WIDER	
15:00–15:10	Opening Remarks (HAUS and ACBF) • Abdrahamane Dicko; for the Executive Secretary, ACBF • Kirsi Aaltola; Director, Development Services, HAUS
15:10–15:20	Framing Presentation: Overview of IFFs in Africa • Luckystar Miyandazi; Tax and Domestic Revenue Mobilisation Adviser, African Union Commission (AUC)
15:20–16:10	Panel Discussion: Challenges and Opportunities in Addressing IFFs • Rodolphe Bance; Head, Economic and Social Governance Unit, ACBF • Chenai Mukumba; Executive Director, Tax Justice Network Africa (TJNA) • Luckystar Miyandazi; Tax and Domestic Revenue Mobilisation Adviser, African Union Commission (AUC)
16:10–16:25	Open Floor: Reflections and Q&A
16:25–16:30	Closing Remarks and Next Steps • Konsta Heikkila – Chief Partnership Adviser, African-Finnish Partnerships on Taxation Capacity in Africa, ACBF & HAUS



Tax Dialogues

An ACBF and HAUS Webinar Series

Tax Dialogues Webinar Series – Session II

Title: Combatting Illicit Financial Flows: Strengthening Africa's Fiscal Sovereignty

25 June 2025 90 minutes Virtual (Zoom)

FACILITATOR



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