

# Agreed Potential Solutions and Way Forward in Africa to BEPS

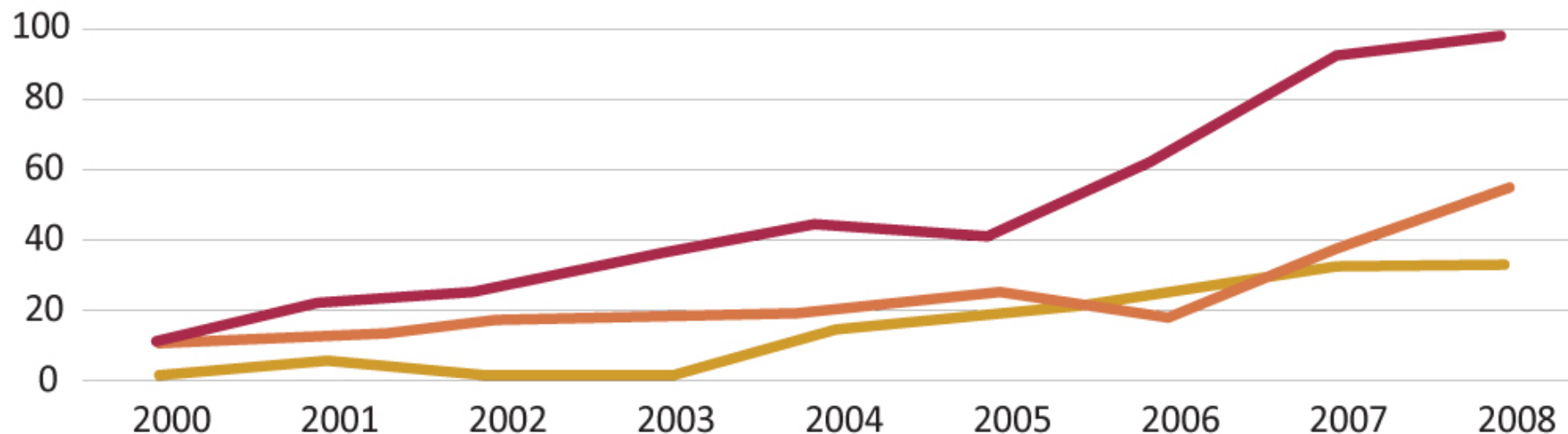
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# Unpacking the African Challenges: The Mbeki Report

- ▶ The Mbeki report defined illicit financial flows as:
  - ▶ Money that is illegally earned, transferred or utilized. These funds typically originate from three sources: commercial tax evasion, trade mis-invoicing and abusive transfer pricing; criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband; and bribery and theft by corrupt government officials.

# International Financial Flows and Africa

**Evolution of illicit financial flows from Africa, 2000–2008 (billions of dollars)**



■ **2010**

Kar and Cartwright-Smith - all IFFs

■ **2010**

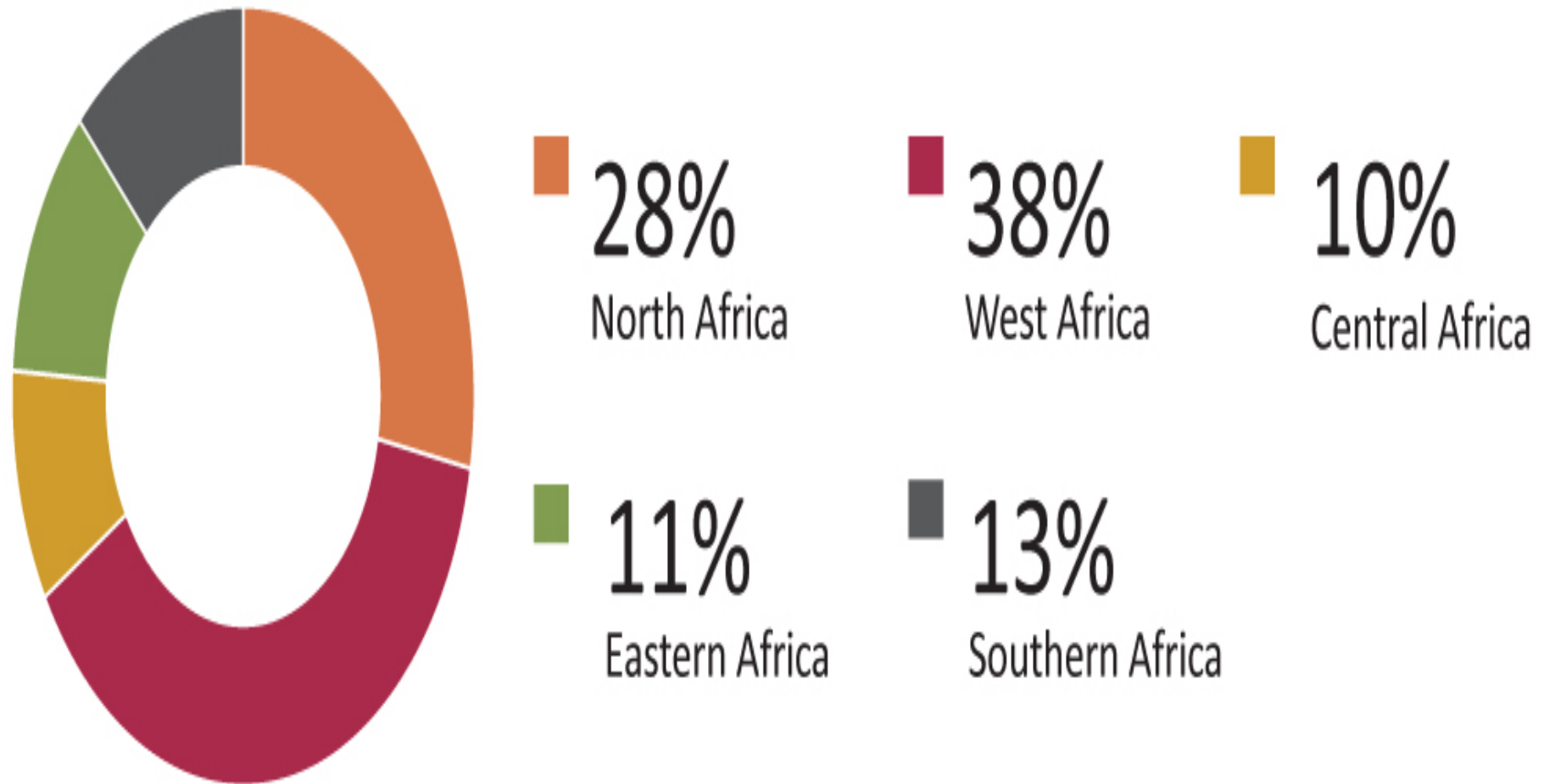
Kar and Cartwright-Smith - trade mispricing only

■

ECA's methodology - trade mispricing only

Source: Based on Ndikumana and Boyce (2008), Kar and Cartwright-Smith (2010), Kar and Freitas (2011) and the ECA methodology.

## Cumulative illicit financial flows from Africa by region, 1970–2008



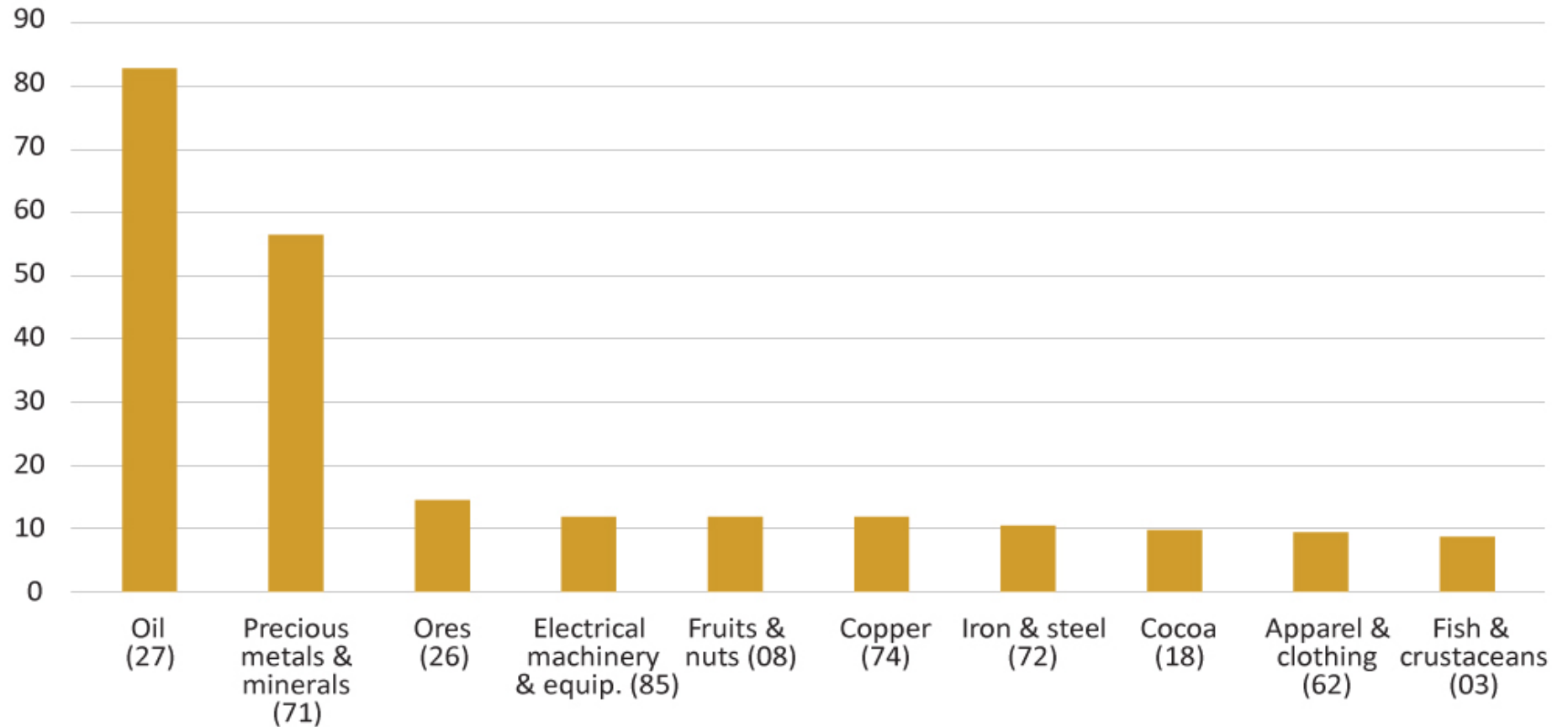
Source: Authors' calculations based on Kar and Cartwright-Smith (2010).

## Top 10 African countries by cumulative illicit financial flows, 1970–2008

Country	Cumulative IFFs (1970–2008) US\$ Billion	Share in Africa's Total IFFs
Nigeria	217.7	30.5%
Egypt	105.2	14.7%
South Africa	81.8	11.4%
Morocco	33.9	4.7%
Angola	29.5	4.1%
Algeria	26.1	3.7%
Côte d'Ivoire	21.6	3.0%
Sudan	16.6	2.3%
Ethiopia	16.5	2.3%
Congo, Republic of	16.2	2.3%

Source: Based on Kar and Cartwright-Smith (2010).

## Top 10 sectors by cumulative illicit financial flows for Africa, 2000–2010 (billions of dollars, trade mispricing only)



Note: Top 10 sectors are by HS2 classification. See annex IV for full details about HS2 codes and definitions.

Source: ECA calculations.

## C. Challenges facing African countries in implementing international tax

- Transfer Pricing
- International Financial Centers
- Federal and state taxes
- Stolen Assets and Tax
- Health Financing
- Country by Country taxation
- Withholding tax
- DTAs

## C. Challenges facing African countries in implementing international tax

- Financing Development
- Tax and governance
- Eliminating development aid
- Tax expenditure and regional governance
- International financial centers
- VAT on basics
- Mining, oil and gas



## D. Potential Reform Priorities

- ▶ Corporate registries
- ▶ BIS
- ▶ Beneficial ownership registries
- ▶ Country by Country rules
- ▶ Customs databases
- ▶ Automatic exchange
- ▶ Joint audits
- ▶ Mining oil and gas taxation: value chain analysis