

## **OSF SDG Project: Measurement and policy options for Illicit Financial Flows**

### **Online Regional Workshop**

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Good morning, ladies and gentlemen.

It is a pleasure for me to speak on behalf of UNCTAD's Division on Africa, Least Developed Countries and Special Programmes (ALDC) at this meeting today on statistical measurement and policy options for illicit financial flows. My remarks today are going to focus on the policy incentives that can better help countries deter and detect such illicit activities.

As you may know, illicit financial flows can have a significant impact on tax revenues for governments, leading to detrimental effects on public finances and economic stability. For example, tax evasion and tax avoidance schemes or practices of transfer pricing abuse result in a loss of tax revenue for governments, reducing the funds available for public services and infrastructure development. These practices can also have broader implications for economic development, financial stability, and social well-being in countries.

In Africa, government revenues from tax are already low, estimated at an average of about 18%, compared to 26% in other developing countries and 37% in advanced economies. This already low revenue collections and the additional loss of tax revenues due to illicit financial flows can hamper the ability of African countries to execute spending on essential public services, human capital development, and factor productivity. This can impede economic growth, exacerbate inequality, and limit the government's capacity to address other societal needs effectively.

So, addressing illicit financial flows and enhancing revenue collection and tax compliance and transparency are essential to safeguarding tax revenues and ensuring sustainable fiscal policies. In this new project, our aim is to support countries in their efforts to combat tax evasion, transfer pricing abuse, and other forms of illicit activities, and advise on some of the most prescriptive methods that can help strengthen governments' revenue base and promote fair taxation practices for sustainable development.

The measurement of IFFs, which has been undertaken by pilot countries such as Ghana, Namibia and Zambia, is imperative as the statistical numbers can point policy makers in the direction of leakages due to IFFs, while strengthening the understanding of how and why they exist, and therefore what can be done to curb IFFs.

For example, Zambia Revenue Authority, in collaboration with UNCTAD's ASYCUDA designed the MOSES (Mineral Output Statistical Evaluation System), a mineral tracking system that makes it easier to detect illicit trade practices that lead to loss of billions in the copper trade each year. With this tool, the country was able to report recovery of \$1 million in unpaid export dues from mining companies.

Another example is the transfer pricing unit and anti-money laundering unit set up within the Ghanaian revenue authority as a measure to combat Illicit Financial Flows. Such initiative can help Ghana better value its Gold production and exports, which was undervalued at about \$ 4.1 billion between 2011 and 2017.

During the meeting today, we will present our proposed policy incentives framework to combat illicit financial flows and promote a transparent and accountable financial system. Such policy incentives would have to be well informed by risk assessments of illicit financial flows in different sectors, which can help prioritize resources and interventions. These risk assessments can also help identify vulnerabilities and gaps in existing regulations, allowing policymakers to tailor their strategies to address specific threats effectively.

With these few words, I would like to wish everyone a very successful and fruitful meeting. I hope that the exchanges will be insightful and that we can all learn from one another. Most importantly, I hope that we can chart the way forward as we have a successful implementation over the course of the project.

Thank you.