



December 7, 2022

The Honorable Antony Blinken
Secretary of State
U.S. Department of State
Washington, D.C.
USA

H.E. President Macky Sall of the Republic of
Senegal
Chairperson of the African Union
African Union Headquarters,
Roosevelt Street
Addis Ababa, Ethiopia

Towards a New US-Africa Partnership to Curb Illicit Financial Flows (IFFs), Corruption, and Tax Dodging

Dear Secretary Blinken and President Sall,

In advance of the Second U.S.-Africa Leaders' Summit, to be held in Washington, DC from December 13 to 15, 2022, the undersigned members of African and US civil society, led by the U.S. Financial Accountability and Corporate Transparency (FACT) Coalition and the Stop the Bleeding Consortium in Africa, urge leaders in the U.S. and in Africa to seize this moment to advance a new partnership to curb Illicit Financial Flows (IFFs), corruption, and tax dodging. These issues harm both the U.S. and Africa, undermining economic development, eroding democracy, and harming national security.

We are encouraged by the Biden administration's commitment to systematically addressing corruption and financial secrecy and note the progress made, including to implement the Corporate Transparency Act. The establishment of the Sub-Committee on Tax and Illicit Financial Flows of the African Union's Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning, and Integration also shows the African Union's commitment to harmonize continental efforts to shore up domestic resource mobilization. These are crucial steps in the right direction, but more needs to be done.

The **Financial Accountability and Corporate Transparency (FACT) Coalition**, an alliance of more than 100 organizations¹, joins its partners from Africa, the **Stop the Bleeding**

¹ The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations promoting policies to build a fair and transparent global financial system that limits abusive tax avoidance and curbs the harmful impacts of corrupt practices. <https://thefactcoalition.org/about-us/>

Consortium², to call upon both the African partners and the U.S. hosts to include these issues in the agenda and make concrete commitments in the expected Outcome Statement. The ambition of the U.S. Strategy to Counter Corruption, now one-year-old, should be reflected in U.S.-Africa relations and the U.S. strategy toward the people and governments on the African continent.

The African continent is currently grappling with a plethora of challenges – the climate crisis, the emerging debt crisis, food shortages and price hikes, financial austerity from post-COVID-19 recovery measures, and unfair international agreements with MNEs benefiting from opaque tax systems. The US-Africa Leaders' Summit presents a litmus test of the ambition to solve the problems bedeviling Africa, particularly development financing, holistically.

According to the UN Conference on Trade and Development (UNCTAD) 2020 report themed "[Tackling Illicit Financial Flows for Sustainable Development in Africa](#)", Africa loses an estimated 3.7 percent of its GDP, or **approximately US \$88.6 billion**, every year to IFFs and capital flight. It is impossible to realize Africa's economic development potential, advance human rights, or attain Sustainable Development Goals (SDGs), without a collective response to this problem.

Tax Justice Network defines "IFFs" as "cross border movement of money illegally earned, transferred, or used." This can include the proceeds of corrupt or criminal activities in Africa as well as illegal corporate activity, including tax evasion.

The [2015 Report of the High-Level Panel \(HLP\) on Illicit Financial Flows from Africa](#), presented by the African Union and the UN Economic Commission for Africa, and subsequently adopted by the Assembly of the African Union (AU), thereby becoming the official position of the AU, can help guide the upcoming Summit's approach to tackling IFFs which are a drain on the continent's development finance. According to the report, tax evasion and unethical tax practices such as aggressive tax planning underpin IFFs from Africa and the main conduit is commercial transactions that account for 65 percent of IFFs from Africa.

The HLP Report demonstrated that Africa has been a net creditor to the world. Far from the popular discourse that Africa depends on the rest of the world through Official Development Assistance (ODA) and Foreign Direct Investment (FDI), these inflows are dwarfed by what the continent loses via IFFs.

Tackling IFFs will require concerted action from African governments as well as the U.S. IFFs from Africa are facilitated by a global "offshore" world enabled by financial secrecy, tax havens, and lax anti-money laundering regimes. According to the [Financial Secrecy Index](#), the U.S. is the world's top supplier of financial secrecy, and last year [U.S. Treasury Secretary Janet Yellen said](#) the U.S. may be the world's easiest place to hide ill-gotten wealth. The U.S. still has not fully implemented its new beneficial ownership database more nearly two years after the passage of the landmark [Corporate Transparency Act](#). The U.S. also lacks regimes to deal with real estate money laundering, money laundering through private investment vehicles, or the role

² <https://stopthebleedingafrica.org/about/>

of enablers. These facts mean the U.S. has a particular responsibility to clean up its own financial house and contribute to collective action to combat IFFs.

The undersigned organizations are concerned that the recently released U.S. Strategy Toward Sub-Saharan Africa is largely silent on the scourge of IFFs, while noting that the U.S. has pledged to assist African countries to "...more transparently leverage their natural resources, including energy resources and critical minerals, for sustainable development while helping to strengthen supply chains that are diverse, open, and predictable." This echoes the call in the Africa Mining Vision, and we note that the drivers of IFFs in the natural resource sector include poorly negotiated and secretive mining deals, abusive transfer pricing, trade mispricing, overly generous tax incentives, corruption, and smuggling. Without absolving African countries of the responsibility to curb IFFs, their efforts, while necessary, will remain insufficient because the problem requires global solutions.

Without addressing the broken, inequitable, and unsustainable global financial and taxation system that continues to siphon resources from Africa and the Global South, the goal of African-led economic development embodied in US-Africa engagement will remain a mirage.

In conclusion, to support a fair and equitable engagement with African governments, the US-Africa Leaders Summit must include as a central focus tackling IFFs. Left unaddressed, the continued financial drain will undermine other strategic objectives, including private sector development; improved social outcomes; mitigation of the climate crisis; and sustainable peace, security, and stability in the African continent.

Sincerely,

**The Financial Accountability and Corporate Transparency (FACT) Coalition
The Stop the Bleeding Consortium**

Recommendations for the U.S. Government and U.S. Congress:

- Treasury Department - Fully implement of the Corporate Transparency Act, including provisions for easy access to beneficial ownership information by law enforcement agencies in Africa.
- Treasury Department - Enact a nationwide regime to address money laundering through U.S. real estate.
- U.S. Congress - Pass the ENABLERS Act to address the role of professional enablers, such as lawyers, accountants, and company formation agents, who facilitate the transfer of ill-gotten gains into the U.S. financial system.
- Treasury Department - Support measures to ensure that global corporate tax agreements are beneficial to the Global South, including African governments.
- Securities and Exchange Commission - Enact public country-by-country reporting of Multinational Enterprises, including tax and other key financial information. This will both inform investors and policymakers and provide important information to African tax

authorities who are, for the most part, currently kept outside the OECD system of automatic exchange of country-by-country reports.

- State Department - Ensure that African civil society actors are fully engaged in the U.S.-Africa Leaders Summit and further processes to strengthen U.S.-Africa relations.

Recommendations for African Governments and the African Union:

- Fully implement the recommendations of the Report of the High-Level Panel on Illicit Financial Flows from Africa and the AU Assembly Declaration emanating therefrom, including the strategies on Tax and IFFs developed by the Sub-Committee on Tax and IFFs of the African Union's Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning, and Integration. This will among others, help to curb the waste of tax revenue from overly generous tax incentives and eliminate the race to the bottom.
- Accelerate the implementation of the Nouakchott Declaration on the African Anti-Corruption Year in which AU member states committed to progressively abolish financial secrecy jurisdictions and tax havens on the continent, establish public beneficial ownership registers and ensure that public officials declare their assets
- Fully implement the Africa Mining Vision (AMV) through the signing and ratification of the Statute of the African Minerals Development Centre (AMDC), the alignment of regional and country mining policies with the AMV. To date, only three countries, Guinea, Mali, and Zambia have signed and ratified the Statute. At least 15 members states must sign and ratify the Statute of the AMDC to facilitate the full functions of coordinating and supporting the AMV implementation by member states
- Continue to encourage African member states to work closely to safeguard their sovereign rights to equitable tax within the UN Tax Convention that is now on the horizon
- Implore the U.S. government to facilitate the transparent and efficient timetable for recovery and return of illegal and illicit wealth stashed in the U.S. that originated from Africa, in accordance with the Common African Position on Asset Recovery (CAPAR).
- Implore the U.S. government to promote an equitable share of fines from corporate malpractices by U.S. MNCs in Africa with victim countries.

Endorsed by the Financial Accountability and Corporate Transparency (FACT) Coalition – U.S.

Endorsed by the Stop the Bleeding Consortium, comprising:

African Forum and Network on Debt and Development (AFRODAD)

African Women's Development and Communication Network (FEMNET)

International Trade Union Confederation of Africa (ITUC-Africa)

Pan African Lawyers Union (PALU)

The African Regional Organisation of the International Trade Union Confederation (ITUC-Africa)

Tax Justice Network Africa (TJNA)

Trust Africa (TA)