

**Statement on the Launch of the Interim Report of the Financial
Accountability, Transparency, and Integrity Panel (FACTI Panel) on the
behalf of the African Group (24 September 2020)**

Thank you, Co-Chairs,

I have the honor to deliver this statement on behalf of the African Group.

The African Group greatly appreciates the initiative of H.E. Tijjani Muhammad-Bande and H.E. Mona Juul, former Presidents of the General Assembly and ECOSOC, respectively, for their foresight in establishing the high-level panel on Financial Accountability, Transparency and Integrity (FACTI) that seeks to address gaps and inconsistencies within the international financial system. This is particularly relevant in the current international context, as illicit financial flows undermine the ability of developing countries, including countries in Africa, to mobilize resources for development.

The African Group commends the Panel for its regular updates and transparent consultations throughout the process. The active and constructive engagement of the African Group since the inception of the Panel is consistent with the Group's commitment and support to the purpose and objective of the Panel.

Excellencies,

Now more than ever, it has become crucial for countries to mobilize adequate financial resources for the implementation of the 2030 Agenda for Sustainable Development. The impact of the current health crisis not only threatens to erode the development gains made towards the achievement of

the Sustainable Development Goal in developing countries, particularly African countries, it exacerbates challenges that we already face, thus plunging an increasing number of our populations into extreme poverty.

It is in this context that the African Group reiterates that addressing the gaps and inconsistencies as a matter of urgency for the achievement of global financial accountability, transparency, and integrity. The AU Special Declaration on Illicit Financial Flows from Africa, adopted unanimously by the AU Summit of Heads of State in 2015, underlines Africa's recognition of the importance of this issue.

The African Union played a major role in ensuring that commitments to end IFFs were made by the international community through their inclusion in the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda (AAAA) on Financing for Development.

Excellencies,

In this era of the COVID-19 pandemic, where inequality gaps have been further widened and previous vulnerabilities in health, economic and social systems further exacerbated, it has become even more urgent to address gaps in financing for development.

The African Group's expectations throughout the FACTI Panel's process have remained consistent. The FACTI High Level Panel must:

- a) Ensure an inclusive, transparent, independent process, including in its remaining consultations up to the conclusion of the final report. This**

should include early provision of the report to stakeholders prior to consultative meetings;

- b) Build substantively on progress already made by relevant UN and AU processes focusing on Illicit Financial flows, within its own report;**
- c) Ensure balanced and objective analysis and recommendations based on evidence and experience from both developing and developed countries and regions;**
- d) Clearly identify systemic gaps in rules, mechanisms and governance of the global financial system that facilitate illicit financial flows from Africa and other regions into safe havens, and address the concern that they are framed based on developed countries and not developing country contexts and priorities;**
- e) Ensure the recommendations of the FACTI Panel's final report address the situation of developing countries which are harmed more by IFFs.**

In this respect, the African Group expects the final recommendations of the FACTI High level Panel to:

- 1. Present a roadmap on how to address the deficits in the current global governance on taxation. The reform of international rules is urgently needed to address fundamental changes in the modern globalized economy, including in the areas of digitalization and highly integrated business models of multinational corporations, to ensure that profits of multinational corporations are taxed where economic value is created. The current misalignment enables tax and trade abuse including tax-**

base erosion and finances flowing out of Africa and other developing countries to major international financial markets.

- 2. We also expect the report to affirm the need for the UN’s central role in defining international rules for taxation to ensure fair allocation of taxing rights between developed and developing countries. In addition to strengthening the mandate and structure of the UN Tax Experts Committee, we reiterate the call for initiating a process within the UN which will lead to a UN Tax convention as well as guidance on steps towards the establishment of a UN intergovernmental tax body, as proposed by the Group of 77 and China during the negotiation process for the Addis Ababa Action Agenda. As stated by the IMF, “advanced economies have long shaped international corporate tax rules without considering how they affect low-income countries” (Lagarde, 2019). This trend must end.**
- 3. It must also address measures on the reform of existing international mechanisms for decision making and rule setting in order to make them more inclusive and universal with equal access to financial accounting information for all countries. The gap in existing global mechanisms is evident from data that show large and increasing illicit flows to offshore centers and financial secrecy jurisdictions despite mechanisms in the past decade for Automatic Exchange of Information (AEOI), Common Reporting Standards (CRS) and Beneficial Ownership (BO). The recent disclosure of the FinCEN Files that exposes how banks and regulators have failed the public by allowing illicit funds to flow unchecked around the globe clearly illustrates this gap.**

- 4. The report should also provide guidance on how international cooperation can support regional initiatives such as the Common African Position on Asset Recovery (CAPAR) and the African Legal Support Initiative (ALSF), and how to strengthen regional cooperation. The African Group share the expectation of other developing countries that concerns about fairness and coherence with international commitments on development and respect for sovereignty in international arbitration and dispute settlement processes must be recognized and appropriate solutions proposed.**

Excellencies,

The ongoing discussion in the Discussion Group six (6) in the context of the High Level Event on Financing for Development in the Era of COVID-19 and Beyond, have made several key recommendations for action at national and international level, for addressing IFFs. These recommendations include the need for a whole-of-government approach to tackling IFFs, more cooperation to tackle tax abuses and eliminate safe havens that harbor stolen assets and proceeds of IFFs. It also calls for strengthened international cooperation to eliminate base erosion and profit shifting, to ensure that all companies, including multinationals, pay taxes where economic activity occurs and value is created, and to exchange information in tax matters. It should be incorporated into the final report of the FACTI Panel.

Our proposals recognize the need for political consensus to address systemic shortcomings related to IFFs and the contribution FACTI can make to achieving systemic reforms. This is critical because the main barriers to

reform of the global architecture for tax and financial integrity are recognized as political, as stated in the Mbeki report. Although the technical solutions are well-known and clearly articulated by experts, the interests of those who benefit from this scourge, including offshore industry intermediaries, prevent solutions to notable systemic weaknesses. It is the position of the African Group that without genuine commitment to international cooperation, we cannot achieve reform. COVID-19 demonstrates to us that the status quo is unsustainable and in the long term, harms societies, in every country and every region.

In conclusion, the African Group would like to reiterate its continued support and constructive engagement to the FACTI Panel processes as an opportunity for independent and balanced identification of systemic gaps within the global financial regime. And in this regard, the Group looks forward to the final report of the Panel.

I thank you for your attention.