



## ATAF'S STRATEGIC PLAN

on exchange of information



AFRICAN TAX  
ADMINISTRATION FORUM

FORUM SUR  
L'ADMINISTRATION  
FISCALE AFRICAINE

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# Tables of contents

Background.....	4
Illicit Financial Flows and Tax Transparency.....	4
ATAF and Exchange of Information .....	5
The Africa Initiative .....	7
The ATAF EOI Technical Committee .....	8
The 2020 – 2030 ATAF Strategy for EOI .....	8
Proposed Strategy for EOI in Africa .....	10
Raising awareness and building strong political support for tax transparency and Exchange of Information in Africa.....	10
Developing and improving the technical skills and administrative capacity of African jurisdictions in EOI and tax transparency.....	11
Restructuring and empowering the ATAF EOI Technical Committee to advance the EOI strategy for Africa .....	11
Establishing a comprehensive monitoring & evaluation System of the plan for enhancement of EOI in Africa .....	12
Regional Peer Review Guideline .....	12
Trained Secretariat .....	12
Leveraging technology and remote engagement: Skills learned from Covid-19 .....	12
Conclusion .....	18
Development partners.....	22
Tables	
Table 1. 2015 ATAF WORK PLAN FOR EOI .....	6
Table 2. 2020-2030 EOI Strategic Goals .....	8
Table 3. Proposed ATAF EOI Strategy .....	13
Table 4. EOI Country Profiles of African States .....	18

# Background

## Illicit Financial Flows and Tax Transparency

Illicit financial flows (IFFs) and domestic resource mobilisation (DRM) are key components of the development agenda of Africa. The High-Level Panel on Illicit Financial Flows from Africa, chaired by former South African President Thabo Mbeki, described IFF as...

*“money illegally earned, transferred or used; a definition that includes money laundering, tax abuse, market and regulatory abuse, along with practices that go against established rules and norms.”*

IFFs out of Africa are a major concern due to the scale and negative impact of flows on Africa's development and governance agenda. According to UNCTAD, Africa is estimated to be losing more than \$80 billion annually in IFFs, which is more than double the official development assistance (ODA) that Africa receives. These estimates may fall short of reality because accurate data does not exist for all African countries, and these estimates often exclude some forms of IFFs that, by nature, are secret and cannot be properly estimated.

At the United Nations summit for the adoption of the post-2015 development agenda, Member States adopted 17 Sustainable Development Goals (SDGs), including target 17.1, which is relevant to IFFs and Tax Transparency. Under target 17.1, States agreed to strengthen DRM, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection. However, the post-2015 development agenda's outcome will only benefit Africa if fully implementing the Addis Ababa Action Agenda for the realisation of the SDGs achieved. The Addis Agenda calls for eliminating IFFs by combatting tax evasion and corruption through strengthened national regulations and increased international cooperation. It also seeks to reduce tax avoidance by eliminating tax havens and improving disclosure practices and transparency in both source and destination countries.

Tax transparency and Exchange of Information (EOI) for tax purposes have a crucial role in helping countries fight tax evasion and other IFFs to generate much-needed revenues. Recently, jurisdictions worldwide have made great strides in implementing international tax transparency standards. The tax transparency aspects of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project launched in 2014 have also reinforced the need for enhanced transparency and EOI between tax administrations as a critical element in delivering its intended benefits, such as enhanced risk analysis for audit purposes.

Developing countries, especially African countries, have lagged in adopting and implementing these standards. There are myriad reasons for this disparity between Africa and the rest of the world with tax transparency. However, tax transparency as a tool to combat IFFs and increase DRM is critical.