

# 3rd AAAG CONFERENCE

*Africa of Tomorrow: Positioning PFM for Economic Prosperity*

## Continental Cooperation: Tackling Trade Mispricing

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# Contents

- Macro-Fiscal Context & Crisis
- Domestic Resource Erosion & Tax Gaps
- Debt Impact & Stability
- Trade Mispricing & Transfer Pricing
- Data Deficit & Classification Issues
- AfCFTA Legal Frameworks
- Tech Frontiers for Revenue
- Modernization Case Studies
- Data Sovereignty Challenges
- Mirror Analysis Tool
- Strategic Recommendations

**Context**

# The Macro-Fiscal Context: The Crisis of Extraction

1

## Financial Hemorrhaging in Africa

- Africa is systematically losing internally generated wealth, contradicting the myth of aid dependence.
- Between 2000-2015, illicit capital flight from Africa totaled \$836 billion, exceeding its external debt of \$770 billion in 2018.
- This outflow represents funds that could otherwise finance development and reduce reliance on foreign aid or debt.
- The continent's primary fiscal challenge is retention of resources, not access to them.
- Illicit Financial Flows (IFFs) drain an estimated \$89 billion annually, nearly half the financing gap for Sustainable Development Goals (SDGs).

2

## The Net Creditor Paradox

- Africa is a net creditor to the rest of the world, having sent more money abroad illicitly than it owes in debt.
- This paradox reframes Public Financial Management (PFM) debates from resource scarcity to resource retention.
- External borrowing is often justified by a perceived financing gap, but curbing IFFs could significantly close this gap.
- Sustainable development depends on stopping capital flight and securing domestic revenues.
- The Accountant General's role must evolve to focus on revenue assurance and asset protection.

3

## Implications for Fiscal Policy

- The financing gap for Africa's SDGs and Agenda 2063 is often cited as a reason for increased borrowing.
- However, retaining illicit outflows could cover a substantial portion of this gap, reducing debt dependency.
- Revenue loss from IFFs weakens the state's capacity to fund essential services and investments.
- This erosion necessitates a pivot in fiscal policy towards stronger revenue collection and management.
- The crisis highlights the urgent need for integrated approaches to safeguard Africa's financial resources.



Africa is not resource-poor but resource-drained. Illicit financial flows have turned the continent into a net creditor to the world, causing massive revenue loss that undermines development and fiscal sustainability. Addressing this crisis requires shifting focus to revenue retention and assurance.

# Domestic Resource Erosion: Tax-to-GDP Gap and Extractive Sector Vulnerabilities

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## Tax Capacity Gap and Informal Sector Impact

- African Low-Income Countries (LICs) collect approximately 15% of GDP in domestic revenue, substantially below the 40% average in High-Income Countries.
- A significant contributor to this gap is the large informal sector, which is difficult to tax and often operates outside formal regulatory frameworks.
- Effective taxation of the formal economy, especially multinational enterprises (MNEs), remains weak, limiting revenue potential.
- Import taxation is compromised by trade mispricing, such as under-invoicing, which reduces the customs duty base and overall revenue.
- Customs duties and VAT on imports represent critical 'tax handles' but are undermined by systemic challenges in enforcement.

2

## Extractive Sector Vulnerabilities

- The extractive industries account for approximately \$40 billion in annual revenue losses due to undervaluation and trade mispricing.
- Mineral resources are finite; losses in this sector represent permanent depletion of national wealth and intergenerational inequity.
- Undervaluing exports (e.g., copper, cobalt) at ports leads to lost foreign exchange earnings and diminished tax and royalty payments.
- This sector's revenue leakage is not just a fiscal issue but an asset management failure, emphasizing the Accountant General's role in safeguarding state resources.
- Improving transparency and valuation in extractives is essential to reversing the revenue erosion trend and ensuring sustainable development.

▶ African countries face a significant tax-to-GDP gap largely due to large informal sectors and inefficiencies in taxing multinational enterprises and extractive industries. The extractive sector alone causes an estimated \$40 billion in annual losses, representing a permanent depletion of national wealth and posing a critical challenge to sustainable revenue mobilization.

# Impact on Debt and Institutional Stability

Revenue shortfalls caused by illicit financial flows force governments into debt, which undermines social spending and institutional trust, creating a cycle that weakens economic and democratic stability.

## How revenue shortfall drives debt accumulation and institutional erosion

- Insufficient domestic revenue mobilization compels African governments to rely heavily on external and domestic borrowing to finance budget deficits.
- High debt service costs increasingly consume fiscal space, crowding out essential social and infrastructure spending critical for development.
- IFFs exacerbate this by diverting resources that could otherwise fund public services, deepening the financing gap.
- The ongoing leakage of funds prevents debt-financed infrastructure investments from translating into proportional tax revenues, limiting growth impact.
- IFFs contribute to institutional decay by enabling corruption and patronage networks, weakening governance frameworks and public sector accountability.
- The ease of offshore asset movement reduces incentives for honest public officials, further eroding public trust and democratic stability.
- Strengthening financial controls and closing loopholes to combat IFFs is essential to restore institutional integrity and support sustainable development.

# IFF Mechanisms

# Anatomy of Leakage: Trade Mispricing and Transfer Pricing

1

## Trade Misinvoicing

- Deliberate falsification of trade invoices to misstate price, quantity, or quality of goods crossing borders.
- Import over-invoicing: Importers inflate invoice prices to transfer excess funds offshore and reduce taxable profits domestically.
- Export under-invoicing: Exporters declare lower prices to evade taxes and reduce foreign exchange earnings.
- Double invoicing involves issuing two invoices for the same shipment, one real and one falsified, often facilitated by secrecy jurisdictions.

2

## Transfer Pricing

- Pricing manipulation in transactions between related entities (subsidiaries of multinational enterprises) to shift profits across borders.
- Exploits the disconnect between customs valuation (which prefers higher declared import values) and tax rules (which prefer lower declared costs).
- Use of intangible assets like royalties and management fees to strip profits, which are difficult for tax authorities to value or challenge.
- Enables profit shifting that erodes tax bases and reduces domestic revenue.

3

## Key Implications for Illicit Financial Flows

- Account for approximately 65% of total IFFs in Africa, representing the largest single mechanism of capital flight.
- Trade mispricing distorts customs revenue and reduces corporate tax collections.
- Transfer pricing abuses undermine tax fairness and complicate enforcement due to complexity and jurisdictional challenges.
- Both mechanisms require enhanced financial scrutiny, data integration, and cross-border cooperation for effective detection.



Trade misinvoicing and transfer pricing constitute about 65% of illicit financial flows (IFFs) in Africa, involving deliberate manipulation of trade invoices and related-party transactions to evade taxes and move capital illicitly. Understanding these mechanisms allows for targeted financial scrutiny to detect and prevent revenue losses.

# Trade Misinvoicing Mechanisms

Trade misinvoicing is a key method of illicit financial flows in Africa, involving deliberate manipulation of trade documentation to shift value across borders illicitly. Understanding import over-invoicing, export under-invoicing, double invoicing, and the role of secrecy jurisdictions is crucial for detecting and preventing revenue loss.

## 1 Import Over-invoicing

- An African importer and foreign supplier collude to declare a higher price than the actual market value on import invoices.
- The importer pays the inflated amount, with the surplus transferred to a foreign account owned by the importer, facilitating capital flight.
- This reduces the importer's domestic corporate tax liability by inflating costs while customs may collect higher duties, but net economic loss outweighs duty gain.

## 3 Export Under-invoicing

- An African exporter declares a lower price than market value for goods sold abroad.
- The foreign buyer pays the declared low price locally and transfers the balance offshore into an undisclosed account.
- This reduces the country's export earnings, foreign exchange reserves, and lowers the exporter's taxable income, evading corporate tax and royalties.

## 2 Double Invoicing

- Two different invoices are created for the same transaction: one accurate for internal records and one manipulated for customs authorities.
- Used to disguise the true value of goods crossing borders, allowing illicit value transfer.
- Often facilitated by re-invoicing centers in secrecy jurisdictions that enable profit shifting to zero-tax countries.

## 4 Secrecy Jurisdictions

- Countries or territories that maintain strict banking secrecy and minimal transparency.
- Used by multinational enterprises to hide profits, manipulate invoices, and shield illicit capital flows.
- Enable complex schemes like double invoicing and re-invoicing to trap profits in low- or no-tax environments, obstructing revenue collection.

# Transfer Pricing and Customs-Tax Disconnect

The disconnect between customs valuation and tax rules enables multinational enterprises to exploit regulatory gaps, shifting profits illicitly. Addressing this requires integrated data systems and scrutiny of intangible transactions that evade traditional customs controls.

## 1 Customs vs. Tax Valuation Discrepancies

- Customs authorities aim to maximize declared import values to increase duties and VAT collected at borders.
- Tax authorities seek lower import values to reduce deductible costs and maximize taxable profits.
- This conflicting incentive creates a regulatory arbitrage opportunity exploited by multinational enterprises (MNEs).
- MNEs may declare low values to customs to pay minimal duties, then adjust accounting to claim higher costs for tax purposes.

## 3 Regulatory Arbitrage by MNEs

- Without integrated systems, mismatches between customs and tax declarations go unnoticed, facilitating illicit financial flows.
- Regulatory arbitrage allows MNEs to exploit differences in customs and tax rules for profit shifting.
- Lack of coordination between authorities increases the risk of revenue loss for governments.
- Integrated oversight can help detect and prevent such arbitrage.

## 2 Challenges of Intangibles in Transfer Pricing

- Intangibles include management fees, royalties, intellectual property payments, and other non-physical transactions.
- These are difficult to value and lack physical movement, evading customs scrutiny entirely.
- Parent companies may charge inflated fees to subsidiaries, stripping profits out of African countries.
- Tax auditors often lack benchmarks and access to comparable data to challenge intangible pricing.

## 4 Need for Enhanced Controls

- Effective prevention requires enhanced audit capabilities and data sharing between customs and tax authorities.
- Integrated data systems can identify mismatches and suspicious patterns in transfer pricing.
- Scrutiny of intangible transactions is critical to prevent illicit profit shifting.
- Collaboration between authorities strengthens enforcement and compliance.

# Data Deficit and Classification Challenges

Inconsistent commodity classification and lack of access to mirror trade statistics significantly hinder the detection of trade mispricing, enabling illicit financial flows to persist undetected across African borders. Addressing these gaps is critical for improving revenue assurance and fraud detection.

## Kand classification inconsistencies enabling trade mispricing through data gaps

- The Harmonized Commodity Description and Coding System (HS Codes) is the global standard for classifying traded goods, but inconsistent application across countries creates loopholes for fraud.
- Misclassification of goods, such as labeling synthetic rubber as natural rubber to attract lower tariffs, generates 'perverse discrepancies' that mask deliberate trade misinvoicing.
- African customs authorities often lack real-time access to export data from their trading partners, limiting their ability to verify the accuracy of declared import values.
- The absence of 'mirror statistics', the practice of comparing a country's reported imports against its partners' exports, means customs rely heavily on potentially falsified documents presented at the border.
- These data deficits create significant blind spots, making it easier for traders and multinational enterprises to under- or over-invoice imports and exports undetected, leading to substantial revenue losses.
- Efforts to harmonize classification systems and establish real-time data exchange with trading partners are critical to improving fraud detection and revenue assurance.

# **Collaboration Frameworks and Tools**

# Africa Continental Free Trade Area (AfCFTA) Legal Frameworks for Revenue Protection

| Protocol on Trade in Goods                                                                                                                                                                                                                                                                                                                                                                                                           | Annex 3: Customs Cooperation and Mutual Assistance                                                                                                                                                                                                                                                                                                                                                                    | Annex 4: Trade Facilitation and Risk Management                                                                                                                                                                                                                                                                                                                                                                                       | Protocol on Investment and Rules of Origin                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Seeks to liberalize intra-African trade by progressively eliminating tariffs and non-tariff barriers.</li><li>• Presents a short-term "J-curve" challenge where tariff revenues decline initially, increasing the importance of efficient domestic tax collection.</li><li>• Includes vital annexes that support the protection of government revenue during trade liberalization.</li></ul> | <ul style="list-style-type: none"><li>• Establishes a legal basis for customs authorities across member states to exchange information and cooperate.</li><li>• Mandates mutual administrative assistance to prevent, investigate, and combat customs offenses.</li><li>• Facilitates real-time verification of shipment values between customs authorities to close loopholes exploited by illicit actors.</li></ul> | <ul style="list-style-type: none"><li>• Promotes the adoption of risk management systems to target high-risk consignments and expedite low-risk clearance.</li><li>• Encourages the implementation of Electronic Single Windows (ESWs) to centralize data from all border agencies.</li><li>• Shifts control from discretionary inspections to algorithmic risk engines to reduce corruption and improve revenue integrity.</li></ul> | <ul style="list-style-type: none"><li>• Protocol on Investment includes provisions obliging investors to comply with tax laws and cooperate against transfer pricing abuse.</li><li>• Supports joint audits by multiple tax authorities to prevent multinational enterprises from exploiting jurisdictional gaps.</li><li>• Rules of Origin (RoO) criteria ensure goods qualify as African-made, preventing duty-free entry of non-African goods via transshipment.</li></ul> |

The AfCFTA offers critical legal instruments that empower revenue assurance and foster cross-border cooperation among African nations. Key protocols and annexes provide mechanisms for customs collaboration, risk management, investment oversight, and origin verification to protect fiscal interests and reduce illicit financial flows.

# Technological Frontiers: Digital Tools for Revenue Assurance

1

## ASYCUDA – The Backbone of Customs Modernization

- Developed by UNCTAD, ASYCUDA is a web-based automated customs system deployed in over 100 countries, including most African states.
- Its Valuation Control module uses price filters based on global market data to flag suspicious import declarations for inspection.
- ASYCUDA supports regional interconnectivity, enabling real-time transit data exchange and preventing goods from 'disappearing' during cross-border transit.
- The system provides real-time revenue visibility, significantly increasing tax collection by closing loopholes and automating processes.

2

## Integration of Customs & Tax Systems

- Linking customs management systems (e.g., iCMS/ASYCUDA) with domestic tax systems (e.g., iTax) enables automated data triangulation to detect discrepancies in declared values.
- This integration prevents transfer pricing arbitrage by highlighting mismatches where companies declare low customs values but high tax costs.
- Real-time data sharing across agencies creates a more comprehensive view of taxpayer behavior, enhancing audit targeting and compliance enforcement.
- Breaking down silos between customs and tax authorities is essential for closing revenue leakage points driven by illicit financial flows.

3

## AI and Blockchain Technologies

- AI-powered risk engines analyze historical data to identify potential under-declaration and complex fraud networks before losses occur.
- Pattern recognition algorithms detect sophisticated schemes like carousel fraud, making tax evasion more difficult to conceal.
- Blockchain enables triple-entry accounting with immutable shared ledgers, providing transparent and tamper-proof records accessible to regulators.
- These technologies collectively empower proactive, data-driven revenue assurance, moving beyond traditional post-audit approaches.

- ▶ Digital transformation is revolutionizing revenue assurance in africa by enabling real-time data integration, advanced analytics, and secure transaction recording. Tools like ASYCUDA, integrated customs and tax systems, ai-driven risk engines, and blockchain are critical for combating illicit financial flows and enhancing fiscal transparency.

# ASYCUDA World: Valuation Control and Regional Interconnectivity



ASYCUDA World provides African customs with powerful valuation controls and real-time data, enabling better revenue protection. Its regional links close transit loopholes and reduce illicit financial flows.

## Key Features of ASYCUDA World

- ASYCUDA World is a web-based customs system used widely in Africa, offering advanced digital tools for revenue assurance beyond basic data entry.
- The Valuation Control module uses price filters based on global market data to flag suspicious import values for inspection or audit.
- Real-time revenue visibility allows customs to monitor collections instantly, improving transparency and reducing leakages.
- Regional interconnectivity enables countries like Burundi, Rwanda, and Uganda to form a Single Customs Territory, sharing data and monitoring transit seamlessly.
- This interconnectivity prevents goods from disappearing in transit, enhancing duty compliance and regional trade security.

# Integrated Customs and Tax Systems: Data Triangulation

- Integrating customs and tax systems enables automated data matching that highlights discrepancies in declared values, effectively detecting trade mispricing and preventing profit-shifting arbitrage by multinational enterprises.

## How Customs and Domestic Tax Integration Enhances Revenue Assurance

- Integrated Customs management systems record import declarations including declared values for goods crossing borders.
- Online domestic tax management system capture companies' income, costs, and tax liabilities.
- Data triangulation involves automatic cross-checking of import values declared in customs against the costs declared in income tax returns.
- If a company declares low import values to reduce customs duties but reports high costs in tax returns to reduce taxable profits, the system flags this mismatch for audit.
- This integration breaks down the silo between customs and tax authorities, closing loopholes exploited through transfer pricing and trade mispricing arbitrage.
- Automated alerts prioritize risk cases, enabling targeted investigations and reducing reliance on manual audits.
- Such reconciliation improves accuracy in revenue collection, strengthens compliance, and increases government fiscal capacity.

# AI and Blockchain Applications in Revenue Assurance

1

## AI-Driven Risk Engines and Pattern Recognition

- AI risk engines analyze vast historical tax and customs data to identify patterns indicative of non-compliance and potential trade mispricing.
- These systems use machine learning to predict high-risk taxpayers by detecting subtle anomalies in transaction behaviors before fraud occurs.
- Pattern recognition algorithms can uncover complex fraud schemes, such as VAT carousel fraud, that are difficult to detect manually.
- AI enables a shift from reactive auditing to preventive intelligence, reducing the time lag between fraudulent activity and detection.
- Integration of AI with existing tax and customs data platforms enhances the accuracy and efficiency of revenue assurance efforts.

2

## Blockchain and Triple-Entry Accounting Potential

- Blockchain technology offers an immutable, shared ledger that records transactions transparently between parties and regulators.
- Triple-entry accounting on blockchain creates a cryptographically secure third record accessible to the Accountant General, preventing retroactive data manipulation.
- This technology enhances trust by providing real-time visibility into transactions, reducing opportunities for profit shifting and invoice falsification.
- Blockchain facilitates secure cross-border data sharing and audit trails, supporting international cooperation in combating illicit financial flows.
- Though emerging, blockchain holds promise as a foundational tool for establishing digital trust and integrity in public financial management.



- Advanced technologies such as artificial intelligence (AI) and blockchain are transforming revenue assurance by enabling proactive fraud detection, enhanced data analysis, and immutable transaction records. These tools empower revenue authorities to anticipate risks and secure financial integrity at scale.

# Mirror Analysis: Tool for Detecting Trade Discrepancies

1

## Concept of Mirror Statistics

- Mirror analysis involves comparing a country's import records with the corresponding export data reported by its trading partners.
- Theoretically, imports recorded by Country A from Country B should closely match exports recorded by Country B to Country A, adjusting for typical shipping cost differences (~10%).
- Significant differences between reported imports and exports indicate potential trade misinvoicing or illicit financial flows.

2

## Strategic Application by the Accountant General

- Use mirror analysis as a macro-level audit tool focusing on the top 10 trading partners and top 10 commodities annually.
- Leverage findings to initiate targeted inquiries with Customs and Revenue Authorities on unexplained discrepancies.
- Incorporate mirror analysis outcomes into the Annual Financial Report to benchmark customs performance and revenue assurance.

3

## Limitations and Nuances

- Minor discrepancies may arise due to timing differences in shipment recording (e.g., goods leaving in December arriving in January) and currency exchange rate fluctuations.
- Classification differences or administrative errors can cause occasional mismatches but should not persist at large scale.
- Consistent, substantial deviations strongly suggest systemic fraud, requiring further investigation and corrective measures.

▶ Mirror analysis is a critical auditing tool that compares a country's import data with its trading partners' export data to identify discrepancies indicative of trade mispricing and illicit financial flows. The Accountant General can use this macro-audit method to pinpoint risks and improve customs performance. While timing and exchange rate fluctuations may cause minor mismatches, persistent large-scale discrepancies usually reveal systemic fraud or misinvoicing.

# Case Studies in Modernization: More Lessons from Africa

## 1 South Africa

- Implemented a data ecosystem integrating banks, company registries, and global exchange networks for a 360-degree taxpayer view.
- Uses algorithmic risk engines for targeted audits, eliminating random audits and increasing compliance.
- Advancing real-time VAT reporting to reduce fraud and strengthening transfer pricing scrutiny, especially in mining and finance.

## 2 Kenya

- Integrated iCMS customs system with iTax domestic tax system for automated data matching and fraud detection.
- Launched eTIMS for real-time electronic tax invoice reporting, closing sales tax gaps.
- Invests in capacity building through Kenya School of Revenue Administration (KESRA) to enhance skills in integrated customs and tax audits.

## 3 Eswatini

- Leveraged ASYCUDA World to automate border operations and reduce manual data entry delays.
- Established electronic data exchange with South Africa's SARS to enable mirror analysis and pre-arrival clearance.
- Reduced clearance times significantly and improved revenue integrity by preventing invoice alteration during transit.

## 4 Ghana

- Achieved Global Forum confidentiality assessments enabling secure reciprocal exchange of taxpayer information.
- Strengthened data safeguards to access global financial networks for fighting illicit financial flows.
- Hosts the 2025 AAAG conference, showcasing leadership in data security and international cooperation.

## 5 Zambia

- Transitioned from hardware-based Electronic Fiscal Devices to Smart Invoice software covering multiple tax types.
- Integrated import data with inventory management to create digital audit trails from port to point of sale.
- Enabled real-time invoice data transmission to reduce missing trader fraud and validate input VAT claims.

▶ African countries are leading the way in modernizing customs and tax systems to combat illicit financial flows and improve revenue assurance. These case studies offer practical models for leveraging technology and integration to safeguard public resources and enhance fiscal transparency.

# **Data Governance and Exchange of Information**

# Data Sovereignty and the Exchange Dilemma

| The Collision of Priorities                                                                                                                                                                                                                                                                                                                                                                                                                                         | The Protocol on Digital Trade                                                                                                                                                                                                                                                                                                                                                                                                                  | Confidentiality as a Precondition                                                                                                                                                                                                                                                                                                                                                                                             | Tracking Changes in Beneficial Ownership                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Digital trade under AfCFTA requires free cross-border flow of financial and tax data for effective revenue monitoring.</li><li>• National data sovereignty laws often restrict data sharing to protect privacy and control over data generated within borders.</li><li>• This creates a tension where data privacy protections can impede necessary transparency for tax enforcement and anti-corruption efforts.</li></ul> | <ul style="list-style-type: none"><li>• AfCFTA’s Protocol on Digital Trade promotes system interoperability while respecting national privacy frameworks.</li><li>• It emphasizes balancing transparency with privacy, preventing data protection from becoming a shield for tax secrecy.</li><li>• Implementation requires adopting continental standards like the Malabo Convention on cybersecurity and personal data protection.</li></ul> | <ul style="list-style-type: none"><li>• Trust is essential for cross-border tax data exchange; countries must demonstrate robust data security to partners.</li><li>• Ghana and Kenya have successfully passed international confidentiality and data safeguards assessments.</li><li>• The Accountant General must audit and ensure compliance with these security protocols to sustain international cooperation.</li></ul> | <ul style="list-style-type: none"><li>• Financial institutions and corporate registries must track changes in beneficial ownership over time, not just initial registration.</li><li>• Systems must detect and log significant ownership changes, such as new shareholders acquiring substantial control.</li><li>• The Accountant General’s oversight ensures transparency in ownership history, critical for investigating illicit financial flows.</li></ul> |

▶ The balance between enabling digital trade and protecting national data sovereignty presents complex challenges. African nations must navigate confidentiality concerns and data privacy laws while fostering cross-border information exchange crucial for combating illicit financial flows. The Accountant General's role includes ensuring strong data governance and tracking beneficial ownership changes to maintain fiscal integrity.

# Global Standards and the Africa Initiative

## The Global Forum's Role in Tax Transparency

- The Global Forum on Transparency and Exchange of Information for Tax Purposes sets international standards for tax transparency and compliance.
- It facilitates multilateral cooperation to prevent tax evasion and IFFs across borders.
- African countries actively use the Forum's mechanisms to request and share tax information, enhancing domestic resource mobilization.
- The 'Africa Initiative,' launched in 2014, supports African nations in implementing these standards through capacity building and technical assistance.
- Since 2009, the Forum has helped African countries identify billions in additional revenue via exchange of information (EOI).

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## Achievements & Country Accession

- The Africa Initiative has led to tangible revenue gains, with €4.2 billion identified in additional tax revenue, interest, and penalties attributed to EOI mechanisms.
- In 2024, 23 African countries sent 1,756 EOI requests, nearly doubling the volume from the prior year, signaling increased enforcement activity.
- Zambia for example joined the Global Forum in late early 2024 as its 171st member and 39th African member.
- Zambia's accession commits it to implement Automatic Exchange of Information (AEOI) and Exchange on Request (EOIR) standards, strengthening continental tax cooperation.
- This membership enhances Zambia's ability to track and combat illicit financial flows, contributing to regional fiscal integrity.

The Global Forum plays a critical role in enhancing tax transparency and revenue assurance across Africa. The Africa Initiative has driven significant revenue gains through improved exchange of information, in expanding continental cooperation and compliance with global tax standards.

# Methodologies for Action: Mirror Analysis Toolkit

Mirror analysis is a powerful audit technique that compares a country's import data with export data from trading partners to uncover discrepancies, which may indicate illicit financial flows. Effective use of mirror statistics, combined with Exchange of Information (EOI) tracking tools, equips the Accountant General to detect revenue leakages and enforce accountability. However, careful interpretation is needed to account for timing, currency, and data inconsistencies.

## 1 Mirror Statistics Concept

- Mirror analysis compares import declarations of a country with the export declarations reported by its trading partners.
- The principle expects that Country A's exports to Country B should closely match Country B's imports from Country A, adjusted for standard trade margins.
- Large discrepancies typically signal trade misinvoicing, undervaluation, or overvaluation, which are common methods of illicit financial flows.

## 3 Strategic Application for the AG

- Use mirror analysis as a macro-audit tool to identify significant inconsistencies in trade data annually.
- Trigger targeted inquiries with revenue authorities to investigate unexplained gaps in reported trade values.
- Integrate findings into performance audits of Customs and tax administrations to strengthen revenue assurance.

## 2 Exchange of Information (EOI) Tracking Tool

- An EOI Tracking Tool records all requests and responses related to information exchange between tax and customs authorities.
- Tracks the status, timeliness, and quality of information exchanged to ensure compliance with international standards.
- Supports accountability by preventing loss or delay of crucial information needed for revenue protection.

## 4 Limitations and Nuance

- Discrepancies may arise from timing differences, such as shipments crossing calendar years, or currency exchange rate fluctuations.
- Data classification inconsistencies and incomplete reporting can create false positives in mirror analysis.
- Persistent and large-scale discrepancies, however, strongly indicate systemic issues requiring further forensic investigation.

# **Strategic Recommendations**

# Conclusion and Strategic Recommendations

The Accountant General must lead a transformative shift towards integrated, technology-driven revenue assurance anchored in AfCFTA protocols to secure Africa's financial future and build public trust.

## Key Insights and Strategic Steps for Revenue Assurance and Fiscal Integrity

- Revenue assurance is critical: managing public finance effectively requires prioritizing the collection and protection of domestic revenues to close the financing gap for sustainable development in Africa.
- System integration across Customs, Tax, and Treasury is essential to detect and prevent illicit financial flows, breaking down silos that enable trade mispricing and transfer pricing abuses.
- Digital technologies such as ASYCUDA World, AI-driven risk engines, and blockchain provide powerful tools to enhance transparency, automate fraud detection, and enforce compliance at scale.
- The AfCFTA legal framework offers a strong mandate for cross-border cooperation, data sharing, and mutual administrative assistance to safeguard revenue and combat illicit flows.
- Curbing illicit financial flows through improved revenue protection will substantially reduce Africa's dependence on external borrowing and aid, fostering fiscal stability and economic sovereignty.
- Institutional trust and public confidence hinge on proactive financial governance led by the Accountant General as a guardian of the state's financial integrity.

**Thank you**