COMPENDIUM OF BEST PRACTICES

APRIL 2025

This document compiles national experiences and lessons from the coordinated regional audit on illicit financial flows, focusing on the review of the legislative, regulatory and institutional frameworks for tax revenue mobilisation.

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Table of Contents

General Introduction

Illicit financial flows (IFFs) are among the obstacles to development in African countries. In a report published in September 2020, the United Nations Conference on Trade and Development (UNCTAD) revealed that Africa loses around US$88.6-billion every year as a result of IFFs, equivalent to 3.7% of the continent's gross domestic product.

Due to their cross-border impact, IFFs are a critical concern for the international community. This is reflected in the United Nations' Sustainable Development Goal 16, under its 2030 Agenda, which commits countries to "significantly reduce illicit financial flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime".

In view of this global challenge, the African Union's (AU) Agenda 2063 calls on the continent's leaders to "take full responsibility for financing its development" and "tackle illicit financial outflows".

The African Association of Supreme Audit Institutions (AFROSAI) has undertaken to address the IFF issue through a coordinated audit of regional legislative, regulatory and institutional tax revenue mobilisation frameworks.

The audit seeks to deliver a response from African supreme audit institutions (SAIs), addressing the challenges of identifying weaknesses in national systems and providing targeted recommendations to combat the increase in illicit financial flows across the continent.

The assessment consisted of a coordinated performance audit, including compliance aspects. Twelve SAIs from the region participated in the audit. Their specific audit topics are listed below.

Table 1: List of participating SAIs and their audit topics.

SAI	AUDIT TOPIC
BOTSWANA	Audit of the legislative, regulatory and institutional framework for transfer pricing and its impact on tax revenue mobilisation
BURKINA FASO	Audit of the legal and institutional framework for the mobilisation of duties and taxes from the extraction of gold and other precious substances
CAMEROON	Audit of the legislative, regulatory and institutional framework for revenue mobilisation (financial institutions)
COMOROS	Audit of the corporation tax collection system
DJIBOUTI	Audit of the institutional framework for the management of tax incentives in public revenue by the tax collection department
GABON	Audit of the legislative, regulatory and institutional framework for tax revenue mobilisation

SAI	AUDIT TOPIC
GAMBIA	Audit of the fight against illicit financial flows in the Gambia: tax authorities (transfer pricing)
GUINEA	Audit of the legal and institutional framework applicable to the mining sector
KENYA	Audit of tax exemptions for foreign companies in public infrastructure projects
SENEGAL	Audit of the legal and institutional framework for mobilising revenues from the mining sector
TANZANIA	Audit of the legal and institutional framework for revenue mobilisation
UGANDA	Audit of the legislative, regulatory and institutional framework for revenue mobilisation in the mining sector (transfer pricing)
ZAMBIA	Audit of the legal and institutional framework for revenue mobilisation (mining sector)

Source: SAI national reports

The audit was coordinated by SAI Kenya, which chairs AFROSAI's Institutional and Technical Capacity Building Committee (ITCBC), with financial support from the Good Financial Governance in Africa (GFG) programme, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

The varying conclusions of a coordinated audit can make it challenging to consolidate different national experiences. As a result, users of the Regional Coordinated Audit on Illicit Financial Flows report may struggle to form an objective assessment of the audit results and pinpoint key areas for improvement. To address this, we have compiled this Compendium of Best Practices.

0.1. OBJECTIVES OF THE COMPENDIUM

An in-depth compilation of best practices identified by the national experts in the course of their auditing work, this compendium aims to equip decision-makers and civil society organisations with a toolkit to respond appropriately to the challenges the continent faces in the fight against illicit financial flows.

The compendium primarily targets the African governments covered by the audit but also, more widely, the international community.

0.2. METHODOLOGY FOR COMPILING THE COMPENDIUM

The compendium contains a selection of best practices identified by national experts during audits carried out in 12 African countries.

A best practice is defined as "an approach, often innovative, that has been tried and tested and whose success can be assumed".

The best practices identified in the national reports were reviewed and those considered to be replicable on a continental scale were selected. The practices are intended to be demonstrative rather than exemplary. They should therefore not be seen as perfect, but as providing added value for most of the jurisdictions that have adopted them.

The best practices are presented as documented by the national experts, although their descriptions have been summarised. For more detailed information on a specific practice or its implementation context, we recommend referring to the regional coordinated audit report.

This compendium presents the identified best practices in two parts. The first deals with the legal framework (I) and the second with the institutional framework (II) for combating illicit financial flows.

[1] BRASLAVSKY C., ABDOULAYE A., PATIÑO M. I., Curriculum development and "good practice" in education, Geneva: International Bureau of Education, 2003, p. 2.

I. LEGAL FRAMEWORK FOR COMBATING ILLICIT FINANCIAL FLOWS

I. 1. GUIDELINES

The first pillar in combating illicit financial flows (IFFs) is ensuring that governments establish robust legal and regulatory frameworks for financial transactions.

Governments are therefore urged to adapt their legal frameworks to comply with international standards and, in particular, to scale up their anti-money-laundering regimes, demanding greater financial transparency and making sustained efforts to locate, seize and recover misappropriated assets.

In accordance with international standards, governments should also foster global cooperation through the automatic exchange of financial data to enable a coordinated, effective fight against tax evasion and related offences.

I.2. BEST PRACTICES IDENTIFIED

The best practices identified during the audit are based on the following factors:

- Financial transparency
- Integrity
- Powers and responsibilities of the competent authorities
- Tax incentives

Financial transparency

SAI	AUDIT TOPIC
BOTSWANA	In 2019, Botswana developed new transfer pricing regulations, the Income Tax (Transfer Pricing) Regulations, which were published in the Official Gazette.These regulations offer clarity and simplicity, benefiting both taxpayers and the relevant government departments.
BURKINA FASO	Information on beneficial ownership is included in the documentation that companies are required to file with company regulators, stock exchange authorities or bodies responsible for granting licences in the extractive sector (v. Decree No. 2021-0493/PRES/PM/MINEFID/MEMC/MJDHPC/MICA of 7June 2021 on the obligation to declare the beneficial ownership of extractive companies, as revised by Decree No. 2022-0234/PRES-TRANS/PM/MATDS/MJDHRI/MEFP of 31 May 2022 on the obligation to declare and keep the register of beneficial owners of legal entities and legal arrangements, and Article 96 of the General Tax Code). Declarations are recorded in a registerkept by the Commercial Court of Ouagadougou. Public limited companies are required to maintain records of registered shares, which statutory auditors must review and report on for the annual ordinary general meeting.

SAI	AUDIT TOPIC
CAMEROON	The legislation applicable to transfer pricing has been amended to help curb illicit financial flows. The following best practices have been identified: • There is no fixed financial threshold for the automatic application of transfer pricing documentation reporting requirements for domestic companies • As soon as a transfer is completed, the company is required to report the details to the tax authorities, and to do so systematically • In the case of transfers to high-risk countries, or countries with excessively-low tax rates (tax havens), Cameroon's tax authorities are authorised by law to automatically levy taxes
GUINEA	Mining companies are required to publish information on decisions to award mining titles, revenues from the mining sector and major operations on the official websites of the relevant public authorities.
KENYA	The Public Procurement Regulatory Authority has set up a Public Procurement Information Portal for increased transparency in public procurement. This is regarded as best practice, although the portal requires updating.
UGANDA	The government has taken strong anti-money-laundering measures, including: • The enactment of the Anti-Money Laundering Act, 2013 • The issuance of the Anti-Money Laundering Regulations, 2015, which prescribe the procedures and guidelines for implementing the Anti-Money Laundering Act • Compliance with the Financial Action Task Force standards and recommendations • Implementation of cross-border declarations concerning cash, monitoring and the investigation of suspicious transactions
SENEGAL	The country is establishing a constitutional basis to combat IFFs. Article 25 of Law No. 2001-03, enacted on 22 January 2001, established the Constitution of Senegal. It states that "the exploitation and management of natural resources must be carried out transparently and in such a way as to generate economic growth, promote the well-being of the population in general and be ecologically sustainable".
ZAMBIA	With a view to aligning with international standards, the current national legal framework includes the Income Tax Act, Mining Royalties Act and Value Added Tax Act.

The integrity of the players

SAI	BEST PRACTICES IDENTIFIED
CAMEROON	The tax authorities have drawn up a Code of Ethics and Deontology, which is regularly revised, based on emerging risks or challenges. The tax administration has adopted measures to promote ethics and probity, such as the introduction of an assistance system via a helpdesk and an 8200 toll-free number, as well as the dematerialisation of tax procedures. The Directorate General of Customs has set up an Ethics and Governance Promotion Committee, with the following functions: • It recognises customs agents who have shown excellence in their work and adherence to the values of the Directorate General of Taxation (DGI) on a monthly, quarterly, half-yearly and annual basis • It facilitates the payment of performance bonuses to staff of structures that have met or exceeded tax revenue mobilisation targets • It enables the payment of quarterly bonuses to staff of the general directorates of the country's financial authorities (Tax, Customs, etc.)
GUINEA	Illicit financial flows have been criminalised under Guinean law.
UGANDA	Uganda has put in place reporting and whistleblowing mechanisms that are open to all. These measures have made it possible to strengthen and improve checks and balances against corruption and the acquisition of illicit wealth by monitoring suspicious cases and protecting whistleblowers.
BOTSWANA	The Botswana Unified Revenue Service (BURS) has been given the powers to enforce revenue laws [Ref BURS Act Section 4 (2)a] and to take required measures to counteract tax fraud and other forms of tax evasion (subsection D). These powers comprise: • The power to request information from taxpayers [Ref Section 14 (4) and Section 16 of the Income Tax (Transfer Pricing) Regulations, 2019] • The power to request additional information from taxpayers [Ref. Section 14 of TP Regulations] • The power to levy penalties. Botswana has a low tolerance for IFFs as evidenced by heavy penalties on transfer pricing transgressions, compared with other non-compliant behaviour. Penalties can amount to up to P500 000 for failure to submit transfer pricing documents on request [Ref 118A of the • Income Tax Act (Amendment), 2018] and 200% tax for non-compliance with the arm's length principle [Ref. Section 118(2B) of the Income Tax Act (Amendment), 2018]
COMOROS	By law, sworn tax officials with at least the rank of controller have the power to assess and control all taxes due by taxpayers.

Tax incentives

COUNTRY	BEST PRACTICES IDENTIFIED
CAMEROON	In the past, donor financing agreements included tax clauses in breach of ordinary law (choice of service provider, tax holidays, etc.). As a result, some companies based abroad and their representatives did not consider paying taxes due in Cameroon, because they contended they only had to pay taxes in their tax jurisdictions of residence. Faced with this challenge, the tax authorities set about finding legal solutions and made successive amendments to the tax legislation: • 2014 Finance Act: prohibition on the state assuming responsibility for taxes, duties and fees payable by the successful bidder. This applies to the advance payment of income tax, special income tax (TSR) and the special tax on petroleum products (TSPP) • 2017 Finance Act: prohibition on the inclusion in agreements and specifications of tax provisions not covered by ordinary law • 2019 Finance Act: covers all taxes (including VAT) included in financing agreements for public procurement contracts financed externally or jointly, so the mechanism previously in force for the state budget to cover VAT has been abolished.
KENYA	To curb missing trader schemes and save tax revenues, the Kenya Revenue Authority has introduced an electronic tax invoice management system (eTIMS), to ensure that all taxpayers registered for value-added tax (VAT) generate electronic tax invoices. The Kenya Revenue Authority has updated the iTAX system of domestic tax administration to allow for the introduction of new transfer pricing rules.
SENEGAL	Senegal has rationalised tax expenditure by adopting a more targeted approach to exemptions and limiting their duration. There is an ongoing assessment of the impact of tax incentives. The Transfer Pricing Guideline of 2020 and Tax Administration (Transfer Pricing) Regulations of 2018: • Allow multinational enterprises operating in Tanzania that participate in a controlled transaction to prepare contemporaneous transfer pricing documentation • Provide guidance to be followed during the determination of arm's length prices
TANZANIA	The Risk Differential Framework for Transfer Pricing is a guideline issued by the Tanzania Revenue Authority to help multinational enterprises and tax authorities assess risk-adjusted pricing in intra-group transactions. To maximise financial resource allocation for transfer pricing activities, businesses in Tanzania must allocate resources accordingly. The allocated fund by the Tanzania Revenue Authority ensures prompt planning and execution of transfer pricing audits.

II. INSTITUTIONAL FRAMEWORK FOR COMBATING ILLICIT FINANCIAL FLOWS

I. 1. GUIDELINES

The institutional framework for combating illicit financial flows (IFFs) refers to the set of public and private institutions involved in mobilising tax revenues and combating illicit financial flows.

From a normative point of view, this framework must be inclusive and endowed with appropriate and sufficient resources to enable it to mobilise tax revenues in the best possible way.

The institutional framework must also include robust supervision and coordination mechanisms, with an appropriate strategy and methodology to prevent and, if necessary, detect and sanction illicit financial transactions.

I.2. BEST PRACTICES IDENTIFIED

21. The best practices identified relate to the following areas of examination:

- Organisational skills
- Professional skills
- The recovery system
- International cooperation

Organisational skills

COUNTRY	BEST PRACTICES IDENTIFIED
BOTSWANA	The Botswana Unified Revenue Service (BURS), the country's authority responsible for collecting taxes, collaborates with other government entities, mainly through formal commitments under service level agreements with the Directorate of Public Prosecutions (DPP). The goal is to strengthen BURS's role in investigating tax offences, while the DPP is responsible for prosecuting all offences under national law. BURS has also signed memorandums of understanding with the Botswana Police Service, the Directorate on Corruption and Economic Crime, the Directorate of Intelligence and Security and the Financial Intelligence Agency to cooperate in matters of law enforcement and information exchange.
BURKINA FASO	Burkina Faso has created an integrated system for controlling the quantities and technical specifications of gold prior to export or import. (See Decree No. 2018-0970/PRES/PM/MMC/MINEFID of 24 October 2018): • Gold is poured in the presence of a representative of the Bureau des Mines et de la Géologie (BUMIGEB) and a record is kept of the process • Weighing and packing are conducted in the presence of representatives from BUMIGEB, the general directorate of mines and geology (DGMG) and the general directorate of customs (DGD). The process is documented through minutes signed by the mine representative, the forwarding agent and administrative representatives. These minutes are accompanied by a technical specification sheet detailing the precious substances

COUNTRY	BEST PRACTICES IDENTIFIED
CAMEROON	Cameroon has created a national coordination body for the fight against IFFs (see Decree 2023/464), setting up, organising and operating a coordination committee for national policies to combat money laundering and IFFs.
GABON	Gabon has strengthened its institutional framework to fight corruption through the creation of a Ministry of the Promotion of Good Governance and the Fight against Corruption and the National Commission to Combat Illicit Enrichment and Corruption.
GUINEA	An interministerial platform has been created for information exchange between the Ministries of Mines and Geology, Budget, and Economy and Finance to secure mining revenues (see Annual Activity Report 2022 of the Ministry of Mines).
KENYA	Other than the legal mandates of relevant authorities to combat illicit financial flows, various memorandums of understanding (MoUs) provide additional tools. The Financial Reporting Centre, which is mandated to combat money laundering, for example, has MoUs with other government agencies on collaboration and the sharing of information.
SENEGAL	A National Committee to Monitor the Repatriation of Export Receipts (CNSRE) was established through Order No 007562/MFB/DGSF/DMC/DER of 28 March 2023. The tax authorities have set up an artisanal and small-scale mining unit that works in conjunction with the Ministry of Mines and Minerals Development.
ZAMBIA	The Zambia Revenue Authority has established a minerals assessment laboratory to confirm the mineral content of exports and verify consistency with the minerals evaluation certificates issued by the Ministry of Mines and Minerals Development.

Professional skills

COUNTRY	BEST PRACTICES IDENTIFIED
BOTSWANA	The Botswana Unified Revenue Service (BURS) has a division charged with investigating or auditing transfer pricing issues. The division, which falls under the large taxpayer unit, was established in 2014 and currently comprises seven auditors. There is also a multidisciplinary Qualification, Skills, Knowledge and Experience division employing auditors with backgrounds in economics, accounting, tax law, commerce and business. Their audit experience ranges from one to 16 years. BURS provides a wide range of training programmes to employees every year, including transfer pricing training, which is available to staff beyond the transfer pricing section. Transfer pricing auditors receive training on basic concepts of

COUNTRY	BEST PRACTICES IDENTIFIED
BOTSWANA (CONT.)	transfer pricing within a year of joining the section. BURS also uses international platforms such as the Organisation for Economic Co-operation and Development (OECD), African Tax Administration Forum (ATAF) and International Bureau of Fiscal Documentation (IBFD) to equip the auditors with insights in this field.
CAMEROON	Cameroon provides ethics and anti-corruption training and ongoing professional development opportunities to dedicated staff.
UGANDA	Uganda has put in place reporting and whistleblowing mechanisms that are open to all. These mechanisms have strengthened and improved checks and balances against corruption and the acquisition of illicit wealth by monitoring suspicious cases and protecting whistleblowers.
ZAMBIA	With a view to aligning with applicable international standards, the current legal framework includes an Income Tax Act, a Mining Royalties Act and a Value Added Tax Act.

The recovery system

SAI	BEST PRACTICES IDENTIFIED
COMOROS	In 2021, certain companies declared a total corporate tax liability of €95 777. Following adjustments by the relevant technical departments, the corporate tax due increased to €771 719 – an additional €675 642. This represents a 705.43% increase compared to the initially declared amount.

International cooperation

SAI	BEST PRACTICES IDENTIFIED
BOTSWANA	Botswana currently has 21 double tax agreements and eight agreements on exchange of information on request with other countries.
GABON	Certain authorities can exchange information with their foreign counterparts and request investigative support through designated channels – for example, the national police via Interpol National Central Bureau, Customs via the World Customs Organization and tax authorities via the Organisation of Economic Co-operation and Development.

COUNTRY	BEST PRACTICES IDENTIFIED
GUINEA	Guinea has a formal framework for the automatic exchange of tax, customs and financial data and information between jurisdictions. These include: • A memorandum of understanding between Guinea, Liberia and Sierra Leone (4 November 2022) • The Additional Act on Mutual Assistance and Cooperation between Customs Administrations of ECOWAS Member States of 6 December 2018 • A memorandum of understanding on mutual administrative assistance between the customs administrations of Guinea and Mali (12 August 2016)
KENYA	On 9 September 2022, Kenya became a signatory to the Multilateral Competent Authority Agreement (MCAA) for Exchange of Country-by-Country (CbC) reports. Kenya is also a party to the multilateral Convention on Mutual Administrative Assistance in Tax Matters, ratified in 2020.

Conclusion

The coordinated audit reaffirmed that illicit financial flows remain a pressing issue. About 10 years after the publication of the Thabo Mbeki report on illicit financial flows from Africa and five years after the UNCTAD report on tackling illicit financial flows in Africa, significant legislative and institutional shortcomings continue to hinder efforts to combat these flows effectively.

As in the previous audit, 12 African SAIs participated, underscoring their ongoing commitment to addressing this critical challenge for the continent's development.