African Women's Development and Communication Network (FEMNET)

Factsheet:

What are the Gender Dimensions of IFFs?

Strengthening African Women's Engagement and Contribution

What are Illicit Financial Flows (IFFs)?

According to the AU-UNECA High Level Panel[1] (HLP) report, Illicit Financial Flows (IFFs) refers to any 'money illegally earned, transferred, or used'. The HLP report goes on to elaborate that these flows of money are in violation of laws in their origins, or during their movement or use and are therefore considered illicit.' While some of the activities might not be strictly illegal in all cases, they 'go against established rules or norms, including avoiding legal obligations to pay tax'.

IFFs comprise of three major components: proceeds from commercial tax evasion such as trade misinvoicing (65%), the revenue from criminal activities such as human trafficking and drug trade (30%) and flows from public corruption (5%).

The African Development Bank estimates that illicit financial flows have drained in excess of a trillion dollars from Africa since 1980. This figure accounts for 5.5% of the continent's GDP, a figure larger that incoming total foreign direct investment and that of official development assistance.

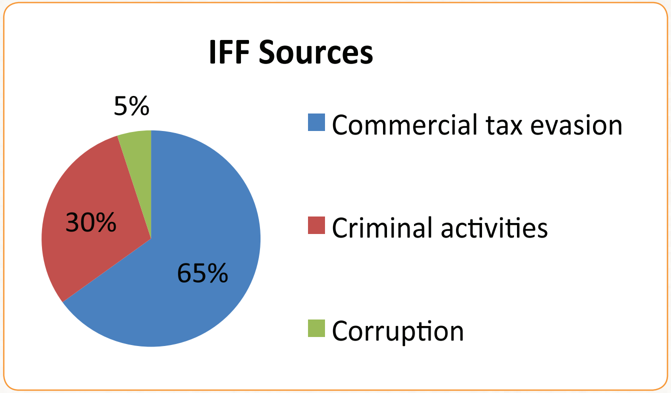
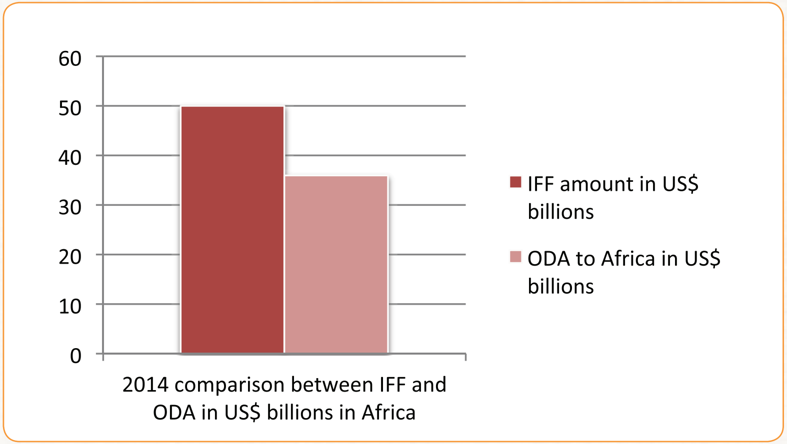


Chart showing sources of IFFs in percentage.

The toll of IFFs on Africa

The amount of money Africa loses through IFFs far outweighs the amount it receives in official development assistance and this further illustrates the gravity of this situation.

[1] *The High Level Panel (HLP) on Illicit Financial Flows from Africa, established by the Economic Commission for Africa (ECA) and the African Union (AU) was inaugurated in February 2012 to address the problem of illicit financial outflows from Africa estimated at $50 billion a year. The Panel is chaired by President Mbeki, former president of South Africa, and composed of nine other distinguished personalities from within and outside Africa.*



Bar graph1.0. Comparing the amount in billions of dollars that Africa received in official development assistance versus that which was lost through IFF in 2014.

Chart: Comparison between tax evasion and tax avoidance

US$ 2.8B

lost annually in the East African region from tax exemptions and incentives.

Multinational corporations (MNCs) engage in tax avoidance and tax evasion by shifting income out of developing countries and into tax havens to avoid corporate income tax. Fraudulent misinvoicing plays the biggest role in this abusive transfer pricing, trade mispricing, misinvoicing of services and intangibles, all for the purpose of tax evasion, aggressive tax avoidance and illegal export of foreign exchange.

Gender-just tax and the effects of IFFs on women and development

Monies lost through IFFs prevent African countries from fulfilling their budgetary commitments with regards to health and education. The ripple effect of this is that many more girls and women are forced to abandon their education and/or take care of ailing relatives respectively. This leads to extreme poverty, leaving more women, girls and children susceptible to human traffickers. This results in gross human rights' violations.

66%

of identified victims of trafficking in Uganda in 2015 according to a report by IGAD and IOM were women and girls.

Country	Ratio of IFF to Education spending (%)
Liberia	1649
Zambia	1314
Rwanda	147.3

**Table 1 showing the ratio between IFFs per countries and the respective nations spending on education. (Spangers and Foss, 2016:11)*

Gender biased tax regulations such as tax laws that favor formally employed individuals and joint filing put women at a direct disadvantage seeing as most women earn less than men. VAT taxation policies also burden women as they are more often than not, responsible for buying household goods. Taxation laws currently are gender biased because:

i. Women in the informal sector earn so much less than men.

ii. Their unpaid care work is largely disproportionate.

iii. Very few women make public policies.

A push toward individual filing, as in the Kenyan context and lowering tax rates, or providing tax relief on female labor income as well as valuing unpaid care work that is undertaken by women are all steps that can ensure a more gender-just tax system.

IFFs continue to hamper development in Africa and exacerbate extreme poverty conditions as well as lack of access to education, healthcare and sanitation often leaving African women to bear its biggest burden.

According to WHO&UNICEF, women in 25 Sub-Saharan countries collectively spent

16 million hours

a day collecting water.

40%
lack access to safe water

60%
lack basic sanitation

2-3%
of GDP invested.

Only **30%**
have access to electricity

Only **30%**
of rural population have access to all season roads

Distributive list showing the state of infrastructure in Sub-Saharan Africa

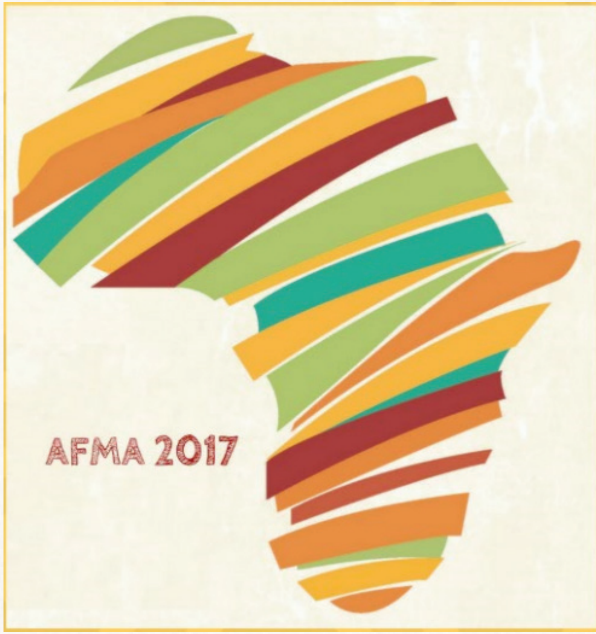
#WhatWomenWant

A Gender-Just Tax System

Recommendations

There needs to be a sustained effort toward uncovering and highlighting the gender consequences of IFFs, its facets and its enabling structures. This can be done by updating and consolidating research and data collected over the past two decades on gender budgeting.

Secondly, there needs to be a push towards understanding the efforts being made towards curbing IFFs. These initiatives could be at a national, regional or international level and involve initiatives such as automatic exchange of information on taxation (AEITs), public registers of beneficial ownership, country-by- county reporting and the call for unitary taxation of multinational corporations. The Extractive Industries Transparency Initiative (EITI) seeks to hold companies accountable for revenue remitted to governments as well as holding those governments accountable for where the money goes. Women's organizations and other civil society organizations have to amplify their advocacy initiatives for tax justice by also calling for open and transparent information on national and sub-national levels and on a global level, push for an inclusive global tax body.



FEMNET's Chairperson, *Mrs Emma Kaliya*, Kenya's Permanent Secretary of State Department of Devolution, *Mr. Micah Pkopus Powon* and FEMNET's Executive Director, *Ms Dinah Musindarwezo* at the launch of FEMNET's Gender Dimensions and IFFs report in May 2017

In Partnership:-

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