



American Model United Nations
Economic Commission for Africa

ECA/II/1

SUBJECT OF RESOLUTION: The State of Governance in Africa: The Dimension of Illicit Financial Flows as a Governance Challenge

SUBMITTED TO: The Economic Commission for Africa

The Economic Commission for Africa,

1 *Recalling* its resolution 68/1 of 20 September 2013 and previous relevant
2 resolutions,

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4 *Recognizing* that without a stable governmental mechanism and adequate
5 assistance from Multinational Corporations (MNC) for the purpose of funneling
6 international private investment, funding fails to translate into public works,

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8 *Emphasizing* that the need for detailed regional programmatic guidelines on
9 relating to price transfers and taxation policies central to the future success and
10 implementation in developing countries on the African continent,

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12 *Fully aware* of the importance of detailed information concerning interstate trade
13 policy, the amount of revenue that can be feasibly reallocated for tax enforcement
14 measures and its financial context surrounding potential regional financial based
15 activities,

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17 *Recalling* the United Nations Model on Double Taxation between Developed and
18 Developing countries in which sustainable pricing benchmarks and MNC focus areas
19 were created to achieve gains in eliminating Western tax-havens,

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21 *Considering* that existing articles on double taxation established by the 2000
22 High-level panels on illicit financial trade are vague with regards to interstate pricing and
23 cooperation over areas relating to illicit financial transactions,

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25 *Noting* that countries differ significantly with regards to transparent economic
26 policy due to a host of intrastate factors,

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28 1. *Urges* the ratification of the United Nations Convention against Corruption
29 (UNCAC) by all African States;

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31 2. *Endorses* an institutional framework for global governance called the African
32 Coalition Against Illicit Financial Flows (ACAIFF), to work in collaboration with the
33 African Centre for Statistics, a subdivision of the Economic Commission for Africa, in

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order to:

- (a) Assist in implementation of the UNCAC in Member States;
- (b) Coordinate transnational monitoring and data-collection regarding Illicit Financial Flows (IFF) for Member States regarding relevant information to a particular Member State;
- (c) Coordinate cooperation between developed and developing States, as well as with non-governmental international organizations, such as the International Monetary Fund (IMF) and World Bank, over IFF;
- (d) Assist in the establishment of appropriate and effective legal regimes against IFF by providing tax and financial expertise including creating effective tax regimes to halt the spread of IFF through monetary aid and information assistance;
- (e) Provide a framework for returning assets lost through IFF or assets of equivalent value to their rightful owner;
- (f) Create an interstate price peg for the costs of goods to prevent exploitation of member states;
- (g) Require an annual transparency information report by each State in order to receive benefits in a reciprocal manner under the newly formed economic cooperative framework;
- (h) Encourage good faith efforts toward providing information and reform regarding IFF to continue to receive relevant benefits;
- (i) Establish governmental transparency best-practices through cooperation between international actors and Africa;
- (j) Establish a five member leadership panel in the ACAIFF through a majority vote by the body;
- (k) Pressure offshore financial centers and tax havens to remove secrecy laws;
- (l) Encourage a dialogue on the effective training and education of law enforcement bodies dealing with illicit financial flows;

3. *Proposes* the implementation of the Financial Action Task Force on Money Laundering's (FATF) recommendations by all Member States, with a special focus on:

- (a) Independence of financial institutions;
- (b) Confiscation and seizure rights of authorities;
- (c) Reporting of financial transactions by Non-Governmental Organizations;
- (d) Secrecy laws and anonymous bank accounts;
- (e) Wire transfers;

4. *Calls upon* Member States to combat the problem of transfer mispricing with the 'Arm's Length Principle' endorsed by the Organization for Economic Cooperation and Development (OECD) Transfer Pricing guidelines by implementing the method/s most suitable to their situation with technical assistance from the OECD, IMF and World Bank:

- (a) Establishing a cooperative price-signal floor for negotiation on the selling of commodities in terms of exporting goods utilizing a fair market-based price;

5. *Further recommends* for the purpose of greater transparency and understanding

79 with regard to transfer pricing:

80 (a) Timely audits of companies to obtain information on their activities;

81 (b) Signing Advance Pricing Agreements that specify appropriate Transfer Pricing
82 methodology;

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84 6. *Requests* the United Nations Model on Double Taxation Policy clarify language
85 present in Article Two relating to taxation enforcement so as to conform with interstate
86 agreements that are crafted during African Union based negotiations;

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88 7. *Encourages* the incorporation of anti-corruption lessons within African States'
89 national education programs, as well as collaboration with Non-Governmental
90 Organizations to accomplish these goals;

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92 8. *Further recommends* the integration of appropriate record keeping and
93 accounting practices into the existing curriculum of national education programs;

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95 9. *Suggests* technical training of personnel working in financial institutions, with
96 expertise from organizations like the World Bank and IMF, in order to track illicit
97 financial flows.

Passed, Yes: 25 / No: 3 / Abstain: 6