



## **Terms of Reference: Study to Establish the Size of Kenya's IFFs.**

### **About the National Taxpayers Association:**

The National Taxpayers Association (NTA) is an independent, non-partisan organization focused on promoting good governance in Kenya. Since 2006, NTA has been implementing programs focused on enhancing public accountability through monitoring the quality of public service delivery and the management of both the national government and devolved funds. It has achieved this through development of social accountability tools, Citizen Report Cards (CRCs), civic awareness, citizen capacity-building, and partnerships with government agencies, service providers, the private sector, civil society, and community action groups.

### **Background of the Assignment:**

According to the United Nations Trade and Development (UNCTAD), Illicit Financial Flows pose a great economic and development challenge to African states due to the severe negative implications they pose to the development needs due to their erosion of critical resources that these development programs require. IFFs has grossly impacted domestic resource mobilization (DRM), development expenditure, and other economic development plans of the African states and equally contributed greatly to the poor state of economic performance by the African states. As a result, financial outflows continue to raise serious concerns due to their attribution to increased inequality, poverty levels, and growing economic imbalance. Indeed, evidence has shown that Illicit Financial Flows undermines Africa's foreign exchange reserves, financial stability, and economic capacities.

The High-Level Panel Report on Illicit Financial Flows from Africa (commonly known as [Thambo Mbeki IFFs Report](#)) identified that Africa was losing over \$ 50 -\$60 billion annually as of 2011. A major concern is that the magnitude of IFFs in Africa continues to rise, hence remaining a critical challenge for many of its states. As of 2022, A report by the UNCTAD on [Tackling Illicit Financial Flows in Africa Arising from Taxation and Illegal Commercial Practices](#) shows a worrying trend in efforts on recovery from IFFs control as Africa continues to be overburdened. For example, the continent was estimated to lose an annual average of \$88.6 billion through IFFs. The ratio of IFFs to the GDP at this time was estimated at approximately 3.7 percent. Cumulatively, the proliferation of IFFs is linked to devastating impacts on the social, economic, and political landscape which continues to endanger the overall economic security of Africa.

To illustrate the magnitude and the impact of IFFs on the overall economic performance, the Thambo Mbeki report also found that IFFs outweighs the annual amount of external financial flows to Africa such as Foreign Direct Investment (FDI), portfolio investment and remittances, and Official Development Assistance (ODA). Specifically, cumulative Africa's Foreign Direct Investment (FDI) and the Official Development Assistance (ODA) were estimated at \$54 billion and \$48 billion in 2022 against an average IFFs outflow of \$88.6 billion.

Therefore, the role of IFFs and their adverse effect on economies cannot be ignored. To this extent, the Thambo Mbeki report recommended a raft of policy interventions that African states needed to adopt in addressing IFFs and their consequences on economic architecture. In addition, the Addis Ababa Action Agenda of 2015 calls for the states to redouble their efforts to substantially reduce illicit financial flows by 2030. This aims at eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation. Based on the documented trend analysis of commercial outflows, this increasing magnitude of the Illicit Financial Flows from Africa signals a huge disparity in the implementation of the efforts, initiatives, and steps which have been recommended to eliminate the illicit capital outflows from the African states.

It is also established that the inadequacy of domestic resource mobilization strategies is a leading policy challenge that African states experience in their efforts to pool resources that can adequately finance their economic demand lists. This necessitates the need for deployment of sustained efforts and necessary legal, policy and institutional transformation to ensure that governments address illicit commercial outflows and maintain sustainable domestic resource streams to adequately finance Sustainable Development Goals.

Whereas Illicit Financial Flows emanate from transnational commercial activities, criminal activities and corruption related practices, there lacks documented concrete evidence on the real size of capital outflows from most of the African states. Therefore, information on the totality of Illicit Financial **Flows from African countries** is not established or accessed. This denies the critical stakeholders in taxation and domestic resource mobilization such as law makers, researchers, civil society organizations, and the taxpayers this critical information for their periodic utility and action. Access to this kind of information will contribute to IFFs control as an enabler of policy influence to control and strengthen domestic resource mobilization.

In understanding the complexity of the IFFs outflows, the Thambo Mbeki report recommends the enhancement of the capacities of governments to establish adequate administrative and structural measures to prevent tax evasion. It also emphasizes the importance of an evidence-based approach/research and advocacy to aid in conceptualizing the nature of illicit financial flows from Africa and disseminate information for utility by policy makers and to sensitize the public on the negative effects of illicit financial flows from Africa. It therefore implies the need to document **specific country sizes of Illicit Financial Flows to influence intervention measures**.

With specific focus on Kenya, it was estimated that the country has been losing approximately KES 40 billion annually in 2011 which went up to kes 54.8 billion in 2018 [according to a study by Ford Foundation and PASGR](#). As of 2015, Kenya lost approximately [8 percent of](#) government revenue to illicit financial outflows every year. This translates into DRM underperformance and amounts to stunted economic development. Also, it has been [documented](#) that the impact of IFFs on Kenya are deplorable and have long-term implications. They are closely connected to the expanding funding deficits on development expenditure programs such as infrastructure development and social policy. Beyond the direct economic impact, IFFs have also stimulated insecurity, corruption, tax evasion, illegal exploitation of natural resources, organized crime, fraud in international trade, and drug trafficking.

To address this problem, there is a need for a comprehensive study to monitor the trend in IFFs outflows from Kenya and its corresponding potential on DRM; to identify the existing policy and regulatory gaps in IFFs control; and to develop recommendations for intervention. This will

enhance the conceptualization of legal and policy reforms on IFFs control in Kenya as an intervention to address the deficit in domestic resource mobilization. Therefore, the role of IFFs and their adverse effect on Kenya's efforts towards enhancing domestic resource mobilization are not negligible.

### **General Scope of the Task:**

To fulfill the mandate of this task, the consultant will be responsible for the following:

- a) Review and analysis of studies and reports, legal, policy, and institutional frameworks related to the IFFs control to contextualize the magnitude of IFFs in Kenya;
- b) Engaging with key stakeholders in taxation such as tax administrators/revenue administrators government agencies, civil society organizations, the private sector on strengthening the legal, policy and institutional framework of IFFs in Kenya to feed into the study;
- c) Determine the amount of revenue lost through IFFs in Kenya;
- d) Work closely with NTA secretariat to obtain guidance and insights;
- e) Conduct a study to establish the size of Illicit Financial Flows from Kenya;
- f) Incorporate feedback from stakeholders; and
- g) Develop a report and a policy brief on Illicit Financial Flows from Kenya; and

### **Deliverables:**

- a) Inception report detailing how you will conduct the study
- b) Conducting literature reviews
- c) Meeting with stakeholders to generate input in the development of the report
- d) Facilitation of the validation meeting with stakeholders
- e) Development and submission of the first draft, second draft and final report and policy brief to NTA

### **Duration of the Assignment:**

This consultancy shall be expected to take a maximum duration of 60 days from the date of commencement.

### **Required experience and qualifications:**

NTA would like to invite interested and suitably qualified individuals/consultancy firms to participate in the following opportunity by submitting an application that entails:

- a) Postgraduate university degree in Economics, Taxation, Law, Political Economy/Public Policy, International Trade/Relations, or related areas. Preference will be given to Ph.D. qualifications.
- b) Strong qualitative and quantitative research and analytical skills;
- c) At least 10 years of research and work experience in tax policy, tax administration, tax law, international trade, public finance, or related areas.
- d) Demonstrated knowledge and expertise in tax related treaties and IFFs within the African Context
- e) Experience in drafting policy papers, reports, in taxation, public finance, and/or related themes;
- f) Proof/Evidence of research and publications in public policy and taxation. Attach links to previous reports/publications.

- g) Proven ability to engage with and facilitate discussions among high-level stakeholders

**Application Requirements:**

- a) Expression of Interest which shall include a cover letter, technical proposal showing your understanding of the assignment, proposed methodology and the workplan;
- b) Updated Curriculum Vitae and/or Company Profile
- c) Detailed financial proposal showing a breakdown of all costs.

**How to Apply:**

If interested, please email your application with the subject: **Expression of Interest: Study to Establish the Size of Kenya's IFFs**. The application should include a cover letter and technical proposal which should include your understanding of the consultancy and the proposed methodology, and detailed financial proposal. Also attach an updated Curriculum Vitae, and references all as one document in pdf to: [jobs@nta.or.ke](mailto:jobs@nta.or.ke) on or before Thursday, 3<sup>rd</sup> April, 2025 at 5:00 pm EAT.