

**AFRICAN UNION**  
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**JOINT MEETING OF THE UNITED NATIONS GENERAL ASSEMBLY SECOND COMMITTEE AND THE  
ECONOMIC AND SOCIAL COUNCIL  
ON:**

***“ILLCIT FINANCIAL FLOWS AND DEVELOPMENT FINANCING IN AFRICA”***

**Co-organized by UNCTAD and UN – DESA**

**UNITED NATIONS HEADQUARTERS  
NEW YORK  
October 23<sup>rd</sup> 2015**

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**“Illicit Financial Flows and Development Financing in Africa”**

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**October 23<sup>rd</sup> 2015**

**H. E. Dr Anthony Mothae Maruping  
Commissioner for Economic Affairs  
African Economic Commission**

Co – Chairs,  
Fellow Panelists,  
Excellencies, Ladies and Gentlemen.

With the anticipation of the eventual adoption of the post 2015 development agenda and its Sustainable Development Goals (SDGs) as successors to the Millennium Development Goals (MDGs) and with the advent of the third international conference on financing for development (FFD3) addressing the persistent challenge of illicit financial flows (IFF) became compelling on the global level. Dealing with IFF became especially more pressing for developing countries as the task of financing SDGs loomed in the horizon. Addressing IFF has been particularly more urgent to Africa as official development assistance (ODA) has tended to continue to be elusive and unpredictable and foreign direct investment (FDI) persisted in eschewing Africa. In addition domestic resource mobilization (DRM) still leaves ample room for improvement to realize potential. All these combined let to a financing gap which has often been closed with both internal and external borrowing; thus exacerbating the already heavy domestic and external indebtedness. Prospect of having to finance African Agenda 2063 (the First Ten Year Implementation Plan) implementation has added pressure on Africa.

Most developing countries around the world, and to some extent some developed ones as well, face the IFF challenge as Africa does even if to a less degree. Dealing with IFF at the global level is clearly a timely issue that can no longer be swept under the carpet. It has to be faced headlong systematically and expeditiously. It is a global challenge that needs a global response. To contain it effectively requires international collaboration. In the meantime Africa will, on her part, do her utmost within her means, to address ongoing rampant financial drain through IFF.

IFF is massive, growing and very complex as well as mutable. It is multifaceted in nature. It is a hydra maneuvering in a labyrinth. It is attributable to some commercial activities, criminal behavior and corrupt practices. Reports indicate that the bulk of it is traceable to transnational corporations, especially those in the extractive industry.

Africa is by far the greatest loser comparatively. IFF from Africa constitutes a much higher percentage of her GDP than any other region. Yet Africa's financing needs are enormous, given the challenge of implementing Agenda 2063. Africa is aspiring for transformative economic growth, eradication of all forms of poverty and accelerated human development. This will require high, sustained and stable as well as inclusive economic growth characterized by equitable distribution of income and wealth. Given current level of development in most of Africa, where there are still over 30 least developed countries and several lower middle income countries, economic rate of at least 7 per cent in real terms is what will bring about economic transformation. Enhanced productive capacities, competitiveness, diversification and value addition will bring about that sought after economic transformation. This, according to Agenda 2063, requires :

- Infrastructure development, hard and soft, in its broad context, and energy generation;
- Improvement in quantity and quality of production in the agricultural sector;
- Boosting science, technology and innovation for development (technology development, transfer and diffusion);
- Increased investment in human capital with emphasis on health, education and training with special emphasis on skills development;
- Accelerated industrialization (which is still the leading jobs creator);
- Growth of the services sector in quantity and quality;

- Renewed impetus on integration(which creates economies of scale opportunities and ensure efficient allocation of factors of production);
- Nurturing African private sector development (private sector does most extraction, diversification; value addition and distribution and creates jobs as well as contribute to the tax base)
- Joining sub – regional, regional and international supply chains through trade;

Agenda 2063 has twelve “quick wins” or fast track projects/programmes. These are:

- Realizing integrated high speed train network;
- Developing E – Network in the continent;
- Speedy implementation of implementing open skies decision of 2002 in Yamoussoukro;
- Achieving deliberate progress in implementing the Grand Inga Dam hydro power project;
- Allowing free intra – Africa people movement culminating with the introduction of the African passport;
- Silencing the guns by 2020;
- Devising and implementing commodities strategy ( value addition and diversification);
- Convening periodic high level African stakeholders forum;
- Accelerating establishment of continental financial institutions;
- Progressing with the establishment of the Continental Free Trade Area (CFTA) to meet 2017 target date;
- Developing Africa Outer Space strategy;
- Giving new impetus to the growth of Africa Virtual E – University;

Enablers, such as good governance, rule of law, functioning institutions, accountability and skillful management of diversity, have been duly considered. Similarly cross – cutting considerations such as definitive move towards gender parity and women empowerment; aggressive engagement of youth in economic activity and inclusion of people living with disabilities in the work place have been duly factored into Agenda 2063.

Implementation of Agenda 2063 is highly likely to succeed because due attention has been paid to avoiding pitfalls of the past that led to the slow implementation of the previous frameworks. These include:

- Bottom up approach that has ensured inclusion/participation, ownership and commitment by the public, private and civil society sectors;
- The framework is based on firm foundations and commitments that include constitutive act, existing continental and regional frameworks, initiatives and programmes, resolutions and national strategic frameworks and action plans {harmony or alignment and coherence are thus achieved.;
- It is to be implemented by the public, private and civil society sectors, not just governments;
- It is to be implemented at national, sub – regional and continental levels;
- The 20 goals of the First Ten Year Implementation Plan, targets and indicators, are clear, enabling results based management and mounting of a credible accountability framework.
- Risk analysis and risk management strategy been duly addressed.
- Required capacity to realize the First Ten Year Implementation Plan has been assessed and strategies to close any capacity gaps have been devised.

- Domestication process of the Implementation Plan at national and sub-regional (RECs) levels will ensure integration of the content of Agenda 2063 into national and sub-regional strategic and action plans;
- Effective communications strategy is in place;
- Means of implementation have been duly considered. This brings us to IFF.

At this juncture it should be pointed out that the 17 goals adopted by the General assembly on September 25, 2015, are fully encapsulated in the 20 goals of the African Agenda 2063 First Ten Year Implementation Plan. Thus agenda 2063 is viewed as Africa's vehicle or instrument for implementing SDGs plus more. By pursuing successful implementation of Agenda 2063 Africa will automatically be meeting her global obligations regarding SDGs.

While ODA would be welcome for financing Agenda 2063, as already observed, it remains a tenuous source of funding. Despite pledges made in Paris followed by Rome and then back to Paris, and onward to Accra and later Busan and Mexico City, over the years culminating along the way with the establishment of the Global Partnership for Effective Development Co – operation, ODA remains unpredictable, selective and heavy on conditionalities stifling policy space. Commitments made are not always met. Implementation of Agenda 2063 is thus not going to lean heavily on ODA.

Philanthropy, which played noticeable role in financing some aspects of MDGs, is discretionary by nature. Its role in funding SDGs through Agenda 2063 cannot be predicted.

FDI has been side-stepping Africa despite generous incentives offered by African countries. Much of whatever trickles into the continent tends to go to the extractive industry and often on terms unfavorable to the host countries.

The only source of financing Agenda 2063 implementation, which is under the control of the African Union member states, is domestic resource mobilization (DRM). Much work needs to be done yet in order to fully realize the potential of DRM in most African countries. Prevalence of IFF further complicates the situation. Tax bases are eroded, leading to unsustainable fiscal deficits and authorities resorting to both domestic and external public borrowing, with worsening sovereign debt problems in many cases as a consequence. Domestic financial markets are distorted and drained of resources. Financial deepening is frustrated. Fiscal and financial imbalances develop and linger. Allocation of investments are rendered inefficient. Inequalities in the distribution of income and wealth are aggravated. Hence deep concern by the African Union regarding prevalence of IFF in the face of having to finance Agenda 2063 implementation.

The international community at large expressed concern with IFF phenomenon as evidenced by the G-8 leaders summit in June 2013 in Lough Erne, Northern Ireland. G20 followed suit. So did OECD but with differential rigor among members. IFF concerns led to the birth of bodies such as Extractive Industry Transparency Initiative (EITI) and several others.

UNCTAD tackled the issue in the Trade and Development Report of 2014 and in World Investment Report of 2015. UN Global Compact has been in dialogue with the African players in combating IFF. Outcome document of FFD3, paragraph 24, calls for action by member states to stem out IFF by 2030. This is the entry point for the UN machinery to act. Reference is being made here to ECOSOC and to the Second Committee of the GA.

The same way that Africa took the lead in the formulation on P2015 DA and SDGs through Common African Position on P2015 DA, she has also done so in searching for ways of effectively combating IFF. As early as 2011 the African Union formed the High Level Panel (HLP), led by H E Former President Thabo Mbeki, to probe IFF in Africa (i.e. mandated to discover the nature of IFF in Africa, identify the various forms that it takes and the institutions involved, the extent of the challenge, the consequences and recommendations for action). The HLP issued a comprehensive and highly informative report. It listed fifteen revelations accompanied by thirty eight recommendations. It is an invaluable report.

AU mandated AUC, UNECA and other Pan African organizations to continue to work along with the HLP and to engage a broad spectrum of stakeholders, to devise strategies for implementing recommendations of the HLP. First meeting of AUC and UNECA was held in June 2015. In September 2015 AUC, UNECA, ACBF and Open Society Initiative for West Africa (OSIWA) co-organised the meeting with the HLP to engage key African stakeholders from Eastern and Southern Africa. It was a productive meeting with numerous useful inputs and specific recommendations reflected in the report. Concrete proposals were made. Similar meetings are to follow in other sub – regions. It is AU work on IFF in progress, through HLP (with the technical support of AUC, UNECA and ACBF, OSIWA and others) and with the guidance of the stakeholders. Other regions may learn from the AU work in progress on this subject. They may well choose to emulate the African lead as proposed in paragraph 24 of AAAAA.

There is a long list of possible policy measures that can be taken to stem IFF. These recommendations are catalogued in several publications and reports, including the AU's Thabo Mbeki's report, **Illicit Financial Flow: Report of the High Level Panel on Illicit Financial Flows from Africa.**

It is going to be a long process to combat IFF. Earlier on its complexity and multifaceted nature were highlighted. It is dynamic and even at times mutates thus rendering it elusive. Some challenges can be overcome in the short term (i.e. right-away) if there is resolve to do so. Others can be dealt with in the medium term and still others in the long term. IFF is global. Africa or any other region cannot fully tackle IFF on its own. It has to be a collaborative effort worldwide. UN is the relevant platform to mobilize global effort against IFF. Paragraph 24 of the Addis Ababa Action Agenda (AAAA) provides the basis for the Second Committee of the GA and for ECOSOC to enter the IFF arena legitimately.

The **Second Committee** is urged to establish and appoint a committee of relevant experts to carry this endeavor of combating IFF forward at the global level. The committee so appointed could work towards developing an **action plan** on ways of stemming IFF out by 2030 or earlier. **ECOSOC** on its part should seriously consider activating the **Vienna Commission on Crime Prevention** and custodian of the Convention on Corruption to work towards producing a **global framework** for dealing decisively and resolutely with IFF globally. As an option it could be addressed in the form of a **protocol** to one of the existing **relevant instruments**.

Collectively, as was done with MDGs and about to be done through SDGs, fight against IFF can be won. IFF should remain at the centre of the radar screens of the Second Committee and of ECOSOC. Work on the subject should pick up steam and get into full throttle. Africa is eager for expeditious action.

I thank you Co - Chair and I thank you, Your Excellencies, for your kind attention.

