



Fridays of the Commission (FoC)

Dialogue between Africa and its Strategic Partners on Illicit Financial Flows from Africa

“How to prevent Illicit Financial Flows and recover stolen Assets to better serve the African continent”

Concept Note

Background and Context

Africa loses billions of dollars annually due to illicit financial flows which surpass the financial inflows from aid and donations and approximately equal to Africa's gross domestic product (GDP). According to the study of the “High Level Panel on Illicit Financial Flows from Africa”, the amount of illicit outflows is estimated to range as high as US\$50 billion per annum. This amount is lost through tax evasion, corruption, embezzlement and bribes and money laundered through formal banking and informal financial systems or cross-border cash smuggling.

If Africa can halt these illicit outflows, the resources can be directed towards the continent's socio-economic transformation. Africa is a resource-rich continent abound in minerals, precious metals, oil, livestock, fishery or husbandry. These resources and the tax revenues generated therefrom can be cultivated and utilized to finance Africa's development for the benefit of the citizens. The United Nations estimated that the tax to GDP ratio in African countries is 19 percent, and addressing the factors that impede Africa's ability to generate adequate taxes is crucial for the development of the continent.

Moreover, the fact that some African economies are cash based also contributes to the challenges of illicit financial flows in the continent because of the difficulties of

tracing and monitoring cash transactions. International trade is the most common way of moving illicit money across borders, multinational companies hide their proceeds through trade mispricing and tax evasion. This capital flight is the staggering feature of the continent where multinational companies are deeply exploiting resources and profiting from the continent's wealth to the detriment of African socio-economic development.

Furthermore, corrupt practices by states authorities coupled with a lack of transparency further exacerbate the outflow of funds to tax havens. Countries such as, the British Virgin Islands, Panama, the British Channel Islands, Switzerland, Luxembourg, Hong Kong, and Singapore are often the regarded as safe havens for looted funds from Africa. Firms /trustee companies and middlemen facilitating illicit money outflows to secretive offshore jurisdictions and banking institutions are complicit by their failure to enquire about the source of income.

The outflow of huge sums of illicit capital from the African continent threatens the democratic, socio-economic and peaceful development of Africa. Countries that are particularly affected by the illicit outflows are resource-rich countries and fragile states. This, in turn, undermines the development efforts of these countries, making it difficult for them to achieve their development goals and the internationally agreed development goals, including Agenda 2063 and the Sustainable Development Goals. Africa countries' efforts toward institutional and legislative reforms to tackle IFFs are not enough to stop the illicit act. Africa's strategic partners have a key role to play in the prevention of IFFs as they are not only the key players of the global governance architecture, but also because most of the multinational companies are originating from there. In addition, most of the money is being transferred to bank accounts in their territories.

An effective exchange of information and strengthened cooperation between Africa and its strategic partners in Europe, Asia and the Americans is necessary in order to address the issues of money being illicitly channelled to tax havens and offshore financial centres. Aside from bilateral country cooperation, multilateral development agencies such as the OECD, EU, and the World Bank play an important role in tackling IFFs, mainly through providing technical support in institutional reforms, human

resources, and improvement of policy and legal frameworks. Although various multilateral initiatives exist, and development agencies are actively involved in various aspects of IFFs agenda, African countries should harmonize their engagement in these initiatives to attain greater cooperation and coordination.

The rich knowledge and expertise of the Civil Society Organizations (CSOs) and academia on IFF issues should be tapped into to build capacities and to enrich policy frameworks on the continent. The role of CSOs in budgetary oversight and tax transparency is equally important in curbing IFFs.

Thus, to explore ways on how to prevent IFFs and to recover the continent's assets found in offshore accounts, having a dialogue between Africa and its strategic partners is of utmost importance. This dialogue will bring together AU Member States, AU partner organizations such as EU, OECD, USAID, UNDP and others in Europe, Asia and North America and sub-regional organizations working on IFFs. This will be done through the Fridays of the Commission.

Fridays of the Commission

The *Fridays of the Commission* concept constitutes a series of conference debates on current, economic, political and cultural issues pertinent to the continent and which give the opportunities to different stakeholders to discuss on African developmental issues from an African perspective. This policy dialogue platform brings together key policy and decision makers as well as delegates working in African institutions, multilateral organizations, civil society organizations and independent experts.

Aim and Objectives

The aim of this dialogue is to deliberate on the required action between Africa and its strategic partners and how the cooperation can be strengthened to further prevent IFFs. This also includes a debate on how stolen financial assets can be repatriated to Africa.

The discussions will focus on the following objectives:

- To Identify best practices and challenges of African countries in the prevention and recovering efforts of IFFs,

- To highlight and propose crucial IFFs preventive measures for the continent related with anti-money laundering and anti-corruption and promotion of transparent tax system,
- To facilitate dialogue on how the African continent can recover stolen assets found in offshore jurisdictions and to identify ways to revitalize existing asset recovery frameworks,
- To Share best experiences of African countries such as Nigeria and Kenya.
- To strengthen partnership between AU and its partners in the fight against IFFS.

Date and Venue

This *Friday of the Commission* is scheduled to take place on 24 May 2019 at the AU Headquarters in Addis Ababa, Ethiopia.

Format of the Sessions

An Introductory presentation will be made by the AUC on the context of Illicit Financial Flows, Corruption and Management of Natural Resources on the Continent. This will be followed by Panel discussions comprising of four sessions with various stakeholders having expertise and familiarity on the issue of IFFs. The participants will be drawn from multilateral and sub-regional organizations, diplomats, CSOs and academia.

Session 1: AUC's Strategy Development on Illicit Financial Flows: Presentation on Illicit Financial Flows, Corruption and Management of Natural Resources

Presenter: AUC

Session 2: Domestic Resource Mobilization and Financing of Development

Talking Points/ Guiding Questions:

- How can the fight against Illicit Financial Flows and Corruption enhance domestic resource mobilization on the continent?
- What reforms are needed to mobilize these resources?
- The importance of Domestic Resource Mobilization in financing the gap in Africa's development.

Session 3: Tax Transparency, Exchange of Information and Contribution of Tax administrators in curbing IFFs

Talking Points/ Guiding questions:

- What are the common challenges confronted by African financial institutions to comply with IFF preventive measures and standards set out by Financial Action Task Force (FATF) and sub-regional anti-money laundering groups? What could be done to tackle the challenges?
- What actions should be taken by African countries with cash intensive economies for enhanced financial transparency and governance to curb illicit finance?
 - The Fight Against Mispricing of Quantity and Quality of Products
 - Need to Digitalize Tax Systems
 - Need to set up Tax Mechanisms
- What lessons can African governments learn from development partners and other countries on handling corruption/embezzlement and tax avoidance particularly from multinational companies and in money laundering?

Session 3. Stolen Asset Recovery in Africa:

Talking Points/Guiding questions:

- How can Africa recover billions of dollars lost as a result of IFFs from offshore jurisdictions?
- What are the bottlenecks of recovery of stolen assets in the continent and what strategies are needed to overcome it?
- What institutional, policy and legal frameworks are needed for African countries to successfully trace, freeze and recover misappropriated assets?
- Once stolen funds are recovered, who has the responsibility to administer the funds? How best can recovered funds be managed and utilized for development purposes? How can we ensure the productive spending of recovered asset and avoid repeated corruption/embezzlement?

- What lessons can be learnt from African countries, successful cooperation in asset recovery of stolen public funds (i.e. Nigeria, Kenya)? Are there any other cases of effective collaboration between Africa and other countries that can serve as best practices and can be explored by other African States to achieve commendable results in stolen assets recovery?

Session 4. The Role of International Cooperation in curbing IFFs:

Talking Points/ Guiding questions:

- What are the activities being carried out by the African Union to engage partner institutions to elaborate on a global governance framework that will determine the conditions under which assets are frozen, managed and repatriated?
 - African Union Commission contribution in the Fight against IFF: In 2018, the former South African president Thabo Mbeki panel presented the findings of the High- Level Panel on Illicit Financial Flows to the African Union Summit and made recommendations which were adopted directly into the declaration.
 - AUC with partner stakeholders should lead in efforts to address tax transparency and information exchange agenda in Africa, and foster stronger collaboration at continental and global levels for tackling the root causes of IFFs.
- What are the efforts being undertaken by Africa's strategic partners in fighting IFFs, particularly, in terms of policy and legal framework development to stop money drainage from the African continent?
- What best bilateral and multilateral international cooperation can be shared as experience in the continent that yields successful trial of money laundering cases and its predicate crimes of tax avoidance and corruption?
- What are the challenges of the cooperation between the Africa and its partners and which gaps need to be addressed to cooperate better to curb IFFs?
 - Need for robust international cooperation to address the problem of IFF and Corruption.

- Are there any improvements shown in Africa and its strategic partner's collaboration and how could Africa capitalize on them?

Participation

This Fridays of the Commission will bring together many participants including:

- Representatives of the African Union Commission
- Representatives of the Diplomatic Community based in Addis Ababa
- Government officials
- Civil Society Organizations (CSOs)
- Representatives from International and Regional Organizations
- International and Regional Media Outlets and Journalists
- Scholars and think-thanks
- Representatives of Friedrich-Ebert-Stiftung (FES)

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