

**First Subregional Workshop on Curbing Illicit Financial Flows (IFFs)
from Africa.**

14 to 15 September 2015

Nairobi, Kenya.

September 2015

Capacity Development Division

ECA

In collaboration with the

African Capacity Building Foundation (ACBF)

Context and Justification

In 2012, ECA and the African Union Commission set up the High Level Panel (HLP) on Illicit Financial Flows from Africa, chaired by former South African President, Mr. Thabo Mbeki. In addition, ECA commissioned background studies on the status of illicit financial flows in Africa and created the advocacy slogan: “IFF: Track it; Stop it; Get it” in support of the work of the panel.

The report of the High Level Panel on Illicit Financial Flows highlighted that similar to global rankings, commercial IFFs are the largest, followed by criminal flows, and outright bribery and theft by government officials is the smallest in terms of the three sources of cross-border illicit financial flows.¹ By many accounts; about \$50 billion is taken away from Africa yearly due to trade mispricing. (Estimates by the ECA place this figure to \$60 billion based on a different data set and approach)². These constitute funds that would otherwise be used for development. Besides, African gross domestic product would be at least 16 per cent higher were it not for illicit financial outflows based on conservative estimates.³

Key findings of the report underscore that:

- Illicit financial flows from Africa are large and increasing. Since they constitute a substantive drain on the domestic resources of Africa which could otherwise assist in the continent’s structural transformation; it is crucial to assist African countries to develop the capacity to track, stop and return them.
- The global architecture for tackling illicit financial flows is incomplete. Further, it is not clear how existing global initiatives to address commercial illicit financial flows affect African countries or address their specific needs.
- Development partners have an important role in curbing illicit financial flows from Africa. Essential contribution of development partners is also evident from the ongoing work in this area at the global level, particularly under the auspices of the G8, G20 and the OECD.

¹ ECA and AUC, 2015: *Report of the High Level Panel on Illicit Financial Flows from Africa*.

² ECA, 2013. *The State of Governance in Africa: The Dimension of Illicit Financial Flows as a Governance Challenge*.

³ ECA and AUC, 2015: *Report of the High Level Panel on Illicit Financial Flows from Africa*.

- Financial secrecy jurisdictions must come under closer scrutiny. In addition, activities and practices of tax havens and financial secrecy jurisdictions are considered cross-cutting issues in addressing illicit financial flows and raise the concern for some African countries' preference to become tax havens and financial secrecy jurisdictions (and implicitly money laundering) due to perceived benefits.
- Weak national and regional capacities impede efforts in effectively addressing illicit financial flows on the continent⁴. This lack of capacity is reflected at various levels, such as the lack of accurate data and up-to-date information, inadequate understanding of the various mechanisms used, and absent or ineffective legislative, regulatory and institutional frameworks.
- More effort is needed in asset recovery and repatriation. Global frameworks on asset recovery should be reconfigured to require that frozen assets be placed in escrow accounts in regional development banks rather than allowing banks that are culpable in accepting such deposits to continue to benefit from them.

The prompt passage of the High Level Panel Report on Illicit Financial Flows as a Special Declaration by the African Union Heads of States at the 24th African Union Summit was a critical step that demonstrated the concern shared by African governments about illicit financial flows. However, it only marked the beginning of the work ahead. Strong collaboration and consistent engagement between African governments and their development partners on the process of stemming illicit financial flows is extremely crucial.

In line with this, the ECA has worked to establish streamlined support to the anti-IFF agenda by creating a forum where all relevant stakeholders discussed how the recommendations of the HLP Report will be implemented and the roles and responsibilities they will respectively undertake. This was successfully achieved at the recent Stakeholder Workshop on the Implementation of the Recommendations of the High Level Panel Report on IFFs from Africa organized by the ECA in June 2015.

Since its release, the HLP Report has also roused deepened dialogue at all levels on the issue of IFFs, thus achieving part of its fundamental goals of becoming a beacon for all to rally behind in the fight against IFFs and helping to increase the discussion on the issue altogether. For the first time ever, the issue of IFFs was prominent during discussions at

⁴ Finding 11: Weak national and regional capacities impede efforts to curb illicit financial flows. ECA and AUC, 2015: *Report of the High Level Panel on Illicit Financial Flows from Africa*.

an international conference on development funding. The Third International Conference on Financing for Development (FfD3) which was held in Addis Ababa in July, 2015 solidified the commitment by the global community to work with Africa on the issue of curbing IFFs from the continent. Several discussions held during the conference made specific reference to the High Level Panel Report on IFFs from Africa and this was significantly exhibited in the outcome document of the conference which contained language on the issue of IFFs and the necessary work to be carried out towards its eradication.

The Stakeholder Workshop on the Implementation of the Recommendations of the HLP Report on IFFs from Africa and the substantial presence of the issue IFFs in the discussions and outcome document from the FfD3 ultimately underline the importance of bringing solutions to IFFs down to the national and regional levels. As such, this workshop will bolster awareness and involvement by stakeholders as well as focus on the practical implementation of the recommendations at these levels. This would be achieved through the methodical delivery of actionable proposals and tools by experts and specific financial ethics institutions aimed at;

- **Strengthening institutional capacities:** The HLP Report highlights that IFFs thrive in environments of weak institutional and regulatory capacity. Bearing in mind the development challenges which are present at the national level, the workshop will deliberate on strengthening such capacities and on measures for stolen asset recovery.
- **Increasing advocacy for national commitment and reform:** The Special Declaration on IFFs requests the continued engagement of the Chair of the Panel in advocacy work to disseminate the Panel's findings and to galvanize support from a broad coalition of partners and all stakeholders at the national, regional and global levels to implement the Panel's recommendations. To this end, the workshop will provide an opportunity for participants to be briefed on the anti-IFFs campaign platform dubbed "Stop the Bleeding" which was recently introduced during the FfD3. The campaign was launched by the Africa Civil Society Network as an avenue for African citizens' participation in the fight against IFFs.
- **Improving legislative frameworks to stem IFFs:** The HLP Report also underlined the issue of developing stronger legislative frameworks at the national, regional and continental levels to curb illicit financial flows by blocking loopholes and enabling better regulation of trans-boundary financial transactions. This will also help reinforce the abilities of institutions such as financial intelligence units, criminal investigators and tax officials to do their work.

- **Adopting tools to tackle IFFs:** The workshop will also address issues raised in the HLP Report by demonstrating several tools which have been developed to help monitor and conceivably curb illicit activities. Some of these tools are existing and already in use by several stakeholders while other potential tools are undergoing development, while constantly evolving to address the new forms of IFFs. Tools to be presented at the workshop will include those which address the issues of abusive transfer pricing as well as trade mispricing.
- **Following up on global processes:** With the issue of IFFs being so crucially relevant at the recent FfD3 in Addis Ababa, the workshop will take the opportunity to review the crucial topics in this context such as the matter of IFFs in the context of global financing for development and how the OECD BEPS and other global processes impact upon Africa.

With this in mind, this Workshop will bring together stakeholders who among other participants were involved in previous regional consultations with the High Level Panel on IFFs. This is to promote continued engagement at all levels in the implementation of the HLP recommendations while also providing the opportunity to strengthen the alliance against IFFs.

Objectives

The main objective of the event is to continue advocacy and initiate practical actions to implement the recommendations of High Level Panel.

Expected Outcomes

1. Identification of capacity development needs at national, subregional and continental levels for tackling IFFs.
2. Further sensitization of national and regional actors on the magnitude and impact of illicit financial flows from Africa using the findings of the HLP Report.
3. Awareness of legislative action required in terms of laws, policies and regulations to stem IFFs at the national, subregional and continental levels.
4. Delivery of knowledge on potential tools for the implementation of the High Level Panel recommendations to relevant stakeholders.
5. Development of consensus on actions required at the global level.

Participants

The event will attract member states; parliamentarians; decision makers from the African Union Commission (AUC); Regional Economic Communities; regional financial, revenue and customs organizations; academic leaders and experts; financial ethics commissions and other development partners as well as civil society organization working on IFF in Africa.

Dates and Venue

The Subregional Workshop Event will be held in Nairobi, Kenya from 14 -15 September 2015.

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