



**STEMMING
ILLICIT FINANCIAL
FLOWS (IFFs)
FROM
AFRICA**



THE JOURNEY SO FAR

BACKGROUND

The aim of the briefing note is to furnish the reader with information on ongoing efforts to curb IFFs from Africa following the release of the AU/UN High Level Panel Report on Illicit Financial Flows from Africa in 2015.

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In order to significantly improve its domestic resource mobilization efforts, African leaders agreed that the continent had to urgently address the critical challenge of Illicit Financial Flows (IFFs) from Africa. These illicit outflows derive from proceeds of tax evasion and laundered commercial transactions; proceeds of criminal activities; and proceeds of theft of public resources, bribery and other forms of corruption. IFFs are a huge drain on Africa's resources, including tax revenues, and hinder the level of savings required to address key development issues.

02

Some of the effects of illicit financial outflows are the drainage of foreign exchange reserves which limit a country's ability to import, negatively affect domestic resource mobilization by reducing the tax collection base, cancelling out of investment inflows and a worsening of poverty. Such outflows also undermine the rule of law, stifle trade and worsen countries' macroeconomic conditions. They are facilitated by some 60 international tax havens and secrecy jurisdictions that enable the creation and operation of millions of disguised corporations, shell companies, anonymous trust accounts, and fake charitable foundations. Other techniques used include money laundering and transfer pricing.

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It was in this context that a discussion to sensitize policymakers about the matter was organized at the 3rd Joint Annual Meetings of the AU/ECA Conference of Ministers of Finance, Planning and Economic Development in March 2011. After examining the issues at stake, participants called upon African Union Commission (AUC) and the United Nations Economic Commission for Africa (ECA) to lead the effort to combat illicit financial flows from Africa. Consequently, the 4th Joint Annual Meetings of the AU/ECA Conference of Ministers of Finance, Planning and Economic Development adopted Resolution L8 mandating the establishment of a High Level Panel (HLP) on illicit financial flows from Africa. It was inaugurated on 5 February 2012 in Johannesburg, South Africa.

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Following the Resolution of the Ministers, the HLP had the primary role of further exploring and gaining a better understanding of the nature of illicit financial flows out of Africa and assessing its impact on continental development. In addition, it was envisaged that the HLP would work to increase collaboration and cooperation amongst African countries, their Regional Economic Communities and external development partners to promote better global understanding of the scale of the problem for African economies and encourage the adoption of relevant national, regional and global policies, including safeguards and agreements to redress the situation.

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The Panel brought together eminent personalities from within and outside Africa who shared a common concern and expertise in the financial aspects of Africa's development. It was chaired by H.E. Mr. Thabo Mbeki, former President of South Africa while its Technical Committee was chaired by Dr. Abdalla Hamdok, former Deputy Executive Secretary of ECA. Following the Resolution of the Ministers, the HLP worked tirelessly with the support of its Technical Committee and through its Secretariat in Addis Ababa, Ethiopia and now resides at the AUC. Its primary role of further exploring and gaining a better understanding of the nature of illicit financial flows out of Africa and assessing its impact on continental development was duly achieved and this was clear upon the release of the High Level Panel Report.

THE SPECIFIC OBJECTIVES OF THE HLP AS DERIVED FROM THE RESOLUTION WERE AS FOLLOWS:

- a. Determine the nature and patterns of illicit financial outflows.
- b. Establish the level of illicit financial outflows from Africa.
- c. Assess the complex and long-term implications of illicit financial flows on development.
- d. Sensitize African governments, citizens and international development partners on the scale, and effect of financial outflows on development.
- e. Mobilize support for putting rules and regulations in place at all levels to tackle illicit financial outflows from Africa.

Release and Adoption of THE HLP REPORT

AU Special Declaration on IFFs

01

The HLP worked to compile all of its work including its findings, recommendations as well as the results of its numerous regional and global consultations on the issue into the 'High Level Panel Report on IFFs from Africa'. The report was first presented to African Ministers of Finance, Economic Development and Planning in Abuja (2014) before it was summarily presented by the Chair of the Panel to the African Union Heads of States at the 24th African Union Summit held in January 2015 in Addis Ababa, Ethiopia. The HLP Report delivered a deeper understanding of the nature and patterns of illicit financial outflows from Africa and helped raise awareness among African governments, citizens and international development partners of the scale and effect of such financial outflows on development. Subsequent to its presentation, the High Level Panel Report on Illicit Financial Flows was promptly passed as an AU Special Declaration on Illicit Financial Flows by the African Union Heads of States Assembly/AU/Decl.5 (XXIV) (<https://au.int/en/decisions-6>). This ultimately denoted a critical step which demonstrated the concern shared by African governments about illicit financial flows. However, it only marked the beginning of the work ahead.

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The Special Declaration encompassed the key concerns raised by the High Level Panel and noted that IFFs constitute a drain on the resources required for Africa's development, particularly in line with the growing need for domestic resources to meet the financial requirements for actualizing the AU Agenda 2063 and the Post 2015 Development Agenda, which both call for inclusive growth, sustainable development and social and economic structural transformation of Africa through optimal utilization of its natural resource endowments.

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The declaration also directed the Chair of the Panel to disseminate the findings and recommendations of the Panel within the continent and at the global level. The AUC supported by ECA and other African Institutions were asked to undertake further research and capacity development activities in this regard. They were further mandated to build the capacities of African Union Member States and institutions particularly in contract negotiation, tax management, asset recovery and other areas of importance highlighted in the report.

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The High Level Panel Report also roused deepened dialogue at the global level on the issue of IFFs. For the first time, the issue of IFFs was prominent during discussions at the International Conference on Financing for Development, the third of which was held in Addis Ababa in July, 2015. The Secretariat of the Panel worked to ensure that the Chair of the Panel actively participated in several round table discussions held during the conference on this crucial issue. As a result, numerous events and meetings which were held, made specific reference to, and explicitly welcomed the High Level Panel Report on IFFs from Africa. This was significantly exhibited in the outcome document of the conference - the Addis Ababa Action Agenda (AAAA) which underlined the importance of tackling multinational tax avoidance and was evidently instrumental in the inclusion of Target 16.4 to reduce IFFs in the Sustainable Development Goals (SDGs). The AAAA itself contained particularly strong language on the issue of IFFs stating that *"There is support for greater action to be taken on illicit financial flows, especially in the destination countries of those flows. There is also support for turning the United Nations Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body"*. On the margins of the conference, the Chair and the Secretariat also supported the African Coalition of Civil Society Organizations in the launch of the 'Stop the Bleeding' campaign which is the African Citizen's response to the scourge of IFFs.

BUILDING ON THE MOMENTUM

of the HLP Report

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In order to achieve the mandates delivered by the African Union Heads of States in the Special Declaration on IFFs, there was a clear need to not only disseminate the findings and recommendations of this report; but also to prepare an actionable plan for these recommendations to be collaboratively implemented at the national, continental and global levels. Given the numerous actors called upon by the Special Declaration, a coalition of willing African stakeholders led by the Secretariat developed a systematic and coherent framework (Anti-IFF Project) based wholly on the Recommendations of the High Level Panel. In line with this, less than a year after the Special Declaration was passed, the Consortium of Stakeholders working together to stem IFFs from Africa was established under the able leadership of H.E. Mr. Thabo Mbeki.

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To implement the recommendations, a systematic and coherent framework (Anti-IFF Project) has been developed based on the coalition of African institutions and non-African partners to coordinate and streamline the support for the implementation of the recommendations of the Panel. It was determined that the AU and its organs (African Union Commission (AUC), African Union Advisory Board on Corruption (AUABC), New Partnership for Africa's Development (NEPAD), African Peer Review Mechanism (APRM)) supported by other African institutions working at regional, sub-regional and national levels including UN Economic Commission for Africa (ECA), African Development Bank (AfDB), African Legal Support Facility (ALSF), Pan-African Parliament (PAP), the African Capacity Building Forum (ACBF), African Tax Administration Forum (ATAF), Pan-African Lawyers Union (PALU), Tax Justice Network Africa (TJN-A), Trust Africa, Open Society Initiative for West Africa (OSIWA), and the Coalition for Dialogue on Africa (CoDA). They committed to reverse the outflows by acting both on the specificities in the countries and the global level.

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This coalition of institutions was essentially the earliest form and foundation of what will eventually become a Consortium and its working group to coherently stem IFFs from Africa. In addition, the Chair and the Panel worked to promote continued engagement at all levels to galvanize the recommendations, mobilize broad support and strengthen the alliance against IFFs using regional and subregional workshops.

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This led to a cohesive and continued development of the HLP's implementation plan which grew into the holistic anti-IFF Project. It was thus agreed and decided upon during these consultations that the establishment of the Consortium of stakeholders to oversee the implementation of this anti-IFF Project and ultimately stem the growth of IFFs from Africa was a crucial necessity. In line with this, the inaugural meeting of the Consortium to Stem Illicit Financial Flows (IFFs) from Africa was then held in June 2016 in Johannesburg, South Africa. The main objective of the event was to discuss the Consortium's operations and the planned activities relating to the implementation of the recommendations of the Panel. Additionally, the meeting provided a platform for all members to share information and best practices in their work to stem IFFs from Africa.

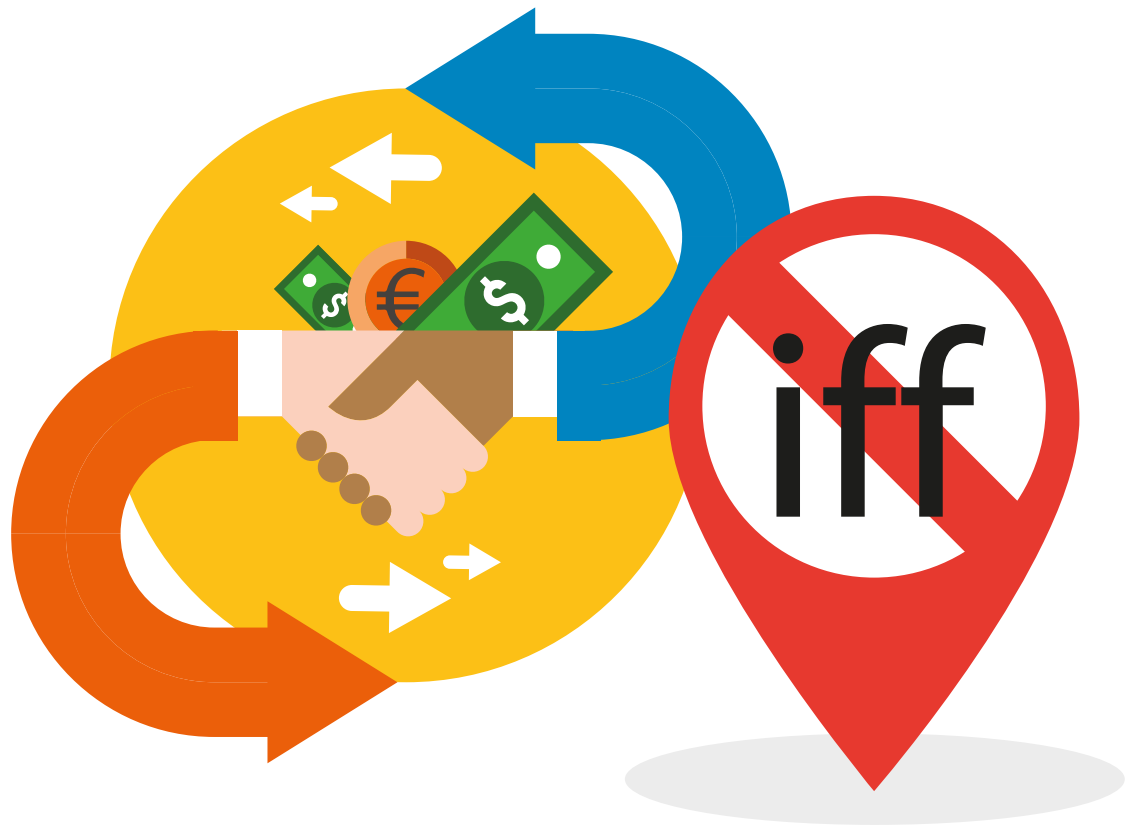
Track it!
STOP IT! Get it! ©



Illicit Financial Flows

Report of the High Level Panel
on Illicit Financial Flows from Africa

Commissioned by the AU/ECOA Conference of Ministers of Finance, Planning and Economic Development



05

The Consortium of stakeholders is co-chaired by H.E. Thabo Mbeki and Deputy Chairperson of the AUC and works to oversee the implementation of the recommendations. The African Union Commission officially launched the Secretariat of the Consortium at the African Union Headquarters in Addis Ababa. In the same vein, it also launched the office of the Coalition for Dialogue on Africa (CoDA) in a strategic move to strengthen the fight IFFs given that both CoDA and the Consortium on IFFs are special initiatives of the Commission. Besides ensuring more streamlined collaboration on the anti-IFF agenda, the main purpose of the Consortium is to leverage partnerships and provide overall strategic direction of efforts to reduce IFFs from Africa. Among other objectives, the consortium also:

a.

Provides a platform for exchange of experiences and best practices on the interventions to counter IFFs

b.

Guides a Joint Delivery of actions on the basis of comparative advantage and pooling of resources for effectively stemming IFFs from Africa.

c.

Compile the Annual Reports of African Union Member States based on feedback from them on their respective efforts to stem IFFs which is to be submitted to the AU Summit of Heads of State and Government.

06

Subsequently, a number of core members from within the consortium whom had been a part of the process since the report was released agreed to begin the technical work on the development of the Terms of Reference of the Consortium, the anti-IFF Project Document and all other necessary working documents by holding a workshop ahead of the next meeting of the Consortium. This turned out to be the First Technical Workshop of the Consortium to Stem Illicit Financial Flows (IFFs) from Africa which was held on 21 – 22 November, 2016 in Nairobi, Kenya. This meeting also led to the constitution of the IFF Working Group (IWG).

07

The IFF Working Group (IWG) operates as the technical arm of, and provides support to the Consortium as a whole. Unlike the Consortium meetings which are attended at the level of the head of the institution, the IWG's meetings are attended at the technical level of the institutions. Furthermore, the work of the IWG is based on the decisions of the Consortium as its work also feeds into the subsequent annual meetings of the Consortium. This approach is to promote ownership of this agenda by the continent as well as strengthen engagement and coherence among the African institutions and non-African partners in response to the specific mandates by the AU Special Declaration.

PHASE TWO

of the Implementation Process

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With the necessary coalition in place and the anti-IFF Project now completed and endorsed by the Consortium, Phase 2 of the Consortium's work, a framework for the monitoring and evaluation of this plan as well as the engagement of AU Member States began. The work of the Chair and the Panel as well as all anti-IFF activities undertaken by members of the Consortium are included in the Annual Report of the Chair to the AU Assembly.

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The Consortium ensures adequate African response to the scourge of IFFs by fostering joint delivery of actions on the basis of comparative advantage and pooling of resources. The Consortium's ongoing efforts include:



forge African stands in support of political and diplomatic advocacy (i.e. Common African Position on Asset Recovery and Returns (CAPAR) and Africa's Taxing Rights in a Globalized Economy);



study the phenomenon (i.e. the IFFs Index under development and national level Targeted Reviews);



foster targeted intervention (i.e. Anti-IFF Project and Monitoring & Evaluation Framework in support of the implementation of the HLP Recommendations);



undertake regional and global political and diplomatic advocacy in order to effectively curb IFFs from Africa;



provide a platform for exchange of experiences and best practices on the interventions to counter IFFs using a yearly conference (i.e. the Pan African Conference on IFF);



initiate capacity building efforts (i.e. the continental project to identifying and fight IFFs in the extractive sector and provide technical support to tax administrations in Africa;



mobilize African Civil Society Organizations (i.e. Stop the Bleeding Campaign).

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To act on the African Union's Declaration Assembly/AU/Decl.1(XXXI) - (<https://au.int/en/decisions/decisions-declarations-and-resolution-thirty-first-ordinary-session-assembly-union>) through which the AU Assembly instructed the development of a Common African Position on Asset Recovery (CAPAR), in July 2018, direct support is being provided to the AU Advisory Board on Corruption (AUABC).

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As the continent is taking tangible steps towards a coherent approach to curb IFFs, several non-African governments and institutions are also promoting increased international collaboration which is anchored on voicing common but mutually beneficial responses – a coordinated collaboration underpinning the necessity to make the global financial architecture more transparent and to strengthen accountability towards improved government, societal and corporate responsibilities; further paving the path for an inclusive and sustainable development.

THE CONSORTIUM

of Stakeholders Working to Stem IFFs from Africa



THE CONSORTIUM TO STEM ILLICIT FINANCIAL FLOWS (IFFS) FROM AFRICA

CHAIR

H.E. Thabo Mbeki, former President of South Africa & Chair of the High Level Panel (HLP) to Stem IFFs from Africa

CO-CHAIR

H.E. Thomas Kwesi-Quartey, Deputy Chairperson of African Union Commission

SECRETARIAT

African Union Commission (AUC) & Coalition for Dialogue on Africa (CoDA)

Statement of Purpose



The purpose of the Consortium to stem IFFs from Africa ("the Consortium") is to assist the High Level Panel on Illicit Financial Flows from Africa in coordinating and galvanizing support for the implementation of the recommendations of the Heads of State and Government of the African Union on curtailing illicit financial flows from Africa.

Objectives of the Consortium

The objectives of the Consortium are to:

Ensure coordination and coherence in efforts to curtail IFFs from Africa;

Lead in advocacy efforts to curtail IFFs from Africa;

Galvanize support from a broad range of partners, including civil society, the private sector and the international community in the implementation of the recommendations of the Heads of State and Government of the African Union on curtailing illicit financial flows from Africa; and

Monitor the progress in the implementation of the decisions of Heads of State and Government in adopting the recommendations of the HLP.



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Responsibilities of Members of the Consortium

The specific responsibilities of the members of the Consortium include to:

1. Develop a clear work plan with deliverable actions based on the Anti-IFF Project Document;
2. Mobilize resources for the implementation of the project's activities;
3. Prepare and disseminate periodic reports on IFFs from Africa;
4. Prepare Annual Reports on Stemming IFFs from Africa to be presented by the Chair to the Heads of States and Government of the African Union;
5. Provide leadership within their various institutions towards delivering on the activities of the Anti-IFF Project and otherwise fulfilling the mandate given by the Special Declaration on IFFs by the Heads of State and Government of the African Union; and
6. Support diplomatic and media campaigns on intergovernmental processes to be led by the African Union including the mobilization of the international community.

Membership of the Consortium

Membership of the Consortium is open to African Organizations engaged in IFFs activities on the continent. For the avoidance of doubt, 'African Organizations' includes African intergovernmental organizations, civil society organizations and other non-state actors.

Membership in the Consortium will be at the level of the head of institution only. The Consortium members will meet once in a year.

Partners of the Consortium

International institutions, non-regional institutions and the private sector may join as implementing partners.

African Member states as well as non-African stakeholders can be invited to meetings of the Consortium based on the agenda of the Consortium and at its discretion when dealing with an issue of particular competence.

Application to join the Consortium

Institutions wishing to join the Consortium as a Member or Partner may apply directly to the Consortium for consideration. In addition, existing members of the Consortium may propose a potential member or partner subject to the approval of the Consortium.

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