

“High Level Panel (HLP) on Illicit Financial Flows (IFF) from Africa”

Briefing Note on the ongoing efforts to curb Illicit Financial Flows (IFFs) from Africa

Introduction

The aim of the briefing note is to furnish the Reader with information on the work of the High Level Panel since its inception in 2012; as well as the ongoing efforts to curb IFFs from Africa following the release of the High Level Panel Report on Illicit Financial Flows from Africa in 2015.

I. Background

1. 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.

2. 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.

3. 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 Economic Commission for Africa (ECA) and the African Union Commission (AUC) 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.

4. 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.

5. 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; and
- e. Mobilize support for putting rules and regulations in place at all levels to tackle illicit financial outflows from Africa.

6. 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, the 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 which was housed within the ECA 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.

II. Release and Adoption of the HLP Report - AU Special Declaration on IFFs

5. Almost four years after its establishment, the HLP worked through its secretariat at ECA 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 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. This ultimately marked 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.

6. The Special Declaration not only demonstrated a full understanding of the concerns raised by Illicit financial flows, but also 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.
7. The declaration also directed ECA to disseminate the findings and recommendations of the Panel within the continent and at the global level. The ECA was asked to undertake further research and capacity-development activities in this regard. In addition to the AUC and other pertinent Pan African institutions and partners, ECA was 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 by the HLP report.
8. The High Level Panel Report also roused deepened dialogue at the global level on the issue of IFFs. For the first time ever, 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. This led to the Addis Ababa Action Agenda. ECA worked to ensure that the Chair of the Panel was an active part of several round table discussions held during the conference on this crucial issue. As a result, numerous events and discussions which were held, 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 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'*. In addition, ECA 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.

III. Building on the Momentum of the HLP Report

9. In order to achieve the mandates delivered by the African Heads of States in the Special Declaration on IFFs, it was clear that there is the need to not only disseminate the findings and recommendations of this report; but also to prepare an actionable plan for these recommendations to be implemented at all levels. Strong collaboration and consistent engagement between various African institutions, particularly those who had been specifically identified within the Special Declaration, was extremely crucial. In line with this, the ECA has worked to establish streamlined support to the anti-IFF agenda by creating a forum for these very institutions and other relevant stakeholders.
10. Given the numerous stakeholders and actors involved in the implementation of the recommendations, a systematic and coherent framework (Anti-IFF Project) is being developed based on the coalition of African and non-African stakeholders which first met at the Stakeholder Workshop on the Implementation of the Recommendations of the HLP Report on IFFs from Africa

in Addis Ababa, on 4 and 5 June 2015. They met to coordinate and streamline the support for the implementation of the recommendations of the Panel. The stakeholders included AU and its organs; ECA, AfDB, the RECs, the Pan-African Parliament, the African Capacity Building Forum, ATAF, GFI, Tax Justice Network-Africa and other Civil Society organizations. They committed to reverse the outflows by acting both on the specificities in the countries and the global level.

11. This coalition of Stakeholders was essentially the earliest form and foundation of what will eventually become the Consortium of Stakeholders working together to stem IFFs from Africa. Following the Stakeholder Workshop, ECA worked 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. This led to the Subregional Workshops to Curb IFFs which were held in Nairobi (September, 2015) with participants from Eastern and Southern Africa and in Accra (November, 2015) with participants from Central, Northern and Western Africa. Both workshops brought together stakeholders who among other participants were involved in previous regional consultations with the High Level Panel on IFFs.

12. The continued engagement of these consistent stakeholders meant a cohesive and continued development of the ECA's implementation plan which grew into the holistic anti-IFF Project. It was thus agreed and decided upon at these Subregional Workshops 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 on 13-14 June 2016 in Johannesburg, South Africa. The meeting which was organized by the Secretariat of the High Level Panel on IFFs and the ECA. The meeting was attended by Panel members and all relevant Stakeholders whom they have engaged in the process so far. These included the Pan-African and global institutions working on IFFs in 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, ongoing activities and best practices in their work to stem IFFs from Africa

13. Besides ensuring more streamlined collaboration on the anti-IFF agenda, the main purpose of the Consortium would be to leverage partnerships and provide overall strategic direction of efforts to reduce IFFs from Africa. Among other objectives, the consortium is expected to:

- a. Provide a platform for exchange of experiences and best practices on the interventions to counter IFFs
- b. Guide a Joint Delivery of actions on the basis of comparative advantage and pooling of resources for effectively stemming IFFs from Africa.
- c. Contribute to the Annual Report on Curbing IFFs which is to be submitted to the AU Summit of Heads of State and Government.

14. 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).
15. The newly formed IWG is expected to operate as the technical arm of, and provide support to the Consortium as a whole. The IWG's meetings are attended at the technical level of the institutions. Furthermore, the work of the IWG will be based on the decisions of the Consortium and its work will also feed into the subsequent annual meetings of the Consortium. The idea behind this was to promote ownership, strengthened engagement and coherence among the leading Pan-African institutions given specific mandates by the AU Special Declaration to support implementation of the recommendations of the Panel.
16. The IWG has now completed the anti-IFF Project Document in view of its review and endorsement by the Consortium at its next meeting in 2018. Following this, implementation of the anti-IFF Project will begin in earnest. The Coalition for Dialogue on Africa (CoDA) which has been a key member of the IWG and operates as a special initiative of the African Union, United Economic Commission for Africa and the African Development Bank will be directly leading the administrative efforts of the implementation process. In this regard, CoDA was found to be best equipped to support both the AU and the Consortium in tackling the issue of IFFs. As the CoDA secretariat will be directly handling IFF matters in support of the mandate of the Consortium, it in effect reports to the Consortium on all IFF related efforts.
17. The IWG's completed anti-IFF Project Document and other crucial documents have now been reviewed and endorsed by the Consortium in its last meeting held in May, 2018 under the leadership of the Chair. As a result, Phase 2 of the Consortium's work which entails Project Implementation and reengagement of member states and other stakeholders at all levels was approved. Furthermore, the presentation of the first Progress Report of the Chair to AU Member States is due to take place at the AU Summit of Heads of State and Government in July, 2018. Going forward, the IWG will need to suitably establish the details for the planned Phase 2 of implementing the Recommendations of the Panel's Report. Additionally, it would need to deliberate on best practices towards the engagement of member states and their greater involvement in the anti-IFF agenda nationally. The aim of which would be to trigger responses and extract the required information from them in order to report to AU Summits in a meaningful manner.
18. Concurrently, the members of the IWG have been working to follow up on and implement the decisions of the Consortium and the Project using their collaborative capacities to do so. This includes the work of CoDA and Trust Africa on the current development of an IFF Knowledge Hub as well as the co-organization of a Meeting to Converge Civil Society and the Media by both institutions.

19. Additionally, the Chair and the Panel are taking immediate steps to interact with Member States of the African Union. This is towards ensuring that the Chair's Report to this Assembly at its next summit details actions which the African Union Member States will have taken to help realize the objectives detailed in its Special Declaration on the IFFs. As part of these activities, the H.E. Thabo Mbeki visited the Federal Republic of Nigeria in October 2018. During the visit, the Chair engaged the President of Nigeria and AU Anti-Corruption Champion, H.E. Muhammadu Buhari on the country's ongoing work to tackle corruption and IFFs. The visit also saw the Chair and the Secretariat meet with the relevant ministries, departments and agencies of Nigeria to receive reports of the country's various anti-IFF activities as well as discuss proposed collaborations with the Consortium going forward.

20. Indeed, as we can all agree, the continent is taking tangible steps towards a coherent approach to curb IFFs. Several non-African governments are also taking steps on this issue which calls for 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.