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**Second Specialized Technical Committee on  
Finance, Monetary Affairs, Economic  
Planning and Integration  
Ministers' Meeting  
16-17 April 2018  
Addis Ababa, Ethiopia**

**Eco/STC/MAEPI(II)/MIN/Rpt**

**REPORT OF THE MEETING OF MINISTERS**

## **I. Introduction**

1. The meeting of the Second Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration was held at the African Union Commission in Addis Ababa, Ethiopia, on 16 and 17 April 2018. The meeting was chaired by H.E. Prof. Bahati Lukwebo Modeste, Minister of State for Planning of the Democratic Republic of Congo.
2. The meeting took note of the designation of the Arab Republic of Egypt as Third Vice-Chairperson of the Bureau of the STC, which is composed as follows:

**Chairperson:** East Africa-Republic of Sudan  
**First Vice-Chairperson:** Central Africa-Central African Republic  
**Second Vice-Chairperson:** West Africa- Republic of Senegal  
**Third Vice-Chairperson:** North Africa- Arab Republic of Egypt  
**Rapporteur:** Southern Africa-. Kingdom of Lesotho

## **A. Attendance**

3. The meeting was attended by representatives of the following Member States: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Ethiopia, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Kenya, Lesotho, Libya, Morocco, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sahrawi Arab Democratic Republic, Senegal, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.
4. The Common Market for Eastern and Southern Africa (COMESA) was also represented.
5. Also present were representatives from African and international institutions and representatives of the technical departments of the African Union Commission.

## **B. Opening of the Meeting**

6. The opening session was moderated by Dr Rene Kouassi, Director of Economic Affairs at the African Union Commission.
7. In his welcome remarks, H. E. Admasu Nebebe, State Minister of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, welcomed the guests to Addis Ababa and expressed his gratitude to the Commissioner for organizing the meeting and Member States for their participation. He highlighted that every year Africa loses almost US \$50billion through corruption and illicit financial flows (IFFs). He mentioned that, in order to combat corruption and illicit financial flows, Africa requires sufficient resources that should be mobilized within the continent for its development. He underscored the importance of Agenda 2063 and Agenda 2030 in fighting

against illicit financial flows and corruption. He indicated that Ethiopia has made efforts in fighting corruption and IFFs, through reforming its tax laws, ensuring transparency in the banking sector and the tax system. Efforts are being made to create awareness through the anti-corruption commission, to enable a corruption free environment. In addition, he stressed the importance of the use of media to create awareness. Also, there are investigations being conducted especially in the areas highly affected by corruption e.g. land administration, and action will be taken to recover any resources lost through corruption and illicit financial flows (IFFs).

8. On behalf of the Chairperson of the African Union Commission, H.E. Mrs. Amira ElFadil, Commissioner for Social Affairs highlighted the importance of the STC platform in fostering economic integration and in achieving objectives of Agenda 2063. She stated that the Commission will put in all the necessary efforts in order to successfully implement the African Continental Free Trade Area (AfCFTA). She noted that the African Union financial institutions would play a major role in implementation of the AfCFTA. She appealed to all countries that are yet to sign and ratify the legal instruments of the financial institutions to do so. She stated that African countries showed resilience following the recent collapse of commodity prices owing to progress in macroeconomic governance. However, the registered growth remained weak, and was unable to generate sufficient employment. She emphasized the need to strengthen the fight against corruption, to reduce the size of the informal sector and recover the stolen assets to finance the development of the continent. She concluded by expressing the desire of the Commission to work in close collaboration with Member States and Regional Economic Communities (RECs) in these areas.

### **C. Adoption of the draft agenda**

9. The Member States' representatives adopted the following agenda:
  - (a) Opening of the Meeting
  - (b) Adoption of the Agenda and Programme of Work
  - (c) Keynote Speech on topical economic issues in Africa and on "Mobilization of domestic resources: fight against corruption and Illicit Financial Flows"
  - (d) Panel Discussion on "Domestic resources mobilization"
  - (e) Panel Discussion on "Fight against corruption"
  - (f) Panel Discussion on "Fight against Illicit Financial Flows"
  - (g) Consideration of the Report and Recommendations of the Experts' Meeting
  - (h) Consideration and Adoption of the Report and Recommendations of the Ministerial Meeting and the Ministerial Declaration
  - (i) Any Other Business
  - (j) Closing of the Meeting

## **II. Account of proceedings**

### **A. Keynote Speech on topical economic issues in Africa and on “Mobilization of domestic resources: fight against corruption and Illicit Financial Flows”**

10. The keynote address was delivered by Mr. Julio Escolano, IMF Resident Representative in Ethiopia, in which he underscored the crucial role of domestic resources mobilization as a sustainable path to investing in social services and infrastructure for the achievement of both Agenda 2063 and Agenda 2030 for SDGs. Elaborating on the current continental macroeconomic context marked by uncertainties and turbulences since the end of the commodity boom super cycle in 2014 he highlighted the need for enabling national and regional environments as a catalyst to strengthening domestic resource mobilization.
11. He noted the importance of reforming tax systems through capacity and institutions building to enhancing tax revenue collection. In that regard, he underscored the need for African countries to consider a holistic approach to improve revenue mobilization, encompassing both tax policy and tax administration, to reduce opportunities for non-compliance and minimizing tax base leakage. Also, he emphasized the need for special regimes and incentives to have clear objectives and definitions and that they are monitored and evaluated on a regular basis. Further, he stressed the need for countries to implement tax policies that are the most difficult to evade and easy to comply with to take advantage of the tax potential of the private sector. In conclusion, he cautioned that in broadening the tax base, countries should avoid economically inefficient policies.

### **Discussions**

12. In the ensuing discussions, Member States welcomed the presentation by the IMF Resident Representative and noted its relevance in the current context where African countries are designing new strategies for enhancing their domestic resources mobilization capacities. They emphasized the importance of fighting against corruption and illicit financial flows in the context of making use of domestic resources for socio-economic transformation.
13. On the complexity of the tax systems, they highlighted the strategic options available for tax base widening. In that regard, they noted the importance of the formalization of the informal sector and enhancing engagement between fiscal authorities and the informal sector as a means to improving involuntary tax compliance. Experts also underscored the importance of consolidating tax regulations to make it easy for taxpayers and investors to find information on tax procedures and tax codes easily. It was also noted that diversification of African economies was crucial for mobilizing domestic resources, in addition to the resources that can be mobilized through taxation.

### **Recommendations**

14. The following recommendations were made:

- a) The AUC should liaise with different agencies and organizations working on corruption to strengthen capacity of Member States to fight against corruption; and
- b) The AUC, in collaboration with Member States' corruption boards, should publish a report on corruption in Africa on a regular basis.

## **B. Panel Discussion on “Domestic resources mobilization”**

### **Presentation**

15. The panel on domestic resources mobilization was chaired by Hon. Abena Osei-Asare, MP and Deputy Minister of Finance of Ghana. The panel was composed of H.E Modeste Bahati Lukwebo, H.E Dr. Mohamed Maait, Deputy Minister of Finance of Egypt, Prof. Emmanuel Nnadozie, Executive Secretary of the African Capacity Building Foundation (ACBF).

16. The chair introduced the theme and shared the experience of her country Ghana in the area of Domestic Resource Mobilization. She said that Ghana is dealing with inefficiency and leakages in the tax system through measures aimed at maximizing their revenue. She advised governments to look at the revenue mobilization in the area of extractive industry and provide appropriate capacity to administration bodies.

17. H.E Modeste Bahati Lukwebo stressed that changing mentality towards the payment of tax and reduction of the size of the informal sector are keys to mobilizing resources. He said that African countries should integrate and industrialize their economies in order to be more resilient to the international price shocks. Fiscal justice is also paramount and governments should give incentives to taxpayers through social programs and infrastructure. He advised that Member States should adopt strategies to implement successful Public-Private Partnerships.

18. On his part, Prof. Emmanuel Nnadozie said that informality is a major problem and that tax policies should seek to improve productivity in the informal sector. He noted that the issue of IFFs affects the revenue that could be mobilized to finance social and infrastructure programs. He underscored the need to minimize contact between operators and officials through the use of IT to modernize the tax system.

19. H.E Dr. Mohamed Maait said that those who are in the informal sector might be there because they have no incentive to move to the formal one. In that regards, provision of incentives and benefits packages are essential. Member States should set different regimes to deal with informality, as there is heterogeneity in the formal sector. He concluded by highlighting the importance of strong institutions and the need to design country specific policies.

## **Discussions**

20. Discussions were centered on the need for capacity building for Member States to enhance transparency in their financial and tax systems and increase revenue collection. It was also noted that taxing sectors like agriculture and land management might provide additional revenues. The meeting agreed that the ultimate objective of domestic resource mobilization should be growth promotion and jobs creation. The inefficiency of the administration are one of the causes of the low level of revenue collection and IFFs and should be addressed. In addition, the meeting underscored the need to use available financial resource optimally.

## **Recommendations**

21. After presentations and discussion that ensued, the following recommendations made:

- (a) Capacity building strategies should be set with a large inclusion of relevant bodies (revenues authorities, ministries of finance officials, parliamentarians, the judiciary bodies etc.);
- (b) Member States should set strategies towards more efficient and fair taxation systems in Africa and broaden tax bases to include the informal sector in an optimal and administratively feasible way;
- (c) Member States should develop legal, regulatory and policy options to maximize the impact of available financial resources, optimize the use of tax incentives and rationalize tax exemptions;
- (d) Member States to put in place efficient governmental and monetary tax payment mechanisms and endeavor to enhance tax revenue especially in the area of extractive industries;
- (e) Member States should harness ICT with a view to dematerialize administrative and fiscal procedures; and
- (f) Member States should define tax policies adapted to the informal sector and make good use of collected resources for its formalization.

## **C. Panel Discussion on “Fight against corruption”**

### **Presentation**

22. The Chairperson, Hon. Abena Osei-Asare, Deputy Minister of Finance of Ghana, introduced the session by underscoring the critical importance for Africa to fight against corruption with a view to bridging Africa’s financing gap to achieve progress through structural transformation.

23. In his intervention Prof Clément Kouakou elaborated on the importance of digitizing African tax systems to improve citizen’s confidence in tax systems. Underscoring that confidence is at the heart of effective tax regimes, he underlined the efforts being undertaken deployed by Côte d’Ivoire to reduce the spread of corruption in the public service.

24. On his part, H.E Modeste Bahati Lukwebo also emphasized the role of digitization in improving transparency of tax and custom systems as a means to strengthening good governance and accountability.
25. Underlining the example of Ghana, Hon. Abena Osei-Asare, noted that the harnessing of civic participation is crucial to ensuring that tax systems and tax regimes are understood and supported by citizens, especially in the current context of strengthening domestic resource mobilization. She noted that efforts by Ghana included setting up of an Office of the Special Prosecutor to investigate cases of corruption.
26. Mr Kassim Chabi Taba, representative of Benin underscored the need for the institutionalization of the fight against corruption. In that regard, he stressed the significance of the Anti-Corruption Unit recently established in Benin and placed under the direct authority of the President. He stressed the importance of reducing the contact between the taxpayer and the tax administration.
27. In her intervention, Mrs Mariame Hien/Zerbo of Burkina Faso noted the importance for African countries to sign and ratify Protocols and legal instruments aimed at fighting corruption. She underlined the importance of coherent frameworks through the streamlining of public administration procedures to prevent and reduce corruption incentives in the tax system. She noted that Burkina Faso has taken several steps to strengthen the fight against corruption including setting up of a strategy to fight against corruption, systematization of flows of funds and modernization of real estate management.
28. Elaborating on the gender dimension of corruption in Africa, Ms Letty Chiwara, UN Women Representative to Ethiopia, AU and ECA, said that Africa was losing approximately USD 148 billion equivalent of 25 % of its GDP annually due to corruption. In the perspective of achieving inclusive and sustainable growth, she emphasized the need for research on differential impact of corruption on gender in Africa, and engendering corruption indexes.

## **Discussions**

29. In the discussions, the meeting underscored the importance for African countries to elaborate and implement specific educational courses at all levels to build civic societies where the fight against corruption is an ethical value. In addition, the meeting discussed the social dimension of corruption with regards to its incidence to the provision of basic services to women, children and youth.
30. The meeting also discussed the importance of the ratification of Conventions and Protocols at continental and international levels to ensure that countries have taken the necessary actions in the fight against corruption. In that regard, the emerging consensus on some best practices underlined the need for assets declaration as a powerful tool to prevent and fight against corruption and illicit financial flows. This is crucial to ensure transparency and accountability to prevent corruption and unexplained wealth of officials.

31. The meeting noted that strengthening the capacity of existing institutions and ensuring their independence is important to tackle the root causes of corruption, investigate and prosecute corruption and related offenses.

## **Recommendations**

32. In the light of the discussions, the meeting formulated the following recommendations:

- a) There is need for Member states to elaborate and implement specific educational courses at all levels to build civic societies where the fight against corruption is an ethical value;
- b) There is need for Member states to sign and ratify all pertinent continental and international protocols and legal instruments dedicated to fighting against corruption; and  
The fight against corruption must involve the Heads of State and Government and Parliament, and judiciary, as well as the private sector and civil society.

## **D. Panel Discussion on “Fight against Illicit Financial Flows”**

### **Presentation**

33. The Chairperson, Dr Mohamed Abbas Maherzi, Director of Tax Policy, Ministry of Finance of Algeria, underscored the importance of preventing IFFs in Africa and introduced the members of the panel that was composed of Mrs Juldeh Ceesay, Deputy Permanent Secretary for Resource Mobilisation and International Cooperation of Gambia; Mr Ibrahim A. Zeidy, Director of COMESA Monetary Institute; and Mr Julio Escolano, IMF Resident Representative in Ethiopia. He further requested each panel member to respond to the following three guiding questions:

- What are successful experiences in tackling tax-related illicit financial flows?
- What policies could be used against trade mis-invoicing and anti-money laundering?
- How can successful regional integration assist in curbing illicit financial flows?

34. The representative from the Gambia informed the meeting that the new reforms have been undertaken by her country in order to strengthen tax administration, and institutions responsible for tax collection. She also indicated that the government had introduced the tax identification number (TIN) system, the computerization of tax systems and incentives for personnel from Revenue Authority to reduce corruption. Furthermore, she mentioned that the government has undertaken advocacy measures to sensitize the population on the necessity to fight against IFFs. She concluded by indicating that regional organizations should build the capacity of Member



States so that they can adhere and comply with regional and international protocols.

35. The representative from IMF on his part underscored the importance of the negative impact of illicit financial flows on the African economy. He also mentioned the need to harmonize customs procedures and trade statistics. At regional level, he recommended to have a clear definition on IFFs and exchange of information between enforcement authorities.

36. The representative from COMESA emphasized the need to build the capacity of Member States including customs and central banks officials, strengthen cooperation among Member States and share best practices at regional level.

### **Discussions**

37. During the discussions, the participants made several comments including the causes of the illicit financial flows on the continent and shared their country experiences.

### **Recommendations**

38. After the discussions, the meeting made the following recommendations:

- a) Regional organizations should assist in building the capacity of Member States so that they can adhere and comply to regional and international protocols;
- b) AUC should set up an African instrument for sharing good practices and a data sharing system. In this regard, AUC should carry out a feasibility study for the setting up of the two instruments, and report on the financial, legal and structural implications that could arise, for its submission for consideration during the next STC session;
- c) The AUC should build the capacity of Member States to better negotiate with the developed countries and partners;
- d) The AUC should evaluate the existing agencies involved in the fight against corruption, IFFs, and other related crimes, with a view to strengthening their capacities and propose how to coordinate their efforts and activities, and to report to the next session of the STC;
- e) The AUC should develop a methodology to measure IFFs;
- f) The AUC should take steps to harmonize customs procedures and methodologies to produce trade statistics; and
- g) Member States should rationalize the tax exemptions and tax incentives to reduce their impact on revenue and development of state and monitor implementation.

### **III. Consideration of the Report and Recommendations of the Experts' Meeting**

39. The Meeting took note of the Report of the Meeting of Experts and adopted the recommendations therein after making the following major comments:

### ***Discussions during opening session***

- a) South Africa recalled its reservation made during the experts meeting and expressed the need to include their reservation in the experts report.
- b) The AUC should send working documents in all languages of the African Union to Member States at least 30 days before the opening of an STC according to the existing Rules of Procedure;
- c) The AUC should send invitations to the STC through formal diplomatic channels i.e. embassies in Addis Ababa, and Ministries of Foreign Affairs as well as the competent authorities of Member States; and
- d) Request the AUC to consult closely with the Bureau of the STC in convening future sessions to ensure that meetings do not overlap and to ensure effective participation of all Ministers.

### ***Presentation and discussion on the Report of the Independent Experts' Meeting on the theme of the STC***

- a) The AUC, in collaboration with Member States, should develop terms of reference for a group of independent experts on Finance and to determine institutional links with the STC on Finance, Monetary Affairs, Economic Planning and Integration.

### ***Presentation and discussion under the theme: "Mobilization of domestic resources: fighting against corruption and illicit financial flows"***

- a) AUC should create its own mechanism to assess illicit financial flows, building on the existing ones at regional level, to measure the illicit financial flows and set up a data collection system to combat and track corruption and illicit financial flows. In addition, the Commission should establish a consultative forum to validate the data on corruption and illicit financial flows and share best practices and experiences.

### ***STATAFRIC and PANSTAT***

- a) The AUC should submit the draft Statutes of the two institutions to Member States for comments, in 30 days from the date of sending the two documents, or by 1 June 2018, to enable the Commission to finalise the two documents and submit them to the next STC.

## **IV. Consideration and Adoption of the Report and the Declaration of the Ministerial Meeting**

40. The Report and the Ministerial Declaration were adopted with amendments.

## **V. Any Other Business**

41. There were no discussions under this Agenda item.

## **V. Closing**

42. In his closing address, H.E. Prof. Victor Harison, AUC Commissioner for Economic Affairs, thanked Member States for their active participation in the Second meeting of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration. He called on Member States to support the Commission's efforts to produce high quality statistical data for an effective fight against corruption and illicit financial flows for better mobilization of domestic resources.

43. H.E. Prof. Bahati Lukwebo Modeste, Chair of the Second STC Ministerial Meeting, stressed the importance of domestic resources mobilization and called on Member States to redouble their efforts in the fight against corruption and illicit financial flows. He stressed that much work remains to be done to address Africa's development challenges in order to attract investment for the achievement of Agenda 2063.