

## CONCEPT NOTE

### High-Level Conference on the Promotion of Good Governance and Fight against Corruption

*This note discusses the organization of a High-Level Conference on Governance and Corruption on June 13-14, 2022, in Gaborone, Botswana. The Conference is a joint initiative by the IMF's Africa Training Institute (ATI) and the Department of the Economic Development, Trade, Tourism, and Minerals (ETTİM) of the African Union Commission (AUC).*

#### I. OBJECTIVES

1. The High-Level Conference on Governance and Corruption will discuss good governance for the achievement of Africa's growth opportunities and progress toward Agenda 2063 and the Sustainable Development Goals (SDGs). This is timely, as Africa is beginning to recover from the pandemic. The region's policymakers have a chance to recover the momentum stalled by the pandemic, including by drawing lessons from their experience in managing the COVID-19 crisis to strengthen governance and integrity systems. In so doing, African leaders in the public and private sectors can deepen and broaden the positive momentum on governance and anticorruption reform that many countries in the region had achieved in the decades preceding the pandemic. This work has become even more urgent in views of the spillovers on Africa from the unfolding security crisis in Europe, which exacerbates the adverse shock from the pandemic and other shocks (crisis in the Sahel, adverse climate events, etc.).
2. The conference will offer a platform for the AUC and the IMF to present their approaches for engaging with member countries on governance, and to share insights drawn from extensive experience contributing to institutional capacity development and integrity. The AUC and IMF will also share perspectives based on each institution's efforts to help member countries address governance and corruption issues in the context of the response to the COVID-19 pandemic and prior to the onset of the COVID-19 pandemic.
3. The specific objectives of the conference include to: (1) help build consensus on the macro-critical impacts of poor governance and corruption; (2) reaffirm African governments' commitment to prioritize anticorruption and good governance reforms; (3) identify the pillars of a plan of action to promote governance in Africa, including during crises such as the COVID-19 pandemic; (4) discuss the AUC strategy and the IMF

framework on governance and corruption, and disseminate key IMF and AUC messages on governance and corruption issues; (5) discuss African countries' capacity development (CD) needs on governance and corruption issues and CD opportunities offered by the IMF and other international organizations, and .

## **II. THE CONTEXT: WHY CORRUPTION AND POOR GOVERNANCE UNDERMINE SUSTAINABLE AND EQUITABLE DEVELOPMENT IN AFRICA**

4. The quest for good governance and curbing corruption is becoming a global phenomenon. Corruption and poor governance are moral and political problems that also have serious adverse macroeconomic consequences, especially in low-income countries. Economists often speak of a “governance dividend”—the payoff, in terms of better macroeconomic outcomes, from improving governance. There is also a consensus amongst economists that these payoffs are substantial. Research has established that corruption undermines sustainable development through a variety of channels .

5. Improved governance enhances the ability of governments to make the public investments that are essential for sustainable development, in areas such as infrastructure, research and development, education, and public health. Corruption deprives the government of the essential revenue. Customs and revenue authorities are better able to combat smuggling, tax evasion and illicit flows when tax officials adhere to strong governance principles. Furthermore, good governance can reduce the risk of harmful shifts in government spending toward items subject to graft (white elephant projects, for instance) at the expense of social expenditures. The COVID-19 pandemic highlighted the severe welfare consequences that can flow from poor government resource allocation decisions.

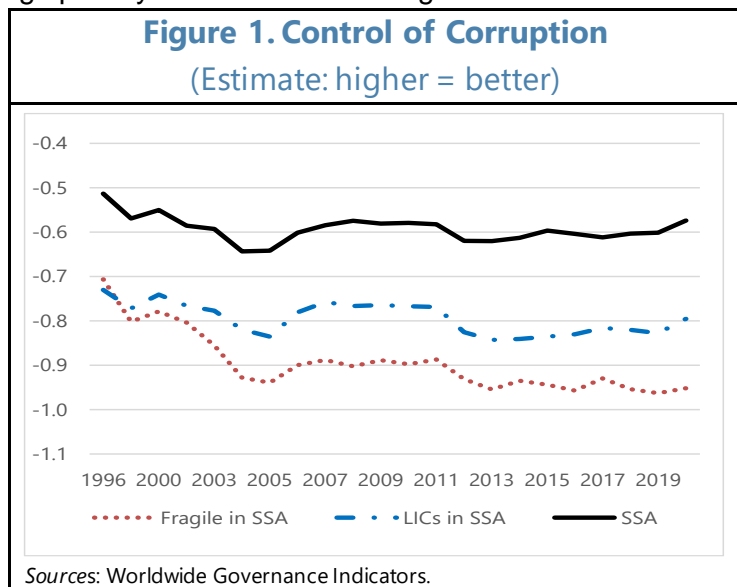
6. In addition to undermining public investment, poor governance undermines sustainable development by hindering the drivers of sustainable growth. Corruption stifles innovation and entrepreneurship by weakening property rights, by undermining the security of contracts and the fair resolution of commercial disputes and by imposing barriers to entry. Corruption deprives developing countries of capital inflows and is blamed for capital outflows, as ill-gotten gains are laundered abroad, and for uncontrolled emigration and “brain drain”. Some studies suggest that over roughly the last half-century, Africa lost close to US\$1 trillion (or US\$50 billion annually) in illicit financial flows (IFFs). Stronger institutions that address governance weaknesses would result in a better allocation of scarce human and financial resources amongst competing priorities and create a conducive environment for private investment and innovation, essential for productivity and economic transformation.

7. Corruption and misgovernance increase the risk of macroeconomic crises. Governments are more likely to have unsustainable budget deficits because corruption and misgovernance undermine revenue collection and promote excessive and inefficient

spending to purchase a political “*clientele*”. Research suggests that “crony capitalism” is associated with excessively risky loans by state-owned financial institutions to politically connected borrowers. Poor governance exacerbates social and economic inequality and sows the seeds of social unrest. Many forms of corruption hit the least fortunate especially hard—as when doctors demand under-the-table payments for medical services that are supposed to be free, or when public school teachers simply do not show up at their public schools but instead offer private tutoring to the children of more affluent families. Moreover, corruption can worsen systemic inequalities in critical sectors like the justice, education, and health systems. There have been recent reports of well-connected people receiving scarce COVID-19 vaccines before more vulnerable ones who are supposed to be a higher priority.

8. The experience with the COVID-19 pandemic showed how corruption and poor governance hinder emergency responses. Responding to the pandemic required a surge in public spending, to purchase essential supplies (such as personal protective equipment, ventilators, and, eventually, vaccines and other drugs) and offset the pandemic’s adverse economic impact (for example, by extending loans or grants to businesses, and providing enhanced unemployment benefits). Corruption risks undercutting these programs’ effectiveness by breeding government distrust, leading people to dismiss public health warnings, and undermining the response to the public health emergency.

9. Improved governance is a high priority in Africa. The leading international indexes suggest that corruption remains pervasive on the continent and African citizens consistently rank corruption as one of their top concerns, noting that many governments are not doing enough about it. Addressing corruption requires persistence. Several African countries have made progress—for example, by enacting right-to-information laws, improving integrity systems, embracing transparency even in traditionally opaque sectors like natural resources, and improving regulation. To support this trend, international organizations, including the AU and the IMF, are giving governance and anticorruption a higher profile in their policies and engagement with members.



10. Fighting corruption proves more difficult in bad times. Progress has been elusive in so-called “fragile states” and was disrupted by the COVID-19 crisis, as policymakers and multilateral institutions prioritized saving lives and livelihoods over accountability. The COVID-19 pandemic also offered lessons—both about the ways in which corrupt or inept governance can undermine crisis response, and how certain institutions or mechanisms can help mitigate waste, fraud, and corruption even during extreme emergency. These lessons create opportunities to regain the positive momentum of pre-COVID governance reforms in those countries where governance was improving, and to get progress underway in countries where it had not yet taken root. Indeed, though COVID-19 was a setback to the good governance reform agenda in some respects, it has raised citizen expectations for integrity, demonstrated the potential for innovative solutions (such as digitalization), and underscored the need for international collaboration and capacity development.

### **III. THE AU AND IMF’S APPROACHES TO GOVERNANCE AND ANTICORRUPTION**

#### **A. The AU**

11. The AU’s engagement on governance and anticorruption issues goes back over a decade. In 2010, the 3<sup>rd</sup> Joint African Union/United Nation Economic Commission for Africa’s (AU/ECA) Conference of African Ministers of Finance, Planning and Economic Development tasked the AUC and ECA to develop a strategy to tackle the problem of IFFs. This vision led to the adoption of Resolution L8 and the establishment in 2011 of a High-Level Panel (HLP), chaired by H.E. Thabo Mbeki, former President of South Africa, and including nine other members both from within and outside the African continent. The HLP submitted its findings and recommendations during the 24<sup>th</sup> AU Assembly of Heads of States and Governments in 2015. The AU Assembly adopted the recommendations of the High-Level Panel and a Special Declaration on IFFs (Assembly/AU/17/XXIV) to tackle IFFs and ensure the identification and repatriation of lost resources to Africa.

12. The AUC declared 2018 the year of African Anti-Corruption. In line with that theme, the AUC’s Department of Political Affairs, under its African Governance Architecture Platform, conducted activities directly with Member States to encourage good governance as outlined through the African Charter on Democracy, Elections and Governance (ACDEG). The ACDEG announces a set of norms and standards, including “universal values of democracy and respect for human rights; rule of law premised on supremacy of the constitution; the holding of democratic and credible elections; prohibition and rejection of unconstitutional changes of government; promotion and protection of the independence of the judiciary; sustainable development and human security; fostering citizen participation; transparency and accountability in the management of public affairs.” To date, 46 AU Member States have signed this Charter and 34 have ratified it. The AUC has held

several advocacy and engagement initiatives to encourage ratification and to improve governance throughout the continent.

13. Furthermore, the then then Department of Economic Affairs held its 1<sup>st</sup> Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning, and Integration, in April 2018 under the theme “Mobilization of Domestic Resources: Fight against Corruption and Illicit Financial Flows.” The Department also published a book on the same title, showcasing success stories on domestic resources mobilization from across the continent. The AUC Department of Economic Development, Trade, Tourism, Industry, and Minerals, the pan-African networks (African Tax Administration Forum, Collaborative Africa Budget Reform Initiative, African Organization of Supreme Audit Institutions, and African Organization of Public Accounts Committees), and GIZ through its Good Financial Governance in Africa program, are implementing a Multi-Donor Action to curb IFFs from Africa, a project funded by the European Union, and the governments of Finland and Germany. The project aims to contribute to the reduction of IFFs from Africa through capacity building and strengthening the role of institutions involved in the fight against IFFs in Africa.

14. In addition, the AUC has conducted consultations throughout Africa to promote the fight against corruption, focusing especially on consultations with young people. These consultations led to several specific recommendations, including a call for universal ratification and implementation of the African Union Convention on Preventing and Combatting Corruption (AUCPCC) and the UN Convention Against Corruption (UNCAC); adoption of the recommendations of the Report of the HLP on IFFs from Africa; and promoting greater access to information and protection of whistleblowers and activists working against corruption in Africa.

## **B. The IMF**

15. The IMF’s work on governance has been guided by a 1997 policy. According to that policy, the Fund would address governance issues related to (1) improving the management of public resources, and (2) supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to private sector growth—but only if Fund staff made a determination that poor governance has a significant current or potential impact on macroeconomic performance in the short to medium term. In the language the Fund uses, governance issues fall within the IMF’s remit if, but only if, those governance issues are “macro-critical.”

16. In 2018, the IMF Executive Board approved a Framework for Enhanced Engagement on Governance and Corruption Issues to promote a more “systematic, evenhanded, effective, and candid engagement on these issues with member countries.” The 2018 Framework was designed primarily to: (i) promote more systematic, consistent,

and candid assessments of the nature and severity of governance and corruption vulnerabilities across the membership; (ii) guide policy advice and capacity development to make them more granular and operational; (iii) address the transnational aspects of corruption; and (iv) strengthen collaboration with other international organizations

17. More specifically, the 2018 Framework consists of the following principal elements:

- The *first element* is designed to enable the Fund to assess the nature and severity of governance vulnerabilities. This includes an assessment of those state functions that are most relevant to economic activity—namely (1) fiscal governance, (2) financial sector oversight, (3) central bank governance and operations, (4) market regulation, (5) rule of law, and (6) Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)—as well as an assessment of the severity of corruption, in light of the evidence, summarized above, of corruption’s impact on a member’s ability to achieve sustainable inclusive growth.
- The *second element* will guide the Fund’s assessment of the macroeconomic implications of governance vulnerabilities, considering the standards for surveillance and the Use of Fund Resources. The policy paper accompanying the Board Paper lays out empirical evidence of the negative effect of governance vulnerabilities on economic performance; this is instrumental in determining whether these vulnerabilities should be addressed under surveillance when they are deemed severe.
- The *third element* provides a framework for policy advice and capacity development support to members where Fund engagement is warranted, emphasizing the key role demand-driven capacity development should play to help members address governance deficiencies.
- The *fourth element* focuses on measures designed to prevent private actors from offering bribes or providing services that facilitate concealment of the proceeds of corruption.

18. In implementing the 2018 Framework, the IMF’s approach to governance and anticorruption has also been informed by the experience with the COVID-19 pandemic. When the pandemic hit, the Fund took immediate steps to help member countries meet their urgent financing needs. In this process, balancing the need for rapid financing and appropriate accountability and transparency measures has been crucial. To reduce the risk that emergency financing was misused, the Fund took several steps:

- *First*, authorities receiving emergency financing from the Fund have generally committed, in their Letters of Intent, to a set of transparency and accountability

measures, such as publishing COVID-19 related procurement contracts (including beneficial ownership of companies); conducting and publishing audits; and reporting on COVID spending.

- *Second*, in those cases where the Fund identified severe governance vulnerabilities, the Fund worked with member states to ensure the implementation of governance-related actions prior to the disbursement of emergency funding.
- *Third*, in those cases where countries receiving the emergency assistance from the IMF have, or have sought, multi-year IMF financing arrangements, the Fund is working with those countries to address longer-term structural issues related to governance and corruption vulnerabilities in the context of those agreements.

### C. AU-IMF Approaches on Capacity Development

19. The AU and IMF are implementing these policies at the operational level. This implementation includes several programs supporting capacity development in Africa:

- The AUC is promoting peer-learning opportunities between Member States by disseminating good practices in the fight against IFFs. In addition, the AUC aims to strengthen governments' capacities to combat IFFs and raise awareness among stakeholders (including governments, the private sector, and civil society). In support of these initiatives, the AUC has produced a publication entitled "Domestic Resource Mobilization: Fighting Against Illicit Financial Flows and Corruption," which discusses measures to combat corruption and IFFs, and illustrates good practices with case studies of different countries from each of the AU's five regions. The AUC has also organized several High-Level Discussions under their Fridays of the Commission series and in Collaboration with Coalition for Dialogue on Africa calling on experts and Member States to propose concrete actions to fight corruption and IFFs. Further, the AUC coordinates the work on curbing IFFs by providing the Secretariat to the IWG. The IWG, composed of experts from the African Development Bank, UN Economic Commission for Africa, the African Capacity Building Foundation, and other stakeholders, aims to lead African efforts towards the continued collaborative implementation of the recommendations of the AU Heads of State and Government to curb IFFs from Africa.
- As regards the IMF, in 2018 the Board agreed that the Fund's capacity development on governance and corruption should be "appropriately prioritized with—and well-integrated into—surveillance and Use of Fund Resources." In addition, "recognizing the need for sustained efforts where weaknesses are entrenched, particularly in fragile states, directors emphasized the importance of a capacity development strategy anchored within a longer-term framework." This means addressing not only

urgent cases, with imminent and severe macroeconomic impacts, but also systemic vulnerabilities. In the last few years, increasing attention and resources have been dedicated to capacity building programs in anticorruption and rule of law in addition to continued support in IMF traditional areas. Training programs have supported the implementation of Governance Diagnostics' recommendations for strengthening anticorruption legal and organizational frameworks, establishing functional systems for asset declarations, and addressing conflict of interest, and enhancing judicial independence and the transparency of legal systems. This effort was scaled up during the COVID-19 pandemic.

- The ATI's Steering Committee endorsed proposals to do more work in the area, including through the organization of a high-level conference to raise policymakers' awareness on the impact of poor governance and corruption, and a peer-learning event to offer African government officials an opportunity to exchange views on common challenges and best practices.

#### **IV. ORGANIZATION OF THE CONFERENCE**

##### Venue and Date

20. The High-Level Conference on Governance and Corruption is to be held at the Gaborone International Convention Centre in Gaborone, Botswana, from 13-14 June 2022. It is organized by the AUC Commission and the IMF's Africa Training Institute in collaboration with the IMF five regional technical assistance centers in sub-Saharan Africa (AFRITAC Central, East AFRITAC, AFRITAC West, AFRITAC West II, and AFRITAC South). The conference will be hybrid. It will be held in-person in Botswana where most speakers will gather and will accommodate other attendees who will connect through zoom links. The remote attendees will include ATI alumni that attended recent courses on governance and corruption issues. There will be simultaneous interpretation in English, French, Portuguese, and Arabic.

##### Target audience

21. About 200 officials have been invited by the AUC and the IMF. The target audience is principally government officials (such as Ministers of Finance, Economy and Planning, heads of revenue mobilization agencies, and Central Bank Governors and deputy governors) from each of the 55 AU Member States, as well as representatives of Regional Economic Communities (RECs), CEOs of African stock exchanges, and leaders of regional civil society organizations (CSOs) interested in governance and corruption issues. Each AFRITAC will sponsor two high-level government officials per country who will attend the conference in person. AFRITACs will support the participation in virtual mode of additional



relevant government officials. ATI will invite its alumni to attend, with nominative invitations to those alumni and speakers of the last two courses on governance and corruption.

22. Panelists and speakers have been selected to balance theoretical knowledge and practical expertise and understanding of the peculiar circumstances of the African continent, including historical background and societal preferences. As a result, speakers will include policymakers and government experts on governance and corruption issues, representatives of firms and advocacy organizations, representatives from regional organizations, AU and IMF officials, and academics. To help guide their interventions, speakers and discussants will be provided a short description of expectations of each session. Presentations are expected no later two weeks before the conference. This will allow translation of the material and will give interpreters time to familiarize themselves with the subjects. Panelists and speakers will be provided audio equipment to ensure they are heard well by those attending remotely.

#### Languages

23. The Conference will be delivered through simultaneous interpretation in Arabic, English, French, and Portuguese.

#### Programme of Work

24. The conference will take place over two days, with a rotation of plenary sessions to discussed broad strategies and objectives with breakout sessions to discuss technical themes and implementation issues.

- Day 1 will focus on the governance challenges facing Africa right now, including the issues related to the COVID-19 pandemic and the security crisis in Europe, as well as on the AUC and IMF approaches to addressing corruption.
- Day 2 will focus on the road ahead to address corruption in core state functions: experience sharing, lessons learned, what the priorities should be going forward, and how to foster effective collaborations.

#### Expected Outcomes

25. The expected outcomes of the conference include a document summarizing discussions, a compilation of presentations and questions raised representing the acts of the conference, and the establishment of a network of counterparts on governance and corruption issues. A press release will be issued at the end of the conference. The AUC and the IMF will develop a communication strategy to promote the conclusions of the conference.