

DIRECTORATE OF INFORMATION & COMMUNICATION

Press Release No: /2020

Date: 1 DEC 2020

Venue: Addis Ababa, Ethiopia

African Union Commission set to launch a Multi-Donor Action against Illicit Financial Flows in Africa.

Illicit Financial Flows (IFFs) have been at the centre of discussions in Africa due to their negative impact on development financing, sustainable development and growth. The emergence of the COVID-19 pandemic has exacerbated the fiscal deficit situation in some African countries, equally bringing to the fore, the urgency to address the vice of the illicit outflows. This is in acknowledgement that the contraction in budgetary resources is likely to impede and delay the implementation of Africa's Agenda 2063 and the United Nation's Sustainable Development Goals (SDGs) and therefore, strengthening domestic resources mobilization by intensifying the fight against IFFs, and supporting current continental ongoing initiatives is crucial.

To enhance efforts to combat the scourge of IFFs on the African Continent, the African Union Commission through the Department of Economic Affairs, is scheduled to launch a Multi-Donor Action to add to the existing mechanisms established to stem the illicit outflows. This joint action is co-financed by the European Union (EU) and the German Federal Ministry of Economic Development and Cooperation (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) through the Good Financial Governance in Africa Programme. The Multi-Donor Action will be launched during the African Union's Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration from 1st to 4th December 2020.

The Multi-Donor-Action employs a two-fold implementation methodology and aims to strengthen the capacities of the AU Commission to play a pivotal role in coordinating anti-IFFs policies on the continent. Simultaneously, the project focuses on the implementation of country pilot measures via the pan-African networks African Tax Administration Forum (ATAF); Collaborative Africa Budget Reform Initiative (CABRI); African Organisation of Public Accounts Committees (AFROPAC); and the African Organisation of Supreme Audit Institutions (AFROSAI). The Action is embedded in wider international initiatives, amongst them the Addis Tax Initiative, the resolution on the Impact of IFFs on Development Finance and the AU Special Declaration on IFFs.

Domestic Resource Mobilisation (DRM) is one of the most promising sustainable development financing sources. However, tax-to-GDP ratios in most of African countries have remained extremely low – averaging only 18 percent in 2018. Tax revenue under-collection is largely associated with considerable IFF in the region. A

recent report by the United Nations Conference of Trade and Development (2020) estimated losses at about US \$89 billion annually. These outflows are of tremendous concern, given the various socioeconomic challenges still faced by the continent. The amount of Official Development Aid (ODA) of US \$48 billion and foreign direct investment of US \$54 billion received on average annually between 2013 and 2015 amounts to nearly the same amount lost in illicit financial outflows.

To address the existing and emerging gaps, several initiatives are being undertaken to curb the fight against IFFs on the continent. The establishment of the High-Level Panel (HLP) on Illicit Financial Flows led by H.E. Thabo Mbeki, former President of South Africa was a stepping stone to ensure Africa's accelerated and sustained development, relying as much as possible on its own resources that includes strengthening the fight against IFFs. Interrelated, the Consortium to Stem IFFs was established under the leadership of H.E. Thabo Mbeki to implement the recommendations of the HLP Report and to ensure a more streamlined collaboration on the anti-IFF agenda while leveraging on partnerships to stem IFFs from Africa. The AU dedicated the year 2018 theme to "*Winning the Fight against Corruption: A Sustainable Path for Africa's Transformation*," a concerted effort of the organization's willingness to combat poor financial governance, misallocation of budget resources, obstacles to productive investment, and systemic increase of inequality across the continent. As part of the activities to support the objectives of the theme, the Commission, through the Department of Economic Affairs, published a [book](#) on "Domestic Resource Mobilization: Fighting against Illicit Financial Flows and Corruption". The book is a collection of best practices from various member states and partners on their efforts to combat IFFs. The African Union is also in strategic partnerships for closer collaboration in the addressing the existing and emerging challenges and gaps in the fight against the outflows. Such partnership includes the African Tax Administration Forum (ATAF) partnership; the Global Forum where the AU Commission sits as an associate member/observer; the IFFs and oil commodity trading- AUC and OECD joint project; among others.

Illicit Financial flows are often associated with the extractive sector as extractive industries are particularly vulnerable to IFFs due to the complex and elaborate global value chains associated with the sector. More so, the lack of financial transparency in the extractive sector all too often allows for sector-wide corruption and prevents governments from collecting the needed revenue. Illicit financial flows related to the export of extractives commodities (\$40 billion in 2015) are the largest component of IFFs in Africa, serving to further drain the continent of critical resources necessary to drive its development agenda. The Extractive Industries Transparency Initiative (EITI) and the International Council on Mining and Metals (ICMM) along with international donors have provided a wealth of lessons learned and best practices. However, these initiatives have primarily remained fragmented and have yet to be scaled up and fully integrated into broader sustainable development strategies.

Learn more about the **Extraordinary Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration** convened under the theme, "Securing Africa's Taxing Rights, Stemming Illicit Financial Flows and developing payment system for AfCFTA" - [here](#).

For further information please contact:

Doreen Apollos, Directorate of Information and Communication | African Union Commission | E-mail: ApollosD@africa-union.org | www.au.int | Addis Ababa | Ethiopia

Otsile Malebaco | GIZ-Good Financial Governance in Africa Public Relations and Communication Officer | +27 76 357 1443 | Email: otsile.malebaco@giz.de

Directorate of Information and Communication | African Union Commission,
E-mail: DIC@african-union.org | **Website:** www.au.africa | Addis Ababa | Ethiopia
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