**STATEMENT OF THE DEPUTY CHAIRPERSON, AT THE HIGH LEVEL MEETING ON THE CONSORTIUM TO STEM ILLICIT FINANCIAL FLOWS FROM AFRICA.**

It is a great pleasure for me to join you at this Consortium meeting which maybe the second of its kind, but is just another key event in a long series of efforts to reduce IFFs from Africa. Efforts which the Chair, the High Level Panel and all present have led or been an active part of since the Panel was inaugurated over six years ago here in South Africa. You may recall that at that time, 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. The designation of this year as the African Anti-Corruption Year is further proof that our leaders are still very concerned by this issue and committed to eradicating corruption as well as IFFs altogether.

Almost four years after its establishment, the HLP the High Level Panel Report on Illicit Financial Flows was promptly passed as a 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.

The declaration also directed for the dissemination of 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 this, the AUC, ECA and other pertinent Pan African institutions and partners, were 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.

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, AUC/ECA worked to establish streamlined support to the anti-IFF agenda by creating a forum for these very stakeholders.

IFFs are a huge drain on Africa's resources, including tax revenues, and hinder the level of savings required to address key development issues. The HLP Report indicated that over 50 billion USD is lost annually in illicit outflows. Given the present momentum that this issue has raised, working together to address these outflows would mean beneficial resources for the continent towards its own development. If we track and recover even a fraction, say ten percent of that 50 billion which has been lost; that is a resource which could inevitably lead to the building of schools and universities which would develop more professionals to help in the fight against these illicit outflows.

Furthermore, recovering lost assets towards STEM education is another key area which should be prioritised. As highlighted in the HLP Report, many African countries are vulnerable to illicit financial practices as a result of their extractive industries. Investing recovered assets into STEM education is key to developing counter measures to this vulnerability. Given that mining is an increasingly technologically intensive industry, requiring skills, knowledge and research and innovation in science, technology and Engineering services, most mineral exporting African countries would need to invest in STEM education due the following reasons:

Natural resources exploitation technologies generally require the ability to determine the quality and classification of the mineral ore which would be used in valuing the price in international markets. While most mining companies possess sophisticated knowledge and equipment in anaylzing ore quality, most African states do not have the capacity (knowledge, skills, and laboratory equipment) to determine what quality of mineral ores they are exporting to the international markets. There are limits to the extent to which they are able to put value on their resources and thus determine the rents that should accrue to the state. A high proportion of illicit outflows of funds from Africa stem from these limited STEM skills available in mineral dependent countries.

The second strategic point about investing in STEM education and stemming IFFs is that adequate supply of STEM skills and R&D capacity are pre-requisite for adding value to mining raw materials or beneficiation (addition value to the mined ore) which in turn will spur industrialization in African countries with abundant mineral resources. Due to the fact that most IFFs occur due to the raw exports of minerals outside of Africa, adding value would reduce the incidence of this phenomenon in the mining sector. The point is exporting raw materials (often due to lack of STEM skills to add value locally) contributes disproportionately to the high incidence of IFFs in the mineral sector in Africa. Thus, investing in STEM skills would contribute greatly in stemming IFFs.

Indeed, as we can all agree, the AU continent is taking tangible steps towards a coherent approach to curb IFFs. Non-African governments are doing the same which calls for a collaboration anchored on voicing common but differentiated 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 key task is to dismantle the system extracting wealth from Africa. This requires action by African civil society organisations to press for change in their countries, and action by civil society organisations in the countries that are enabling this wealth extraction to take place, such as the UK. Global elites have no intrinsic interest in changing a system that benefits them. It is critical for civil society organisations to expose the role of multinational corporations and Northern governments in impoverishing Africa and to step up their work in building coalitions to end tax dodging and other unfair resource transfers out of Africa.

**RECOMMENDATIONS OF WAYFORWARD.**

Promote economic policies that genuinely lead to equitable development. Africa's economy has been growing at 5% in recent years but poverty remains deep and is rising, showing how current models of economic growth are not generally benefitting the poor. For decades, Western governments have been encouraging or forcing African governments to promote trade and investment liberalisation and privatisation, as though opening up economies is an end in itself. These policies have mainly enriched foreign investors – but have not tended to benefit Africa's people.

African governments must be allowed and helped to promote development models that: fairly create and redistribute wealth, create jobs for citizens, promote social welfare, ensure the progressive taxing of the rich, and protect natural resources and ecosystems and the rights and livelihoods of the communities who rely on them. Economic policies that nurture domestic companies over foreign investors are likely to have the greatest development impacts.

In East Asia, which has spectacularly reduced levels of poverty in recent decades, a key policy was state intervention to nurture and develop domestic industries. This often involved imposing protectionist trade barriers to keep out foreign competitors, until the point when those industries were strong enough to compete in world markets.

Reconfigure 'aid' as reparations to – at least – compensate for the wealth extracted from Africa. An independent international process is needed to specify the degree to which individual countries are responsible for extracting wealth from Africa. This process must include evaluations of all the resource flows considered in this analysis, including the costs associated with adapting to and mitigating climate change.

African academic and civil society organisations could undertake analyses of the movement of resources between their countries and the rest of the world. Progress should be made towards a true international aid system that is not based on voluntary donations but on reparations for damages caused.

Transform aid into a process that genuinely benefits Africa. Currently, much 'aid' from Western governments, which we count here as 'inflows', actually contributes more to outflows from Africa: aid that pushes privatisation in key sectors (such as public services), free trade or unfettered private investment can simply open up economies even further to exploitation by foreign companies.

If aid is to benefit Africa, it must be delinked from Western corporate interests and be based on African priorities negotiated through open processes in country. To ensure this, there must be much greater national and international scrutiny over cooperation programmes.