

Understanding the socioeconomic impacts and policy implications of Illicit Financial Flows in Africa

CALL FOR APPLICATIONS AND NOMINATIONS

Announcement in Brief

Type : Short Term Course

Program Area : Illicit Financial Flows

Beginning of the course : 05 October 2020

Duration : 8 Weeks

Language : Bilingual (English & French)

Location : Web Based E-Learning

Fee : Covered by the UNECA

Application Deadline : 20 September 2020

Specific target audience : Technocrat in the fields of Illicit Financial Flows

Website : <http://services.unidep.org/e-idep/>

Applications : <https://www.unidep.org/?apply>

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PROGRAM RATIONALE

Cross-border capital movements that serve to conceal illegal activities or evade taxation have been recently placed at the center of the continental agenda. Trade mis-invoicing, profit shifting by multinational corporations, and offshore bank deposits to conceal the proceeds of crime or simply to avoid taxes, all deprive national treasuries of much needed resources - which could otherwise be invested in development. Vulnerable populations in developing countries are the most affected by the harmful consequences of illicit financial flows. Revenue losses due to illicit financial flows compromise development and impede the effective provision of public services in affected countries.

Illicit financial flows have long been at the center of discussions on development in Africa, particularly due to the existence of a wide consensus on their negative impacts on development financing in Africa. The loss of trillions of resources for public use has become a matter of major concern everywhere, not least because it hinders the achievement of the Sustainable Development Goals.

Over the last 50 years, Africa is estimated to have lost more than \$1 trillion in illicit financial flows (IFFs) (Kar and Cartwright-Smith 2010; Kar and Leblanc 2013). This sum is roughly equivalent to all the official development assistance received by Africa during the same timeframe.² Currently, Africa is estimated to be losing more than \$50 billion annually in IFFs. But these estimates may well fall short of reality because accurate data do not exist for all African countries, and these estimates often exclude some forms of IFFs that by nature are secret and cannot be properly estimated, such as proceeds of bribery and trafficking of drugs, people and firearms. The amount lost annually by Africa through IFFs is therefore likely to exceed \$50 billion by a significant amount.

The revenues drawn from natural resource extraction should result in greater domestic revenue mobilization, which can serve to finance social expenditures and public investments. An abundant literature, however, indicates that this is not the case, in part due to high levels of commodity trade-related IFFs. The latter may result from trade mispricing (under-invoicing of commodity exports to reduce export duties and corporate income tax) or abusive transfer pricing (trade mispricing between affiliates of the same multinational group).

These outflows are of serious concern, given inadequate growth, high levels of poverty, resource needs and the changing global landscape of official development assistance. Although African economies have been growing at an average of about 5 per cent a year since the turn of the century, this rate is considered encouraging but inadequate. It is, for example, below the double-digit growth that has propelled transformation in parts of Asia. Further, the benefits of this growth have mostly been confined to those at the top of the income distribution and it has not been accompanied by an increase in jobs. Aside from the equity issues that this raises, it also means that this growth may not be sustainable due to possible social unrest. The global commodity super-cycle that has contributed to Africa's growth is coming to an end, while macroeconomic factors such as debt reduction might be a once-off effect.

Poverty remains of serious concern in Africa in absolute and relative terms. The number of people living on less than \$1.25 a day in Africa is estimated to have increased from 290 million in 1990 to 414 million in 2010 (United Nations, 2013). This is because population growth outweighs the number of people rising out of poverty. Moreover, GDP per African was around \$2,000 in 2013, which is around one-fifth of the level worldwide (IMF, 2014). Poverty in Africa is also multidimensional, in the sense of limited access to education, healthcare, housing, potable water and sanitation. This situation puts the loss of more than \$50 billion a year in IFFs in better perspective.

Investment requirements to realize the Sustainable Development Goals in Africa are estimated at between \$600 billion and \$638 billion annually, equivalent to about one third of the continent's GDP. Infrastructure spending alone amounts to approximately \$72 billion annually,

but the annual financing gap stands at between \$50 billion and \$93 billion. Countries in Africa need to do more to mobilize domestic resources to finance sustainable development, including by improving tax revenue management, plugging illicit financial outflows, reducing the cost of transferring remittances from abroad and developing capital markets to attract private investment. Current developments in the global arena in fact make the challenge posed by IFFs more acute. The resources that Africa receives from external partners in the form of official development assistance are stagnating due to the domestic fiscal challenges of partners, who in response are seeking to reduce such expenditures. Africa will therefore need to look within the continent to fund its development agenda and reduce reliance on official development assistance. IFFs are also of concern because of their impact on governance. Successfully taking out these resources usually involves suborning of state officials and can contribute to undermining state structures, since concerned actors may have the resources to prevent the proper functioning of regulatory institutions

Cognizant of the detrimental effects of IFFs on Africa, the 4th Joint Annual Meeting of the AU/ECA Conference of Ministers of Finance, Planning and Economic Development adopted Resolution 886 mandating the establishment of a High-Level Panel on Illicit Financial Flows from Africa. The Panel is chaired by H. E. Thabo Mbeki, former President of the Republic of South Africa, and comprised nine other members both from within and outside the continent. Furthermore, the African Union dedicated the year 2018 to combatting corruption under the theme “Winning the Fight against Corruption: A Sustainable Path for Africa’s Transformation”.

Since then there has been a lot of movement forward. Comprehensive strategic and policy recommendations were released by the High Level Panel on the IFF to guide IFF policy frameworks at national, sub-regional and continental levels; the Addis Tax Initiative resulted from the Third Conference on Financing for Development, held in Addis Ababa in 2015, and Sustainable Development Goal 1 contains a specific target (16.4) to reduce the level of illicit financial and arms flows. In addition, many national activities organized under the Extractive Industries Transparency Initiative have been effective in strengthening public debate and promoting policy options around signature bonuses, unpaid royalties, fuel subsidies and the theft of crude oil and refined products. In addition, the inclusion of the notion of “real property” (roughly equivalent to beneficial ownership) in the Extractive Industries Transparency Initiative (EITI) Standard, in theory will have strengthened the power of the Initiative to help to prevent IFFs in the extractive sector. Action is being taken by some countries to improve financial transparency. For example, some countries have taken steps to create public registries of information on the ‘beneficial owners’ of all firms, namely those who have the right to receive the profits generated from the firm (Global Financial Integrity, Trust Africa, the Tax Justice Network – Africa, the Pan African Lawyers’ Union, CRADEC and Civil Society Legislative Advocacy Centre, 2017).

However, financial outflows through illicit tax practices from developing nations can be reduced and stemmed only by enhancing and improving relevant capacities across the board, including policy-makers, representatives of member States working in their respective tax and revenue authorities, media researchers and professionals.

It is against the above background that the African Institute for Economic Development and Planning of the United Nations Economic Commission for Africa, the African Capacity Building Foundation and TrustAfrica are collaborating to support African countries efforts in building a critical mass of skilled middle career and senior governments official, civil society organization and media actors on “the socio-economic impact and policy implications of illicit financial flow in Africa”.

LEARNING OBJECTIVES

The overarching objective of the course is to contribute to understand the socio-economic impacts and the complex web of policies related to illicit financial flow, and in particular to highlight the issue of legislation, coherence; capacity and measurement that arise and how they can be addressed. Specific objectives of the course include :

- Enhancing the knowledge and technical skill of governments officials, legislators, media professionals, development activists and researchers on the IFF through an online and insitu trainings;
- Equipping the target audiences in countries with appropriate tools to counter illicit financial flows in a coherent way;
- Strengthening the capacity of African countries, and Regional Economic Communities (RECs) in planning, designing and implementing appropriate policy and measures to counter illicit financial
- Promoting functional institutional governance to build a coordinated and coherent approach to implementing risk mitigating policies to prevent and deter illicit financial flows encompassing all the relevant government departments and agencies.

CONTENT AND STRUCTURE

The course consists of the following key modules:

- **Module 1:** Conceptual Basis: Illicit Financial Flows: Definitions, Components and Size
- **Module 2:** Empirical Trends: Illicit Financial Flows since 2000, Measurement Approaches and Challenges
- **Module 3:** Determinants of Illicit Capital Flight and Illicit Financial Flows: Drivers and Enablers and Disablers
- **Module 4:** Economic, Social and Political Consequences of Illicit Financial Flows
- **Module 5:** Illicit Financial Flows from Illegally Acquired Assets
- **Module 6:** The global and continental response in the fight against corruption and IFFs (including the role for aid agencies in combatting IFFs in developing countries)
- **Module 7:** Toolkits to Assess Country's IFF Risks and Risk Assessment Tools and Policy Responses to Curb IFFs
- **Module 8:** Actions to Curb IFFs: Tools and/or Toolkits to address various elements of IFFs

METHODOLOGY

This self-paced course will be delivered from 05 October to 04 December 2020. The course will be moderated asynchronously on a weekly basis and participants are required to participate in weekly on-line discussions. In addition, each module has interactive lessons that provide the core content around the topic for that module. The lessons are designed in a way that learners are also able to self-assess their understanding through built-in quizzes. Additional resources such as bibliographies, web links and optional readings are provided for participants who wish to deepen their knowledge of the course topic.

TARGET AUDIENCE

The target participants are as follows:

- Government decision-makers: senior and middle careers government officials, and other experts;
- Media professionals, researchers and civil society organizations;
- Parliamentarians / legislators.

ADDITIONAL INFORMATION

Acceptance to the Course

Applicants to the course are expected to have, as a minimum, a bachelor's degree preferably where courses related to statistics, planning, project management and monitoring project evaluation. In addition, two years of work experience will be required. Women candidates are strongly encouraged to apply.

Until the registration deadline, participants are accepted to the course on a rolling basis and subject to availability of slots.

Applications must be completed exclusively on IDEP online application platform at <https://www.unidep.org/?apply>

Certificate of Completion

A Certificate of Completion will be issued by IDEP to all participants who successfully complete the course-related self-assessments presented for each module.

Technical Requirements

Access to internet is an essential condition for participation. The following specifications, as a minimum in terms of hardware and software, are required to take this e-Learning course, please consult your Network Administrator or Systems person to ensure that you have the following :

- Platform: Windows 95, 98, 2000, NT, ME, XP or superior; Mac OS 9 or Mac OS X; Linux
- Hardware: 64 MB of RAM, 1 GB of free disk space
- Software:
 - o Adobe Acrobat Reader
 - o Adobe Flash Player
 - o Microsoft Office (Windows or Mac) or Open Office
 - o Browser: Internet Explorer 7 or higher or Firefox 36 or higher
- Modem: 56 K
- Note that JavaScript, Cookies and Pop-ups must be enabled

CONTACT INFORMATION

IDEP E-Learning and Knowledge Management Division

Tel: +221 33 829 55 00

Fax: +221 33 822 29 64

Email: elearning@unidep.org