



Economic Commission for Africa

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Report blames multinationals for illicitly transferring most of the \$1.5 trillion made in Africa each year

A report has chastised multinational corporations for the illicit transfer of most of the \$ 1.5 trillion they make in Africa each year back to the developed countries, draining hard currency reserves from the continent, stimulating inflation, reducing tax collection and deepening income gaps.

The report on Illicit Financial Flows from Africa: Scale and Developmental Challenges is adamant about the role of multinational corporations in what some call Africa's greatest economic sabotage, because it "perpetuates Africa's economic dependence on other regions", it says.

It adds the depletion of investments and stifling of competition caused by these illicit transfers actually undermine trade and worsen the socio-economic fabric of poor communities in Africa, leading to shorter life expectancy due to limited spending in providing social services such as health care, according to the Information and Communication Service of ECA.

The report has been circulated among members of the High-Level Panel on Illicit Financial Flows from Africa; an African Union-endorsed think-tank charged with recommending appropriate policies to coun-

ter the phenomenon and seek repatriation of the stolen moneys back to the continent. It is chaired the former South African leader, Mr. Thabo Mbeki.

The report says that since the early 1960s when multinationals entered Africa, "foreign direct investment by the multinationals could have been as high as US\$ 1.5 trillion a year, although most is directed towards the developed world."

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New panel formed to drive innovation

The African Union (AU) last week formed a high level advisory committee to advise on issues concerning science, technology and innovation.

The eight-person panel will be co-chaired by Prof. Calestous Juma of Harvard University and Prof. Ismail Serageldin of the Library of Alexandria, Egypt, according to a statement from the AUC received by The New Times.

The panel is expected to move the continent from resource-based economies into the age of innovation-led growth.

It will also guide the AU on the review pro-

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“In addition to local businesses, the most significant perpetrators of trade mispricing are multinational corporations” because of their “strong global presence and influence, which facilitate the illicit transfer of funds”, it adds, referring to a the WTO which estimates that corporations control about 60% of world trade, which amounts to about US\$ 40 trillion.

Others estimate that Africa lost about US\$ 854 billion in illicit financial flows over the 39 year period (1970-2008); corresponding to a yearly average of about US\$ 22 billion, which is a considerable amount compared to both the external debt of the continent and the official development aid (ODA) received over the same period.

“Indeed, it is equivalent to nearly all the ODA received by Africa during that time-frame - a record level of US\$ 46 billion in 2010. Just one-third of the loss associated with illicit financial flows would have been enough to fully cover the continent’s external debt that reached US\$ 279 billion in 2008”, the report adds.

It notes that the trend has been increasing over time and especially in the last decade, with an annual average illicit financial flow of US\$ 50 billion between 2000 and 2008 against a yearly average of only US\$ 9 billion for the period 1970-1999.

It records great variations between regions, countries and even between sectors of activities. The consequences of these illegal transfers on Africa are dire, according to the report findings.

The report makes a useful distinction between illicit financial flows and capital

flight quoting the United Nations, Global Financial Integrity, the World Bank and others institutions which have defined “IFF as money that is illegally earned, transferred, or utilized.”

Source: Special to ECA: <http://new.uneca.org/>

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New panel formed...

cess of the Africa's Science and Technology Consolidated Plan of Action (CPA) .

The first meeting of the panel will be held on 8 and 9 August 2012 at the Library of Alexandria in Egypt.

The adopted plan will be presented to the AU heads of state and government summit of July 2013 for approval.

The overall review of the CPA is jointly coordinated by Prof. Aggrey Ambali, Head of the NEPAD Agency's Science, Technology and Innovation Hub based in South Africa, and the Science & Technology Division of the AUC.

The composition of the panel has been guided by the need for gender and regional representation.

The work of the panel is supported by a Working group comprising representatives from the African Union Commission, the NEPAD Agency, AfDB, UNESCO, UNECA, ICSU and the African Academy of Sciences

Source: for full story- Africa News, August 6, 2012 Monday

Upcoming Event

• Expert Group meeting on Implementation of NEPAD and the Ten-Year Capacity Building Programme for African Union, 14 - 15 August , 2012 Addis Ababa, Ethiopia

• AU/NEPAD Science & Technology Policy Workshop, 1- 5 Oct 2012, Nairobi, Kenya

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