



## The Ninth African Development Forum: *Key Asks and Priorities*

*From 12 to 16 October 2014, Oxfam joins various other stakeholders at the Ninth African Development Forum (ADF IX) in Marrakech, Morocco. The Forum, being held under the theme “Innovative Financing for Africa’s Transformation” will bring together African Heads of State and Government, representatives of the African Union, Regional Economic Communities, the UN agencies, business leaders, civil society and others, in a multi-stakeholder dialogue on concrete strategies for financing Africa’s development in the post-2015 era. Among other agenda items, and central to the forum, will be discussions on domestic resource mobilisation and illicit financial flows in Africa.*

### Background

Domestic resources are, and will continue to be, the largest source of sustainable financing for development in African countries. While Official Development Assistance (ODA) remains a critical source of development finance in Africa, rising from USD 35.8 Billion in 2005 to an expected peak of 55.2 billion in 2014, and accounting for the bulk of resources for public spending in some low income countries, tax revenues continue to increase and reached USD 527.3 billion in 2012, according to the African Development Bank. Nonetheless, the average tax-to-GDP ratio in African countries remains too low and sustained, adequate and predictable ODA flows will continue to be vital for development in most African countries in the short- to medium-term. This is especially so when aid is targeted and administered well, helping more people to access healthcare, education and other essential services where governments lack the capacity to extend public services to all.

For African countries to fully meet their own long-term financing needs for transformative development it is vital that steps are taken to ensure enhanced mobilisation of domestic resources. Tax collection must become more predictable, stable, and robust, ensuring that all parts of society – individuals and companies – pay according to their means. At the same time, African countries need to curb the prevailing loss, due to illicit transfers, of tax and non tax revenues that could be spent on reducing poverty, building schools, providing healthcare, strengthening agriculture and bolstering food security and employment. Between 1980 and 2009, the economies of Africa lost up to \$1.4 trillion in net resource transfers away from the continent. The resource drain from Africa over the last 30 years is almost equivalent to Africa’s current GDP, with Sub-Saharan Africa – whose illicit outflows averaged 5.7% of GDP each year – suffering the most due to such outflows.

### Illicit Financial Flows and the Extractive Industries

Africa holds around a third of the world’s mineral resources, which should result in substantial state revenues and economic rents. However, of more than \$60 billion lost through illicit financial flows

annually, an estimated two-thirds is lost from minerals, gas and oil – amounting to more than a billion dollars a week.

Extractive Industry (EI) illicit financial flows occur through three main conduits: tax malpractices, corruption, and illegal exploitation of resources – including in the non-mineral resource extraction industries such as timber, wildlife and fisheries. The largest contributor to illicit financial flows from extractive sector is tax malpractices, extending from trade mispricing or over invoicing, excessive tax exemptions, to misreporting of export volumes by extractive companies and operational cost inflation, which significantly cut state income from taxing extractive sectors. Royalties and bonuses from mineral extraction are also reduced by acts of bribery and corruption that affect company reporting on volumes, determination of export values, and the payment of accurate fees and licenses. Illegal exploitation of resources which is a major driver of conflict in resource-rich countries, and feeds into global criminal networks, involves underreporting corporate revenues from mineral extraction, and outright smuggling of minerals.

## Domestic Resource Mobilisation, Illicit Financial Flows and Africa's Transformation

In adopting Africa's Agenda 2063 and the Common Africa Position (CAP) on the Post-2015 Development Agenda, African Heads of State and Government have committed to mobilising Africa's natural resources to finance and accelerate the continent's transformation, democratic governance and strengthen continental institutions. However, in countries with weak regulatory institutions, extractive industries in collusion with corrupt government officials too often cheat Africa of its wealth and potential for social spending.

Secretive, fraudulent extractive industry contracts and investment deals short-change the African continent of the rightful benefits from exploiting its natural wealth, while a narrow elite corners a substantial share of the rents and privileges arising from resource extraction. African leaders have expressed their concern, in the CAP, that benefits of Africa's resources have been concentrated in a few enclave sectors and limited to narrow segments of society, thus exacerbating poverty, inequality and fragility. The complex, non-transparent and sometimes fraudulent deals that elites enter into with foreign parties over access to natural resources displaces democratic accountability and forms narrow patronage-based relationships between state officials and the extractive industries.

Illicit financial flows from extractive industry activities, if unchecked, can spawn social conflict and political disintegration, as huge financial benefits accrue to a few and the gap between the rich and poor increasingly widens, states are drained of resources to perform their functions to the citizenry, and corruption and embezzlement undermine the credibility and legitimacy of state institutions.

### **Oxfam's Call to Action**

ADF IX provides a strategic and important opportunity for recommitment and progress towards sustainable financing for Africa's transformation in the post-2015 period, and advancing the post-2015 development goals overall.

Our call to African Heads of State and Government, Representatives of the African Union, UNECA, AfDB and other Pan-African institutions, African leaders and policymakers, eminent persons, representatives of the Regional Economic Communities, Africa's development partners, the UN agencies, the private sector and extractive industry executives, academia, representatives from the African diaspora, fellow civil society organisations, and other delegates assembled in Marrakech for ADF IX follows:

**WE NOTE WITH CONCERN**, that the release of the final report of the UNECA/AU High Level Panel on Illicit Financial Flows from Africa, headed by H.E. Thabo Mbeki, continues to be delayed. We urge the Panel and its conveners to expedite action on the conclusion of the Panel's mandate before the next AU Summit in January 2015, and to ensure that the findings and recommendations of the Panel are shared widely with stakeholders at the continental, regional and national level, particularly with civil society and grassroots activists. We call for a **strong mechanism for implementation of report recommendations** - at both global levels and within African countries, and underscore the importance of **protecting a future role for civil society in country level implementation and monitoring of the implementation of the report's recommendations**.

**WE CALL** for Coordinated global, systematic actions to tackle illicit financial flows from Africa. Coordination between the AU, the UN and other multilateral institutions is needed, including through a more comprehensive and inclusive international tax reform process.

**WE CALL** on the AU to build on the US Dodd-Frank and EU transparency legislation, and new rules in the UK, Norway and Canada to develop a continental standard for extractive revenue transparency and disclosure, and an effective multilateral response to tax dodging, with political support from African leaders and continental leadership from countries like South Africa as a key global mining jurisdiction.

**WE CALL** for global harmonisation of extractive revenue transparency standards and promotion of a global move from voluntary to mandatory revenue disclosure laws.

**WE CALL** on African leaders to strengthen national legal and institutional frameworks to enhance extractive industry transparency and accountability in order to curb illicit financial flows. In particular, regulatory capacity should be strengthened, and resources can be pooled at the sub-regional level to monitor compliance of extractive companies with tax and revenue transparency guidelines.

**WE CALL** for joint action at the national and regional level to address information asymmetries in the extractive sector between governments and investors which leads to tax avoidance and underreporting of the quantity, quality and composition of mineral exports.

**WE UNDERSCORE** the importance of continental extractive industry governance instruments such as the Africa Mining Vision (AMV) to tackle tax malpractices that contribute to illicit financial flows, and continental tools available to fight corrupt practices such as the African Charter on Preventing and Combating Corruption.

**WE CALL** on African countries that have been relatively successful in improving extractive industry transparency (e.g. Ghana, Liberia, ECOWAS) to assume a leadership role and share lessons with other countries, in order to bridge the gap in national capacities for monitoring extractive sector activities.

**WE CALL** for public country-by-country tax reporting for multinational corporations in all sectors, including the extractive industries; public registries of beneficial ownership information for all African countries; new continental guidelines for the transparency of extractive contracts and automatic exchange of tax information between all jurisdictions.

**WE UNDERSCORE** the importance of twinning transparency with accountability, in order to strengthen citizen and CSO participation in decision-making and oversight on extractive revenue generation and public spending; full transparency of public budgets; and CSO oversight and parliamentary scrutiny over extractives contract negotiation.

**WE CALL** for enhanced investment in building country level capacities for domestic resource mobilisation, including through better and progressive tax collection and administration, and innovative financing options.

**WE CALL** on Africa's development partners to fulfil their aid promises and urge African leaders to continue to demand the implementation of existing commitments, ensure the promotion of quality, adequacy and predictability of ODA, and actively rebuff any efforts by donors to renege on their commitments.

**WE BELIEVE** Civil society has a role to play in advocacy, accountability and citizen voice, and we are concerned that a number of troubling laws have recently been proposed or enacted across Africa that severely restrict the freedom of civil society organisations to operate.

For more information on this statement, kindly contact:

*Finance for Development and Illicit Financial Flows:*

Tigere Chagutah, Pan-Africa Campaigner: Finance for Development and Essential Services

Tel: +27 (0) 11 223 2440 | Mobile: +27 (0) 76 060 5643

Email: [tchagutah@oxfam.org](mailto:tchagutah@oxfam.org)

*Extractive Industries and Illicit Financial Flows:*

Vanessa Inko-Dokubo, Pan-Africa Policy Advisor on Extractive Industries

Tel: +251 (0) 11661 1601 | Mobile: +251 (0) 9300 79061

E-mail: [Vanessa.Inkodokubo@OxfamInternational.org](mailto:Vanessa.Inkodokubo@OxfamInternational.org)

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