

STATEMENT DELIVERED BY AKINREMI BOLAJI MINISTER PLENIPOTENTIARY NIGERIA PERMANENT MISSION TO THE UNITED NATIONS NEW YORK, ENTITLED “PLUGGING FINANCIAL LEAKAGES AND MOBILIZING DOMESTIC AND INTERNATIONAL RESOURCES TO DELIVER ON THE SUSTAINABLE DEVELOPMENT GOALS” AT A PANEL DURING THE SIXTY-FIFTH SESSION OF TRADE AND DEVELOPMENT BOARD OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT HELD ON 5TH JUNE, 2018 AT GENEVA.

Mr. Chair,

Excellencies,

fellow panelists,

distinguished Ladies and Gentlemen.

I thank UNCTAD for the invitation to be on this Panel, in recognition of the contributions made by my delegation through the African Group and the G77 and China in putting on the front burner the issues of combating illicit financial flows and enhancing assets recovery to foster sustainable development, at the UN headquarters, New York.

2. More than Target 16.4. of the sustainable development goals framework, which aims at Reducing the overall level of illicit financial flows, I consider the theme of the discussion for this Panel more ambitious, it seeks to plug, block or stop financial leakages and mobilize domestic and international resources to deliver on the sustainable development goals.

3. IFFs is an umbrella term, according to the AU-ECA High Level Panel on illicit financial flows from Africa, otherwise known as Thabo Mbeki Panel, generally used for “money illegally earned, transferred or used across borders”. The estimate for illicit financial flows from Africa is conservatively put \$50 billion annually. The flows relate principally to commercial transactions, tax evasion, criminal activities (money laundering, and drug, arms and human trafficking), bribery, corruption and abuse of office.

4. The definition by Mbeki Panel separates between illicit from licit financial transactions. Therefore, it is unfortunate that some UN Agencies’ reports amplified the surreptitious Agenda in some quarters to diminish the importance of the subject matter, that there is no universal definition for illicit financial flows, so how can you fight what you don’t even know. May be the first step to plugging financial leakages is to first agree that every impunity in financial transactions across border constitute illicit financial flows and they deny the origin countries the much needed resources for Development. Having a broad perspective about the definitional question of illicit financial flows will impact on the possibility of a more realistic estimates of the scale of illicit financial flows. Both UNODC & UNCTAD were given the mandate to compute estimates for IFFs. The outcome of this assignment is still being awaited.

5.The Note provided by the UNCTAD Secretariat on the subject of discussion for this Panel points to the fact that the achievement of the Sustainable Development Goals is facing a financing gap of trillions of dollars, which threatens the realization of the 2030 and calls for urgent attention. The President of Ghana, H.E Nana Akufo Addo, in a speech said “ Africa no longer wants to be the deficit place, a place to find the footage to illustrate famine stories. He said it’s time to build an economy that doesn’t depend on charity and handouts, acknowledging the aids fatigue and that aid has not and would not take Africa to where it ought to be”. To this extent, Domestic resource mobilization is fundamental to close the financing gap, increased public revenues and the establishment of a virtuous profit and investment nexus is required.

6.There is no gainsaying that although Illicit financial flows is a Universal phenomenon but it is a significant challenge to Africa. It involves Multinational Enterprises (MNEs), in base erosion and profit shifting from the African continent to the developed world. Contrary to general perception about corruption in Africa, the findings of Thambo Mbeki on IFF reveals that over 70% of IFF relates to base erosion and profit shifting by multinationals, and about 30% relates to corruption, money laundering, etc.

7.For Africa to be able to finance its own development and meet its obligations under the Sustainable Development Goals (SDGs) a new framework to address these systemic vulnerabilities in our regional and national oversight of financial systems has become imperative. This is the focus of the Third United Nations Financing for Development Conference held in 2015, otherwise known as the Adiss Ababa Action Agenda (AAAA), aiming at establishing development framework to guide and facilitate the implementation of the 17 SDGs. The last forum on Financing for Development (FfD ) follow up process held in April 2018, underscored the need for developing countries to reconfigure their economies to ensure innovative Financing.

8.However, the issues of illicit financial flows is beyond Africa, there is the Irish tax affairs with Apple. It first cropped up as an issue in Washington rather than Brussels. In May 2013, US senators John McCain and Carl Levin labelled Ireland a tax haven after Apple’s chief executive Tim Cook told US lawmakers that iPhone maker paid an effective tax rate of less than 2 per cent in Ireland over the previous decade.

While Apple would go on to deny previous claims that it had an agreed special tax incentive with the Republic going back decades, European Competition authorities began to question Ireland, Luxembourg and the Netherlands the following month on various tax arrangements of companies, including Apple in Ireland.

9.The challenge posed by the increasing scope and complexity of illicit financial flows and the slow pace of the process of recovering and returning assets should necessitate strengthening of international cooperation on this matter. This is why since 2016 Nigeria, through the African Group and G77 and

China sponsored a General Assembly Resolution entitled Promotion of International cooperation to combat illicit financial flows and strengthen good practices on assets return in order to foster sustainable development. The resolution, adopted by consensus has been a landmark reference point in combating illicit financial flows and enhancing assets recovery to foster sustainable development.

10. Moreover, Member states are already benefiting from the adoption of the resolution and other Advocacy efforts championed by Nigeria and Norway to combat illicit financial flows. For example, on December 4, 2017 at the maiden meeting of the Global Forum on Asset Recovery in Washington DC, Nigeria and Switzerland signed the agreement for the restitution of the Abacha Loot in the sum of \$321 million. The funds have since been released by Switzerland authorities, received and assigned by the Nigerian government as agreed.

11. Peculiar challenges of developing countries in Domestic resource mobilization.

- Large Informal Sector;
- Poor Tax Culture;
- Lack of Tax Knowledge
- Non-judicious Utilization of Revenue Collected;
- Poor Legislation &
- Dearth of Skilled Man-power.

12. How to plug the financial leakages

(1) There is the need for Strong Political will in dealing with IFFs. Without the support and determination of governments, it would be extremely difficult to combat IFFs and other illegal activities. Nigeria is a good example, the advent of the administration of President Muhammadu Buhari in 2015, has turned the tide in favor of Nigeria in the area of fight against corruption and brought gradual diversification of the economy. The success in the fight against corruption in Nigeria has been rightly acknowledged by the international community. For example, the African Union appointed President Muhammadu Buhari as the AU Champion Against Corruption for the year 2018. Like President Muhammadu Buhari, President Mnangagwa of Zimbabwe also authorized the publishing of names of citizens who took money out of Zimbabwe and gave them time to return such monies. A huge recovery stolen funds have been made in both countries.

(2) Development of Relevant and Adequate National Policies to fight corruption and strengthen tax systems. In Nigeria, policies like the whistleblower protection policy, strict implementation of the Treasury Single Account for banking of all government revenue, the use of Bank verification number for all account holders in Nigeria and digitalization of the revenue administration.

(3) Capacity Building on countering Treaty and transfer pricing abuse.

(4) Platform for exchange of experiences and ideas on how bilateral, multilateral and regional tax treaty instruments and specific provisions can be used to counter abusive tax practices. Eg the Platform for collaboration on Tax launched in April 2016 by the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the UN and the World Bank. Also At the request of the G20, the OECD is leading in the development of a strategy to address Base Erosion and Profit Shifting (BEPS) related challenges that developing countries are facing, including wasteful tax incentives.

(4) Strong International Regulation such as the UN General Assembly Resolution and Effective Advocacy by members of the Civil Society.

(5) Establishment of an intergovernmental body to tackle the different dimensions of illicit financial flows and assets recovery. Currently, different UN agencies have the mandates which doesn't allow for coherence, sometimes counterproductive rather collaborative. A single intergovernmental body dedicated to illicit financial flows and assets recovery will quicken building necessary technical capacity and forge cooperation among member states.

13. African Countries are rich in natural resources but with inadequate or non-existent institutional architecture and are the most at risk of falling victim to illicit financial flows. These illicit flows have a negative impact on Africa's development efforts: the most serious consequences are the loss of investment capital and revenue that could have been used to finance development programmes, as well as the undermining of State institutions and a weakening of the rule of law. The Panama Papers show that, for Africa, tax havens are at the heart of a system that allows large corporations and wealthy individuals to avoid paying fair taxes, depriving governments of the resources they need to provide vital public services and to tackle rising inequality. The leaks also show the complex and cross-jurisdictional nature of these shady financial facilities and transactions used to avoid or evade national taxation obligations.

## CONCLUSION

14. In view of the above, it is Imperative for the New York and Geneva constituencies to collaborate on the issue of Plugging financial leakages and mobilization of domestic and international resources to deliver on the sustainable development goals. Although, Geneva seems to possess the technical details on some issues of illicit financial flows and resources Mobilization but the Forum on Financing for Development follow up process, the High Level Political Forum (HLPF) and indeed the General Assembly all meet in New York. So both constituencies should form strong strategic partnership in plugging the leakages.

15. I thank you for the attention