



Capacity Building Workshop on Domestic Resource Mobilization and Illicit Financial Flows in Zambia

Concept Note

15-18 March, 2022

Location	Neelkanth Sarovar Hotel, Lusaka
Date	Tuesday 15 th to Friday 18 th of March 2022
GMT+2	09:00 (<i>Lusaka</i>)
CET/ GMT+1	08:00 (<i>Geneva, Vienna, Niamey</i>)
EAT/ GMT+3	10:00 (<i>Addis Ababa</i>)
Language	The workshop will be held in English without simultaneous interpretation.

1. Background

a. *Delivering as One under the United Nations “Towards an Integrated National Financing Framework (INFF)” project:*

The United Nations Economic Commission for Africa (UNECA), through its Sub-Regional Office for Southern Africa (SRO-SA), based in Lusaka, Zambia and its Macroeconomics Governance Division (MGD), based in Addis Ababa, Ethiopia is collaborating with the United Nations Department of Economic and Social Affairs (UNDESA) and the United Nations Conference on Trade and Development (UNCTAD) to implement a project titled “*Towards an integrated national financing framework (INFF)*”, funded by the UN Development Account (UNDA) 13th tranche.

The project aims at strengthening capacities in a set of countries¹ at addressing policy and institutional gaps in the course of costing and planning for their financing needs to achieve the Sustainable Development Goals (SDGs) and their national development objectives, in addition to mobilizing domestic and external finance within their INFF frameworks. The project intends to complement ongoing capacity development activities around INFFs (in pioneer countries, and those funded through the Joint SDG Fund), as well as other UN-led projects such as the project led by UNCTAD, and regional economic commissions on *Response and Recovery: Mobilising financial resources for development in the time of Covid-19*; as well as related projects on financing for development (e.g. on taxation). In Zambia, this project complements the Joint SDG Fund INFF project led by the United Nations Development Programme (UNDP), in which UNECA is a technical partner, the UNDA 11th tranche funded project on Illicit Financial Flows (IFFs), implemented by UNCTAD and UNECA, the UNDA 14th tranche funded project led by UNECA on “*Public-private partnerships to catalyze infrastructure development and innovative financing for industrialization in Africa*” and a recent initiative by ECA to enhance liquidity in local capital markets in Zambia.

In the Addis Ababa Action Agenda (AAAA), member States committed to putting “integrated national financing frameworks that support nationally owned sustainable development strategies” at the heart of countries’ efforts to implement the 2030 Agenda. However, five years after the adoption of the 2030 and Addis Agendas, mobilization of sufficient financing and other means of implementation remains a critical challenge. The COVID-19 pandemic is further undermining fiscal and external balances in many developing countries, threatening their prospects for timely achievement of the SDGs. Integrated national financing frameworks (INFFs), a planning and delivery framework to help countries finance sustainable development and the SDGs, can be a valuable tool in helping to formulate a comprehensive strategy for recovery – one that is aligned with the SDGs, the Paris Agreement, and that is sustainably financed.

The Inter-agency Task Force on Financing for Development (IATF) sets out key features and steps to operationalize INFFs for the SDGs in the *2019 Financing for Sustainable Development Report* (FSDR). It identified four key building blocks to operationalize INFFs, each of which can also support the response to COVID-19:

- (1) Assessment and diagnostics, including assessments of financing needs based on the estimated costing of SDGs and existing financial resource flows, which creates a baseline understanding of the financing gap (such baselines will need to be updated after the Covid shock); assessment of risks, and capacity and institutional binding constraints.

¹ Belarus, Burkina Faso, Colombia, Costa Rica, Egypt, Indonesia, Jordan, Kyrgyzstan, Pakistan, Zambia.

- (2) Financing strategy, which brings together priority financing policy actions, to mobilize and align public and private finance with National Sustainable Development Strategies (NSDS). These includes public finance and budget allocation in favor of SDGs but can cover the full range of potential sources of financing across AAAA; in the current context, financing strategies can not only help identify medium-term financing gaps and solutions, including when debt relief may be needed, and mobilization of other sources of finance, but also support more risk-informed financing policy choices going forward, or ‘building back better’.
- (3) Mechanisms for monitoring, review and accountability to monitor the impact of different financing flows and policies. Such monitoring can assess how shocks such as Covid-19 affect financing flows and should support informed policy making, facilitate learning and adaptation of instruments and policies to enhance their impact, and help mitigate risks.
- (4) Governance and coordination frameworks to ensure domestic ownership and support. INFFs need to have strong political backing and broad ownership, which calls for high-level government coordination mechanisms and engagement of all stakeholders.

b. The INFF in Zambia

Within this project, UNECA, UNDESA and UNCTAD are planning to conduct a series of analytical studies and capacity building and learning activities intended to strengthen domestic resource mobilization in Zambia (including a component on stemming financial outflows such as illicit financial flows) and to strengthen accountability, monitoring and reporting mechanisms on financial flows and their utilization towards the achievement of SDGs in Zambia.

Zambia is currently in the process of finalizing its eight National Development Plan (8th NDP). In the aftermath of elections in August 2021, the country has embarked on an ambitious reform programme, supported by the IMF, that aims to restore fiscal and debt sustainability, create fiscal space for much needed social spending, and strengthen economic governance and transparency (IMF, 2021). The IMF in its press release dated 6 December 2021 notes that key elements of the authorities’ reform agenda aim to re-establish fiscal sustainability while reorienting public resources towards investment in people, particularly the youth. An important shift in spending, is expected away from inefficient public investment and poorly targeted subsidies, towards greater investment in health and education and the delivery of more social benefits. The IMF notes further that this shift will be underpinned by an ambitious medium-term agenda to enhance revenue mobilization through policy changes and administrative changes (IMF, 2021).

Revenue mobilization will be an important plank of future macro-economic policy reforms in Zambia. However, efforts to enhance domestic resource mobilization will be blunted if illicit financial flows are not kept under check. ECA in its report on *Institutional architecture to address illicit financial flows* highlights that dampening IFFs could significantly add to Africa’s domestic revenues while abating the damaging effects that IFFs can have on governance structures on the continent. Plugging the gaping hole created by IFFs could significantly bridge Africa’s infrastructure financing gap and strengthen its productive capacities, enhancing prospects for achieving the SDGs (UNECA, 2021).

c. A focus on IFFs in Africa and Zambia

In July 2017, the United Nations General Assembly adopted the indicator framework for the monitoring of progress towards SDGs, with indicator 16.4.1 estimating the “total value of inward

and outward illicit financial flows” selected as one of two indicators to measure progress towards target 16.4. The United Nations Conference on Trade and Development (UNCTAD) and the United Nations Office on Drugs and Crime (UNODC) were assigned as custodians of SDG indicator 16.4.1. At the time, there was no universal agreement on the definition of IFFs or how the component parts could be measured.

As a result, an UNCTAD/UNODC [Conceptual Framework for the Statistical Measurement of Illicit Financial Flows](#) was published in October 2020, reflecting concepts and standards presented to and approved by the Inter-Agency and Expert Group on SDGs (IAEG-SDGs) and the United Nations Statistical Commission in October 2019.

In June 2021, UNCTAD published [Methodological Guidelines to Measure Tax and Commercial IFFs](#) for pilot testing. The UNCTAD guidelines provide a suite of methods for pilot testing the measurement of three main types of **tax and commercial IFFs** and will be refined during and after the pilot tests: Trade misinvoicing by entities; Aggressive tax avoidance or profit shifting by multinational enterprise groups (MNEs); and Transfer of wealth to evade taxes by individuals.

In 2021-2022, large-scale pilot testing of the UNCTAD and UNODC concepts and methods for SDG indicator 16.4.1 are ongoing jointly with the Regional Commissions. The United Nations Economic Commission for Africa (UNECA), together with UNCTAD, and with the cooperation of UNODC, are coordinating a [Development Account project](#) called *“Defining, estimating and disseminating statistics on illicit financial flows in Africa”* in eleven African countries: **Angola, Benin, Burkina Faso, Gabon, Ghana, Mozambique, Namibia, Nigeria, Senegal, South Africa and Zambia.**

The project aims at consolidating existing and testing the new methodological guidelines for the measurement of Indicator 16.4.1, as well as to strengthen statistical capacity by **providing technical assistance and guidance to pilot countries** for the measurement of such indicator using the defined standards and concepts developed by UNCTAD and UNODC.

2. Objectives of the Workshop

The UNECA and UNCTAD workshop on Domestic Resource Mobilization and Illicit Financial Flows in Zambia will aim to: (i) inform key policymakers in Zambia of the INFF process (ii) and highlight the domestic resource mobilization needs of Zambia in light of the pressing needs to achieve the SDGs and Zambia’s national development objectives. Other critical objectives of the workshop will consist in (iii) discussing the scale of IFFs in Africa and Zambia and its root causes, (iv) presenting the conceptual framework and guidelines on the statistical measurement of IFFs, and (v) training Technical Working Group’s (TWG) members on measuring tax and commercial illicit financial flows.

3. Format

The workshop will be hybrid and target 40 national and international participants. It consists of 18 substantive sessions over 4 days mainly focusing on the UNDA INFF and IFF Project; National IFF priorities; IFF and DRM initiatives; Statistical methodologies and their practical tools to measure IFFs in Zambia; and IFFs and Informal economy.

4. Expected Outcomes

- (i) Enhanced understanding of integrated national financing framework and its relevance to Zambia;
- (ii) Improved awareness of the scale of illicit financial flows in Africa and Zambia and their implications on development and the achievement of SDGs;
- (iii) Improved skills and knowledge of statistical methodologies for the measurement of tax and commercial illicit financial flows.

5. Expected Outputs

- a. A meeting report summarizing the main substantive findings and policy messages of the workshop;
- b. Press releases;

6. Participants

Senior and mid-level government officials of the Government of Zambia will be invited to the workshop across a range of ministries including the Ministry of Finance and National Planning, the Ministry of Commerce, Trade and Industry and government organizations such as Zambia Statistical Agency (ZamStats). The workshop will also be attended by stakeholders from institutions that have a critical role to play in measuring and combatting IFFs including the Central Bank of Zambia, the Financial Intelligence Authority, and national customs authorities as well as members of civil society.

7. Date and Venue

15-18 March 2022, Neelkanth Sarovar Hotel, Lusaka, Zambia.

8. Language: English

9. Contacts

Further information on the meeting and any other related matters should be addressed to:

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