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**Economic Commission for Africa**  
**Regional Coordination Mechanism for Africa**  
Nineteenth session  
Addis Ababa, 14 and 15 April 2018

**African Union**

## **Aide-memoire (draft)**

### **I. Background**

1. The nineteenth session of the Regional Coordination Mechanism for Africa will be held in Addis Ababa on 14 and 15 April 2018, under the theme of “United Nations system support for the African Union in winning the fight against corruption: a sustainable path to Africa’s transformation”. The Mechanism draws its mandate from paragraph 24 of General Assembly resolution 32/197 and paragraph 13 of annex III of Economic and Social Council Resolution 1998/46, in which the team leadership role of the regional commissions “calls for their holding regular inter-agency meetings in each region with a view to improving coordination among the work programmes of the organizations of the United Nations system in that region”. The annual session of such meetings is expected to be chaired by the Deputy Secretary-General of the United Nations. Since 1999, the annual session of the Mechanism has been held under Chairpersonship of the Deputy Secretary-General or the Executive Secretary of the Economic Commission for Africa (ECA), who deputizes for the former in his/her absence. It should be noted that, since the transformation of the Organization of African Unity into the African Union, the sessions of the Mechanism have been co-chaired by the Deputy Secretary-General and the Deputy Chairperson of the African Union.

2. The Regional Coordination Mechanism for Africa has served as a vehicle for the United Nations system operating in Africa to share information on their relevant activities and agree to coordinate their strategies for programme delivery in support of the African Union’s programmes. That mandate was strengthened by the General Assembly through its resolution 71/254, in which the Assembly called for United Nations-African Union cooperation to be based on the framework of the United Nations-African Union partnership on Africa’s integration and development agenda for 2017-2027, the successor programme to the Ten-Year Capacity-Building Programme for the African Union. The partnership, which is anchored to Agenda 2063: The Africa We Want and the 2030 Agenda for Sustainable Development, therefore serves as the overall platform for United Nations-African Union cooperation. Accordingly, the Mechanism provides an opportunity for the United Nations system to use the partnership as a framework for “delivering as one” and to enhance the coordination and coherence of its support for the African Union and its organs and organizations. It should be noted that the partnership also preserves the tenets of General Assembly resolution 57/7, in which the Assembly called upon

the United Nations system in Africa to coordinate its activities, through the Mechanism, in support of the African Union New Partnership for Africa's Development framework.

3. The purpose of the annual session of the Regional Coordination Mechanism for Africa is to assess and evaluate the Mechanism, with a view to strengthening the cooperation, collaboration and coordination between the United Nations organizations and agencies so as to ensure the coherent and effective delivery of United Nations support in implementing Africa's development agenda in partnership with the African Union and its organs. The sessions also serve as a forum for deliberations on topical and emerging issues of importance to Africa's development agenda and for making sound policy prescriptions and interventions. This is why the theme of the nineteenth session parallels the 2018 theme for the African Union, which is about efforts to combat corruption to ensure a sustainable path to Africa's transformation.

## **II. Corruption and economic development<sup>1</sup>**

4. Overall, many African countries are experiencing robust economic growth, with a number of the fastest-growing economies in the world located in Africa. The positive performance is due primarily to the solid policies implemented by many African countries. These policies include a low inflationary monetary stance, prudent fiscal management in the form of strengthened budget positions, reduced debt burdens and a reformed tax structure, and a reasonable foreign currency reserve cushion. Notwithstanding the current robust economic performance, Africa should not become complacent, given that it remains vulnerable to shocks from various sources. Such shocks could come in the form of volatility in commodity prices, natural disasters, climate change, wars and conflicts, as well as reduced remittances, aid and financial flows. The challenge for Africa is to continue to pursue an agenda of strong inclusive growth, while reinforcing its resilience to shocks. Doing so requires that Africa continue to pursue sound macroeconomic policies. Policy buffers must therefore remain in place to allow for future countercyclical responses, including prudent fiscal policy and the use of reserves. Social safety nets also need to be strengthened. Furthermore, social and income inequalities must be aggressively addressed so as not to heighten tensions within the population in times of economic downturn and to make shocks more destabilizing.

5. Experiences from other parts of the world indicate that, if African countries continue their current economic performance, then the rapid growth would result in substantial structural changes within the economies of many of them. The goal of many African countries, as enshrined in their development plans or strategies, is to reach middle-income country status by the next decade. Moving from low-income to middle-income status, however, would require not only an increase in per capita income, but also structural transformation of the economies as an important part of development. Such a noble ambition may not be realized, however, if the wanton corruption in many African countries is not addressed swiftly.

6. Corruption is a phenomenon that is very difficult to define. Nevertheless, the general consensus is that any activity that involves the abuse of entrusted power for private gain constitutes corruption. Examples of corruption include bribery, clientelism and embezzlement. Lobbying and patronage, although legal, could also be classified as corruption.

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<sup>1</sup> This section is heavily influenced by various studies carried out on the topic.

7. Corruption is a very complex phenomenon that can not only be very difficult to detect, but also have a colossal impact on the prosperity and economic development of a country. It should be noted that the true social cost of corruption is more than the amount of bribes paid or the amount of State property stolen. It should be considered in economic terms as the loss of output due to the misallocation of resources, the distortion of incentives and other inefficiencies. As portrayed in a number of economic studies, corruption reduces government revenue if there are weak institutions for the collection and accounting of tax revenues owing to malfeasance and tax avoidance. This, in turn, impedes a Government's ability to provide productivity-enhancing amenities, such as high-quality infrastructure, water and sanitation and health services. Governments may therefore fail to address the poverty that afflicts many citizens in Africa.

8. The ability of a government to pursue sound economic management is also adversely affected by the loss of public revenue and excessive spending. This could happen when tax and customs agencies are corrupt or government contracts are awarded to high-cost bidders or without competitive tendering, resulting in high levels of government debt in the case of, for example, investment in "white elephant" projects. The economy can also be undermined by fraud in financial institutions, leading to a loss of confidence by savers, investors and foreign exchange markets. The costs of the mismanagement of the economy affects everyone, but the brunt is borne by the poor through reductions in expenditure on health and education because these are areas in which it may be more difficult to collect bribes.

9. Studies show that corruption may affect output indirectly through other channels. For example, paying bribes to obtain a business licence may adversely affect private investment by reducing profits and increasing uncertainty, consequently reducing economic activities. Corruption will tend to depress the level of business investment. It also impedes foreign direct investment, which is a vehicle for the transfer of technology. This is because investors, in general, prefer doing business in less corrupt countries, given that an increase in corruption levels amounts to the imposition of additional taxes on businesses beyond the legal corporate taxes. Corruption therefore makes entrepreneurship less attractive, resulting in the diversion of entrepreneurial talent to less productive economic activities and economic growth.

10. It is widely accepted that corruption moves resources and opportunities away from the population, especially the poor and vulnerable groups. Inequality is a result of corrupt economic and political governance systems<sup>2</sup> and structures. Specifically, corruption and inequality are related, and corruption affects men and women and boys and girls in different ways. While women are less likely to be the perpetrators of corrupt activities, they are more disadvantaged by the consequences of corruption because they are more vulnerable. Evidence shows, for example, that, although women account for some two thirds of the world's working hours, they earn only 10 per cent of the world's income. In addition, while they are also responsible in large part for the production of the world's food, they own only 1 per cent of arable land. Notwithstanding the progress made, inequality in access to and control over resources persists and, more often than not, corruption is the vehicle for its perpetuation.

11. According to the United Nations Development Programme and the United Nations Development Fund for Women, the currency of corruption is sexualized for poor women. In other words, women and girls are often asked to pay bribes with sexual favours in exchange for access to basic services, financing and

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<sup>2</sup> See Kwabena Gyimah-Brempong, "Corruption, economic growth, and income inequality in Africa", *Economics of Governance*, vol. 3 (2002).

markets in corrupt settings.<sup>3</sup> Other manifestations of corruption arising from inequality are human trafficking and forced migration. In its 2016 *Global Report on Trafficking in Persons*, the United Nations Office on Drugs and Crime found that women and girls accounted for 51 per cent of victims of human trafficking and 71 per cent of all trafficked victims detected globally.<sup>4</sup>

12. Corruption also manifests itself in the form of State capture, in which a State behaves in a way that benefits a foreign power or private entity in return for cash or perceived security of an existing member/s of government. This can be more detrimental in that it pervades the decision-making processes and moves the focus away from inclusive socioeconomic development to survival of the fittest and the most connected, benefiting not the country but fewer individuals in it. An example of such behaviour is that of royalties for mineral resources that are often paid to individual coffers instead of State treasuries, resulting in mine closures because of added production/financial pressures not initially envisioned and in private companies having the ability to circumvent regulations such as environmental assessments, which can lead to environmental sustainability issues and the devastation of indigenous communities. Although many governments have transferred the decision-making on State enterprises and mining-related issues to parliamentary committees, more needs to be done to ensure that benefits from endowments accrue to the citizens through the government and not to individuals.

13. Africa needs an adequate, predictable, sustainable and integrated financing mechanism to support its structural economic transformation and developmental agenda. The continent must embark on reforms to capture currently unexplored or poorly managed resources. This includes curtailing illicit financial flows and transforming those funds into a powerful tool for enhancing domestic resource mobilization as a way of furthering the continent's development. Illicit financial flows are unrecorded capital flows derived from the proceeds of theft, bribery and other forms of corruption by government officials; the proceeds of criminal activities, including drug trafficking, racketeering, counterfeiting, contraband and terrorist financing; and the proceeds of tax evasion and laundered commercial transactions. Estimates from various recent studies reveal that, from 1970 to 2008, Africa lost between \$854 billion and \$1.8 trillion in illicit financial flows.<sup>5</sup>

14. In the report of the High-level Panel on Illicit Financial Flows from Africa,<sup>6</sup> it was revealed that the annual average was between \$50 billion and \$148 billion. Commercial money (tax evasion and trade and services mispricing) through multinational companies constitutes the largest component of illicit financial flows, followed by proceeds from criminal activities and corruption. The loss of funds through illicit financial flows undermines revenue generation and reduces the benefits from economic activities, in particular in the extractive sector. It also undermines Africa's ability to mobilize resources generated by such sectors to fund developmental goals. This has had an adverse welfare and distributional effect on the poor, whose income prospects for employment have dwindled. Money laundering, drug trafficking, racketeering, counterfeiting, dealing in contraband goods and terrorist financing account for 35 per cent of illicit financial flows globally. Studies carried out by the High-level Panel revealed that money laundering was valued at approximately \$1.6 trillion, the illicit drug trade \$320 billion and counterfeiting \$250 billion. In

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<sup>3</sup> See United Nations Development Programme and United Nations Development Fund for Women, *Corruption, Accountability and Gender: Understanding the Connections* (New York, 2010).

<sup>4</sup> See United Nations Office on Drugs and Crime, *Global Report on Trafficking in Persons* (Vienna, December 2016).

<sup>5</sup> See, for example, United Nations Millennium Campaign Africa and the United Nations Development Programme Regional Service Centre for Africa, *Structural Transformation and the Challenge of Financing Africa's Post-2015 Development Agenda* (2015).

<sup>6</sup> See High-level Panel on Illicit Financial Flows from Africa, *Illicit Financial Flows* (2015).

addition, commercial transactions by multinationals, tax evasion, laundered commercial transactions, aggressive tax avoidance through harmful tax holidays, duty waivers and misinvoicing accounted for 60 per cent of global illicit financial flows. The remaining 5 per cent of those flows was driven by corruption (theft, bribery and other forms), although that figure could be much higher because corruption is a cross-cutting issue and relates to the other illicit financial flow components, which are often overlooked. Total annual illicit financial flows, according to ECA and others, is estimated to be \$50 billion. This amount exceeds Africa's official development assistance. The estimate may well fall short of the actual figure, given that accurate data are lacking for all transactions and for all African countries.

15. It was also noted in the report of the High-level Panel on Illicit Financial Flows from Africa that, in the area of natural resources, illicit financial flows occur mainly through corruption, illegal resource exploitation and tax evasion. Acts of corruption include bribes paid by companies and money embezzled from tax collection and budgetary allocations. Illegal resource exploitation has to do with undeclared corporate revenues from illegal resource exploitation and tax evasion, including smuggling and transfer pricing. These forms of illicit financial flows have dire consequences for the revenue streams of the extractive industry. The payment of bonuses, for example, is hindered by bribes and payments outside central budget accounts. Royalties are affected by volume underreporting, value underestimation, price discount benchmarking or indexation, extortion and the avoidance of fee payments. In addition, corporate income taxes are declining because of transfer mispricing or overinvoicing, undue tax exemptions or rebates and company misreporting on volume or quality, the inflating of operational costs and embezzlement. This situation affects development, given that most countries are unable to maximize their gains from natural resource wealth, with corrupt government officials and companies benefiting at the expense of the wider population. These illicit funds hinder development. It is therefore imperative for Africa to work hard to curtail illicit financial flows and combat corruption and tax havens to ensure the efficient and effective use of resources and domestic long-term financing. The money that leaves the continent through illicit financial flows should be retained so that it could be taxed appropriately to provide additional tax revenue to fund government budgets, which is often in deficit. It would also help to boost domestic resource mobilization efforts. In line with this, Africa needs strong mechanisms, strategies, and peer research to distinctly show the impact of illicit financial flows on the various sectors of economic activity. Indeed, curtailing illicit financial flows could become a key delivery mechanism for sustainable development. Tackling the issue of illicit financial flows requires concerted efforts by countries of origin and destination countries alike. The legal and financial approach must be transparent and the international asset recovery regime integrated in an effort to curb these outflows and unlock the much-needed resources.

16. Corruption and illicit financial flows will occur only if individuals and companies are able to hide the illegal deals involved or to avoid punishment if they are discovered. It is therefore important that governments institute measures and policies that promote transparency and accountability, with a view to minimizing corruption. Sound policies that promote effective accounting, internal control and auditing measures in the public sector are crucial for transparency, accountability and, consequently, sustainable development. The rule of law, free from political interference, must always be preserved to ensure the fair prosecution of perpetrators of corruption and the accountability of governments. Sound policies are also needed to support the legal protection of whistle-blowers and the presence of a vigorous and independent media. International cooperation must be solicited by African countries in their efforts to combat aspects of corruption that are outside their control, including international money laundering, the investment of ill-gotten

wealth in financial and real sectors, drug and human trafficking, the theft of State property and tax evasion. Some progress has been made in this area recently, but much remains to be done.

### **III. Objectives of the nineteenth session**

17. There are two areas of focus of the nineteenth session. The first day will be devoted to a discussion of the theme of “United Nations system support for the African Union in winning the fight against corruption: a sustainable path to Africa’s transformation”. This will allow the United Nations and the African Union to come up with recommendations to guide African Union member States in addressing the challenge of corruption.

18. The second day will be devoted to the implementation of the framework of the United Nations-African Union partnership on Africa’s integration and development agenda for 2017-2027 (which is based on the General Assembly resolution 71/254). Part of the discussion will include the approval of a joint work programme of the Regional Coordination Mechanism for Africa secretariat to support the activities of the clusters, in line with the priorities set out in Agenda 2063 and the 2030 Agenda. Consideration will also be given to matters that aimed at strengthening the Mechanism and the subregional coordination mechanisms and at deepening the cooperation and collaboration between the Mechanism and the United Nations Development Group for Africa.

### **IV. Expected outcomes**

19. The session is expected to result in the following outcomes:
- (a) Consensus on the coordinated United Nations support for the African Union and its member States on combating corruption;
  - (b) Consensus on a mechanism for implementing the framework on United Nations-African Union partnership on Africa’s integration and development agenda for 2017-2027 and the Joint United Nations-African Union Framework on Sustainable Development and Peace and Security;
  - (c) Consensus on the work programme of the Regional Coordination Mechanism for Africa and its new clusters for 2018 and 2019;
  - (d) Consensus on strengthening the linkages between the Mechanism and the subregional coordination mechanism;
  - (e) Consensus on deepening cooperation and collaboration between the Mechanism and the United Nations Development Group for Africa.

### **V. Outputs**

20. The following outputs will be delivered: an outcome document; a meeting report; media releases; and Internet publications.

### **VI. Format**

21. The first day of the nineteenth session will be focused on in-depth discussions of the theme. The second day will be devoted to matters of significant importance in strengthening the Regional Coordination Mechanism for Africa.

22. A pre-session meeting for coordinators of the Regional Coordination Mechanism for Africa will be held in March 2018.

23. The nineteenth session will be chaired jointly by the Deputy Secretary-General of the United Nations and the Deputy Chairperson of the African Union.

## **VII. Provisional agenda**

1. Opening of the session.
2. Discussions on the theme of “United Nations system support for the African Union in winning the fight against corruption: a sustainable path to Africa’s transformation” (four panel discussions).
3. Leadership discussion on the implementation of the United Nations-African Union partnership on Africa’s integration and development agenda for 2017-2027 and the Joint United Nations-African Union Framework on Sustainable Development and Peace and Security.
4. African Union-United Nations progress report of the Regional Coordination Mechanism for Africa.
5. Strengthening the collaboration between the Mechanism and subregional coordination mechanisms and other partners, including the United Nations Development Group.
6. Update on the Implementation of Agenda 2063 and the 2030 Agenda.
7. Update on the Africa Regional Forum on Sustainable Development for follow-up to and review of Agenda 2063 and the 2030 Agenda.
8. Update on the third United Nations Decade for the Eradication of Poverty.
9. Adoption of the African Union-United Nations joint programme for 2018-2019 for the Mechanism secretariat.
10. Other business.
11. Presentation and adoption of the meeting outcomes.
12. Closing remarks.

## **VIII. Meeting documentation**

24. The meeting documents will include the following:

- (a) Aide-memoire;
- (b) United Nations-African Union partnership on Africa’s integration and development agenda for 2017-2027;
- (c) Draft proposed work programme for the biennium 2018-2019 of the Regional Coordination Mechanism for Africa;
- (d) Consolidated draft progress report on the activities of the Mechanism;
- (e) Brochure on the achievements of the Mechanism;
- (f) Outcome of the pre-session meeting of the coordinators of the Mechanism;
- (g) Promotional materials on United Nations system-wide support for the African Union.

## **IX. Participants**

25. Participants will include the following:
- (a) African Union Commission;
  - (b) African Development Bank;
  - (c) NEPAD Planning and Coordinating Agency;
  - (d) African Peer Review Mechanism secretariat;
  - (e) Economic Community of West African States;
  - (f) Economic Community of Central African States;
  - (g) East African Community;
  - (h) Common Market for Eastern and Southern Africa;
  - (i) Southern African Development Community;
  - (j) Community of Sahelo-Saharan States;
  - (k) Intergovernmental Authority on Development;
  - (l) Arab Maghreb Union;
  - (m) All agencies and organizations of the United Nations system working in support of Africa, including the World Bank and the International Monetary Fund and the United Nations Development Group for Africa's members;
  - (n) Partners and friends of the Regional Coordination Mechanism for Africa, including bilateral organizations.

## **X. Dates and venue**

26. The nineteenth session will be held in Addis Ababa on 14 and 15 April 2018. It will be preceded by a meeting of coordinators of the Regional Coordination Mechanism for Africa, to be held in March 2018.

## **XI. Contact names and addresses**

27. For further information about the meeting, please contact:

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## **XII. Administrative arrangements**

28. An information note providing details of administrative arrangements and logistics relating to the meeting will be distributed shortly.