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Theme: “Winning the Fight against Corruption: A Sustainable Path to Africa’s Transformation”

**Statement by
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H.E. Dr. Moussa Faki Mahamat, Chairperson of the African Union Commission

Excellencies, the Ministers of Member states

Excellences, the Commissioners of the African Union

Excellencies, the Ambassadors and Heads of Missions

Representatives of the Private Sector, Civil Society and the Media

Distinguished invitees

Ladies and Gentlemen

Permit me to start by thanking our strategic partner, the African Union and particularly the Chairperson of the African Union Commission, Dr. Moussa Faki for the invitation and for once again affording me the opportunity to address this august body on the development prospects of our beloved continent – following my earlier address in January in Addis Ababa, Ethiopia. My sincere appreciation also goes to the Government and wonderful people of Mauritania for their warmth and immeasurable hospitality.

The Economic Commission for Africa shares a very special relationship with the African Union, dating back to the founding years of the two institutions in the late 1950s and early 1960s, respectively. The African Union is undoubtedly ECA's leading strategic partner in the shared quest for Africa's development and transformation. There is a lot to show for these long years of collaboration and even a lot more to come.

As you are well aware, in response to important recent global and regional dynamics, ECA undertook a reform and reorientation exercise that was recently endorsed by its Conference of Ministers of Finance, Planning and Economic Development in May 2018. These reforms are in line with the ongoing repositioning of the wider United Nations Development System – which has as the overall goal of making the UN more responsive to the challenges of our times. The ECA's reforms are intended to place the institution in a better stead to more effectively engage and address Africa's development challenges, as well as leverage various opportunities that are beckoning on the continent.

In particular, the reform will enable the Commission to more effectively support the implementation of and follow-up on: the 2030 Agenda and Agenda 2063; the Addis Ababa Action Agenda; the new United Nations-African Union Framework for the implementation of the two agendas; and the Joint United Nations-African Union Framework for Enhanced

Partnership in Peace and Security; as well as the recently adopted African Continental Free Trade Area (AfCFTA).

Excellencies, Ladies and Gentlemen

Winning the fight against corruption is indeed, a sustainable path to Africa's transformation – as the very befitting theme for this Summit rightly suggests. Corruption is an age-old, worldwide phenomenon, whose costs and implications are multidimensional and substantial. Thus, we should be conscious that the continent would not be able to leverage the transformational opportunities promised by various regional and global development frameworks if the plague of corruption continues to hold sway.

Let us be reminded that while Africa is experiencing a rebound in growth, its estimated average growth for Africa in 2017 is just around 3 percent, compared to 6 percent in East and South Asia. In some regions like Central Africa, growth is under 1 percent. While we urgently need a business climate that is able to attract investments from both home and abroad, only 9 African countries appear in the top 100 countries in the World Bank's Doing Business Index.¹ Meanwhile, other macroeconomic fundamentals remain shaky in many of our countries, while our pace of poverty reduction has been slow with a poverty headcount of around 41 percent as at 2013. I cite these important statistics because we now know that there are linkages between these indicators and corruption, which we can longer ignore.

While the costs of corruption are hard to measure properly, recent estimates put the annual cost of bribery alone at about \$1.5 to \$2 trillion (roughly 2 percent of global GDP). The overall economic and social costs of corruption are likely to be even larger, since bribes constitute only one aspect of the possible forms of corruption². A 2011 study³ show that a one-unit improvement in the Corruption Perception Index (CPI) can lead to an increase of 0.6 percentage point in the growth rate per capita GDP. Using the World Bank's Ease of Doing Business Indicators, the IMF estimates a positive correlation between the Corruption Perception (CPI) and the number of procedures to register a business, and between the CPI and the number

¹ In the 2018 World Bank's Doing Business Report, African Countries have an average score of 50.; equivalent to a rank of around 150 out of 190. Top 100 African countries are: (*Mauritius 25th, Rwanda 41st, Morocco 69th, Botswana 81st, Botswana 81st, South Africa 82nd, Zambia 85th, Tunisia 88th and Seychelles 95th*).

² Source: corruption: costs and mitigating strategy, IMF 2016.

³ Ugur, Mehmet and Dasgupta, Nandini (2011): *Corruption and economic growth: A meta-analysis of the evidence on low-income countries and beyond*.

of hours required to clear goods at the port. It has been estimated further that a one-unit increase in corruption translates to about 4.69 percent decrease in investment share of GDP⁴. We also know that corruption can weaken the mobilization of resources by governments to finance development. IMF calculations show a negative correlation between the CPI and the Tax revenues as well as the VAT Collection Efficiency Ratio. This would be explained for instance by collusion between public and private officials to evade or avoid taxes, and lower tax compliance by the wider population because of perceived corruption in the government.

Corruption in public expenditure management affects the quality of outcomes in social services. Transparency International estimates that half of school children do not complete primary school in countries where bribery is common. In the poorest countries, one out of every two people pays a bribe to access basic services like education, health and water⁵. A recent ECA report on corruption in public procurement notes that corruption affects around 70 percent of public procurement contracts in Africa, and inflates the cost of contracts by about 20 percent to 30 percent. The African Development Bank further notes that hidden corruption costs in government procurement can result in poor quality infrastructure, while unnecessary purchases can add at least 25 percent to the total cost of public procurement. In a world of limited resources, this is an unfortunate and an avoidable opportunity cost to the investments we badly need, and we can no longer afford to accommodate such costs. Similarly, Illicit Financial Flows (IFFs) is estimated to contribute to the loss of multiplier effect for growth and job creation. Without IFFs, Africa's capital stock would have expanded by about 60% and GDP per capita of 15%; the rate of domestic investment to GDP would have risen from 19% to 30%⁶). In sum, as Mike Quigley puts it, *"the real cost of corruption in government, whether it is local, state, or federal, is a loss of the public trust"*. Corruption, in the words of former American Vice President, Joe Biden, *"...is a cancer: a cancer that eats away at a citizen's faith in democracy, diminishes the instinct for innovation and creativity; already-tight national budgets, crowding out important national investments. It wastes the talent of entire generations. It scares away investments and jobs."*

While corruption is affects every country in the world, there is no doubt its magnitude and impacts are higher in Africa, compared to many other regions of the world, therefore

⁴ Some studies indicated that an increase of one standard deviation (SD) in corruption perception would correspond to an average 12 percentage points reduction in tax revenue to GDP ratio.

⁵ Source: corruption an impediment to SDGs achievement: what must Africa do? Report of the Maendeleo Policy Forum, 2017.

requiring more concerted and more robust strategies to fight it.

Distinguished ladies and gentlemen,

We need to acknowledge that African countries have been aware of the scope and impact of corruption and have individually and collectively taken measures and adopted frameworks to fight its spread and impacts. At the national level, majority African countries have established bodies, institutions and legislative instruments geared towards preventing and combating corruption, including national anti-corruption authorities, Ombudsman's Offices, and Public Protector Offices etc. At the sub-regional level, a number of AU recognized Regional Economic Communities (RECs) have adopted instruments to fight corruption, such as the 2001 SADC Protocol against Corruption; the ECOWAS Protocol on the Fight against Corruption etc. At the regional level, aside from the 2003 African Union Convention on Preventing and Combating Corruption (AUCPCC) – (with 38 ratifications or/and accessions as at January 2017), a number of other initiatives have been put in place to directly or indirectly contribute to the fight against corruption. These include, the AU Advisory Board on Corruption, the African Peer Review Mechanism (APRM) and the African Charter on Democracy, Elections and Governance (ACDEG). At the global level, as many as 50 African countries have either acceded or ratified the United Nations Convention Against Corruption (UNCAC).

Despite these commendable initiatives and efforts made over the years, available statistics are still not so favorable for most of our countries. Transparency International's Corruption Perception Index, shows that only 15 African countries improved their rating on the index between 2016 and 2017, while two countries recorded no change, and the remaining countries had a deterioration in their scores. Suffice to say that, in the CPI 2017, only two African Countries; i.e. Botswana and Seychelles, appeared in the top 50 of the index, at 37 and 40 respectively. While this indicator is perception-based, it is an important one, as we cannot win the fight against corruption without a positive change in the sentiments of the people, in whose interest we are working. The World Bank's Country Policy and Institutional Assessment (CPIA) also show that in the last five years, African countries have hardly made any progress in terms of transparency, accountability and in addressing corruption in the public sector. The 2017 Ibrahim Index of African Governance Index show that improvements in overall governance is slowing in Africa. Over the last five years, up to 34 countries have

⁶ Ben Barker, Lecture at IDEP, 2017.

showed improvement, but up to 20 countries are showing a decline in overall governance. Similarly, the 2017/18 global barometer survey results show that Africa's corruption perceptions range from 15%-67% (15%-Madagascar and 67%-Kenya &Egypt).

Excellencies, Ladies and Gentlemen,

Corruption is first and foremost a governance issue and for us to win the battle against it, we must get our overall governance equation right, particularly with regard to strengthening and properly resourcing our governance frameworks and institutions to be able to prevent and combat corruption. There is growing consensus that the implementation of the SDGs would not be realized without ensuring good governance, rule of law, transparency and accountability at all levels.

Despite the remarkable progress that Africa has made in the last two decades in various areas of governance, exclusive elite-dominated political, economic and corporate governance structures still persist in some of our countries and continue to constrain freedoms and weaken state capacity and accountability. Moreover, in some African countries, large segments of society continue to be excluded from governance and policy-making processes, including through inequitable distribution of opportunities and incomes, which conspire to encourage various forms of corruption. African countries' governance frameworks should be structured in a manner that facilitates the emergence of leadership that is both procedurally and substantively legitimate; that allows for the adoption and implementation of responsive and inclusive policies, as well as establishes and empowers institutions capable of effectively fighting corruption in all its forms and at all levels.

To make governance institutions more effective in fighting corruption, African countries need to reinforce efforts towards:

- Enabling the publication of and access to information on a fairly wide range of governmental decisions affecting both the design and implementation of budgets, revenue management, and procurement of public goods;
- Improving public financial management for better transparency and problems of expenditure execution in public expenditure management;

- Enhancing coordination between the various government institutions in charge of managing financial services, judiciary, federal police and all relevant regulatory bodies;
- Improving participatory public finance management (central and local): transparency and accountability (revenue and expenditure), resource allocation, wealth distribution and equalization;
- Accelerating sectoral and local governance reforms with a view to liberating value-added sectors improving access to local services, increasing the attractiveness of economically potential regions, and accelerating structuring investments.

As proposed in the APRM political, economic and corporate governance framework, there is need to establish and nurture governance processes and institutions capable of heralding shared growth and development on the continent. These include: institutions for representative and accountable political, economic and corporate governance, and a guaranteed framework for equal citizens' rights including access to justice, respect for the rule of law, freedom of expression, association and assembly. Visionary leadership, vibrant civil society and broad stakeholder's participation in governance and development management processes is key, just as the establishment and adherence to standards and codes for creating an enabling business environment and effective regulatory framework. All of these have the potential to create systems that would not only make corruption unattractive, but that would also be able to adequately sanction it when it occurs.

Excellencies, Ladies and Gentlemen

But we cannot ignore the international dimensions of corruption and the critical role that the private sector should or can play.

Free trade agreements have the potential to act as the exogenous factor breaking the vicious circle of corruption in economies based on privileged connections rather than fair competition. Free trade agreements exert a positive influence by increasing competition directly in the removal of tariffs and so diminishing the power of rentier companies which

influence domestic regulation in their favour and contributing to fairer business environment through their transparency provisions. (*source: anti-corruption provisions in EU free trade and investment agreements, 2018*).

However, in trade as in other sectors of the economy where the private sector plays a big role, corruption is also rife – confirming the fact that corruption is not a preserve of the public sector. Therefore, even as we work towards creating an enabling environment for the private sector to thrive in the continent, we are aware that there are also high levels of corruption in the private sector – grand corruption especially in the extractive sector in many African countries.

It is not uncommon for domestic firms and multinationals to pay bribes for reasons of securing public procurement contracts. Private sector corruption contributes to environmental damage, health and safety problems, economic instability and human rights violations by diverting scarce resources, both financial and human. It further erodes confidence in public institutions and deprives citizens of capital needed for economic growth.

Cross-border corruption involving foreign firms has been prominent in Africa, in a context where local firms have rarely been available to obtain the most lucrative contracts. This has been the case particularly in the extractive sector, which involves an array of actors ranging from multinational corporations to State-owned entities and public officials, making it very vulnerable to corruption given the magnitude of the contracts. The common element of all forms of cross-border corruption is that it occurs across jurisdictions and most often, within the realm of international commercial transactions. ECA's 4th African Governance Report found out that cross-border corruption involving foreign firms has escalated in Africa and also that from 1995 – 2014 out of 1,080 cross border corruption cases in Africa, 99.5 % involved non-African firms, particularly with regard to tax evasion practices.

There is urgent need to scale up international tax cooperation in a manner that fully takes into account the different needs and capacities of all countries. International tax cooperation helps states to reduce the negative economic impact of incompatibilities between their tax systems, and to prevent tax avoidance and evasion activities that work by moving money across borders, whether legally or illegally. There are no binding global tax rules that all countries must follow, but rather a toolbox of different components of the international tax

regime. For example, in 2015 estimates on tax avoidance in the form of base erosion and profit shifting stood at about USD 100-240 billion.

Secrecy around the agreements that governments strike with extractive companies for the exploitation of natural resources is another critical issue. It is important to realize that providing access to such information is critical for citizens to reasonably determine the impacts of these projects on their livelihoods, their environment and their health. It is through accessing the contracts that they can be sure of their governments whether it negotiated a decent deal on their behalf or not; or that the company involved is paying its tax properly. In fact, it is promising that an increasing number of governments now recognize the importance of having open contracts and in this regard Tunisia and Senegal disclosed for the first time. Liberia and Guinea are already disclosing all their contracts. Other African countries such as Congo DRC, Republic of Congo, Ghana, Mali, Mauritania, Mozambique, and Sierra Leone have a commitment to do so and disclose some of their contracts.

Excellencies, Ladies and Gentleme

Permit me to conclude by reminding us all that our continent faces too many urgent development challenges and its people are becoming increasingly impatient with the slow pace of positive change in their daily lives – so the continent can no longer afford the dangerous luxury of corruption. We must all step up and join the battle against the scourge of corruption, for not doing so means we tacitly support it. After all, as former American Vice President Joe Biden once said, “Fighting corruption is not just good governance. Its self-defence”. Let us individually and collectively defend ourselves against corruption.

Thank you.