

# SENSITIZATION WORKSHOP ON GUIDELINES FOR PRIVATE SECTOR RESPONSE TO IFF VULNERABILITIES IN NIGERIA

Welcome Address

by

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at

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## Protocol

Attainment of sustainable development goals as current global challenge is the responsibility of all nation states. Recognizing that this task will remain a mirage except the resources required are available, the international community adopted the Addis Ababa Action Agenda at the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, 13-16 July 2015). It was subsequently endorsed by the UNGA via resolution 69/313 of 27 July 2015. The Agenda enhances the prospects of attaining the 2030 Agenda for Sustainable Development.

Specifically, the Agenda provides a new global framework for financing sustainable development by aligning all financing flows and state policies with economic, social and environmental priorities. It recommends a number of policy actions, with several specific measures for sources of finance, technology, trade, debt etc. to support achievement of the SDGs.

As is often noted by economy experts, the problem of Nigeria is not the size of the budget but with revenue generation and collection. Improved domestic resource mobilization is one of the key measures advised by the Addis Ababa Agenda. Prior that decision, African states had pursuant to a resolution of its Ministers of Finance made in 2010 established the High-Level Panel (HLP) otherwise known as the Thabo Mbeki Panel on IFFs from Africa in 2012. The report of the Panel was presented and endorsed by the African Union (AU) Heads of State and Government at their 24th African Union Summit held in January 2015 in Addis Ababa, Ethiopia.

One of the notable recommendations of the Mbeki Panel is the critical urgency of measures to stop illicit financial flows from Africa in order to enable African nations secure much needed capital for development and reverse the anomalous trend of Africa being a net creditor to the global North by the quantum of capital outflows and yet remaining in a financial debt trap owed the recipient of our outflows and multilateral financial institutions controlled by them.

According to the Mbeki Panel, illicit financial flows happen via three routes in every economy – viz the criminal, the corrupt and the commercial. The biggest of these sources responsible for about 70% of capital outflows is the commercial route by the

unethical and illegal trade practices and operations of the private sector. The most implicated in this regard being tax evasion.

Despite the unequivocal alarm sounded by the Mbeki Panel report and the great potential full and diligent implementation of the recommendation holds for boosting national revenue and enhancing the ability of states to enhance the prospects for improved livelihoods and sustainable development, efforts to curb IFFs from Africa remain disparate, feeble, and lacking focus and political will. Implicated in this condition is a lack of awareness and capacity on the part of public and private entities on how to respond to the challenges posed by IFFs.

Nigeria like many other African countries is seriously fiscally challenged because of the growing need for domestic resources to meet urgent and critical national development programs and promises of the government. The global fiscal and security challenges and constraints of the moment have not left any country behind in the aftermath of COVID-19 pandemic and the ongoing monetary policy tightening by major central banks around the world. To the extent that IFFs is a drain on Nigeria's potential revenue accretion, it is also a drain on her forex reserves, as it contributes to exchange rate depreciation, which in turn feeds inflation and increases the cost of servicing external debts. More importantly, it negatively impacts the cost of imported goods like petroleum with its attendant radical consequences on daily livelihood experience of ordinary citizens.

To get out of this trap, diverse measures are required to tackle IFFs in all its forms and in order to improve Nigeria's quest for domestic revenue increase relative the size of her economy and in spite of the volatile global economic and financial system.

In furtherance of her statutory mandate of enforcement, prevention and public education against corruption, particularly section 6 (b) to (e) which empowers the Commission to examine practices and processes that aid or facilitate corruption and direct a review of same, the ICPC as Secretariat for the Inter Agency committee on Illicit Financial Flows has in the past four years focused attention on practical measures to enhance Nigeria's ability to stem IFFs, reduce capital flight and enhance Nigeria's capacity for domestic resource mobilisation by identifying vulnerabilities and other weaknesses in the systems and processes of agencies and institutions within the public and private sector and advising reforms and building capacity of role players to mitigate losses.

In this regard, the Commission collaborates with local and international partners such as the Coalition for Dialogue on Africa (CoDA) which is the Secretariat for the Mbeki Panel to promote not just capacity building on how to deal with IFFs but also advocacy the Common African Position on Asset Recovery which is an AU adopted political document and roadmap on recovery of African assets illicitly and illegally transferred abroad.

Considering the cross-border and largely commercial nature of illicit financial flows, stemming illicit outflows requires focus on both public and private sectors operators. In this regard, ICPC has in the past three years conducted in collaboration with the inter Agency Committee on IFFs and other partners, over 10 capacity building and public education activities on the subject of illicit financial flows. More specifically, we revised and updated the Negotiation Guidelines for the Drafting of Contracts and Agreements by Government Parties to Prevent Corruption and IFFs and Ensure Sustainable Development. The aim is to reduce the propensity of government officials negotiating commercially inimical and IFFs/corruption facilitating clauses advertently or inadvertently in contracts with external parties thereby bringing losses to government and the people. Such inimical clauses ultimately result in avoidable capital transfer or penalties and fines against the country. In the same vein we developed the Guidelines for Private Sector Response to IFF Vulnerabilities in Nigeria to assist the private sector avoid implicating practices that facilitate IFFs and capital flight thus undermining the national economy and revenue targets and potential.

The objectives of today's interaction as indicated in the publicity flyer is to popularise the guidelines on private sector response and to get feedback from that constituency on any possible challenges towards implementation of the recommendations in the guidelines. A similar platform will be created for public officers and other stakeholders to ventilate the Guidelines for Negotiation of Contracts and Agreements.

Let me acknowledge the support and contribution of key players from the private sector to the development of the guidelines. Some of you will be facilitating at this workshop. I want to use this opportunity to again say thank you for your support. We are grateful for your collaboration and we undertake to keep the door of dialogue and partnership open for further input on this subject and other issues of mutual benefit.

Let me close with a note of appreciation to the Ford Foundation that provided the initial grant and support for the activities in this project. Just as we promised, we are now taking forward the dissemination of the products even after closure of the Ford grant. We remain grateful for your support. We hope that the outcome of this even will enhance the ability of stakeholders to block avenues through which capital is lost to the detriment of the national economy. An improved fiscal regime is another important step towards providing the much needed capital for the infrastructure and social welfare services badly needed by our people. All hands must be on deck.

Thank You.