

## Illicit financial flows hampering development in Africa

IN March, Regional Experts on tax and trade issues met in Kampala to discuss the implications of illicit financial flows on revenue mobilization and the post 2015 development agenda. The meeting also discussed the findings of the Mbeki Panel Report on Illicit Financial Flows and came up with a list of actions for adoption by Government in order to curb the vice. The dialogue organized by the Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) Uganda and Action Aid at the golf course hotel brought together senior tax officials, trade policy Analysts, politicians, media and civil society.

Illicit financial flows refer to money illegally earned, transferred or used relating to its origin or during movement or use, the flow of money that has broken laws is considered illicit. Various means are used including undocumented commercial transactions, purely criminal activities like overpricing, transfer pricing, tax evasion, money laundering, corruption and false declarations.

While opening the meeting, Action Aid Uganda Country Director, Mr. Arthur Larok, rated the vice of illicit financial flows to slave trade thus impacting on hampering development in Africa. The "Illicit financial flows are equivalent to slave trade. Illicit flows rob of us of critical resources required to transform the lives of women and men in Uganda and the entire continent," Larok said. Adding that funds that would have been used for development activities are repatriated to developed countries under the guise of tax havens/incentives.

On the other hand Ms. Irene Ovonji Odida, Action Aid International Chairperson noted that corruption and abuse of power perpetuates the vice of illicit financial flows. "Tax incentives are being handed out in exchange for bribes and should be phased out as part of wider efforts to eliminate tax havens and other manners of harmful tax practices as a means of achieving post-2015 Sustainable Development Goals in Africa," Ovonji said this while presenting a report titled "Track it. Stop it", that was released by the High Level Panel on Illicit Financial Flows from Africa.

According to the Report, Uganda lost an average of \$509 million in illicit outflows each year between 2000 and 2008. The report that was Commissioned by the AU/ECA Conference of Ministers of Finance, Planning and



Action Aid Chairperson , Ms. Irene Ovonji, Mr. Arthur Larok Country Director AAIU and SEATINI Country Director Ms. Jane Nalunga in a meeting at Golf Course Hotel, Kampala

Economic Development also stated that on a whole, Africa is estimated to be losing more than 50 billion US dollars a year in Illicit Financial Flows and the continent lost over \$854 billion between 1970 and 2008, a yearly average of about \$22 billion.

The report which was presented and adopted at the 24th African Union Summit in Addis Ababa on 31st January 2015, revealed that the prevalence of illicit financial flows in Africa and the inability to check this growing trend is caused by various factors including political issues, lack of transparency, the dependence of Africa on natural resource extraction which makes them vulnerable to illicit financial flows. Furthermore, corruption, weak national and regional capacities also impede efforts to curb illicit financial flows among others.

SEATINI Uganda 's Country Director Ms. Jane Nalunga attributed the failure to defeat illicit financial flows and tax havens to the relaxed government laws.

"The relaxed government laws are also to blame for failure to defeat and stop tax havens and other manners of harmful tax practices that deny poor African countries like Uganda from immersing money from tax,"she said. Adding that SEATINI supports the Mbeki Report which maintains that successful combating of illicit financial flows will generate positive impacts for the governance landscape of Africa, resulting in sustainable improvements and enhancements for the local business and private sector.

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## Amend the Ratification of Treaties Act , SEATINI Tells Government



Hon. Monica Omoding supporting the CSOs proposal for amendment of the Act. Looking on is Ambassador Nathan Irumba the Executive Director of SEATINI

Amend the Ratification Act 1998 to allow members of the parliament ratify treaties instead of the Cabinet. This call was made by The Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) in a consultative meeting on “the ratification of trade and investment related treaties in Uganda and the East African Community (EAC) held at Hotel Africana on 20th March, 2015.

The meeting aimed at understanding the ratification process in Uganda and the importance of democratizing the process.

In a bid to promote trade and secure Foreign Direct Investments (FDIs) Uganda like any other country has over the years negotiated and signed a number of trade and investment related agreements. The signing of the agreement is followed by the ratification process in order for it to enter into force.

The Ratification of Treaties Act 1998 empowers the Cabinet to ratify all treaties made by the country except in cases where such a treaty relates to armistice, neutrality or peace.

Uganda has signed a number of treaties including the recently concluded European Union –East Africa Community (EAC) Economic Partnership Agreements (EPAs) and is still negotiating some including US-EAC Trade Investment Partnership Agreement and other bilateral ones with Bilateral Investment Treaties with Countries like Belgian, France, China, Denmark, China, Italy, and Netherlands .

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## Uganda losing millions of dollars in illicit Financial Flows

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Thus calling the Ugandan government to adopt the Report in a bid to curb down the vice among the multinational companies.

The United Nations Development agenda beyond 2015 calls for a renewed global partnership to foster a number of transformative and mutually reinforcing actions that apply to all countries including; Poverty eradication, tackling exclusion and inequality, women and girls empowerment among others.

The number of people living on less than \$1.25 a day in Africa is estimated to have increased from 290 million in 1990 to 414 million in 2010 (United Nations, 2013), partly blamed on monies that exchange hands illegally and uncounted for.

In February, 2015, the International Consortium of Investigative Journalists released a report which indicated how Swiss branch of one of the world’s biggest banks profited from doing business with tax dodgers and criminals around the world with accounts holding more than \$100 billion. 56 individuals have been associated with Uganda holding \$89.3million (about 256billion shillings) in the Swiss branch of British banking giant HSBC. The amount is three and a half times

what Uganda expects in general budget support from donors this financial year. It is eight times the total money earned on the Uganda Securities Exchange in 2012.

“Illicit Financial Flows from Africa is an African problem which requires global solutions or else, it is likely to steer poverty.” Mr. Larok said



An expert from Transparency International speaks during the meeting

## SEATINI calls for the amendment of the Ratification Act

**From Page 2** SEATINI's Programme officer Martin Luther Munu noted that such treaties have far reaching implications on the economy and peoples livelihoods thus calling for a more democratic process in trade negotiations and the process of ratification.

"Looking at their implications on Structural Transformation and specifically on industrial development and employment creation, it is therefore important to put the issue of ratification of treaties into public domain to promote stakeholder participation in the process," he noted

According to Ambassador Nathan Irumba, the Chief Executive Director of SEATINI, involving Parliament which is a critical Arm of government in the ratification process enables a wider consultation among stakeholders and subsequent debate to scrutinize the benefits and the likely costs of ratifying such a treaty on the economy, growth of industry, employment creation and ultimately sustainable development.

Currently, the ratification process is not uniform within the EAC. For instance, In Tanzania, it is the National Assembly to approve while in Burundi and Rwanda, it is the presidency. This presents a dilemma in creating a harmonized, democratic and consultative ratification process in the region which is an important issue since the treaties also have implications on regional integration, especially on the Common External Tariffs (CET) under the Customs Union (CU) of trade and investment agreements because they are the major economies. Citing the US, Japan, European Union and Canada as major economies.

## SEATINI IN MEDIA

<http://observer.ug/business/38-business/37213-contradictions-mar-approval-of-eac-treaties>

<http://www.independent.co.ug/news/news/10087-should-parliament-ratify-trade-agreements>

<http://www.monitor.co.ug/Business/Civil-society-activists-want-trade-pacts-scrutinised/-/688322/2658500/-/11c3sht/-/index.html>

<http://www.monitor.co.ug/News/National/Disband-Naads-Secretariat--says-army-coordinator/-/688334/2678636/-/15of0llz/-/index.html>

<http://www.newvision.co.ug/news/666351-uganda-robbed-of-sh1-5-trillion-annually.html>

## NEWS IN BRIEF

### Stakeholders create a platform

A platform for Maize and SimSim has been created by farmers, traders and other value chain actors in Lira. The platform aims at enabling dialogue among value chain actors on issues of market access, meeting market requirements and policy advocacy.

This was during a stakeholders dialogue on developing the Sim-Sim standard at CHOGM Gardens in Lira. The dialogue was organized by SEATINI Uganda under a project titled, 'Upgrading quality standards in agriculture for Uganda maize and Sesame' which is implemented with support from Trademark East Africa. The project targets Nakaseke, Lira and Masindi districts. The value chain actors committed to use the platform to improve the quality of their maize and Sesame for better prices.

### CSOs demand for further extension of the TRIPS transition period

Access to medicines is very critical for ensuring public health and human development in any country. Its upon this background that the Uganda Access to Medicines group has joined the rest of the LDCs to demand for a further extension of the TRIPS transition period in respect to access to medicines and health.

This was during a breakfast meeting on trade related aspects of intellectual property rights (trips) extension: implications for access to medicines held on 17th March, 2015 at hotel triangle in Kampala. The stakeholder awareness meeting was organized by SEATINI Uganda in partnership with CEHURD and HEPS .

"The period that was granted to LDCs will soon expire and yet Uganda as an LDC still faces challenges of access to medicines. We therefore need more time to be able to put our house in order in terms of technology development, human capacity development, among other to be able to improve our access to medicines," Ms. Faith Lumonya said .

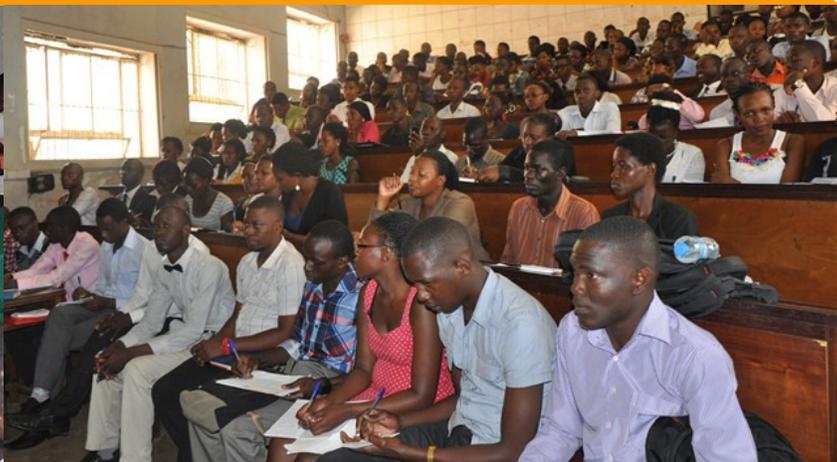
### CSOs want the Biotechnology and Biosafety bill reviewed

Civil Society Organizations call for an overhaul of the current Biotechnology and Biosafety bill so as to address the current gaps therein and hence adequately protect Ugandans from the dangers of biotechnology and the Genetically Modified Organisms.

This was in a position paper read to the Members of Parliament during a Breakfast meeting on the National Biotechnology and Biosafety bill, 2012 that was held on 3rd March 2015 at Hotel Africana. The general consensus of this meeting was that much as Uganda needs a law on Biotechnology and Biosafety, the currently proposed bill has critical gaps that must be addressed before being passed.

As a result of this meeting, Honorable Nabbila Naggayi, the Kampala woman Member of Parliament requested for a one on one meeting with SEATINI and her allies to lay strategies on how she can collaborate with civil society to influence other female members of parliament under UWOPA to have this bill improved.

# Photo Gallery



Ms. Recheal Dungu addressing students during a public dialogue on promoting structural transformation in the context of EPAs and other trade agreements



Hon Flavia Kabahenda, chairperson Committee on Trade shares her views during a meeting on Ratification of treaties at Hotel Africana



Kigulu South MP, Hon. Milton Muwuma speaking during a Breakfast meeting on Biosafety and Biotechnology Bill 2012



A group photo of Participants who turned up for the meeting on implementing maize standards at Aribas Hotel in Masindi

Participants who turned up for the meeting on implementing maize and Sesame standards at CHOGM Gardens in Lira

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