

**REMARKS OF RT. HON RAILA ODINGA AT THE 2ND ANNUAL GENERAL
MEETING AND CONFERENCE OF THE
AFRICAN ORGANIZATION OF PUBLIC ACCOUNTS COMMITTEES
AFROPAC**

29th August – 2nd September 2016

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Political Accountability and Illicit Financial Flows

I welcome this opportunity to speak in this gathering of leaders from African countries and our supporters from across the globe.

Allow me to begin by paying tribute to President Thabo Mbeki, one of the most eminent sons of Africa, for his bold leadership on the issue of illicit financial flows over the last several years, starting with his chairmanship of the High-Level Panel on Illicit Financial Flows in 2011.

It is my view that illicit financial flows epitomize what is currently wrong and unjust in the international commerce. But it is also my view that as a continent, we have not done enough to address the issue. In many ways, we are willing participants in this saga that continues to take away billions of the money we need to deliver services to our people and to cut dependence on foreign aid.

By and large, illicit financial flows are the moneys that international corporations and their partners in Africa should have paid to governments in Africa as taxes, but evaded doing so through irregular accounting practices thereby leaving Africa poorer.

It is the money that corrupt public and private sector officials get legally or illegally, and take out to safe havens abroad.

It is the money that masterminds of trade in drugs, poachers of our elephants, rhinos and

other wildlife, and human trafficking make.

I understand that illicit financial flows out of Africa amount to more than \$50 billion per year, which is about double the official development assistance that Africa receives.

This is as outrageous as it is painful. It directly hurts the well being of ordinary Africans who work harder year in, year out only to see their fortunes getting dimmer.

Those taxes should have been collected and used to pay for the education of poor children, to care for mothers in need of help, to train young Africans so they get good jobs, to help farmers get high quality seeds and help families get clean piped water.

This money could have been used to create facilities here that would stop young Africans from embarking on those risky and miserable journeys across deep seas to seek better lives in Europe as refugees.

It could be used to provide world-class healthcare and security systems. It could improve standards of living here and stop Africa from being a recruitment ground for terror groups like Al Shabaab and ISIS.

It is in the illicit financial flow that we clearly see how corruption and weak governance structures undermine the fabric of society in Africa.

Yet African governments and international institutions have given scarce attention to illicit financial flows...certainly far less than its importance demands.

In Kenya, we are told we had lost at least KSH160 billion by 2011. I am sure the figure has grown.

Some of us say African governments lack the capacity and collaborative networks necessary to identify and reduce illicit financial practices. They say that it is difficult for African governments to thwart the efforts of those who evade taxes and engage in other

illegal activities, because African governments do not have a means to exchange financial and tax information among themselves.

I beg to disagree with this thinking that is more of an excuse. It is the kind of excuse we see often in writings by those whom I call “African apologists”. Those are the people who say we are where we are, deep in politics of tribe and corruption and inequality and poverty because we were colonized, because our borders were drawn in Berlin without our input more and because the international system and order are against us.

Fifty 50 years after most African countries attained independence, Africa is old enough to sort out its messes. Europe pulled itself out of the effects of two devastating wars in that period and countries that were down and out at the end of the Second World War like Germany have become our donors.

Yes, Europe received massive assistance from allies. The US Marshall Plan pumped billions of dollars into Europe after the Second World War to rebuild the continent. But Africa too did receive money in the period mostly to fight Communism. The difference between Africa and Europe is that we squandered much of what we received and continue to do so while Europe invested on what matters.

A number of African countries have pulled themselves up in recent years and developed adequate technical capacity to tackle complex financial and legal issues.

A number of our countries have managed to find ways of dealing with overpricing of imports and underpricing of exports for decades now.

We have developed the capacity to take tough actions that would substantially curb illicit

financial flows.

But only if the political leadership at the highest levels truly wants it done. This is why political accountability is the crux of the matter. That, to a large extent, has not been forthcoming.

President Mbeki stated in the Assembly of the African Union that “while the study of illicit financial flows seems technically complex, it is ultimately a political matter requiring decisions at various levels of governance.” I fully endorse this position. Whether we close the taps of illicit financial flows that starve our countries of much needed resources and hamper our security is, in the end, a political issue.

This is why you, MPs, particularly those in Public Accounts and Public Investment committees have to be more vigorous and persistent as defenders of the integrity of public finance.

In Kenya, the Public Accounts Committee has regularly exposed financial irregularities, including mega corruption, even during the difficult days of single party dictatorship.

But back then Parliament lacked the will to force the Executive branch to implement the recommendations of PAC.

It is fair to say that in Kenya, now, corruption is more rampant than has been seen in many years. Parliament has not fully exercised its mandate as a guardian of sanctity of public finances. MPs are too divided along party lines to stand up for the public good. We have seen MPs defend blatant theft of public funds and other acts of corruption just because of party affiliations. We need to overcome that divide and act as true watchdogs on behalf of the public.

Parliament also has jurisdiction and duty to oversee performance of the revenue authorities of our countries. Although the technical capacity of revenue authorities has been

substantially strengthened over the last decade or two, revenue collection has been inadequate in many African countries.

Moreover, if two-thirds of the \$50 billion illicit financial flows are due to tax evasion as alleged, then we cannot conclude that the revenue authorities are performing as well as they should. Parliament has a fundamental role to play in addressing this issue, particularly because revenue authorities should be independent of the Executive to avoid excessive interferences.

As Members of Parliament, you can make a difference, individually and collectively, to curb illicit financial flows.

The importance of the international community in this struggle cannot be overlooked, particularly because illicit cross-border financial flows are, by their very nature, international, and are global issues.

I commend the African Union and United Nations for their initiatives in legislation to prohibit trade mispricing, the enhancement of financial monitoring and oversight mechanisms, and exchange of tax information between African governments.

Still, individual countries have to stand with us on this grave matter. In the past decade, the US for instance has made significant progress in identifying, tracking, and seizing ill-gotten wealth.

This is a crucial step in the wars against illicit financial flows and its attendant ills like terrorism and drug trafficking.

But the US and our other partners can, and must do more to identify the international assets stolen from poor countries by leaders and their cronies.

Those identified must be prosecuted and the fortunes returned to their neglected citizens.

Together with the international community, we must aid, not bar, civil society groups and

the media in their efforts to track stolen funds and hold public servants accountable.

I am aware that the United States launched the Kleptocracy Asset Recovery Initiative in 2010 and since then, lawyers and investigators from the Justice Department, the Department of Homeland Security, and the FBI have brought 25 legal cases against 20 foreign officials, seeking to recover \$1.5 billion in ill-gotten gains, including from the estate of the late Nigerian dictator Sani Abacha.

I am also aware that Washington has been stepping up efforts to halt the flow of illicit money into U.S. banks. We can only hope that the next president will increase the resources and political capital for such efforts, both nationally and globally.

While these efforts are significant and commendable, they need to be replicated in other parts of the world.

Here in Africa, we must pay attention to the building of professional bureaucracies and autonomous and professional agencies capable of auditing government accounts and prosecuting corruption. That has not been the case.

Here in Kenya, we have seen open and deliberate attempts to muzzle the office of the Auditor General and to hound the holder out of office for raising legitimate audit queries. That has to stop.

Africans must be seen to be taking charge of addressing serious problems Africa is confronted with.

It eventually ends up being a matter of coming up with smarter efforts to fight corruption, which enables and sustains the crime.

Africans must take the lead in chasing their stolen billions and returning them to the public.

We are certainly capable of doing so if we can surmount sufficient political will.

Thank you.