Terms of Reference: “Linking Illicit Financial Flows to Social protection”

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1. About this study
With the support of Act Alliance, AFRODAD will conduct a study that will analyse the link between illicit financial flows (IFFs) and social protection. Emblematic cases to show this link will be drawn from: Zimbabwe, Zambia, Tanzania and Uganda. To adequately fund social protection there is need to expand fiscal space. One of the strategies to increase fiscal space is to curb illicit financial flows. To that end, the study aims to generate knowledge for evidenced based advocacy and dialogues with rights holders and duty bearers on the need to curb IFFs for increased social protection spending. Curbing IFFs increases domestic resources for social sector spending which plays a key role in equalising poverty and inequality.

2. About AFRODAD
The African Forum and Network on Debt and Development (AFRODAD) is a Pan African civil society organisation established in 1996 as a regional platform and organisation for lobbying and advocating for debt cancellation and addressing development finance related issues in Africa. AFRODAD aspires for equitable and sustainable development leading to a prosperous Africa. More information can be found at: http://afrodad.org/

3. Introduction
Social protection is a set of interventions whose objective is to reduce social and economic risk and vulnerability, and to alleviate extreme poverty and deprivation. The International Labour Organisation (ILO) notes that effective social protection structures, policies, systems and programmes can play a major role in reducing poverty and vulnerability, redressing inequality, promoting inclusive growth and development of human capital (ILO, 2014). To achieve social protection and derive more benefits, governments need to mobilise resources and create fiscal space where budgets are adequately funded. Fiscal space entails room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy (Heller, 2005). Governments across the globe have many choices to increase their fiscal spaces at their disposal. Furthermore, their spending decisions and revenue choices for social protection vary.

However, the choice to be adopted and implemented is premised on the particular situation that a government is subjected to and it also hinges on the capacity to implement. To achieve social protection, countries should be in a position to mobilise adequate financial resources and implement a good mix of policies. There are a number of options that countries may adopt to increase fiscal space. These include
measures such as increasing tax revenues, expanding social security coverage and contributory revenues, lobbying for aid and transfers, tapping into fiscal and foreign exchange reserves, borrowing or restructuring existing debt and adopting a more accommodating macroeconomic framework etc. Furthermore, a government can increase its fiscal space by curbing illicit activities which reduces the much-needed revenue. This study will focus on the three components of IFFs as highlighted by the higher - level panel report namely commercial and criminal actions including corruption by political and politically exposed persons who collect bribes and embezzlement of state funds. Corruption diverts resources from the poor to the rich and this widens the inequality gap. This study will therefore push for the narrative that curbing IFFs from developing countries will expand their fiscal spaces for adequate social protection funding.

Given the abundance of mineral resources that Sub-Saharan Africa possesses, the arguments that spending on social protection is unaffordable is invalid. The possession of abundant mineral resources provides a great potential for countries to mobilise revenues from mineral extraction for improved social protection. However, this potential is hampered by the prevalence of illicit financial flows. IFFs drain government resources, increase tax burden on citizens, compel countries to heavily depend on debt and aid and they drain scarce foreign exchange resources. All these negative implications of IFFs have a bearing on social protection. Against this, AFRODAD will produce a research report on the link between IFFs and social protection. The research is guided by the notion that if countries successfully manage to curtail IFFs, this will result in increased resources for social protection. Furthermore, increased spending on social protection will bring about greater impact on social protection indicators such as maternity, old age, disability and children.

4. Background and problem statement
To begin with, social protection is enshrined in the Universal Declaration on Human Rights and various human rights instruments. Furthermore, the International Labour Organization (ILO) conventions and recommendations provide a framework and standards for the establishment and development of social protection systems by countries world over. The ILO Recommendation 202 on Social Protection Floors, adopted in 2012, is of special importance as it defines a common minimum national floor that all countries should establish. The notion of social protection as a policy instrument for eradicating poverty and promoting development gained momentum in the 2000s. In comparison to developed countries that have comprehensive and sophisticated institutional arrangements to protect their citizens, developing countries have lagged behind and seem to have neglected social protection. This is partly attributed to the fact that developing countries have been implementing inappropriate tools and have focused more on economic growth. Through the support of the international assistance, there is an increasing number

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1 Social protection floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level.

National social protection floors should comprise at least the following four social security guarantees, as defined at the national level: 1. access to essential health care, including maternity care; 2. basic income security for children, providing access to nutrition, education, care and any other necessary goods and services; 3. basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; 4. basic income security for older persons. Such guarantees should be provided to all residents

of countries in less developed regions that are expanding their social protection programmes or putting new ones in place.

The rationale for social protection includes (among others) the need to develop social support for economic reform programmes, making growth more efficient and sustainable; pursuing of social justice and equity, the obligation to provide all citizens with a minimum acceptable livelihood and protection against risk; and the promotion of social cohesion, solidarity and stability. Social security takes many forms such as social assistance, social insurance, labour market interventions, traditional or informal social protection etc. Important to note is that social protection forms are both short term and long term. For instance, in the short term, safety nets help citizens to meet immediate basic needs whilst in the long-term social protection helps citizens to move permanently out of poverty through improved opportunities for inclusive growth, human capital development, equity and social stability. Although the objectives of social protection vary, it is crystal clear that governments ultimately seek to promote dynamic, cohesive and stable societies through increased equity and security.

Governments have a number of financing mechanism at their disposal to ensure there is fiscal space to finance social protection programmes. One of the key mechanisms is the reduction of IFFs. As noted by the High-level Panel report on IFFs from Africa, the continent is losing more than USD50 billion as result of IFFs. The report notes that the components of IFFs are commercial activities which constitute 60%, criminal activities constitute 35% and corruption which constitute 5%. Although corruption is a standalone point that facilitate IFFs, its imprints are visible in other components. Important to note is that more than 50% of total IFFs emanate from the extractives sector.

In terms of fiscal space, IFFs imply potentially foregone government revenues. The immediate impact of foregone revenue is felt through underfunded budgets where governments allocate paltry amounts to critical sectors such as health, education and income grants to vulnerable members of the society. If governments fail to mobilise enough resources as a result of tax evasions and avoidance through trade mis pricing, transfer pricing etc, budget deficits become unavoidable. Budget deficits entail that governments will be spending more than they have. What can be gleaned at this juncture is that, IFFs and social protection are intimately linked as taxes are needed to finance social protection. What this means is that, holding other factors constant, the achievement of social protection requires curbing IFFs. If countries successfully manage to curtail IFFs, there will be more resources to fund national budgets. Consequently, this will mean enough resources for social security programmes and ultimately a reduction in poverty and inequality and a better life for citizens.

Important to note is that there is weak coordination around the civil society lobby and mobilization work on IFFs and social protection. This weak coordination has resulted in a disconnection between organisations working on IFFs and those working on social protection. The success of strategies to reduce poverty and inequality through increased spending on social protection hinges on proper coordination and linking of issues. What is happening is that organisations are working in silos and there seems to be a disjoint. On one hand there are organisations concentrating on issues that relate to increasing fiscal space through curbing IFFs and on the other hand other organisations are focused on
social protection. To achieve more impact, it is important to establish a link between the need to increase fiscal space through curbing IFFs and social protection. Put simply, there is need to create a narrative on how curbing IFFs will imply on social protection. In many cases the correlation between social service demanded from the State and taxation is not done in civil society.

5. Rationale

The study will primarily focus on the link between IFFs and social protection because IFFs threaten fiscal space which is paramount in funding social protection. Generally, in Africa, the vast majority of IFFs (about $40 billion per year) emanate from the extractives sector as noted by the UNCTAD 2020 Report. One of the key features of the extractives sector is that resources are finite therefore governments have to ensure that they derive maximum benefits form their extraction before they become extinct. Deriving maximum benefits from natural resources extraction entails plugging revenue leakages such as IFFs, ensuring tax justice and improved mineral resources rents and mining revenue management. Curbing IFFs has the potential to increase resources available for social protection financing. Social protection plays a critical role in achieving SDGs, long term goals such as inclusive growth, human capital development, equity and social stability. This study will serve as a basis for pushing the narrative that curbing IFFs is a key ingredient in the achievement of social protection. It will also form AFRODAD and ACT Alliance’s advocacy and policy influence tool with CSOs and policy makers.

The generation of information is key in evidence-based policy advocacy. This study will serve as a policy advocacy tool that will be used by CSOs who work on social protection issues to compel governments to implement measures to curb IFFs for improved social protection. The exposure of concrete example of how decreased IFF can impact on people’s lives in terms of access to pensions, child grants etc, may also facilitate the mobilization of popular support for policy measures to end IFF and tax dodging. Furthermore, the study will be used to influence the mindset of policy makers towards implementing policies that curtail IFFs and improve social protection floors. Given that there is a disconnection and weak coordination between CSOs working on IFFs and social protection, this study will act as a first step in the process of linking and coordinating work on IFFs and social protection.

6. Research Purpose and Objectives

The purpose of the study is to unravel the relation between IFFs and social protection. It seeks to answer the question on the potential impact that could result if countries curb IFFs and invest funds in social protection programmes. To have a clearer picture, the specific objectives are as follows:

1. To give a short situational analysis of social protection in Sub Saharan Africa with a focus on Zimbabwe, Zambia, Tanzania and Uganda.

2. To describe the causes and scale of IFFs in Zimbabwe, Zambia, Tanzania and Uganda.

3. To ascertain the implications of IFFs on existing social protection.
4. To determine the extent to which curbing IFFs could finance a social protection floor (child benefits, maternity benefits, old age pension, disability benefits, and access to essential health care.

7. Scope of work
   a) Document the trajectory of social protection in Africa drawing examples from emblematic country cases (Zimbabwe, Tanzania, Zambia and Uganda).
   b) Assess social protection funding trends through national budgets of selected countries
      i. Composition of social protection spending at national level for the respective countries through national budgets analysis.
      ii. Social sector financing – national government versus donor funding.
   c) Give an overview of IFFs in selected countries, based on existing AFRODAD research.
      i. Causes and mechanisms of IFFs in selected countries.
      ii. Scale and size of IFFs in selected countries.
   d) Making a comparison on how much countries are losing through IFFs versus how much they are spending on social protection
      i. Compare the size of social protection budgetary allocation visa-vis IFFs.
      ii. Compare in GDP terms ration of social protection spending vs IFFs
      iii. Compare the size of social protection to women with respect to IFFs.
   e) Provide illustrative examples of how much social protection (in terms of child benefits, maternity benefits, old age pension, disability benefits and access to essential health care, as well as other social assistance programs) different countries could potentially provide for their citizens if tax dodging and other IFF ends or is reduced.

8. Expected Results and Outcomes
The expected results will be a short research report and an infographic video that will complement the already existing information and data on the connection between social protection and IFFs. These two outputs will specifically illustrate that the reduction of IFFs increases fiscal space for social protection. The outputs will form part of AFRODAD’s advocacy tools to influence policies on curbing IFFs and improved social protection. In terms of outcomes, AFRODAD expects to realize an increased understanding by civil society organisations and duty bearers on the need to increase fiscal space for greater social protection. It is also expected that the study will result in starting the process of creating a network that coordinates advocacy work that pushes the narrative on the link between IFFs and social protection.
9. Key Outputs

a) One study report
b) Infographic video on the link between IFFs and social protection.

First Phase: Production of draft research report

The research report should be:

i. Well written with references and acknowledgement of sources of materials that are referred to in the text, end notes and bibliography at the end of the report.

ii. Have a table of contents and list of tables, glossary and list of acronyms if any.

iii. Contain an executive summary, and a section on key findings, conclusions and recommendations.

iv. Illustrative examples should be made at both continental/African level and national level. In a first phase, examples are calculated for Zimbabwe, Tanzania, Zambia and Uganda.

v. For definition of social protection, and costs thereof, refer to the ILO recommendation 202 on social protection floors, and references given in the end of this TOR.

vi. For definition of IFF and tax dodging, and costs thereof, refer to the data that AFRODAD uses and produces in its work in this area.

vii. Each example should be presented in a long and short version – the long should include the correct terminology and comprehensive sources of information. The short version should be presented in a powerful short sentence, as “killer facts”.

Phase Two: Validation and publication of the final research report

After the completion of the research, a validation workshop shall be convened to ensure that the research results are verified and the quality of the research is enhanced. Participants for the research validation workshop shall be drawn from CSOs, government departments and academics working on issues related to IFFs and social protection. After validation the research will be published and distributed in both print and soft copies.

Phase Three: Production of Infographics

To reach a wider audience, an infographic video shall be produced. Infographic videos have the advantage that they are interesting and can reach a wider audience who may not have time to read voluminous research reports. The video shall be a simplified version of the research findings and its shall be widely shared via AFRODAD social media platforms.

Phase Four: Seeking Common ground to utilize research findings
To ensure that the research findings are effectively utilized there is need to have a webinar/workshop where stakeholders can strategize on how the findings can be effectively used. In doing so partners can seek consensus on how to engage and who to engage on the need to curb IFFs for increased fiscal space to finance social protection policies. This workshop will also help in building and strengthening a network of CSOs working on IFFs and social protection.

10. Approach and Methodology

To achieve the above-mentioned objectives and ensuring that the study is within its scope AFRODAD shall utilize the triangulation method. This method encompasses both quantitative and qualitative data.

**Desk reviews:** Qualitative data on social protection and IFFs for the research shall be gathered through desk reviews of grey literature. This data shall be drawn from studies, reports and online documents by NGOs, UN agencies, World Bank, governments and various government departments.

**In-depth interviews:** Key informant in-depth interviews will be conducted with stakeholders, both implementing parties as well as parties representing those affected by the project activities. These include ILO staff, government officials, project managers from the Banks, relevant CSO respondents.

11. Reporting

AFRODAD will provide weekly updates on progress of research in close collaboration with Act Alliance and partners in selected countries.

12. Qualifications and Profile

The following is the profile of the consultants sought:

i. Higher university degree in Public Policy, Economics, Public Administration or relevant Social Sciences degrees;
ii. Proven track record and experience in carrying out research.
iii. Good knowledge of illicit financial flows, social protection and domestic resources in Africa;
iv. Excellent analytical, communication and advocacy skills;
v. Experience in preparation of reports for similar assignments.

**Deadline and Address:**

The deadline for submission of proposals is **9 April 2021**. Please submit applications to the following e-mail address: to afrodad@afrodad.org with the subject IFFs and Social Protection

Only successful candidates will be contacted.