



# **AFRODEBT**

## **QUARTELY NEWSLETTER**



**INFLUENCING POLICY**

**STRENGTHENING CIVIL  
SOCIETY PLATFORM**

**CONTRIBUTION TO  
KNOWLEDGE**





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- African countries must borrow responsibly. Lenders must stop taking advantage!

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## Greetings from AFRODAD!

The first quarter has gone by very fast!

We however started the year on a high gear and we plan to keep the same enthusiasm going further in the year.

In this 5<sup>th</sup> Volume of the AFRODEBT, we pen our contribution towards policy influence in favour of sustainable development and poverty eradication. We also feature AFRODAD's contribution to the body of knowledge as well as strengthening civil society voices and platform.

This and other AFRODEBT Volumes are available on our website and in print.

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## PARTICIPANTS OF THE 3<sup>RD</sup> AFRODAD'S DIALOGUE ON CURBING ILLICIT FINANCIAL FLOWS COMMIT TO THE FIGHT!



### AFRODAD giving a stop to Illicit Financial Flows from Africa

About 40 participants drawn from multiple stakeholders and policy actors within Africa converged in Gaborone, Botswana for an annual regional dialogue jointly hosted by AFRODAD and Botswana Council of Churches (BCC). The overall aim was to deliberate on Curbing Illicit Financial Flows (IFFs) from Africa and take an analytical look on pertinent challenges and opportunities to tackle in order to advance against IFFs. The dialogue was held on March 20 to 21 under the theme “Fighting Illicit Financial Flows from Africa: Progress, Challenges and Opportunities”.

Governments are faced with a double-edged challenge: first, the possibility of another debt crisis if they do not sufficiently mobilize resources domestically instead of relying on various types of loans, some very expensive and risky, to finance development. Second, how can national resources be mobilized while IFFs are like an outlet that makes them loose more than 50 Billion USD every single year? Fetching water with a basket, as a common saying goes.

With the intention of contributing to the reduction of IFFs from Africa and increasing domestic resources to reach SDGs, AFRODAD recognizes the need to advocate for and mobilize support for the formulation and implementation of policies at national, regional and global levels to increase financial transparency, support

tax justice and domestic resource mobilization.

“This year's dialogue provided a platform for learning, enhancing divergent thinking amongst participants so that AFRODAD and its partners would be able to develop a new and improved strategic approach in stopping financial flows from Africa. The intent was to mobilize participants to rally behind the “Stop the Bleeding” Campaign, as a strategy to put pressure on African governments to combat IFFs from Africa. The dialogue engaged multiple stakeholders and policy actors including parliamentarians, Civil Society Organisations from a variety of fields (climate and gender groups, journalists, trade union associations, private sector and religious groups).

“If after this dialogue we do not act to contribute to the fight against illicit financial flows, there will be something illicit about ourselves!” said one of the dialogue's participants as he urged his audience to move from listening to taking action. “We have enough information to start fostering change. AFRODAD is doing its part, we have to play our own role” he emphasized.



## AFRODAD UNVEILED NEW RESEARCH PAPER ON MALAWI at the 10<sup>th</sup> AMI SIDE EVENT



AFRODAD through its Domestic Resources Mobilisation (DRM) portfolio presented its research paper for the first time during the Alternative Mining Indaba (AMI) side event in Cape Town. The research paper entitled “Assessing the Political Economy Drivers of Illicit Financial Flows and Corruption and the Nexus between Corruption and Domestic Resource Mobilisation in the SADC Region, the Case of Malawi” aimed to uncover the relationship between corruption, IFFs, DRM and how the resulted poor domestic resources mobilization remains a negation on the development of the Malawian Economy.

Presenting the findings at the event, Rangarirai Chikova, Policy Analyst, DRM, noted that Corruption and IFFs are a double edged-sword that if not dealt with, can affect DRM efforts ending up evoking rampant corruption that in turn affects African government revenues as it facilitates tax dodging, tax evasion and tax avoidance.

According to the research findings and through Transparency International (2017) rankings, Corruption in Malawi has worsened over the years. The corruption rank in Malawi averaged 89.35 from 1998 until 2017, reaching an all-time high of 122 in 2017. In terms of corruption scores, there has been a move from 37 in 2012 to 31 in 2017. The research also noted that trade misinvoicing is by far the largest component of Malawi's illicit flows measured in its estimates.

The research paper established critical recommendations the Malawian Government should adopt to negate the misfortunes of corruption and IFFs



such as: strengthening anti-corruption efforts through adequately funding anti-corruption agencies; heavy punishment for offenders and sensitization against corruption and IFFs. There is need to know the size and composition of IFF so as to come up with specific interventions that would effectively deal with IFFs. For example, on trade misinvoicing the customs authority in Malawi must incorporate a system for measuring misinvoicing risks in its current transaction approval process, before it releases shipments of goods for import or export. The selection and appointment of public officials especially the Director of Anti Corruption Bureau should be objective. If the executive continues to appoint public officials, chances are slim that the official will ever bite the hand that is feeding her/him.

These research findings relate to many countries in Africa struggling with the shackles of corruption and IFFs. There is need for joint efforts at global level including greater emphasis on international cooperation by individual nations on measures aimed at regulating secrecy jurisdictions, strengthening anti-money laundering efforts and enhancing tracking of financial crimes.



## Zimbabwean Media capacity enhancement on Debt Management reporting

Zimbabwe Coalition on Debt and Development (ZIMCODD), AFRODAD's partner, hosted media training on Debt Discourse on the 21st March 2019 in Harare, Zimbabwe. Equipping media practitioners and sensitizing them on implications of public and publicly guaranteed huge loans on human rights, poverty, inequality and macroeconomic performance was the main training goal.

Thirty (30) participants from the media fraternity in Zimbabwe learnt from the experience of their four knowledgeable facilitators.

In a keynote address Ms. Janet Zhou, ZIMCODD Executive Director, emphasized that there was a gap in public debt reporting by both public and private media houses in Zimbabwe. "The country is now characterized by corruption; weak public finance management system; deteriorating health sector; high unemployment rate and alarming poverty. This calls for media to take up investigative journalism and expose reasons why Zimbabwe continues to be in debt distress". She expounded. She also called on media to earnestly play its watchdog role and to create pacts with civil society for the realization of transparency and accountability in the public finance management

system in Zimbabwe.

Participants greatly appreciated the workshop "the training was very effective and timely. I look forward to using acquired skills to successfully write analytical articles on debt management, an area I feel will contribute to stopping Zimbabwe from sinking" from a recorded participant.

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## Implications of IFFs on Human Rights and Community development in Africa

The problem with illicit financial flows is not just that they are illegal, but that their effect has a very strong ripple effect. Millions of people in Africa are affected, economies are weakened, development is halted, and human rights are abused while a shady few accumulate wealth and influence.

A high level Alternative Mining Indaba (AMI) side event, held on the 4<sup>th</sup> February in Cape Town, South Africa, addressed the problem of Illicit Financial Flows (IFFs), as it relates to strategies Southern Africa can adopt in order to uphold human rights within the mining sector through curbing IFFs for community development.

The event ran under the AMI 2019 theme “Advocating for Equality and Justice where benefits of Natural Resources are shared equally” and it was jointly organized by AFRODAD and ZIMCODD. Delegates representing African governments, Civil Society groups, tax administrators and the academia from Africa graced the event.

Addressing the gathering, ZIMCODD Policy Research and Advocacy Manager, John Maketo, expressed concern over the magnitude of how mining agencies both local and foreign continue to short-change local mining communities in Africa leaving them in poverty. He advocated for the principle of Core Management of Resources where both citizens and agencies work in unison sharing all profits returned from any mining activity within any given mining community in Africa.

Human Rights Lawyer and senior researcher with

Human Rights Watch, Dewa Mavhinga, exhorted that the linkages between IFFs, mining and human rights are clear. Africa loses monies every year through diversion of money meant to benefit communities, instead finding its way to a few elites connected to companies who have political authority thus corruptly enriching themselves ahead of the populace.

“As Africa the biggest challenge is the existence of very weak institutions that channel IFFs and corruption, not only tax systems, but even the regulatory systems which in many cases are compromised and easily manipulated by such elites” Mavhinga said. “Each country must nurture and sustain strong, capable, independent institutions led and operated by public officials who are ethical, public service orientated, and then allow them to act without fear or favor against these crimes and those committing them.”

African nations must ensure that institutions that are necessary to serve the public interest are sustainable, transparent and accountable and they should not be interfered with in any way. In addition, those who seek to undermine these institutions must be discouraged

**As Africa the biggest challenge is the existence of very weak institutions that channel IFFs and corruption...**



## Financing Health in Africa: NOW is the time to act!



Due to deficits in government funding, there is still a reasonably high level of reliance on donor funding by African countries.

According to the World Health Organisation (WHO), Sub-Saharan Africa is home to only 12% of the world's population but it accounts for 22% of the total global disease burden and 68% of people living with HIV/Aids. Out of approximately 800 women who die worldwide each day due to pregnancy and childbirth complications, 55% are in Sub-Saharan Africa. Children born from Africa are 16 times more likely to die before the age of 5 than those in developed regions.

The grim health situation is the result of a crisis in healthcare financing in the continent. With only 1% of the world's health expenditure being used in Sub-Saharan Africa, countries are ill-equipped to adequately address their health problems.

The 32nd Ordinary Session of the Assembly of the African Union held on 10-11 February 2019 in Addis Ababa, Ethiopia brought hope for health financing in Africa through an affirmation commitment by member states to increase domestic health resource mobilization and progressive taxation. There was also a call towards the private sector to support and invest in expanding access to quality health care services in order to achieve universal health coverage thus ensuring the health security of the continent.

### Major agreed commitments

- Increase domestic investment in health;
- Improve health financing systems and further expand efforts to increase prioritization and efficiency in a context-appropriate manner.

This will allow each country to pursue its own path to achieving and sustaining universal health coverage. As

an outcome, the people of the African continent will receive quality, accessible and affordable prevention, diagnosis, treatment and care services they need regardless of their financial status, gender or education level.

- Mobilize sufficient and sustainable financing to strengthen health systems, especially primary health care and national public health institutions;
- Foster greater cooperation between public and private sectors to create synergies for delivering sustainable, effective, efficient and equitable healthcare hence safeguarding the health security of the people.

Speaking on the side-lines with AFRODAD's Policy and Research Consultant in the International Public Finance thematic Area, Adrian Chikowore said "Whilst engaging the private sector for efficiency gains for the Health sector in Africa may be commendable, Health Services must not be privatized".

The idea to galvanize a new era of cooperation and improving the overall well-being of Africa will create economic growth for all Africans although Africa can also initiate her own health financing initiatives. Community pre-payment schemes may potentially be what Africa needs to consider: Low-cost medical insurance schemes could be established with provision for government and non-governmental organizations to subsidize membership for low-income earners who comprise the largest proportion of the African population. This approach would nationalize financing for healthcare instead of being donor-dependant.

## AFRODAD joined faith actors and civil society in Africa to discuss strategies on social protection advocacy in Africa



Developing countries in Africa only spend about 3.5% of the GDP on social protection, compared to the world's average of 11.2%. This underinvestment is the reason why over 80% of the population in the region wouldn't be covered if they fell ill, got a disability or became unemployed, pregnant or old.

Regional strategies for strengthening social protection for the most vulnerable groups in Africa such as women, children and the elderly was topical during a workshop held from the 6<sup>th</sup>–8<sup>th</sup> March 2019 in Tanzania. The workshop hosted by the African Platform for Social Protection (APSP) in partnership with the Church of Sweden and Norwegian Church Aid drew various Faith based organisations and Civil society from the Eastern and Southern Africa for the two-day seminar.

Dr. Tavengwa Nhongo, Director of the Africa Platform for Social Protection noted that the workshop aimed at strengthening technical and country-specific advocacy skills and strategies for faith based organizations and civil society on how to use their voices to call for social protection as a matter of human rights and the fight against various forms of inequality.

In his key note address, Dr Nhongo highlighted that Churches, mosques, faith based organizations and CSOs should remain at the forefront of providing social services and support to those living in the socio-economic margins. He emphasized that these actors have a critical role to play to promote just societies through securing social protection for all. "They should be part of the national political dialogue on social



protection, and advocacy for the coverage of all members of society." In many African countries, social protection programmes are struggling with limited coverage, inadequate benefit levels as well as fragmentation and weak institutionalization.

Mr Adrian Chokwore who traveled with the Zimbabwean delegation representing AFRODAD, said "We know that social protection policies and systems can make a big difference because they are one of the main instruments available to governments to tackle poverty and inequality thus meeting SDGs for this specific sector. Our fight as civil society is to engage government towards the realization of the importance of upholding social protection principles for the benefit of the poor".

Among final resolutions, APSP and its stakeholders agreed on a unique and integrated programme that combines: advocacy, programming and implementation as a way in trying to help Eastern and Southern African countries to create awareness and knowledge campaigns on Social Protection.



*Engagement & Recommendations*



## Financing for development

Mr Theophilus Jong Yungong Policy Analyst under AFRODAD's Debt Management attended a civil society meeting that was organized by Bread for the World, AFRODAD's partner. The meeting brought together civil society experts from all over the world to share insights that will inform key civil society demands during international events on financing for development to be held later this year.



*Mr Theophilus Jong Yungong  
Policy Analyst under AFRODAD's  
Debt Management*



# AFRICAN COUNTRIES MUST BORROW RESPONSIBLY

## Lenders must stop taking advantage!

### OPINION



For 23 years now, AFRODAD has been working to influence African governments to institute and implement policies and practices to advance sustainable development and poverty eradication. Much ground has been covered, but this work is more relevant than ever before. Where is Africa in terms of responsible borrowing and the overall debt situation? Are governments borrowing responsibly? Are lenders being responsible? Let's pick a country from Southern Africa.

In 2016, the discovery of undisclosed government loans worth up to \$2bn precipitated an abrupt end to Mozambique's economic success story. International Monetary Fund (IMF) aid was withdrawn and debt payments have subsequently been missed. Finance minister explained that creditors would have to wait another decade before being repaid (World Finance, 2018). Mozambique has been considered insolvent since 2017 and it has been effectively cut off from international credit lines. The government tried to offset its chronic budget deficit by seeking assistance from IMF. Meanwhile, it was also borrowing from Mozambican commercial banks but these have since stopped buying government treasury bonds because



they believe the risk of state bankruptcy is too high. As if the above was not too much of a debt crisis, the recent cyclone idai caused severe flooding and it was reported that 5,756 homes were destroyed and 15,467 homes were affected. Additionally, 8 hospitals and 938 classrooms were destroyed. Floods also ruined 168,000 hectares (420,000 acres) of crops. This has terribly complicated the country's agony by all means, beyond the economic aspect..

## OPINION

### AFRODAD's position

1. Mozambique must declare the \$ 2Billion loan debt illegal and IMF should consider it as a legitimate declaration. The country should focus on rebuilding itself rather than paying an illegal loan;
2. All money for disaster relief and rebuilding healthcare, education and other crucial sectors must come as grants rather than loans, and Mozambique may need further debt relief;
3. For all African governments, all public debt and guarantees must be approved by Parliament which must also provide oversight on performance of the loans on behalf of citizens (this was not done when the Mozambican loan was contracted);
4. Public debt contraction and use shall be anchored in constitutionalism \_backed by a legal framework and rule of law;
5. African governments should put in place arrangements to ensure proper approval and oversight of official borrowing;
6. African governments have an obligation to disclose and publish relevant terms and conditions of all financing agreements to citizens and should respond openly to requests for related information from them;
7. African governments have a responsibility to conduct a meticulous investigation into the financial, operational, civil, social, cultural and environmental implications of the project and its funding;
8. African governments have a responsibility to put in place and implement a debt sustainability and management strategy;
9. African governments have a responsibility to weigh costs and benefits when contracting loans;
10. A public debt contract is a binding obligation and should be honored. However, cases can arise which could invalidate the debt (in support of point #1).



AFRICAN FORUM AND NETWORK  
ON DEBT AND DEVELOPMENT

# 2019 AFRODAD SUMMER SCHOOL

## Theme:

Illicit financial flows and domestic  
resources mobilisation in the era of  
digital economies in Africa:  
opportunities and challenges

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