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PEACE AND SECURITY COUNCIL
564TH MEETING
ADDIS ABABA, ETHIOPIA
15 DECEMBER 2015

PSC/PR/BR. (DLXIV)

PRESS STATEMENT

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The Peace and Security Council of the African Union (AU), at its 564th meeting, open session, held on 15 December 2015, received a presentation on Illicit Financial Flows and their Impact on Peace, Security and Stability in Africa.

Council took note of the presentation on the Illicit Financial Flows and their Impact on Peace, Security and Stability in Africa, made by the Commission. Council also received statements from the representatives of Chad and Libya, as well as of some international partners, namely, Denmark, the United States of America and the European Union.

Council recalled its earlier pronouncements on the scourge of illicit financial flows, particularly, Press Statement PSC/PR/BR.1 (CDLXXVI) adopted at its 476th meeting, open session, which was held on 16 December 2014 under the theme: “Income Inequalities and Illicit Financial Flows”.

Council noted, with deep concern, that besides damaging economies and their growth, as well as undermining Africa’s efforts to fight poverty and underdevelopment, which are key root causes of conflicts in the continent, illicit financial flows are also fueling other threats to the peace, security and stability of the continent, including terrorism and violent extremism, which will, consequently, undermine the achievement of Africa’s peace and security agenda of silencing the guns by the year 2020. Furthermore, Council noted that illicit financial flows undermine Africa’s efforts to mobilize domestic financial resources that could significantly reduce the continent’s excessive dependency on external funding and its attendant vulnerabilities. Therefore, Council underscored the need to find best means and ways of recovering all financial resources that are illicitly taken out of the continent so that the resources can be utilized in funding the development efforts of the continent.

Council stressed the need for Member States to address all structural factors that facilitate illicit financial flows, including weak institutional governance and corruption. To this end, Council emphasized the need for Member States to strengthen and improve governance, combat corruption, invest more in addressing the problems of tax evasions and tax heavens, secrecy jurisdictions, anonymous companies, under-invoicing of trade transactions, as well as trade-based money laundering. Furthermore, Council emphasized the need for enhanced transparency of ownership and control of companies, partnerships and other legal entities that can hold assets and bank accounts for illicitly acquired resources.

Council underscored the need for Member States to review their current and prospective double taxation conventions, particularly those with jurisdictions over destinations of illicit financial flows with a view to ensuring that they do not provide opportunities for abuse. In this regard, Council urged Member States to consider the Model Double Taxation Agreement, which was developed by the African Tax Administration Forum.

Council emphasized the need for building the capacity of financial intelligence units, law enforcement agencies and the entire criminal justice system, as well as harmonizing

national legislations with relevant international instruments for combating illicit financial flows and money laundering. In this context, Council underscored the need for using regional integration arrangements to introduce accepted standards for tax incentives in order to prevent harmful competition in the efforts to attract foreign direct investments.

Council noted, in particular, that the extractive sector is one of the primary sources of illicit financial flows in Africa. In this regard, Council stressed the need for Member States and companies operating in the extractive industries in Africa to join voluntary initiatives such as the Extractive Industries Transparency Initiative. In this context, Council stressed the need for mandatory country-by-country and project-by-project reporting requirements beginning first in the extractive sector and, later, across all the other sectors.

Council called upon the financial intelligence units of the Member States to share intelligence in combating illicit financial flows. Council also stressed the need for the development of an AU legal regime, which will enable Member States to fight illicit financial flows. In this context, Council requested the AU Commission to take necessary steps towards the elaboration of the legal regime and submit it to Council.

Council, having noted that illicit financial flows is a transnational challenge, stressed the need for enhanced collaboration and cooperation between Africa, the United Nations and the European Union, as well as with the rest of the international community with a view to ensuring greater transparency, particularly, in the international banking system, including the need for the banks to ascertain the identity, the sources of wealth and the origins of the depositors, as well as the sources of the bank deposits.

Council agreed to remain seized of the matter.

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