

**Excellency Field Marshal Omar Hasan Ahmad Al-Bashir,
President of the Republic of the Sudan**

**Excellency Mr. Salva Kiir Mayardit, President of the Republic of
South Sudan**

**Excellency Former President Olusegun Obasanjo, Board
Chairman of the Tana High Level Forum**

Excellency Former President Pierre Buyoya

Excellency Mr. Abdiweli Mohamed Ali President of Puntland

**Excellency Mr. Gedu Andargachew, President of the Amhara
Regional State**

Distinguished Guests

Ladies and Gentlemen,

On behalf of the people and government of Ethiopia and myself, I would like to welcome you to the city of Bahir Dar.

As you all know, Addis Ababa used to be the monopole host of platforms where African and global leaders congregate to deliberate and decide on issues which are closer and important to the peoples of the continent and the world. The decision by the Tana High Level Forum on Security in Africa to conduct its deliberations in the beautiful city of Bahir Dar was indeed a welcome detour.

More important than breaking ground, however, is the ability of this forum to remain a place where relevant and serious problems are interrogated with a view to helping inform our quest for African-led solutions. The fact that it has continued attracting various stakeholders and leaders by addressing issues which are very

central to peace and security in Africa is indeed encouraging. The last two editions addressed issues of managing diversity and state fragility as well as organized crime. For its third edition, it is rather fitting that the Forum chose an equally, if not more, significant African peace and security issue, that of illicit financial flows.

Africa and its people are bleeding. We are losing resources which could easily lift out of poverty hundreds of millions of our people. Estimates vary. But many indicate that it is simply and massively intolerable.

It is reported, for example, that the cumulative outflow between 1980 and 2009 range from \$1.2 trillion to \$1.4 trillion. Even this excludes the loss through drug trafficking and smuggling. It is an amount which exceeds what Africa gets in development assistance and foreign direct investment. Contrary to commonplace perception, Africa is a net creditor to the world if you take account of illicit financial flows.

The outflow takes different routes and forms. Again here the reality is that Africa is losing more through international trade and multinational companies than through bribery and embezzlement. Because of weak institutional and human capacities, companies could easily and without being recognized and taxed transfer much of their profit originating from Africa. This realization should not in any way diminish our effort and determination to addressing state corruption.

The amount we in Africa are losing through these scams is staggering indeed. To give you a sense of proportion, let me point to one area we cherish most in my government. We, in Ethiopia, have set a very ambitious target of becoming a low carbon middle income country by 2025. Significant financial resources will be required to realize this. We estimate that our target requires an investment of about 150 billion USD, mainly on infrastructure, and social services. Much of the financial resources are needed in foreign currency. Now everybody agrees that this is a very ambitious target.

But when you consider this much needed-investment in light of the figures on illicit financial flows, one can get the sense of the relative ease with which countries in Africa, including Ethiopia could have saved and improved lives. Excessive outflow means much delayed realization of such development targets as child mortality reduction and poverty eradication. According to some estimates, it could delay the realization of some of the targets by more than twenty years.

With such outflows in check, we will also be able to adequately self-finance and strengthen regional and continental organizations and processes that play important role in maintaining peace and security.

The size of these resources which Africa is being robbed of also indicates how national development gains could easily be reversed. The unfortunate truth is that there are people and organizations that feed on and flourish in and as a result of conflicts and poverty in Africa. They get powerful and entrenched as the size of and the ease with which financial resources flow informally and illegally grow.

What could be done as a way of rising to the challenge, among others, is what we will be deliberating today and tomorrow. By way of a general statement, however, I should point out that the first step in controlling this hemorrhaging that is threatening our peace and security is to recognize the push and pull factors at work. Individual countries in Africa can do a lot by identifying and managing the push factors. We in Ethiopia very much recognize the urgency of totally replacing a rent-seeking political economy, of which this massive loss of resources is just a symptom, with a productive and developmental one. On a continuous basis we do audit processes and practices for their vulnerability to rent-seeking behavior. Accordingly, we have identified and prioritized sectors such as tax and land administration systems, trading regimes and public expenditure and procurement for corrective and preventative reforms. From year to year we are improving on our tax collection capacity. We will continue to work to strengthen our legal and institutional frameworks for the detection and control of illicit financial flows.

The problem has various manifestations and some are more debilitating than others in terms of their effect on Africa's efforts to extricate itself out of poverty. Let's take one example. Budget revenues have increased significantly in many African countries in recent years. In our particular case, we have managed to increase our revenue significantly through a series of institutional reforms

we undertook over the last two decades. Tax collection has increased significantly in many African countries including, of course, Ethiopia. Still much more can be done by improving collection of tax revenues.

One of the difficulties for improving tax collection comes from illegal transfer of money from Africa to Europe, North America, and these days to the Middle East. There are those, mainly multinationals, who use all kinds of seemingly innocuous instruments to avoid paying taxes. Despite the best of our efforts to stem the tide of this challenge however, we still continue to lose billions of dollars that end up lining the pockets of crooks of all shapes and colors. We need all the knowledge and institutional capacity to be able to address this challenge.

The problem of Africa is not only tax avoidance, however. Equally, and in a number of countries where multinationals are practically non-existent, there is the additional problem of tax evasion, which is, of course a criminal act. This particular problem is bleeding African economies and needs to be tackled as resolutely as possible. Globally speaking, illicit financial flows are not just zero-sum activities. They are negative-sum. Significant resources are wasted in the process of transfer; resources that could have been used productively. That also forms part of the case for the coordinated national and regional actions. However much individual countries might do, the fact is, it is not enough. The pull factors must be

taken care of. That is where regional and international coordinated efforts are needed. A very transparent financial, corporate ownership and public procurement systems at country level will not be effective when countries even in Africa are—wittingly or unwittingly—jostling to join the league of tax havens and offshore financial centers. That is where regional and international coordinated efforts are needed. Without coordination, countries might resort to some kind of ‘race to the bottom’, compounding the problem.

I believe there is no denying that at the heart of any lasting solution is the imperative to put in place a transparent and accountable governance structure both at national and global levels. The more transparent our workings are, the less the likelihood of our much needed resources falling through the cracks created by inefficient governance regimes will be.

I am also hopeful that, during our deliberations, we will be able to marshal the necessary force and informed position required to tackle the problem. This will, among other things require that we somehow find a way to access and share information of illicit transfer of money to foreign banks.

For instance, African countries need access to information about foreign bank deposits of foreign or domestic companies at home—deposits that are made outside their jurisdictions particularly by

people who engage in tax fraud in Africa through avoidance or otherwise—whether businessmen or politicians. It is my hope and expectation that this debate that we are going to have will further inform our quest for a way out of this challenge.

In closing, I would like to take this opportunity to express my gratitude to the People and Government of the Amhara Regional State for the warm hospitality they have always extended to the participants of the Forum. Once again I would like to express my appreciation to the advisory board and the secretariat which have made this edition possible. And I wish you fruitful deliberations and memorable weekend here in Bahir Dar. Last but not least, I would like to thank the Management and employees of the Avanti Blue Nile Hotel for their warm welcome and excellent hospitality.

I thank you.