

# AFRICAN ECONOMIC CONFERENCE 2021

## Financing Human Rights and Development: Impact of External Debt and Illicit Financial Flows

### Challenges and Solutions

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international financial obligations and  
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# Right to Development and ESC Rights

- Every human being has the right to participate in, contribute to and benefit from economic, social, cultural and political development-Declaration on the Right to Development.
- The 2030 Agenda for Sustainable Development seeks to address 17 areas of development, with specific indicators, by 2030.
- Rights require resources and sustainable development should be adequately. In order to contribute to combating inequality and enhancing the progressive realization of economic, social and cultural rights (ESCR)
- Article 2(1) of the ICESCR places an obligation on States to ensure the realization of rights through taking measures, making use of available resources effectively and ensuring economic and technical international cooperation and assistance.

# Financing Development: The Gap

- According to the OECD's latest [Global Outlook on Financing for Sustainable Development](#), developing countries require **2.5 trillion dollars annually** to fill the SDG financing gap.
- Unsustainable debt has increased in several countries, before and during COVID-19. This has negative implications on development and human rights particularly in developing countries, widening the financing gap.

What are governments' sources of funding to fill the gap?

Domestic resources mobilized through tax collection

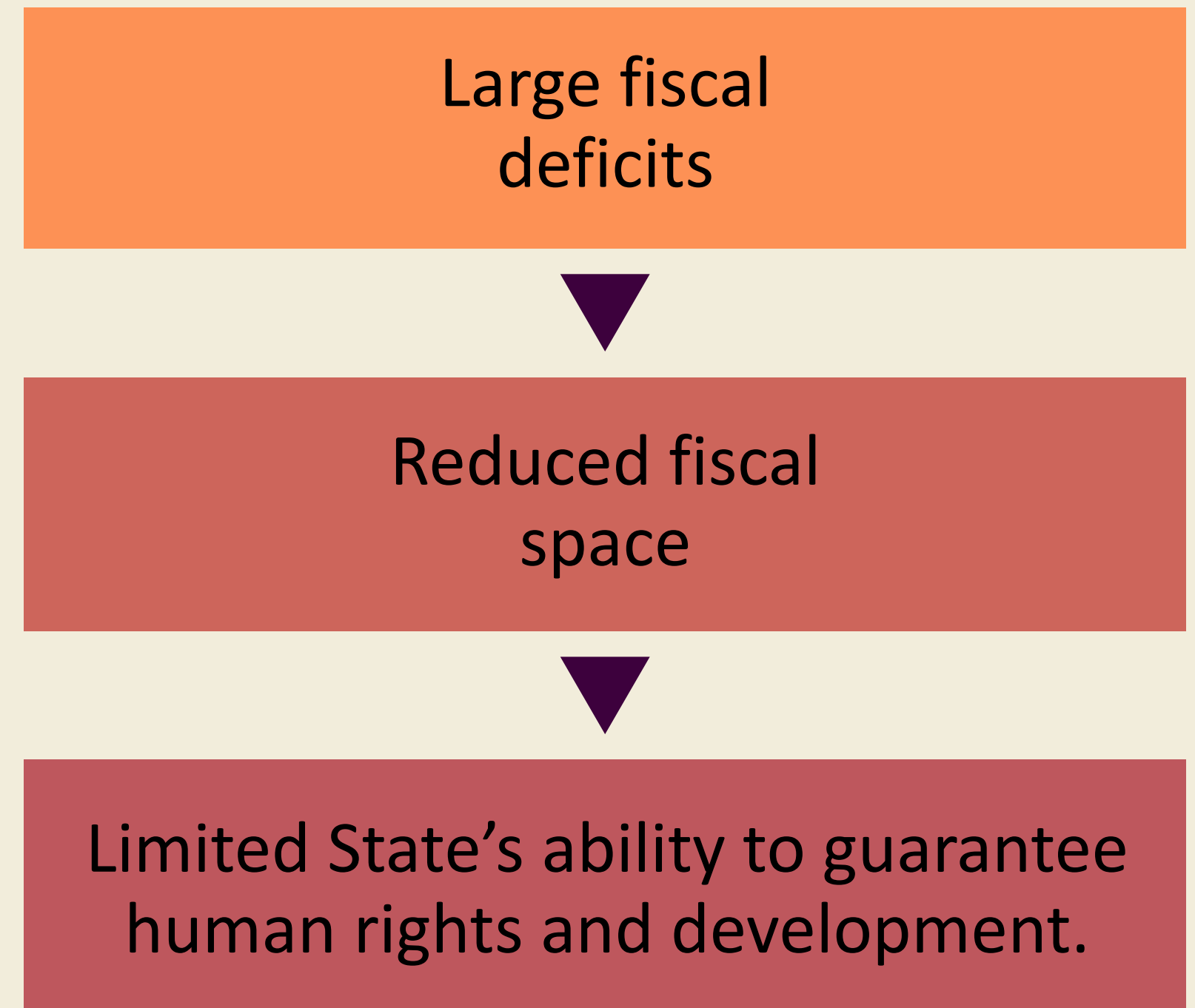
Profits from government business

Grants

Loans

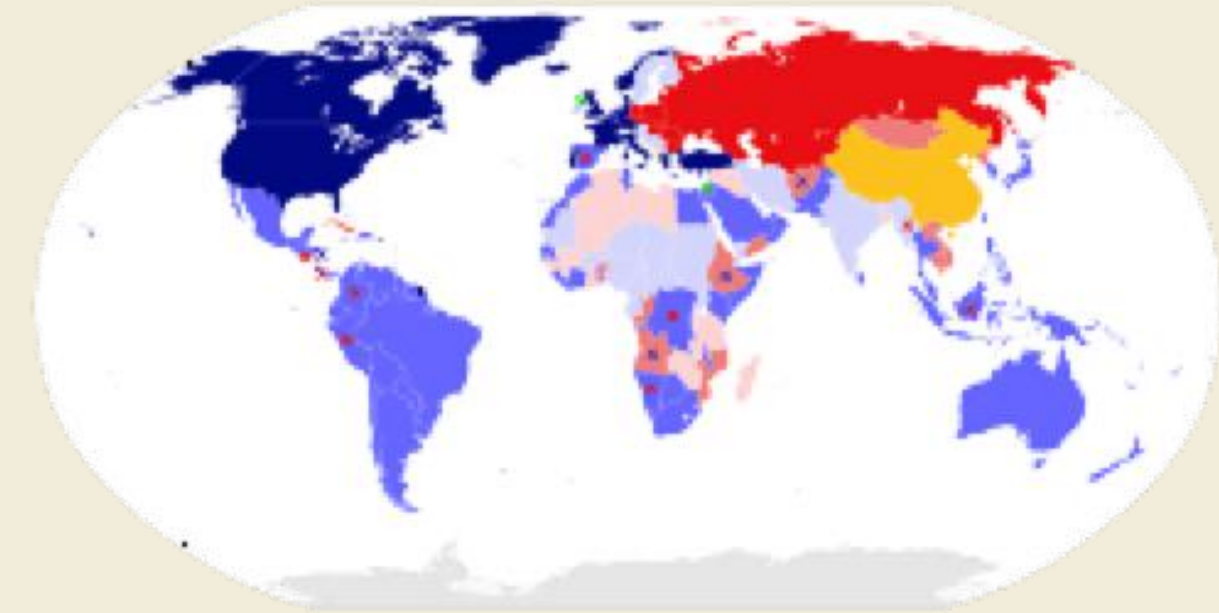
# Fiscal Deficit: Impact on Development

- Using loans to service previous loans presents a challenge for developing countries who are exposed to debt distress.
- The existence of a fiscal deficit takes away from a State's ability to guarantee the rights of its population under international human rights law referred to ESCR as well as in line with the SDGs.



# Illicit Financial Flows

- ‘Illicit Financial Flows (IFFs)’ refers to money **illegally earned, transferred or used**. It includes domestic and cross border transactions, private and public transactions and formal and informal transactions.
- There are three main categories of illicit financial flows. They include:



1. Tax-related illicit flows- e.g., tax avoidance, tax evasion

2. Proceeds of criminal activities- *e.g., trafficking of persons, drugs, weapons; financing terrorism*

3. Proceeds of theft, bribery and corruption by government officials

# Impact of IFFs on Development



TARGET 16.4 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime

- As of 2020, according to Global Financial Integrity (GFI) Africa is estimated to lose up to **88.6 billion dollars annually** to illicit financial flows while Latin America and Caribbean countries lose an estimated **43 billion dollars** annually.
- [UNCTAD](#) estimates Africa's SDG financing gap to amount to **200 billion dollars** annually. Curbing the loss of **88.6 billion dollars** would reduce the gap by approximately 44.3%.
- Curbing transnational illicit financial flows would increase resources to fund **the 2 trillion-dollar SDG gap globally**.

# Some examples of initiatives towards financing for development

## United Nations Tax committee

has prioritised tax transparency in a bid to stop the illicit flow of cash and potentially strengthen public finances.

## Partnerships between AfCFTA and UNDP

to promote trade as a socioeconomic recovery stimulus from the covid-19 crisis. It aims to enable inclusive growth and sustainable development, especially for women and youth.

# Some aspects of the work as Independent Expert (1)

The Human Rights Council has mandated the Independent Expert to advise on debt restructuring, cancellation and reform in line with the promotion and protection of human rights.



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# Some aspects of the work as Independent Expert (2)

## International debt architecture reform and human rights

General Assembly 2021 [\(A/76/167\) REPORT](#)

2 Objectives

**EFFECTIVE RESPONSE**  
- Ensure the **capacity** to  
**respond** to debt crises in an  
**effective** and **timely manner**.

**PREVENTION OF CRISES**  
- Most importantly serve  
to **prevent** future crises,  
avoiding a vicious circle.

# Some aspects of the work as Independent Expert (3)

## REFORM OF CREDIT RATING AGENCIES:

In the 2021 report to the Human Rights Council ([A/HRC/46/29](#)), the former mandate holder proposed the reform of credit rating agencies, called for accountability of these institutions and to emphasize the fulfilment of human rights obligations.

## ADDRESSING DEBT in COVID-19 ERA

[Reports and guidance notes](#) to tackle pre-existing debt vulnerabilities and the existing financing gap affecting efforts to contain the Covid-19 pandemic, highlighting the impact of debt on emergency response efforts and resources available to States.

# Conclusions



1. Human rights require resources

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2. Illicit Financial Flows empty government coffers leaving little to offer for the fulfillment of human rights obligations in relation, for example, to access to health, education, social protection, food or a justice system

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3. A vicious debt cycle and lack of debt restructuring, cancellation or reform of the international debt architecture leave no room for financing for development. Debt burden of developing countries is critical & public and private creditors need to address it

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4. It's vital to implement effective strategies leading to curbing of illicit financial flows, redirecting these flows towards development and creating policies that place human rights at the center of their efforts