The Utility of Radical Transparency and Civic Agency in Solving Africa's Illicit Financial Flows Crisis

By:

Alex Tamei

February 16, 2025

Introduction Over the years, the discussions on Illicit financial flows (IFFs) have prioritised a perspective on systems that obscure and facilitate the movement of funds, such as market/regulatory abuse and tax avoidance schemes. This focus is mirrored in several proposals in the recent Elements Paper for the outcome document of the Fourth International Conference on Financing for Development (FfD4), which emphasizes regulatory frameworks and international cooperation while overlooking the unique socio-political dimensions that are critical enablers of IFFs in Africa.

Some of the core objectives of FfD4 are enabling a renewed global financing framework that is underpinned by a commitment to multilateralism and collective action and aligned with national priorities. The African context is especially disadvantaged regarding barriers to meeting these objectives because the political elite, who set the said national priorities and spearhead

‘collective action’, is at the forefront of perpetuating illicit financial flows. The Pandora papers and similar exposés have revealed that African leaders are often at the forefront of illicitly hiding money abroad and moving it around illegally. This creates a paradox, as the very individuals responsible for driving meaningful progress in addressing illicit financial flows are frequently the biggest impediments to such efforts. Peter Ekeh’s concept of the ‘two publics’ provides a compelling theoretical framework for understanding this dynamic.

According to Ekeh, in post-colonial Africa, a public sphere exists structured around formal institutions like the military, civil service, and police. This sphere's complete moral disconnect from private life and personal relationships makes it unique. In simpler terms, the government and its institutions operate in a way that feels completely detached from the ethical and moral standards people use in their personal and community interactions. There are two moral universes: one where government officials follow different rules and another where everyday citizens maintain their own sense of right and wrong. This institutionalized amorality means that behaviours considered unacceptable in personal or community settings become normalised within government structures. Actions that would be seen as unethical or wrong in private life are often treated as business as usual in the civic public realm. The political elite views themselves as fundamentally separate from ordinary citizens.

*A good citizen of the primordial public gives out in return; a lucky citizen of the civic public gains but enjoys escaping giving anything in return whenever he can.****[1]***

Powerful kleptocrats—presidents, ministers, generals—abuse their political power to drain developing states of monies that belong in the tax base and ultimately should be used for the benefit of the people, but instead go into their pockets and offshore bank accounts. Over the last 50 years, Africa is estimated to have lost more than $1 trillion in illicit financial flows (IFFs).**[2]** This sum is roughly equivalent to all of the official development assistance received by Africa during the same timeframe. The general effect is that the citizenry often pays for defunct or failed projects long after the political entities that begat these projects have left the political arena. As the continents’ revenue base strains to cater to losses caused by (state-enabled) corruption, SDG funding inevitably decreases. Downstream of this is the inevitable delay in achieving

Sustainable Development Goals (SDGs). Further downstream, deficits caused by fiscal delinquency occasioned by the political elite drive the continent into a self-reinforcing sovereign debt distress spiral. It is thus functionally impossible for development outcomes such as reducing inequality, promoting peace and justice, or fostering sustainable economic growth to be achieved.

The load-bearing nature of corruption

The pervasiveness of abuse of entrusted power in Africa creates such an ideal environment for IFFs that without addressing this problem, making meaningful progress in other dimensions is hard. Corruption as a load-bearing dimension of the African IFF's crisis seems trite until its elements are broken down. Corruption in our context is best understood as the abuse of entrusted power as defined in various anti-corruption instruments. In a study commissioned by the African Union on IFFs from Africa, most respondents to questionnaires administered during the study felt that corruption was the greatest source of illicit financial outflows from their countries. It is also pertinent to note that corruption cases are a staple of daily news and are, therefore, in the consciousness of most citizens. In the eventuality that these instances do make it to court, the judicial systems exhibit an elite bias, favouring the powerful. There has been an entrenched perception of this in Kenya, Ghana, & South Africa, and many other African countries writ large. This is enabled by an intricate web of interconnected interests where chits and favours are traded like currency. These localised networks of self-interest extend beyond national boundaries, forming a transnational kleptocracy perpetuating a cycle of systematic exploitation and mutual benefit. Moreover, as the International Consortium of Investigative Journalists has documented in the "Panama Papers" and "Pandora Papers," kleptocrats collaborate with enablers operating within the global financial system, both legally and unlawfully, to move, hide, obscure and launder the proceeds of their corrupt conduct.

One of the core commitments set out in the FfD4 elements paper is the restoration of trust in multilateralism in order to '... Accelerate our collective efforts to realise the promise of the 2030 Agenda.' In the proposals on combatting illicit financial flows, it is also recognised that tackling corruption can restore public trust, strengthen institutional capacity, and have positive impacts on global challenges such as poverty and social and economic

inequality. In essence, that mistrust of multilateralism is downstream of corruption, and the erosion of public trust resulting from it seems, at the very least, implicitly understood. However, the proposals do not directly address this reality, focusing on national regulation of service providers, standards-setting and international cooperation in asset tracking and multilateral mediation.

If we imagine the state as a business where every citizen holds shares, the government's role as CEO becomes critically dependent on maintaining the board’s confidence. Without this trust, the organisational capacity collapses: new initiatives cannot be developed, stakeholder engagement becomes impossible, and organisational stagnation becomes inevitable. Erosion of public trust affects more than just the state’s organisational capacity. Nations are expected to mobilise internal savings and investments while operating within a global financial architecture. When there is a complete breakdown of public trust, the IMF, World Bank, and Bank for International Settlements—ostensibly designed to provide economic stability and guidance—become complicit and any dream of restoring trust in multilateralism collapses. International Financial Institutions acting in alignment with governments that have utterly lost public trust create a self-reinforcing mechanism where international financial legitimacy is lost due to the decline of local economic resilience and perceived disregard for citizen interests. It follows, then, that without dismantling the embedded social interest chains that sustain corruption, eradicating IFFs remains impossible. Put simply, it’s corruption all the way down.

Potential Pathways Forward

When political leadership consistently breaches the social contract, citizens have no compelling reason to maintain their end of the bargain. In order to conceptualize any viable solutions, it is important to restate what has been expounded upon above, that on the African continent, most illicit financial flows are done with state acquiescence and very often sponsored by the states themselves. Most of the proposals espoused in the FfD4 elements paper contain an embedded state centrism focusing on ‘strengthening international cooperation’ or strengthening regulations, or capacity building.’ There is a distinct disregard for citizen engagement in the proposals, which is vital for dealing with corruption in a continent plagued by elite capture. Despite the global and regional attention that resulted in adopting the United Nations

Convention against Corruption (UNCAC) and the African Union Convention on Preventing and Combating Corruption (AUCPCC), not much headway has been made in dealing with the issue.

In the AU-commissioned study on IFFs, it became apparent that even where the institutional set-up is elaborate and extensive, as is the case with Nigeria, the involvement of the political elite in illicit financial flows renders them challenging to counter due to the inevitable absence of a political will. This manifests as a lack of cooperation and coherent operations among the various agencies. In the grand scheme of things, legislators are not gods, and if we want to solve the problems in Africa, we need to do so from our own perspectives of civic agency. In a democracy, the highest office is that of the citizen.

A viable pathway is radical transparency. Transparency is key to achieving success in the fight against IFFs. The admonition of the late Justice Louis D. Brandeis of the United States that "sunlight is the best disinfectant" is especially pertinent in this regard. The importance of transparency is evident in ongoing approaches to tackle IFFs, whether through the automatic exchange of information, country-by-country reporting, project-by-project reporting, disclosure of beneficial ownership, public information about commercial contracts that African governments enter or implementation of the recommendations of the Financial Action Task Force.

However, international corruption monitoring faces significant challenges due to non-interference principles. Further, any international institution would likely be susceptible to political interests and thus not have the best interests of the citizenry at heart. A potential solution might involve crowdsourcing—leveraging collective vigilance to monitor and expose corruption. Corruption remains a primary area of policy intervention by civil society and a driver of illicit financial flows (IFFs) that the general public can readily understand without specialist knowledge.

This is where the idea of Citizen entomologists comes in. There is an aphorism in programming that goes, ‘Every bug is shallow if even one reader is an entomologist’. Any software bug becomes easier to solve when the right expert examines it, just as an entomologist easily identifies an insect. Within Africa's

large population, there are individuals who can naturally recognise patterns of government corruption "at a glance," similar to how an expert can quickly identify a specific insect species. If even one individual among those collecting and analysing data on the actions of the political class is an expert in spotting instances of corruption and ensuing IFFs, then collective citizen engagement could be a powerful tool in combating systemic corruption. As a people, it would be interesting to find a way to investigate the political class independently. With over a billion Africans, we can't lack people who can see government corruption antics at a glance—these would be our "entomologists." Citizen entomologists represent more than a monitoring mechanism—they profoundly reimagine civic participation, transforming ordinary individuals into guardians of institutional integrity. Taking the concept even further, crowdsourced monitoring could be integrated into formal anti-corruption frameworks or advocate for capacity building in African institutions to better address IFFs.

At the national level, countries should establish mandatory beneficial ownership registries with standardized reporting requirements, particularly focusing on extractive industries where transparency is crucial. These registries should connect to a broader pan-African database system that integrates with global registries, creating a seamless network for tracking ownership structures across borders. Governments should ensure that all this information is accessible to all the populace. To align these efforts with broader development goals, specific metrics should link IFF reduction to SDG targets, with regular reporting requirements on progress. The private sector should be incentivized to participate in anti-IFF initiatives through a combination of rewards and compliance requirements. Transparency and accountability measures should include mandatory open contracting data standards for all government procurement, supported by public-facing digital platforms that enable real-time monitoring. To strengthen data systems and statistical capacity, governments need to make specific budget allocations for developing digital infrastructure and statistical capabilities.

Regional integration efforts should incorporate beneficial ownership requirements into existing frameworks like the AfCFTA. This integration should be accompanied by strengthening regional anti-corruption bodies with enhanced investigative powers and establishing formal information-sharing mechanisms between African tax authorities. A regional oversight committee

could monitor cross-border financial flows and ensure compliance with established protocols. The ability of any member of a partner state to bring forward IFF matters before sub-regional bodies should be recognised under treaty law, complemented by robust whistle-blower protection mechanisms with clear reporting channels.

Should a citizen-centric approach seem far-fetched, one need only remember that, in June 2024, thousands of Kenyan youths took to the streets in protest of a draconian omnibus bill that would have seen many youths in the population living without economic dignity. In an incredible show of unity, many went out of their way, even calling their members of parliament to remind them that the distance between the 'civic' and 'primordial' publics is not as vast as they had presumed. Despite being called disorganised, civilian activists coordinated contributions from the broader Kenyan population to help fund those injured during the June 25th, 2024 protests, provided journalistic coverage of the Ruto regime's missteps, and actively satirised the regime, bringing a sense of levity that helps the populace process the grim events. The power to reclaim Africa's economic potential lies not in top-down interventions but in the hands of a billion watchful, engaged citizens who understand that in a true democracy, their civic agency is the most potent tool for change.

---

[1] P Ekeh, 'Colonialism and the Two Publics in Africa: A Theoretical Statement' (1975) 17(1) *Comparative Studies in Society and History* 91.

[2] Africa Centre for Energy Policy, 'Illicit Financial Flows and the Extractive Industry in Ghana' (2015) 23–26

View online: The Utility of Radical Transparency and Civic Agency in Solving Africa’s Illicit Financial Flows Crisis

Provided by Afronomicslaw