

THE 2016 AFREXIMBANK ANNUAL CUSTOMER DUE DILIGENCE AND CORPORATE GOVERNANCE FORUM

**Implementation of Sustainable Customer Due Diligence and
Corporate Governance Practices by Leveraging on Technology and
Collaboration**

**Welcome Address by the Minister of Finance
and Economic Planning of Rwanda**

H E Dr. Benedict Oramah, President of Afreximbank,

H E Dr. George Elombi, Executive Vice-President of Afreximbank,

Excellencies Honorable Ministers,

Distinguished Delegates,

Distinguished Ladies and Gentlemen,

It is a great pleasure and honor to be invited to deliver the Welcome Address and Opening Statement at this third edition of Afreximbank Annual Customer Due Diligence and Corporate Governance (ACDICOG) Forum. I take this opportunity to express my deepest appreciation to the Management of the African Export-Import Bank led by President Oramah for inviting me, and most of all, for trusting and honoring our country by making it the host of this important event.

On behalf of the Government and people of Rwanda, I would like to warmly welcome all delegates – speakers and participants to our capital city of Kigali.

The Afreximbank Annual Customer Due Diligence and Corporate Governance Forum is on its third year and this year's main theme for discussion by delegates is titled "**Implementation of Sustainable Customer Due Diligence and Corporate Governance Practices by Leveraging on Technology and Collaboration.**" This topic is both timely and highly relevant to the development challenges facing the world and Africa. Curbing illicit financial outflows and tax evasion was a full agenda item during the last G20 meeting of world leaders.

Distinguished Ladies and Gentlemen,

Permit me to start my remarks by reminding us all that financial crimes remain one of the greatest threats both to corporates and Governments around the world. Money laundering, bribery, fraud, tax evasion, among others, are illegal activities that continue to exert dampening effect on the global economic and financial space and undermine opportunities for sustainable economic development. During the last two decades illicit financial flows have remained significantly high averaging around 40 percent over the period. Although data shows that global financial crimes slowed to about 36 percent in 2016 compared to 37 percent in 2014, distribution across regions shows that the trend has been quite uneven over the years.

More specifically, evidence suggests that between 2014 and 2016 the rate of reported economic crimes increased from 35 percent to 40 percent in Western Europe; from 21 percent to 25 percent in the Middle-East; with Africa where reported economic crimes increased from 50 percent and 57 percent over the same period exhibiting the most alarming rates, even by developing country standards. In North America, even though the trend has abated slightly, it remains high at 37 percent in 2016, down from 41 percent in 2014. Besides the magnitude and the scale, the trend should be a source of concerns, especially for Africa where access to finance and capital has consistently been singled out as a key constraint to growth and economic development.

For instance over the last 50 years, Africa is estimated to have lost in excess of US\$1.7 trillion in illicit financial flows. This sum is roughly equivalent to all of the official development assistance received by Africa during the same timeframe. Currently, the African Union estimates that Africa is losing more than US\$50 billion annually in illicit financial flows, but these estimates may well fall short of reality because of lack of accurate data for all African countries

Distinguished Guests,

Ladies and Gentlemen,

These illicit activities have significant implications for growth and economic development and financial soundness of banks and corporates.

In an environment where there is a perception of prevailing economic and financial crime legitimate economic activity is undercut, investment discouraged, breeds further suspicion and undermines government legitimacy. Clearly, such an environment is unfavorable to financial market development and compromises prospects for economic growth and development.

Generally, in developed regions, the impact of these illicit activities can be easily contained due to the size of their economies. However, in developing regions including our continent, the adverse impact of financial crimes tend to be significant, with far-reaching economic and social costs, in terms of macroeconomic management, investment and growth as well as income inequality and poverty.

Distinguished Ladies and Gentlemen;

Experience shows that financial and economic crimes have perverse effects not just where they occur, but also on the global economic and financial space. Again, we recall the domino effect brought by the series of collapses of high-profiled corporates and financial institutions in Europe and the United States in 2008/2008(global financial crisis).

Reflecting the significant economic and social costs of these illicit activities a number of initiatives have been carried out by various governments and institutions across different jurisdictions around the world, either to prevent or to sanction those engaged in these activities by way of deterrence. To a certain extent, these efforts seem to be

achieving the desired impact as some of the most prevalent and vicious financial crimes including asset misappropriation, bribery and corruption, procurement fraud, accounting fraud, money laundering and mis-invoicing have receded in 2016 compared to 2014 according to PWC's Global Economic Crime Survey.

This improvement is reflected by the slight decline in the global financial crime rates to 36 percent in 2016, from 37 percent in 2014, a departure from previous years when the rate has consistently increased. Despite this marginal improvement, the scale of these crimes remains a global concern as they continue to undermine investment and economic growth, and ultimately the financial soundness of corporations.

The advancement of technology which has accelerated the process of globalization over the last few years has changed the face of global communication and information flows and thus the way business is conducted. For instance, the internet with its global reach, the banking sector's sophistication especially with the rise of electronic banking and other technological innovation, have created new opportunities for sophisticated organized crimes which are often difficult to detect and combat by financial institutions and corporates. Technological advancement and the domino effects of crisis triggered by financial crimes- are evidence that these crimes extend beyond one jurisdiction.

The search for an effective response to these crimes therefore calls for a greater collaboration and coordinated efforts across financial institutions,

countries and regions. Banks, other financial institutions and regulatory bodies need to be at the frontline, working together in partnership within and beyond their borders, to establish mechanisms that will facilitate detection and combatting of illicit activities so as to minimize their impact and eventually eradicate them to ensure a healthier global financial landscape.

Distinguished Guests;

As Governments, Banks and other financial institutions undertake a coordinated approach against economic and financial crimes, Africa must seize the opportunity to stem illicit financial activities and other financial crimes which have been relatively more costly for the region. Stemming illicit financial outflows and preventing financing crimes will go a long way to strengthen investors' confidence in a region where the perception of risks by foreign investors has remained high even as countries were achieving impressive growth rates and risk-adjusted returns. Africa's alignment with others to fight these crimes will improve its environment for business and investment and support ongoing efforts by countries to remain on the path to robust and sustained economic growth, despite the challenging global and economic environment.

Here in Rwanda we are going through a transition towards fulfillment of our aspirations of making the country one of the frontiers for investment in Africa as well as a regional hub for trade and financial services. The efforts undertaken by the Government of Rwanda over the last few years have begun to pay off. According to the World Bank "Doing Business

Report” Rwanda has recorded a consistent improvement in the ease of doing business. The country’s ranking remains the Second on the African continent, only second to Mauritius.

In light of this, our government, banks and other financial institutions will spare no effort to collaborate against financial crimes to ensure that our environment remains business-friendly and safe and helps to develop our financial market. In this context, the government of Rwanda commends Afreximbank’s initiative to organize this important Forum and create awareness regarding economic and financial crimes that remain a global concern and a serious threat to economic development.

The Forum is not only relevant, it is also timely; and I have no doubt that most delegates will draw on this excellent platform offered by the African Export-Import Bank to share their experience for a speedy progress in an area where cross-border and international coordination and cooperation are key for success.

Distinguished Ladies and Gentlemen;

In closing, let me once again welcome all of you to Kigali, and thank AfreximBank for organizing this important event. I encourage you to take advantage of your presence here in Kigali to explore what the city offers and also enjoy the hospitality of the Rwandan people.

I wish you fruitful deliberations and thank you all for your attention.