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**TALKING POINTS FOR USE BY DR. CHRIS KIPTOO, CBS, PRINCIPAL SECRETARY, STATE DEPARTMENT FOR TRADE ON IMPROVING DOMESTIC RESOURCE MOBILIZATION AND STEMMING ILLICIT FINANCIAL FLOWS ON 12TH MARCH, 2019**

**INTRODUCTION**

All protocol observed,

Distinguished Guests, from Kenya, the rest of Africa, Europe, America and Australia, ladies and gentlemen.

Good morning.

1. Thank you very much for the kind introduction and your reference to the many assignments of my career. Thank you also for the invitation to be part of this important conference.
2. Am greatly honored to have the opportunity to give the key note address.

**Ladies and Gentlemen,**

1. The theme of this Conference ***‘Improving Domestic Resource Mobilization and Stemming Illicit Financial Flows’*** is both timely and exciting to me, as it has a direct relationship with our current fight for equitable socio-economic justice and sustenance along the Presidents Program of the "Big 4 Agenda (B4A).
2. To our foreign audience, the B4A is Government’s ambitious program that seeks to ensure a more just society by delivering on four key areas: increase in manufacturing, provision of affordable housing, universal health care and food security by 2022.
3. Under the manufacturing pillar, Government seeks to increase manufacturing as a share of GDP from 8.3% to 15%; the Universal Health Care pillar anticipates a 54% reduction of medical out-of-pocket expenses as a percentage of household expenditure; the affordable housing pillar seeks the building of 500,000 affordable new houses with a 50% reduction in home ownership costs and finally, we seek to attain 100% Food and Nutrition Security, all by 2022.

**Ladies and Gentlemen**

1. As you can see, the B4A is an ambitious program that requires an enormous amount of resources and partnerships in developmental aid (ODA) and Foreign Direct Investment (FD). However, if we should achieve food security for example, it implies at least for some foreseeable time, subsidizing food prices for the poor, food for school-children, cash subsidies for poor households, etc. This calls for public spending and tax revenue.
2. Similarly, if we want to achieve Universal Health Coverage, we need more tax revenue to reach our target. To increase the tax yield, we need to weed out tax evasion and tax heavens and also find more ways to bring in more individuals into the taxman's net. This means bringing businesses and jobs out of the informal sector, but also address the issue of high net worth individuals whose lifestyles are not reflective of the taxes they pay.
3. This also implies, and here I am turning to the guests from developed countries, stepping up international cooperation in the area of taxation. This implies supporting tax administration in developing countries with state-of-the-art equipment, training of tax officials and cooperation in enforcing existing legislation
4. Therefore, policies and actions that can improve Domestic Revenue Mobilization to spur attainment of the Big4 cannot be overemphasized. I hope this Conference will bring to the fore some of the best ideas to improve DRM not only for Kenya, but also the entire continent.

**Ladies and Gentlemen**

1. Among the Big 4, one issue which concerns my very own Ministry is manufacturing. Let me therefore, touch briefly on this aspect of the Big 4 Agenda.
2. We realised that to grow manufacturing to 15% of GDP by 2022, we needed to intensify the fight against illicit trade. Illicit trade is a vice that takes several forms such as counterfeiting, contraband, uncustomed goods, undercustomed goods as well as illicit financial flows. I will stick to IFFs to remain in line with the theme of the conference.
3. By definition, Illicit financial flows (IFFs) refer to the movement of money across borders that is illegal in three ways:

* its source (e.g. smuggling, corruption),
* its transfer (e.g. tax evasion), or
* its use (e.g. terrorist financing).

1. As you might be aware, our Ministry plays an important role in facilitating the growth of revenue through the expansion of trade opportunities in both domestic and international trade. In the execution of this role, the State Department for Trade ensures a level playing field by promoting fair trade practices and curbing illicit trade. Unfortunately, some forms of illicit trade persist such as counterfeiting, contraband, uncustomed goods, undercustomed goods as well as illicit financial flows.
2. Realising the threat posed by the increasing scale of these activities, Government established the Multi – Agency Anti – Illicit Trade Task Force to ensure inter – Agency coordination in the fight against the vice.
3. We have the responsibility as the Multi - Agency team to ensure that individuals and firms involved in illicit trade activities such as tax evasion through uncustomed, under customed goods or otherwise do not benefit from the proceeds of such crime.
4. This Conference reminds and challenges us to aggressively tackle the complex and huge task of elimination Illicit Financial Flows by all means possible, and to make the most use of our national institutions such as the Financial Reporting Centre (in Kenya), by assisting them to identify proceeds of crime from illicit trade activities, in support of global commitments to stem the vice of Illicit Financial Flows.
5. We are aware of the fact that IFFs pose a key development challenge since they reduce domestic resources and tax revenue needed to fund poverty reducing programs.
6. In the context of Kenya, IFFs directly impact attainment of the Big 4 Agenda specifically since taxation plays an important role in the mobilisation of public domestic revenues which are important for public spending, redistributing incomes and challenging inequalities.
7. We will therefore be tackling IFFs aggressively on our end through the Multi Agency Framework as we supplement efforts by the Central Bank, the Financial Reporting Centre and other institutions.
8. We take cognizance of similar efforts at the continental level such as the Addis Ababa Action Agenda (AAAA) and the Sustainable Development Goals which identified curtailment of IFFs and improvement of Domestic Resource Mobilisation as a critical priority, as well as ongoing efforts by the World Bank - IMF. These efforts are commendable.

**Conclusion**

It is my hope that deliberations in this meeting will contribute to efforts geared towards stemming Illicit Financial Flows and increasing Domestic Revenue Mobilization.

**Asanteni Sana.**