



**15th INTERNATIONAL  
ANTI-CORRUPTION  
CONFERENCE**

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### **Short Session Report: Global Solutions**

**Session Title: Illicit Financial Flows from Africa-Bleeding a Deprived Continent**

**Date & Time: 7 November 2012, 18:00-20:00**

**Report prepared by: Gamal Ibrahim (UNECA) and Seher Alacaci (UNDP)**

**Experts:**

**Raymond Baker, Global Financial Integrity and Member of the HLP on Illicit Financial Flows from Africa**

**Gamal Ibrahim, UNECA**

**Gail Hurley, UNDP**

**Moderated by:**

**Said ADEJUMOBI, UNECA**

### **Main Issues Covered (500 words or more, narrative form)**

Raymond Baker presented on the “Global Dimensions of Illicit Financial Flows: Issues and Challenges” The presentation provided a global picture of IFF, its scale, and dimensions from around the World, the issues and factors driving illicit financial flows and the challenges posed by IFF to the World especially developing Countries. Mr. Baker highlighted that the Illicit flow of capital from Africa and other developing countries has been a dominant phenomenon for decades. He outlined its three major sources and the institutions designed to facilitate the transfer of these cross-border funds. He provided an insight into the various ways illicit financial outflows take place and highlighted the recent evidence on their magnitude. Mr. Baker noted that, unlike common knowledge, money stolen by corrupt government is rather insignificant compared to other forms of IFF. The most common way illicit money is moved across borders is through international trade. He elaborated on the research

methods underpinning the work by Global Financial Integrity and drew the attention to the fact that current data is conservative as it is only based on government sources and it excludes various channels of IFF.

Gamal Ibrahim presented on “Illicit Financial Flows from Africa and the Establishment of the High Level Panel on Illicit Financial Flows from Africa”. The Presentation adopted an African perspective on IFF and its developmental consequences on the continent. Africa lost about USD 854 Billion on illicit financial flows on 39 years (1970-2008) and the trend is increasing especially in last decade. In addition, the presentation highlighted the current methodology being developed by UNECA and the High Level Panel which focussed on the trade mispricing component of IFF from the continent. The presentation traced the genealogy of the establishment of the High Level Panel on IFF, its mandates and the work done so far. The presentation stressed the Role of governance at both the origin and destinations of these flows in contrast to capital flight which places the burden of the problem on developing countries.

Gail Hurley presented on “Illicit Financial Flows from Africa – Bleeding a Deprived Continent”. The presentation focused on the perspective of UNDP on the problem of IFF highlighting the findings of UNDP’s studies in this regard and the issues thrown up by those findings. Ms. Hurley highlighted that illicit financial flows divert scarce resources away from development. Illicit flows seriously impede LDCs’ efforts to raise resources for social and economic development. These flows are often absorbed into banks, tax havens, and offshore financial centres in developed countries. Illicit financial flows from the LDCs increased from US\$9.7 billion in 1990 to US\$26.3 billion 2008 implying an inflation-adjusted rate of increase of 6.2 percent per annum . Illicit outflows as a % of LDCs’ GDP averaged 4.8%. This is a new area for UNDP with the main focus on capacity development, e-consultation and country studies. The results of the 8 country case studies confirmed the critical importance of trade misinvoicing and that capital flight relative to GDP is large relative to the size of the economy in all countries reviewed.

### **Main Outcomes/Outputs**

- ✓ **All current evidence despite the different estimates used highlight the seriousness of the phenomenon of illicit financial flows and its damaging effects on developing countries.**
- ✓ **There is a need to investigate in more depth the various impacts of illicit financial flows on Africa’s economic and social development.**
- ✓ **More policy attention should be paid to the role of governance, national leadership, and civil society organizations in curtailing Illicit financial flows from Africa.**
- ✓ **Global partnership is critically need in the fight against IFF**

### **Recommendations, follow-up Actions (200 words narrative form)**

Understanding the dynamics of illicit financial flows is a work in progress. The current efforts to curtail the shadow Financial Systems should be upscaled and embedded on a two-way approach by both the developed and developing countries to buttress greater transparency in the global financial system. The current African response demonstrated by the work of the high level panel on illicit financial flows from Africa should be supported.

**Highlights (200 words please include interesting quotes)**

**Key Insights Recommended to be included in the IACC Declaration**

**Rapporteur's name and date submitted**

**Gamal Ibrahim**

**8/11/2012**

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