

INCREASING ILLICIT FINANCIAL FLOWS IN THE CONTEXT OF DECLINING OFFICIAL DEVELOPMENT ASSISTANCE

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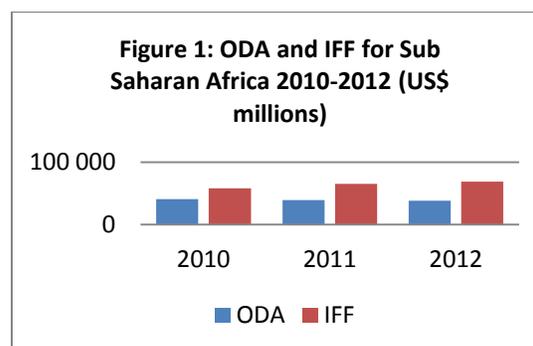
Introduction

The High Level Panel on Illicit Financial Flows from Africa has brought political awareness and focus on the magnitude of illicit financial flows— money that is illegally earned, illegally transferred or illegally utilized (1).

In total it is estimated that Africa has lost an estimated US\$528.9 billion between 2003 and 2012. This amount is one and half times more than the official development assistance of US\$348.2 billion that the continent has received during the same period. This net financial flow out of Africa has disproportionately and negatively affected the poorest sections of the society in Africa by eroding the resources available for the provision of the much needed public goods and services

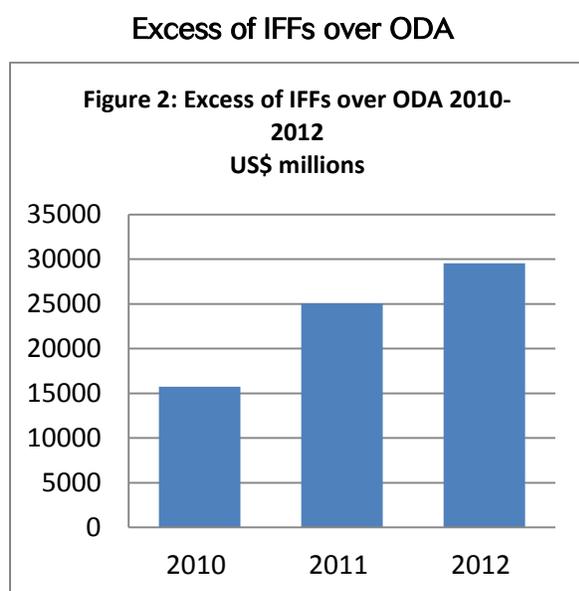
Increasing Illicit Financial Flows in the context of declining Official Development Assistance

An analysis of the figures of Illicit Financial Flows and Official Development Assistance between 2010 and 2012¹ shows that during that period, Sub Saharan Africa received a total of US\$118.9 billion against US\$191.8 billion.



¹ The data used to analyze these trends is from (i) <http://www.gfintegrity.org/report/2014-global-report-illicit-financial-flows-from-developing-countries-2003-2012/> and (ii) <http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm> both sources were accessed on 20 May 2015

The analysis has shows that the excess of Illicit Financial Flows over Official Development Assistance has actually been increasing every year since between 2010 and 2012 as depicted in the graph below:

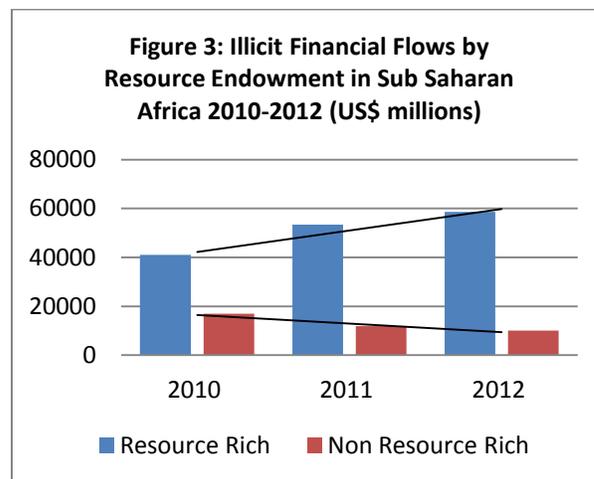


The Resource Curse of Illicit Financial Flows in Sub Saharan Africa

Much has been said about the resource case of resource rich countries² in the

² Resource Rich countries in Africa are Algeria, Angola, Botswana, Cameroon, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Equatorial Guinea, Gabon, Ghana, Guinea, Liberia, Libya, Mauritania, Namibia, Nigeria, Sierra Leone, South Africa, South Sudan, Sudan and Zambia (IMF definition).

world. The trends of Illicit Financial Flows from Sub Saharan Africa validate this phenomenon.



The estimates show that IFFs from resource rich countries in Sub Saharan Africa are a large and growing problem. The trend is not the same for the non resource rich countries in that between 2010 and 2012 there was a decreasing trend in the levels of IFFs from those countries. However, it is important to note that even in the non resource rich countries any amount of resource outflow has a negative effect on the development of the country.

Twelve of the Seventeen countries classified as resource rich had a net positive IFF after discounting for ODA, it is only Congo, the Democratic Republic of Congo, Liberia, Sierra Leone and Zimbabwe that had a more development Aid between 2010 and 2012 than the estimated IFFs.

Social Impact on the Poor

The Africa needs resources if it is to achieve its vision 2063. It is also evident that IFFs have huge social costs. They undermine the capacity for a country to finance its development and should therefore be considered immoral and unjust.

This preliminary analysis though restricted to only three years has shown that overall IFFs from Africa are much more than the ODA. Any outflow of resources by any means including IFFs undermines the global efforts to ensure that African countries increase the share of their domestic resources mobilized for development.

What needs to be done?

African leaders and citizens need to come together to tackle Illicit Financial Flows.

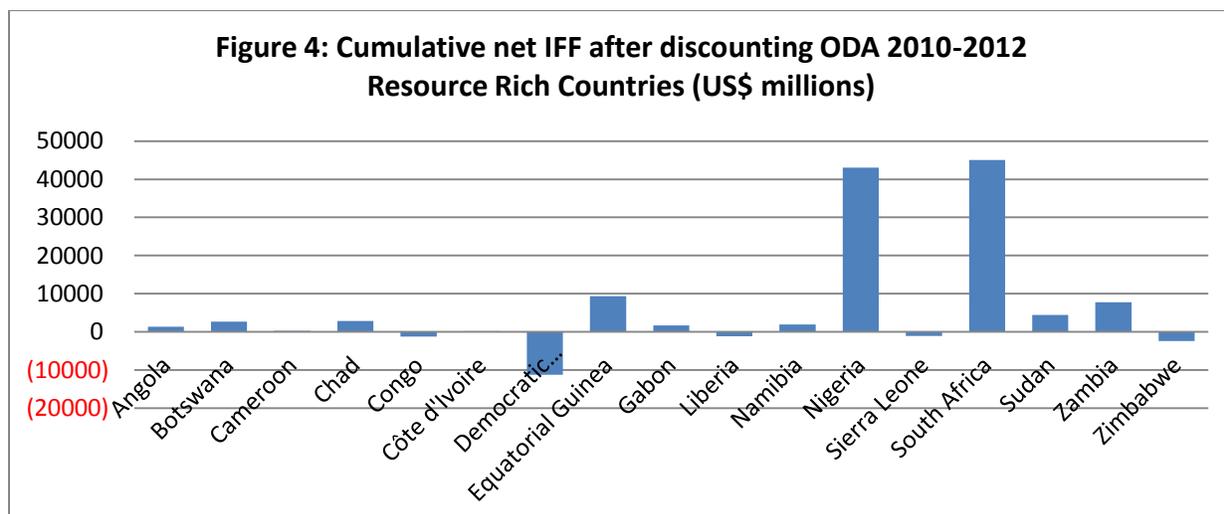
There is need for the continent to mobilize itself to tackle illicit flows.

It is imperative for Civil Society Organisations in Africa to work with their governments to put pressure on the international community to take actionable steps to stop this immoral and unjust practice.

The strong positive correlation between resource endowments and IFFs would warrant that there are greater transparency in the contracting and management of revenues from the natural resource extraction activities.

In order to make an impact on the efforts to curb increase in Illicit Financial Flows it is imperative for Africa to build, enhance and utilise its capacities in all areas including among others the revenue authorities, anti corruption agencies, parliaments and contact negotiators in the extractives. For these capacities to be effective they should be backed by the necessary human and financial resources and political support and will.

Cumulative net IFF after discounting ODA



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