

Mobilizing and Overseeing Resources for Development:

A SADC Parliamentary Preparatory Workshop for the First High-level Meeting of the Global Partnership for Effective Development Cooperation (GPEDC)

ILLICIT FINANCIAL FLOWS
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Thabo Mbeki
FOUNDATION

Dedicated to Africa's Renaissance

ILLICIT FINANCIAL FLOWS FROM AFRICA

ECONOMIC COMMISSION FOR AFRICA - ECA

DEFINITION OF ILLICIT FINANCIAL FLOWS (IFF)

- Funds that are illegally earned, transferred or utilised

ILLICIT FINANCIAL FLOWS FROM AFRICA

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COMPONENTS OF IFFs

- Theft, bribery and other forms of corruption by government officials.
- Other criminal activities, including drug trafficking, money laundering, racketeering and counterfeiting.
- International commercial transactions, including tax evasion, trade mispricing, over or under invoicing etc. mostly involving multi-national corporations.

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Massive Resource Leakage

- From 1970 – 1980 - US\$854 billion (yearly average of US\$22bn)
- In the past 10 years - US\$50bn per annum

IFF grew by 15.7% between 1999-2009 in Sub-Saharan Africa

IN THE PAST 4 DECADES, THE CONTINENT HAS LOST US\$1.8trn

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Illicit financial outflows from Africa exceeded the official development assistance (ODA) to the continent, which stood at **US\$46.1** billion in 2012.

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Massive Resource Leakage

Top Five African Losers:

✓ Nigeria	US\$ 89.5bn
✓ Egypt	US\$ 70.5bn
✓ Algeria	US\$ 25.7bn
✓ Morocco	US\$ 25bn
✓ South Africa	US\$ 24.9bn

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COMPONENTS OF IFFs

- 60% Commercial Transactions
- 35% Criminal Activity
- 5% Governments

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DEVELOPMENTAL IMPACT OF IFFS

- Low levels of economic growth and socioeconomic development;
- Reduction of domestic capital formation Affects delivery of services;
- Reduced tax collection, low revenues Higher external debt;
- All resulting in reduced capacity to fight poverty

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KEY CHALLENGES IN ADDRESSING

- Because they are illegal, the activities are hidden
- Poor information
- Secrecy
- Capacity, institutional weaknesses

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PARLIAMENT'S ROLE IN CURBING IFFS

Support or strengthen legislative measures relating to:

- confirmation of beneficial ownership;
- country by country reporting;
- automatic cross border exchange of tax information;
- anti money laundering; and
- trade misinvoicing