# Illicit Financial Flows : Framing the big picture – concepts, issues and challenges

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# 1. Engagement with IFF in Africa – Beginnings



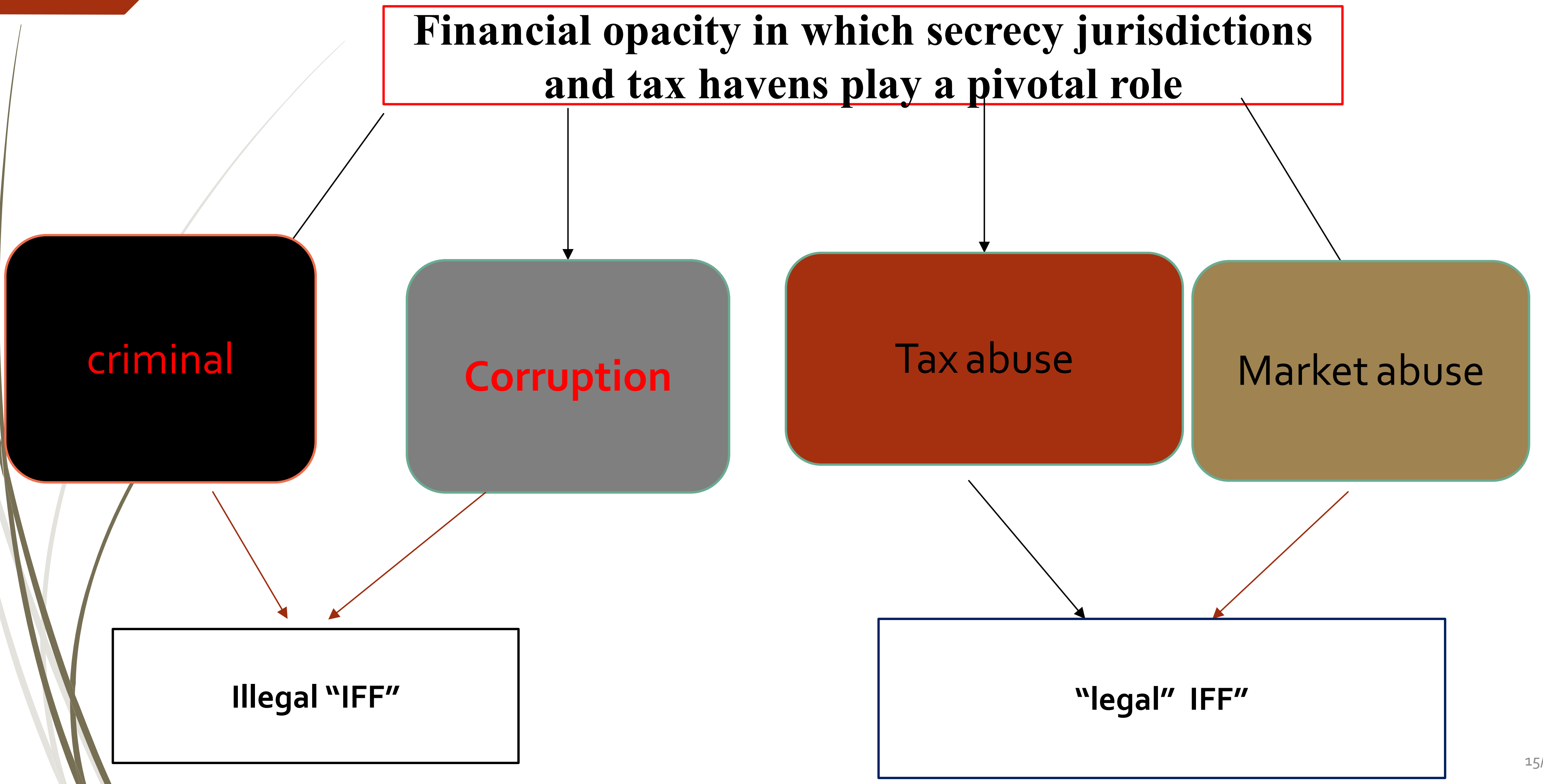
- **The wide spread perception globally and even in Africa was (and probably still is) that Africa survives on life support it gets from the North;**
- **the only cause for resource outflow from the continent could only be corruption and theft of public assets by the African elite**

- ***J. K. Boyce* and Leonce Ndikumana publish an eye-opening research paper as early as 2001 in which they analyse debt inflows and repayment and servicing outflows from Africa. The come to the conclusion that Africa is a net creditor to the rest of the world**

- **A few CSO such as Global Financial Integrity, Tax Justice Network, Christian Aid, Action Aid and Oxfam start research, awareness raising and advocacy exposing tax dodging, the damaging role of secrecy jurisdictions and tax havens and the extent of resources lost to development through tax dodging and IFF**

- **Tax Justice Network Africa created – and joins the global movement to expose the damage tax dodging and IFF are causing in Africa**

# 2. Structure and Composition of IFF



# 3. Drivers and Magnitude of IFF

- **Over the past 50 years an estimated $1 trillion left the continent**
- **Up to 60 Billion USD a year (Latest estimations now upwards of $70 billion in IFFs leaving the continent annually)**
- **Commercial activities are by far the largest contributors to illicit financial flows (IFFs) (over 60%) (emanating from diverse activities to hide wealth, to aggressively avoid and evade taxes, to dodge customs duties and domestic levies)**
- **followed by organized crime, & then public sector activities.**
- **Corrupt practices play a key role in facilitating all forms of illicit flows.**
- **IFF from Africa growing at an alarming rate : 22% annually (fastest growth rate in the world!)**

# 4. Current Challenges



- Confusion &controversy re definition and methodology to estimate IFF
- The risk of limiting IFF to illegal activities ; The purposeful "wall" being created between avoidance and evasion
- Non-Cooperation of rich IFF destination countries (as a result of domination of the tax reform agenda by the OECD (three of the five top secrecy jurisdictions are in the US and EU
- changes in the geopolitical landscape, more difficult international context for cooperation on tax matters, regressions on transparency commitments
- Lack of consultation, coordination and collaboration among developing countries
- Lack of political will by governments to take urgent and adequate measures
- The risk of limiting resource leakages to IFF: not included are
  - IFF estimates do not capture transfer pricing abuse
  - IFF estimates do not include forgone revenue – tax giveaways for example
  - IFF estimates do not include forsaken revenue – giveaways in trade and investment agreements

# Conclusion

**“…the critical ingredient in the struggle to end illicit financial flows is the political will of governments, not only technical capacity” (Thabo Mbeki – Chair of the HLP on IFF from Africa**

**Thank you!**