

Overview of Illicit Financial Flows from the Arab region

Khaled Hussien
Chief, Forecasting Section
Macroeconomic Policy Division,
UNECA

8-9 May 2017
Addis Ababa,
Ethiopia

Illicit financial flows (IFFs)

“Money that is illegally earned, transferred or used”

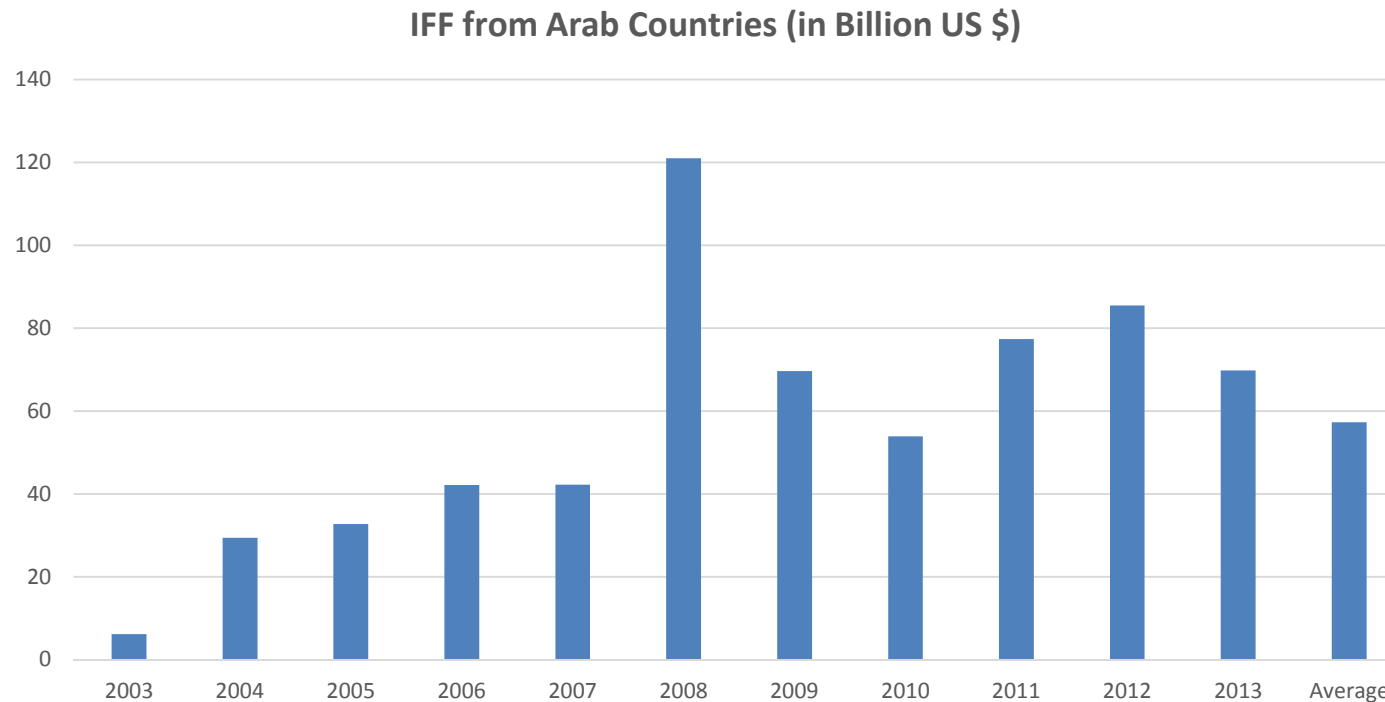
These funds typically originate from three sources:

1. Commercial tax evasion, trade misinvoicing and abusive transfer pricing;
2. Criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband;
3. Bribery and theft by corrupt government officials.

The illegal economy is estimated by some experts to range between 8 and 15% of the global GDP.

Overview of IFF in Arab Countries

Figure 1: IFF from Arab Countries, 2003-2013 (in Billion US \$)



Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Table 1: IFF from Arab Countries, 2003-2013 (in Million US \$)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average
Algeria	490	751	203	2,259	1,301	3,378	2,131	1,406	187	2,586	1,043	1,431
Bahrain	1326	1,504	2,227	2,281	1,677	30	66	0	0	0	123	839
Comoros	6	15	16	24	20	36	30	29	110	164	96	50
Djibouti	201	223	276	356	385	366	337	486	478	424	413	359
Egypt	1248	3,236	5,102	4,541	4,817	6,113	0	2,145	5,246	5,007	3,619	3,734
Iraq	0	0	0	0	3,660	19,316	16,321	21,115	14,177	14,422	15,994	10,501
Jordan	0	875	1,325	964	918	1,187	1,291	1,632	1,769	1,901	3,359	1,384
Kuwait	574	46	782	938	5,116	10,049	752	0	4,807	1,473	4,508	2,640
Lebanon	0	499	1,488	2,960	6,605	2,475	3,690	149	1,906	142	0	1,810
Libya	0	0	1,450	0	0	1,753	0	2,137	0	3,485	3,008	1,076
Mauritania	0	0	0	0	0	0	0	0	0	108	292	67
Morocco	554	3,002	5,505	3,281	4,126	5,406	3,692	3,493	4,056	4,519	3,934	3,779
Oman	929	2,263	1,717	3,338	4,236	5,804	3,602	2,759	5,584	6,338	8,209	4,071
Qatar	0	1,829	3,943	5,670	2,814	4,265	4,529	5,719	5,810	7,545	5,005	4,284
KSA	0	0	1,836	913	1,032	3,347	3,803	2,830	3,591	4,478	6,938	2,615
Somalia	0	0	0	0	0	0	0	0	0	0	0	0
Sudan	14	0	96	56	2,177	395	1,655	1,410	4,173	2,622	531	1,194
Syria	0	13,080	297	1,488	1,255	1,153	2,251	2,008	6,854	8,639	10,642	4,333
Tunisia	47	1,126	978	1,336	1,676	2,330	2,052	1,726	1,630	1,995	1,993	1,535
UAE	800	1,000	5,500	11,800	0	51,700	23,500	4,900	16,700	19,400	0	13,530
Yemen	0	0	0	0	458	1,910	0	0	344	231	125	279
Arab Cts	6189	29449.29	32739.81	42205.627	42272.94	121012.69	69703.778	53945.075	77421.735	85481.525	69832.125	57,296

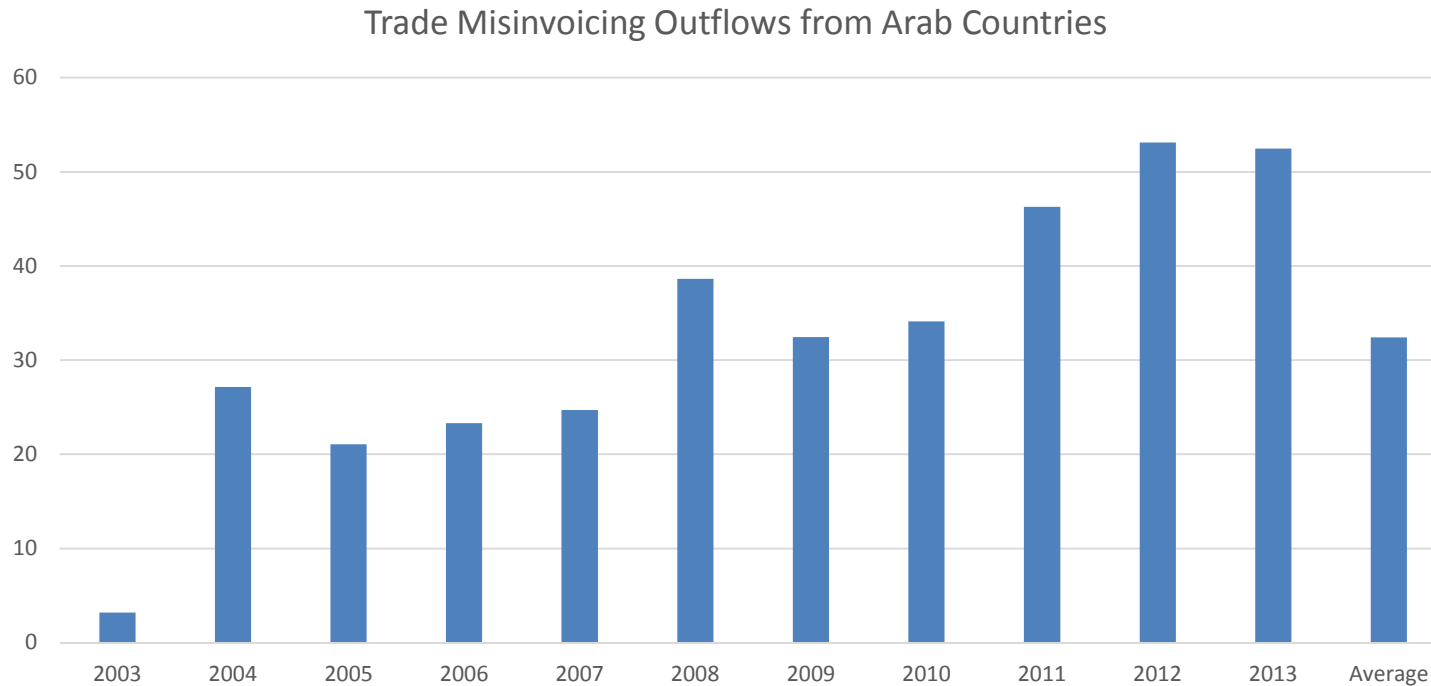
Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Trade mis-invoicing

- The act of misrepresenting the price or quantity of imports or exports in order to hide or accumulate money in other jurisdictions.
- The motive could be, for example, to evade taxes, avoid customs duties, transfer a kickback or launder money.

Overview of IFF in Arab Countries

Figure 2: Trade Mis-invoicing outflows from Arab Countries, 2003-2013 (in Billion US \$)



Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

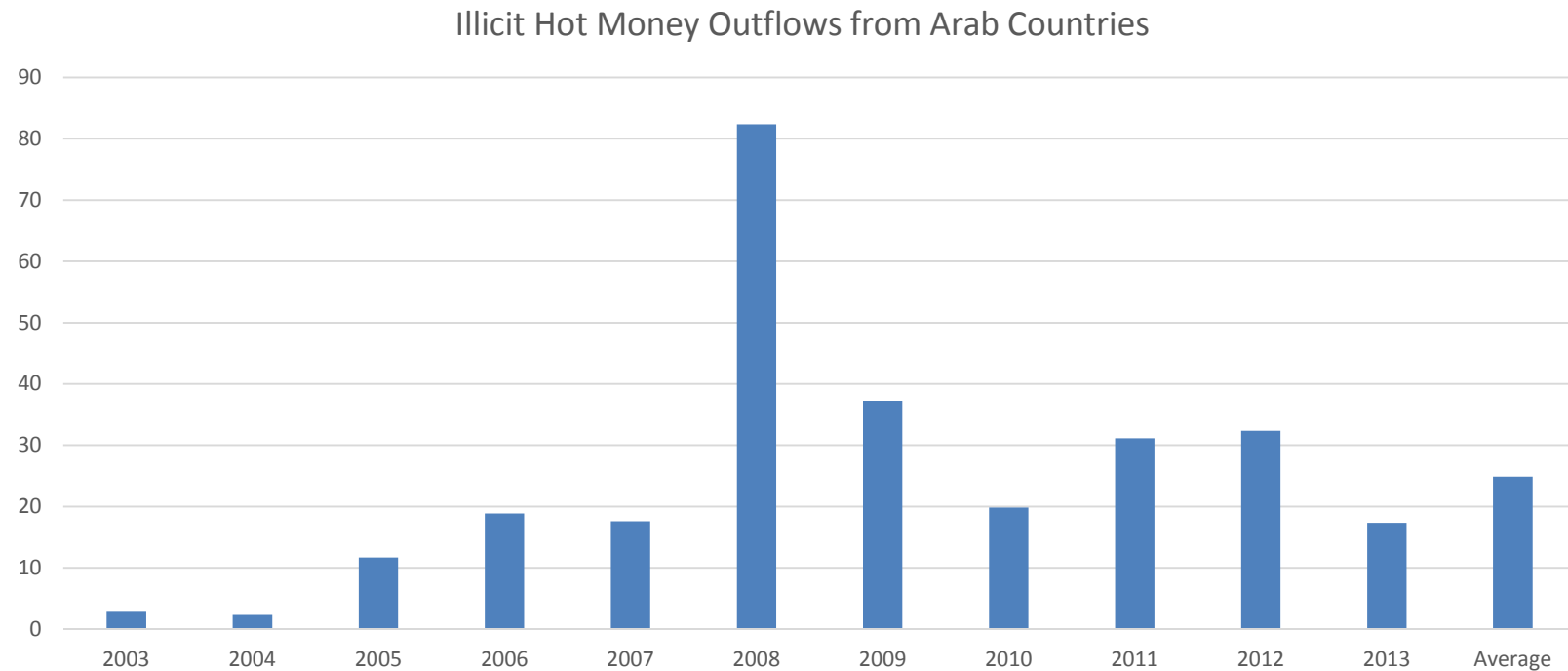
Table 2: Trade Misinvoicing Outflows from Arab Countries, 2003-2013 (in Million US \$)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average
Algeria	490	751	0	297	0	0	0	0	0	0	0	140
Bahrain	626	1,504	2,227	2,281	1,677	0	0	0	0	0	0	756
Comoros	6	15	16	24	20	21	30	29	110	164	96	48
Djibouti	201	213	232	302	303	366	302	363	439	424	413	323
Egypt	1248	3,110	2,671	4,541	4,817	3,217	0	0	2,389	2,848	2,302	2,468
Iraq						10,071	10,205	13,165	10,908	10,306	8,294	10,492
Jordan	0	875	1,325	758	918	1,187	1,291	1,632	1,444	1,411	3,359	1,291
Kuwait	0	46	782	938	385	0	752	0	188	1,473	832	490
Lebanon	0	499	878	143	608	729	648	149	0	142	0	345
Libya	0	0	0	0	0	0	0	0	0	950	328	116
Mauritania												
Morocco	256	2,711	5,097	2,758	4,126	4,991	3,171	3,334	3,812	4,290	3,934	3,498
Oman	364	1,512	857	3,329	4,236	5,804	2,461	2,759	5,028	5,605	7,686	3,604
Qatar	0	1,829	3,943	5,670	2,814	4,265	4,529	5,719	5,810	7,545	5,005	4,284
KSA	0	0	1,836	913	1,032	3,347	3,803	2,830	3,591	4,478	6,938	2,615
Somalia												
Sudan	0	0	96	56	1,030	395	1,493	416	4,077	2,622	531	974
Syria	0	13,080	160	0	627	0	1,702	2,008	6,854	8,639	10,642	3,974
Tunisia	0	992	950	1,299	1,639	2,330	2,052	1,726	1,630	1,995	1,993	1,510
UAE	0	0	0	0	0	0	0	0	0	0	0	0
Yemen	0	0	0	0	458	1,910	0	0	0	231	125	248
Arab Cts	3191	27136.88	21068.67	23308.95	24691.06	38634.17	32439.15	34129.32	46281.33	53123.35	52477.73	32,407

Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Overview of IFF in Arab Countries

Figure 3: Illicit Hot Money outflows from Arab Countries, 2003-2013 (in Billion US \$)



Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

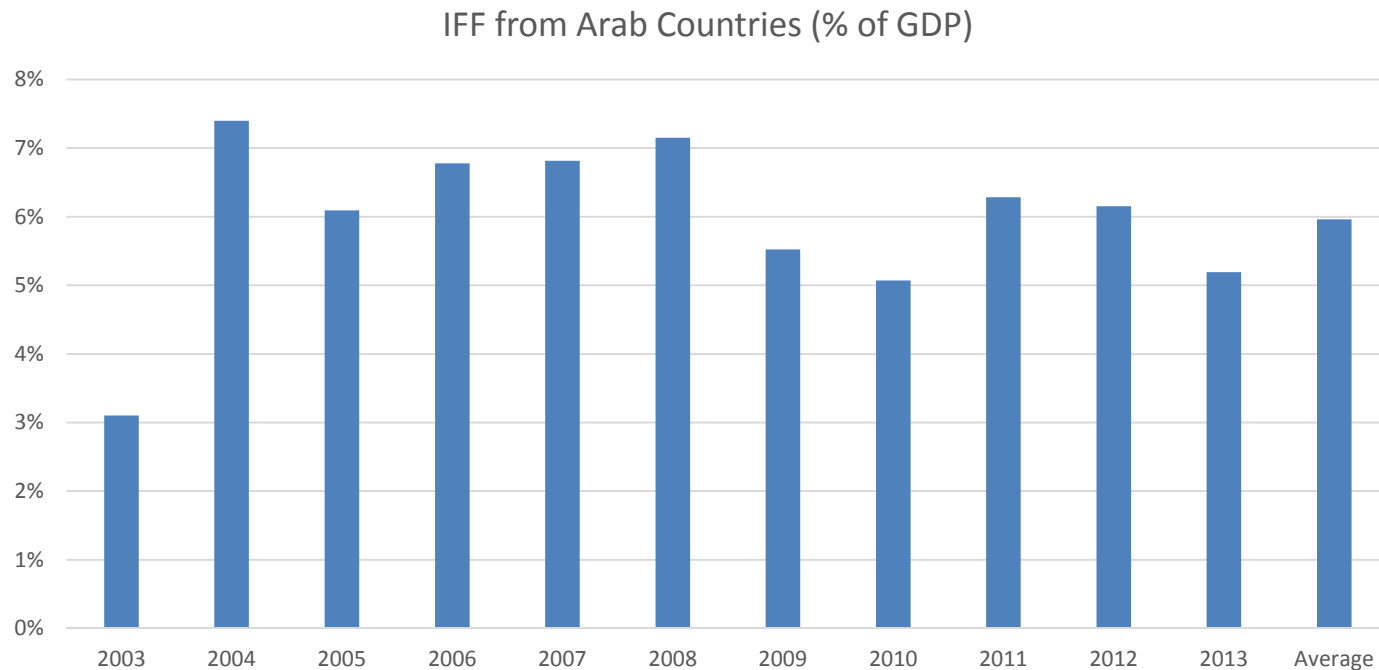
Table 3: Illicit Hot Money Outflows from Arab Countries, 2003-2013 (in Million US \$)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average
Algeria	.	.	203	1,962	1,301	3,378	2,131	1,406	187	2,586	1,043	1,578
Bahrain	700	0	0	0	0	30	66	0	0	0	123	84
Comoros	.	0	0	0	0	14	0	0	0	0	0	2
Djibouti	0	10	45	54	82	0	35	123	39	0	0	35
Egypt	0	126	2,431	0	0	2,896	0	2,145	2,857	2,160	1,317	1,266
Iraq	.	0	0	0	3,660	9,245	6,116	7,951	3,269	4,116	7,700	4,206
Jordan	0	0	0	206	0	0	0	0	325	491	0	93
Kuwait	574	0	0	0	4,732	10,049	0	0	4,619	0	3,676	2,150
Lebanon	0	0	610	2,818	5,997	1,746	3,042	0	1,906	0	0	1,465
Libya	0	0	1,450	0	0	1,753	0	2,137	0	2,535	2,680	959
Mauritania	.	.	.	.	.	0	0	0	0	108	292	67
Morocco	297	291	408	523	0	414	521	160	244	229	0	281
Oman	565	751	859	9	0	0	1,141	0	555	733	523	467
Qatar	.	.	.	.	.	.	.	.	.	.	.	.
KSA	0	.	.	.	.	.	.	.	.	.	.	0
Somalia	.	.	.	.	.	.	.	.	.	.	0	0
Sudan	14	0	0	0	1,146	0	162	994	95	0	0	219
Syria	0	0	137	1,488	628	1,153	550	0	.	.	.	494
Tunisia	47	134	27	37	37	0	0	0	0	0	0	26
UAE	800	1,000	5,500	11,800	0	51,700	23,500	4,900	16,700	19,400	.	13,530
Yemen	0	0	0	0	0	0	0	0	344	0	0	31
Arab Cts	2997	2312.65	11671.13	18896.66	17581.88	82378.51	37264.62	19815.75	31140.40	32358.17	17354.38	24,888

Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Overview of IFF in Arab Countries

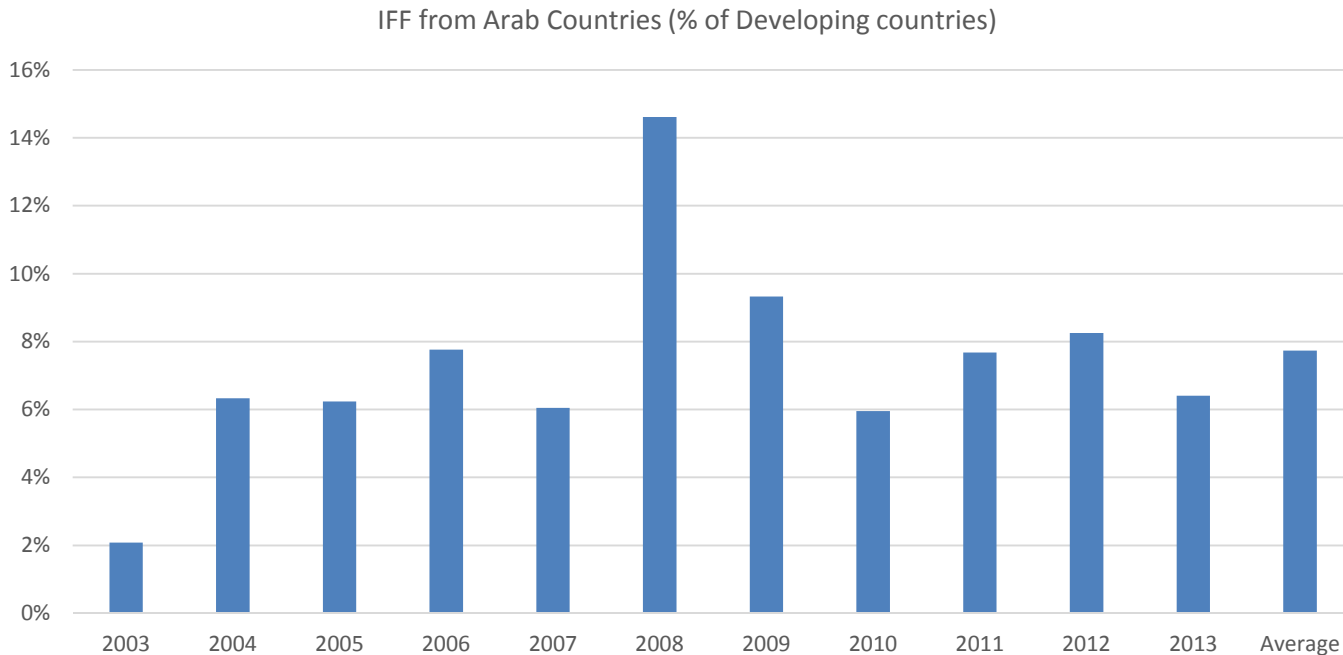
Figure 4: IFF from Arab Countries, 2003-2013 (% of GDP)



Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Overview of IFF in Arab Countries

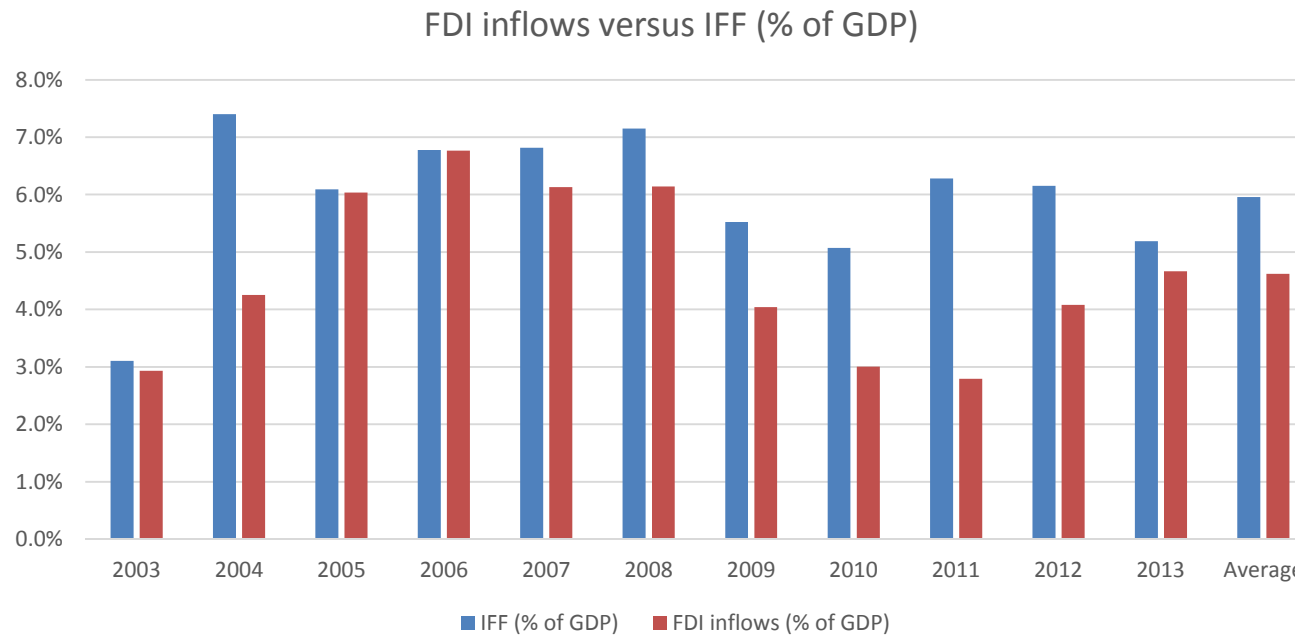
Figure 5: IFF from Arab Countries, 2003-2013 (% of Developing countries)



Source: Global Financial Integrity, 2017. Data accessed from <http://www.gfintegrity.org/issues/data-by-country/> April, 2017

Overview of IFF in Arab Countries

Figure 6: FDI inflows versus IFF in Arab Countries, 2003-2013 (% of GDP)



Source: Global Financial Integrity, 2017; UNCTAD 2017 and World Bank 2017

What do we know about IFFs in the Arab region?

- The Arab region saw the largest percent increase in illicit outflows from 2003 to 2013, at 24.2 percent per annum - while the global rate of growth for all developing countries is only 13 percent;
- On average, IFFs in the Arab region represent 6 percent of GDP per year;
- The high growth rate for the Arab region is likely related to the rise in oil prices that occurred over this time period;

- In the Arab oil exporting countries, for example, the increase in the volume of illicit capital flows between 2003 and 2008 is closely linked to the increases in oil prices from \$28/barrel in 2003 to \$94/barrel in 2008;
- Economists argue that higher economic growth would lead to more capital outflows when this growth is not accompanied by economic reforms;
- These figures are probably underestimates of the actual importance of illicit financial flows in the Arab region due to lack of data.

Tax Avoidance

UNCTAD: multinational tax avoidance costs developing countries \$100 billion+

The UK: We're losing \$240bn a year to tax avoidance

<https://www.youtube.com/watch?v=SasiOBsU9LE>



THANK YOU!

More info: KHussein@uneca.org

UNECA.ORG