UNDERSTANDING ILLICIT FINANCIAL FLOWS: An Introduction to the Volumes, Sources, Effects and Solutions for Developing Countries

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What are Illicit Financial Flows (IFFs)?

“Money that is illegally earned, transferred, or utilized”
What is the Data and How is it Measured?

- 2010: US$859 billion left developing countries

- Methodology: Official data from the IMF and World Bank
Regional Breakdown: 2013 Report Preview

- Asia: 39.6%
- Americas: 19.6%
- MENA: 11.2%
- Africa: 7.7%
- Europe: 2.5%
The Global Shadow Financial System

• Secrecy jurisdictions
• Anonymous shell companies, trusts and foundations
• Manipulated invoices

*Every dollar in illicit financial outflow is absorbed as an inflow somewhere else in the world.*
Consequences of Illicit Financial Flows

- Reduced domestic resource mobilization
- Lost capital for investment
- Weakened rule of law and governance
- May fuel instability
- Harm to human rights, equality, and economic development
Policies to Curtail Illicit Financial Flows

- Beneficial Ownership Transparency
- Automatic Exchange of Tax Information
- Harmonization of AML Laws
- Country-by-Country Reporting
- Trade Misinvoicing
Thank You | Gracias

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