

A stylized world map composed of grey dots, with several dots highlighted in red, primarily concentrated in the African continent and parts of Europe and Asia.

Curtailing Capital Flight from Africa

The Time for Action is Now

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- Capital flight from Africa is not a new phenomenon. It is estimated that the continent has lost over one trillion of dollars through capital flight since the 1970s. This vastly exceeds the amount borrowed or received by the continent in the form of official development aid over the same period.
- If this capital had been retained and invested, African countries would have progressed more quickly towards their target of reducing poverty by up to 2.5 per cent faster. All of them would be better positioned to reach the Sustainable Development Goals (SDGs).
- A key mechanism of capital flight is the misinvoicing of international trade – especially in primary commodities, an industry dominated by multinational corporations (MNCs). This is facilitated by the poor enforcement of regulations, opacity in trade statistics, and the ability of MNCs to take advantage of their complex structures to shift profit through trade misreporting and tax arbitrage.
- Combatting capital flight requires concerted and coordinated efforts by African governments and their foreign counterparts to increase transparency in international trade and finance, enhance accountability in international borrowing and lending, and clamp down on tax evasion and trade-based money laundering. The global dialogue on development financing must move from increasing aid to Africa, to preventing the illicit export of African capital. A more productive model of global partnership with Africa is one that helps the continent raise more domestic resources and keep its capital onshore.



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1. Introduction

The explosion of capital flight and other forms of illicit financial flows from Africa since the turn of the century is a matter of grave concern,¹ particularly at a time when the continent has the chance to capitalize on growth acceleration and improvement in political and macroeconomic stability to achieve Sustainable Development Goals (SDGs). While African countries have indeed turned the corner on decades of economic stagnation, they could improve their fate even further if they were able to keep capital onshore to finance much-needed public infrastructure and social service delivery.

It is encouraging, however, that there is newfound attention to the problem of capital flight and increased interest in finding viable solutions to curb the illicit export of capital from developing countries in general, and from Africa in particular. At the continental level, the policy debate on capital flight has been elevated by the creation of the High Level Panel on Illicit Financial Flows from Africa (HLP),² which is spearheading concerted efforts to find a solution to the problem. At the global level, strategic and economic interests are fueling initiatives to combat financial crime, corporate tax evasion, and banking secrecy – which augur well for the war against capital flight. The adoption of the Sustainable Development Goal target 16.4 – reducing illicit financial flows – by the United Nations (UN) was a major breakthrough in development financing (2015b). The G20 affirmed its commitment to this goal in its 2030 Agenda for Sustainable Development.³ Under the German Presidency, the G20 *Compact With Africa* set the stage for a new vision of partnership with Africa, which emphasizes private investment, among other strategies. In this context, the *Marshall Plan With Africa* – proposed by the German Federal Ministry for Economic Cooperation and Development – asserts that »reforms in Africa must also be matched by reforms in Europe. The main areas are fair trade, combatting illicit financial flows, and halting arms sales to areas in crisis«.⁴

Moreover, despite the new United States (US) government's threat to rollback corporate and financial sector regulations, advanced economies have made important strides in enacting regulations and legislation for combatting financial and economic crime as well as corporate corruption. The time is indeed opportune to elevate the debate on the causes and developmental impact of capital flight from Africa and the strategies for tackling the problem in the context of achieving sustainable development. This paper aims to contribute to this debate.

2. Capital Flight Is Not a New Problem; It Is Simply Becoming Worse

Capital flight is not a new phenomenon; it was identified as a problem as far back as the 17th century (Deppler and Williamson, 1987). Capital flight consists of unrecorded outflows of capital from a country; foreign exchange resources that entered the country, for which there is no traceable use, in the form of payment for imports and other external liabilities; or the accumulation of foreign exchange reserves. Capital flight is a subset of the broader phenomenon of illicit financial flows, which also include money laundering, payments for smuggled goods, as well as other flows that either originated from illegal activities, were transferred abroad illegally, or are concealed once they reach foreign territories.

Since the late 1990s, capital flight from African countries has increased steadily. It exploded at the turn of the century, ironically making Africa a »net creditor« to the rest of the world, in the sense that the accumulated stock of capital flight exceeds its liabilities to the rest of the world as measured by the stock of debt (Boyce and Ndikumana, 2001; Ndikumana et al., 2015). As of 2010, the continent was a net creditor to the rest of the world to the tune of 1.4 trillion US dollars (Ndikumana et al., 2015).

As can be seen in Figure 1, capital flight from Africa has accelerated since the turn of the century compared to previous decades. Over the period from 2000 to 2010, the sample of 39 African countries considered in the study by Ndikumana et al. (2015) lost 511 billion US dollars through capital flight, which is more than twice the amount during the previous decade (230 billion US dollars). The cumulative amount of capital flight in this eleven-year period exceeds the amount received in of-

1. See Global Financial Integrity (2015) and Reuter (2017), among others.

2. See the HLP's mission statement: <http://www.regionalcommissions.org/hlpiffnote.pdf>. Its report (High Level Panel on Illicit Financial Flows, 2015) is accessible online: http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.

3. G20 Action Plan on the 2030 Agenda for Sustainable Development.

4. German Federal Ministry of Economic Cooperation and Development: https://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie270_africa_marshallplan.pdf.

financial development aid (317 billion US dollars) or foreign direct investment (316 billion US dollars).

Capital flight is a problem affecting other regions, not just Africa. In fact, compared to other regions, capital flight from Africa is smaller in absolute terms (Table 1); but in relative terms, Africa bears a heavier burden. For example, while capital flight from East Asia is six times higher than that from Sub-Saharan Africa, the cumulative capital flight to GDP ratio is higher in the latter (24 percent) than the former (20 percent). Moreover, Africa trails behind other regions in terms of most human development indicators (United Nations, 2015), which suggests that Africa suffers a relatively higher developmental cost from capital flight.

The evidence of accelerating capital flight from Africa reveals a stunning paradox: while Africans are moving their assets from the continent, the rest of the world seems to be investing in the continent. This calls into question conventional explanations for capital flight as a result of normal portfolio decisions by African wealth holders. The following section elaborates on possible causes of the steady flight of capital from the continent.

3. Multidimensional Causes and Responsible Actors Driving Capital Flight

Attempting to explain capital flight is a challenging task; given the very nature of capital flight, an analysis of the phenomenon amounts to a detective case. The causes of capital flight are likely to vary depending on the nature of the funds involved and the motivation behind transferring them. More specifically, it is important to distinguish capital flight involving funds that were initially legally acquired, from those involving illegally acquired funds. Mainstream literature on the subject has primarily focused on explaining the causes of capital flight based on the implicit assumption that it consists of legitimately acquired funds and that capital flight is the outcome of rational portfolio choice decisions by savers (Collier et al., 2001, 2004; Deppler and Williamson, 1987; Le and Zak, 2006). However, this raises the following questions: Why do African savers prefer foreign assets to domestic ones? Why do they circumvent regulations in sending money abroad? Why do they disguise private assets held abroad?

According to the mainstream view, the preference of foreign assets »is motivated by the resident's concern that, if [his] wealth were held domestically, it would be subject to a substantial *loss or impairment*«⁵ (Deppler and Williamson, 1987, p. 40). Capital loss on domestic assets may occur through the expropriation of private assets by the government, the default or repudiation of debt, or the depreciation of the domestic currency. Conventional theory therefore implies that capital flight will be higher in countries that are characterized by political instability and poor enforcement of property rights.

Capital impairment is a result of »market distortions«, which are arguably policy induced changes in relative returns to domestic assets compared to foreign assets. Key sources of market distortions emphasized in mainstream literature are capital controls, taxation of income and capital gains, and financial repression – generally understood as distortions in the domestic financial system. According to this view, capital flight from African countries is driven by the fact that foreign assets dominate domestic assets in terms of risk-adjusted rates of return. This theory's logical conclusion is that capital flight is not a problem for the individual saver and is »welfare-improving« from a personal perspective (Deppler and Williamson, 1987, p. 41). In this case, however, maximizing the welfare of the individual impairs the welfare of the society.

The theory proposed by mainstream literature scarcely helps to explain the bulk of capital flight from Africa, and the standard explanations for capital flight have little empirical bearing. If the main consideration of the choice between domestic assets and foreign assets were relative rates of return to investment, then capital would flow to Africa rather than the other way around. Rates of return to investment are higher in capital-scarce African economies than abroad – this has especially been the case recently, when interest rates have been at historically low levels in advanced economies. In fact, the increase in foreign direct investment and portfolio investment in Africa over the past two decades supports the proposition that capital should flow into Africa, not the other way around. Moreover, the macroeconomic environment in Africa has improved substantially. Hyperinflation largely appears to be a thing of the past. African countries have liberalized financial markets so that financial repression is no longer a concern for investors. Capital controls have

5. Emphasis added.

been gradually relaxed, so that the fear of »being locked in« is no longer a motive for the preference of foreign assets over domestic assets in most African countries. The growth acceleration experienced by African countries since the turn of the century is a clear indication of both reduced risk and increased returns to investment. Thus, Africa should be the prime destination for capital; it should be where the money is kept.

So how can the massive capital flight from the continent – and its apparently counterintuitive acceleration – over the past two decades be explained? First, it is important to recognize that the mainstream theory does not explain the substantial amount of capital flight consisting of funds that are acquired illicitly and illegally. As a result, it sheds no light on the substantial amount of wealth transferred from the continent by the »rich presidents of poor nations« (Ndikumana and Boyce, 2012) and other members of the political elite and their private associates. For these agents, capital flight is not motivated by maximizing rates of return, but avoiding scrutiny of the origins of their wealth. In fact, such agents are willing to pay a »secrecy premium« for the safety of assets in secrecy jurisdictions where they may earn much less than in African markets. Thus, the key explanation for this element of capital flight from Africa is corruption and the generally defective nature of institutions, which facilitates both the illegal acquisition of wealth and the violation of tax laws and regulations governing capital transfers.

Second, corruption and a high endowment in natural resources also contribute to the explosion of capital flight since the turn of the century. The unprecedented increase in commodity prices and the accompanying increase in foreign exchange earnings suggest that the observed capital flight has been fueled by resources. This is particularly the case in countries with weak and corrupt institutions, where export earnings can be embezzled and used to finance private wealth accumulation at home and abroad. This conjecture is supported by the fact that oil-rich countries in Africa feature prominently at the top of the list in terms of capital flight: Nigeria is at the top, followed by mineral- and oil-rich countries that include Angola, Gabon, the Democratic Republic of Congo, and Cameroon (Ndikumana et al., 2015).

Third, the standard explanation of capital flight typically focuses on the factors associated with the source econo-

mies. Thus, the blame is laid squarely on bad economic environments and corrupt leadership in Africa. Yet, there are important external pull factors that are also complicit in the rise and persistence of capital flight from African countries. In particular, financial integration and the rise of offshore finance facilitate both the illicit export of capital from Africa and the concealment of private wealth thanks to banking secrecy. Contrary to popular perception, offshore financial centers are not only found in exotic tropical islands such as the Bahamas, Cayman Islands, and Panama, to name a few; but the list of the most secretive jurisdictions also includes major advanced economies such as the United Kingdom (UK)⁶, Switzerland, the US, and Germany.⁷ Furthermore, most of the stolen funds that have been recovered thus far – under the Stolen Assets Recovery initiative (StAR) – were found in the capitals of major developed countries (Gray et al., 2014). For example, 64 million US dollars linked to corruption and money laundering involving corrupt officials from Angola was recovered in Switzerland between 2004 and 2012. Investigations in the case of the notorious Nigerian politician, Diepreye S. P. Alamieyeseigha, found that his stolen assets were held in the US and the UK – countries that were often used as transit for funds headed to safe havens (Willebois et al., 2011, pp. 179–183).⁸

The implication of the foregoing analysis is that capital flight is a shared responsibility between those who initiate it in Africa and those who act as intermediaries and host it abroad. Therefore, tackling the problem of capital flight from Africa will require concerted and coordinated efforts in Africa and around the world.

Another major cause and channel of capital flight is trade misinvoicing, which is facilitated by the dominance of multinational corporations (MNCs) in international trade, especially in primary commodities. Trade misinvoicing refers to discrepancies between trade records of a country and those of its trading partners, which cannot be accounted for by the cost of insurance and freight. Capital flight occurs through the underinvoicing of exports and overinvoicing imports. The key motive for trade misinvoicing is to gain access to foreign exchange that is not

6. The UK ranks first when its Overseas Territories and Crown Dependencies are included (Tax Justice Network).

7. Tax Justice Network: <http://www.financialsecrecyindex.com/>.

8. More cases of stolen assets can be found online at the StAR website: <http://star.worldbank.org/corruption-cases/?db=All>.

controlled by the regulatory authority. MNCs resort to trade misinvoicing to evade taxation and other levies on international trade. Moreover, the existence of export promotion incentives – such as export tax credit – may also induce exporters to inflate the quantity or value of exports.

Empirical evidence shows that capital flight through trade misinvoicing is prevalent, persistent, and even increasing in many countries.⁹ The problem is particularly pronounced in extractive industries, which are dominated by large MNCs that control the global value chains. Trade misinvoicing is facilitated by the ability of MNCs to take advantage of their complex ownership structure and universal presence, which enable them to not only manipulate quantities, prices, or both, but also to disguise the destination and source of trade to improve their bottom line. This partly explains the inconsistencies in bilateral trade data, whereby exports recorded as heading to a particular country are not traceable in the latter's trade statistics. For example, while Zambia's national data show that Switzerland is the top buyer of its copper (51 percent of total), Swiss trade data show no copper imports from Zambia (UNCTAD, 2016). Similarly, a substantial fraction of the oil registered in Nigeria as exported to the Netherlands is not recorded in the Netherlands' bilateral trade data; between 1996 and 2014, Comtrade data show that Nigeria exported 44 billion US dollars of oil, while The Netherlands' data show only 28 billion US dollars.¹⁰ The difference cannot be accounted for by the cost of moving the oil from Nigeria to The Netherlands. As it so happens, Switzerland and the Netherlands are hosts of many multinational corporations operating in the extractive industries. This is an illustration of the opacity of trade statistics which is a symptom and facilitator of trade misinvoicing.

The large discrepancies in partner data are suggestive of export misinvoicing (UNCTAD, 2016). For example, data on copper trade between Zambia and China show export underinvoicing worth 5.6 billion US dollars over the period from 1995 to 2014. Excluding Switzerland, total copper export underinvoicing in Zambia over this period

stood at 14.4 billion US dollars. Similarly, Comtrade data show underinvoicing of oil exports from Nigeria to Germany between 1996 and 2014 to the tune of 24 billion US dollars. German data show 36 billion US dollars of oil imports from Nigeria, while the latter's data show only 11 billion US dollars of exports to Germany.¹¹

The substantial losses of foreign exchange revenue through export underinvoicing and import overinvoicing constitute a severe constraint to the ability of African countries to meet their development financing needs. It has been established that the majority of African countries missed most of the Millennium Development Goals (MDGs); their chances of reaching the SDGs are severely comprised if they are unable to tackle trade misinvoicing and the resultant capital flight.

4. Responsibilities of Lenders and Donors

There is an intricate connection between capital flight and external capital inflows. As long as a country continues to receive external debt, its economy can maintain a pace of normal activity and even grow while experiencing capital flight. The economy begins to experience difficulties when external capital dries up, which can trigger economic collapse. A classic case in Africa is the Congo under the Mobutu regime, which faltered once its Western allies began to withdraw financial support (Ndikumana and Boyce, 1998). In fact, international attention to the problem of capital flight in the 1980s and 1990s was partly due to lenders' concerns about the ability of heavily indebted countries to repay their loans.

Empirical analysis has demonstrated a tight relationship between capital flight and external debts (Ndikumana and Boyce, 2003, 2011; Ndikumana et al., 2015). External debt can constitute a resource to finance the accumulation of private wealth abroad – a phenomenon referred to as debt-fueled capital flight. High levels of indebtedness can also induce capital flight, as savers worry about the prospects of a spike in future taxation by a government faced with financial distress from debt servicing.

9. The latest report by Global Financial Integrity (GFI) estimates that trade misinvoicing accounts for 83 percent of total illicit financial flows from developing countries (Global Financial Integrity, 2015). GFI's earlier estimates showed a lower but still commanding share.

10. These are the author's calculations using data from the UN Comtrade database. A detailed analysis of misinvoicing of oil export and oil import in Nigeria can be found in UNCTAD (2016).

11. Calculations for Nigeria exclude 2004 and 2005, years in which the country does not have data in Comtrade. Trade misinvoicing is obtained using the standard proxy of 10 percent for the cost of insurance and freight to compare the country's exports to its partner's imports.

Debt-fueled capital flight implies a shared responsibility between the lenders and the borrowing countries suffering capital flight. Such a relationship arises from the embezzlement of borrowed funds, which are siphoned off into private bank accounts and physical assets. This is made possible by the failure of institutions of accountability in the borrowing country, enabling political elites to embezzle borrowed funds with impunity. On the lender's side, debt-fueled capital flight is a symptom of the failure of due diligence and inadequate monitoring of the allocation and use of loans. Every loan agreement is normally supposed to contain clear statements of the intended use of the funds. Therefore, in the event that a lender claimed to be unaware of major embezzlement of borrowed funds, this would amount to a confession that the lender has failed on a basic principle of responsible lending. In such a situation, given that people in the borrowing country did not benefit from the loan, they would have good reasons to challenge its legitimacy. In fact, such a loan may be declared «odious» and therefore not the responsibility of the people of the borrowing nation. Strategies for dealing with odious debts are extensively discussed in Ndikumana and Boyce (2011) and Ndikumana and Boyce (2015).

5. Developmental Effects of Capital Flight

Capital flight has adverse effects on African economies through various interrelated channels and mechanisms, both directly and indirectly. The illicit export of capital depresses domestic saving and as a result reduces domestic investment, which eventually retards growth. Thus, capital flight may be a factor that accounts for the overall low long-term growth on the continent. Indeed, simulations indicate that had African countries been able to retain flight capital and invest it domestically at a rate of return equivalent to historical records, they would have recorded a substantially higher growth rate (Ndikumana, 2014). It is estimated that over the period from 2000 to 2010, they could have recorded an additional growth rate of up to 3 percent. This implies that, as impressive as the post-2000 growth performance has been on the continent, the record could have been even stronger had these resources not been lost.

African economies also suffer from capital flight through its negative effects on public finances. The effects result directly from the embezzlement of government revenue,

which is siphoned off as capital flight, and indirectly from the reduction of the tax base, as private wealth is illicitly exported and concealed abroad. The human development impact of capital flight is thus manifested in a shortage of financing for public investment and the inadequate provision of social services. This is a concern on a continent that lags behind in human development relative to its targets and in comparison to other regions.¹² It is estimated that most of the countries in Africa would have been closer to the poverty reduction target if they had been able to retain and invest flight capital domestically. Specifically, by investing flight capital domestically over the period from 2000 to 2010, African countries could have increased the annual average rate of poverty reduction by between 1.9 and 2.5 percentage points (Nkurunziza, 2015).

One aspect of capital flight that is often overlooked is its effects on the distribution of income, wealth, and political power. There is already substantial evidence showing a heavy concentration of wealth among a handful Africans.¹³ Capital flight further widens wealth inequality, as national wealth is funneled abroad by political and economic elites. Consequently, the wealth of the elites grows abroad where it is protected from exchange rate depreciation, while the erosion of the tax base due to capital flight makes it more difficult for the government to finance social services. As a result, the poorest segments of the population experience further deprivation, while the elites enjoy the accumulation of their wealth stashed in secrecy jurisdictions and offshore financial centers.

There are also important political dimensions of the distributional effects of capital flight from Africa, which have not featured sufficiently in the literature and policy debates. Yet these effects are critical for both economic development and political stability on the continent. The accumulation of illicit wealth through capital flight enables African elites to consolidate power, notably by financing the machinery of repression. Capital flight can therefore strengthen dictatorships by providing the resources to perpetuate oppressive regimes. Historically, African dictatorships have been associated with high

12. See United Nations (2015a).

13. According to the 2014 *World Wealth Report 2014*, less than 100,000 Africans owned 2.1 trillion US dollars in liquid investable assets in 2013 (Gapgemini and RBC Wealth Management, 2004). This is equivalent to the economic size of the entire continent as measured by GDP in 2013.

capital flight, with notorious cases such as the Mobutu regime in the former Zaïre, and military dictatorships in Nigeria, Gabon, and Equatorial Guinea (Ndikumana and Boyce 1998, 2011b). More recently, in the aftermath of the »Arab Spring«, it became evident that the rulers of Tunisia, Libya, and Egypt had amassed massive illicit wealth abroad, which helped them to maintain power. It is clear that capital flight is not only a social problem or an economic problem, but also a political problem.

6. Some Recommendations for Tackling the Problem of Capital Flight

Tackling the problem of capital flight requires a multi-pronged approach, given its complexity and the expected resistance from parties that benefit from the status quo – in particular, the African economic and political elites, multinational corporations engaged in tax evasion through transfer pricing and trade misinvoicing, and offshore financial centers that benefit from the rents associated with the intermediation of the capital smuggled from Africa. The approach also needs to be phased, because it is useful to cultivate public support through quick wins from short-term actions, while also building the momentum to sustain actions that are only likely to yield results over time. The list of policy intervention areas proposed here is not meant to be exhaustive. This work focuses on strategies to tackle capital flight occurring through trade misinvoicing and other tax evasion motivated capital flight, as well as debt-fueled capital flight.

Strategies to curb capital flight arising from trade misinvoicing must be designed to address two issues: (1) transparency and quality of bilateral trade data; (2) the role of multinational corporations in trade misinvoicing. Addressing the first problem can certainly generate quick short-term wins in terms of increased foreign exchange earnings and tax revenue collection. Efforts are needed at two levels. Domestically, the quality, consistency, and timeliness of the trade data produced by various government agencies – Trade Ministry, Central Bank, Customs and Revenue Authority – have to be improved. Governments must deliver publicly accessible data on volumes, quantities, destinations, and sources of exports and imports by commodity. They also have to insure that identical data are supplied to international institutions that are responsible for publishing the information on open data platforms – the IMF, UN, World Bank, OECD. Technical

capacity should also be improved in order to take advantage of modern technology to improve efficiency in the tracking and monitoring of trade and financial flows from and to Africa.

On the partner side, the same consistency and timeliness are required to enable comparison of mirror trade data, which is critical for assessing trade misinvoicing. The goal is to establish a publicly accessible platform with real-time data on trade that tracks real values, quantities, destinations, and origins of trade across the world. The establishment of such a platform would go a long way in making trade misinvoicing more difficult and therefore reduce its incidence.

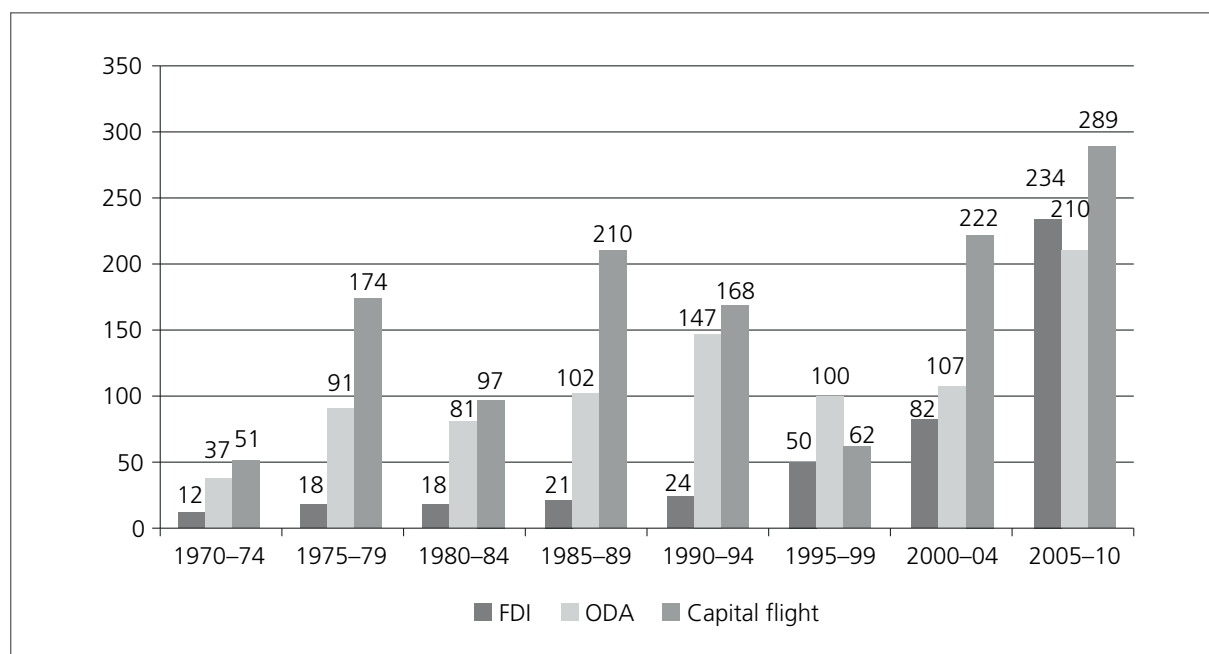
Preventing capital flight through trade misinvoicing requires forcing MNCs to report the value of goods and services traded on the entire trade chain from origin to the final destination, including transit trade. Governments in advanced economies where MNCs are headquartered should assist in preventing trade misinvoicing by enforcing the rules on country-by-country reporting, automatic exchange of tax information, and legislation against corporate corruption. In this regard, the repeal of the disclosure mandates and anti-corruption provisions of the Dodd-Frank Act by the new US government is regrettable. It reverses the global momentum on corporate taxation reforms and the fight against corporate corruption, which are fundamental to preventing capital flight and ensuring that African countries are able to reap the maximum benefits from natural resource exploitation.

Another fruitful area of reform is the prevention of debt-fueled capital flight through the establishment and enforcement of responsible lending and borrowing rules. The goal is to ensure that capital inflows into Africa – in the form of official development assistance, debt, and private investment – are not converted into private wealth through capital flight. On the African side, reforms are needed to improve accountability and transparency in the management of foreign aid and external debt. This will require, first and foremost, a change in the culture and mindset of the African leadership. African governments must endorse the best practice of publishing information on the amount of external development finance received, the projects funded, and the procurement processes used for the provision of goods and services associated with government projects. When government loans are misused, the African people are left with the burden

of servicing them even when they did not benefit from them. Thus, it is their right to know how public resources are utilized and how they benefit from them.

Donors and lenders must also adopt and enforce rules for responsible lending; transparency in the disbursement of funds; and effective, results-based monitoring of implementation of development programs and projects. To advance this goal, donors should endorse and adopt the practice of debt audit, following the example of Norway (Boyce and Ndikumana, 2015). They should also provide African countries with technical and financial support for the implementation of national debt audits on a regular basis. The auditing of aid and debt by donors and recipients will curb debt-fueled capital flight from Africa, by minimizing the risks of leakage and misallocation of foreign aid and external debt. This will go a long way in establishing a culture of responsible lending and management of external debt and grants, which is essential to curtail debt-fueled capital flight and to preserve political support for official development assistance in donor countries.

Figure 1: Capital Flight from Africa vs. FDI and ODA Inflows, 1970–2010
(constant 2014, billion US dollars)



Source: Data on capital flight are from the Political Economy Research Institute at the University of Massachusetts Amherst at <https://www.peri.umass.edu/capital-flight-from-africa>. Data for FDI and ODA are from UNCTAD and the World Bank's World Development Indicators, respectively.

Note: ODA and FDI are counted only in years where a country also has data on capital flight.

Table 1: Capital Flight from Developing Countries, by Region
(constant 2014, billion US dollars)

	Cumulative capital flight ^a , 1970–2014 ^b	Capital flight stock, 2014	Debt stock, 2014	Net external assets, 2014 ^c	Cumulative capital flight to GDP ratio (%)
Central Europe	1436.8	1868	993	875	53
East Asia	2691.2	4317	3595	722	20
Latin America and Caribbean	1350.2	1944	1607	336	25
Middle East and North Africa	1869	2737	692	2045	52
Middle East only	1695.8	2459	572	1887	59
South Asia	174.9	284	580	-296	7
Sub-Saharan Africa	405	710	393	317	23
Africa	578	988	513	475	24

Source: James Henry, Global Heaven Industry (<http://globalhavenindustry.com>). Ratios were computed by the author.

Notes:

a The estimates of capital flight in this table do not include trade misinvoicing, which is included in the results presented in Figure 1, hence the difference in magnitudes in the case of Africa.

b The actual time period covered varies by country. For many African countries, the series starts in the 1980s.

c Net external assets = stock of capital flight – stock of debt in 2014.



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