



UNITED NATIONS

الشرق
المتوسط

ESCWA

Illicit Financial Flows in the Arab Region

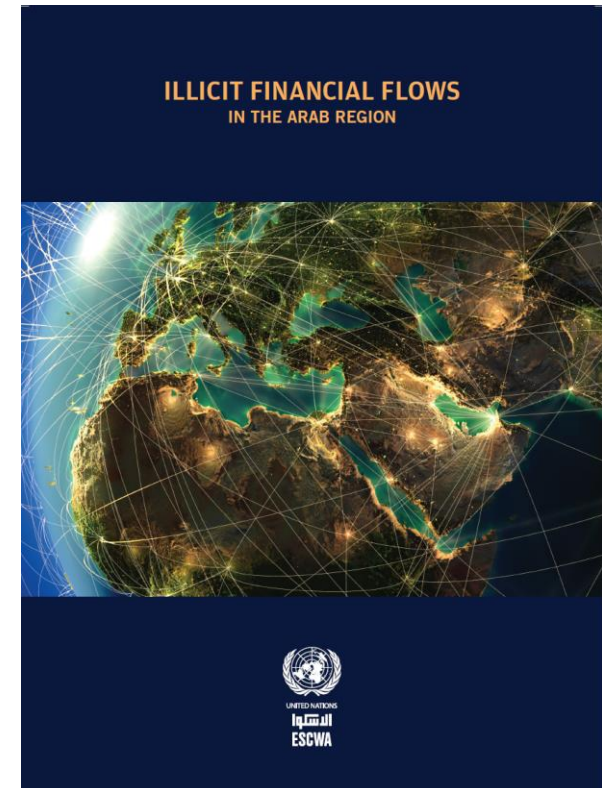
Financing for Development

Committee on Financing for Development

December 12, 2017
Amman, Jordan

Table of Contents

Illicit Financial Flows in the Arab Region
Conduits of Illicit Financial Flows
Motives of Illicit Financial Flows
Channels of Trade Misinvoicing
Report Results



FINANCIAL FLOWS IN THE ARAB REGION

(2015)



Conduits of Illicit Financial Flows..3C'S



Corruption

Profit Shifting
Tax Avoidance
Bribery

Crime

Money Laundering
Proceeds of Crime,
Drug Trade,
Human Trafficking

Security

Militant Activity
Sanctions
Occupation
Terrorism
Sanctions

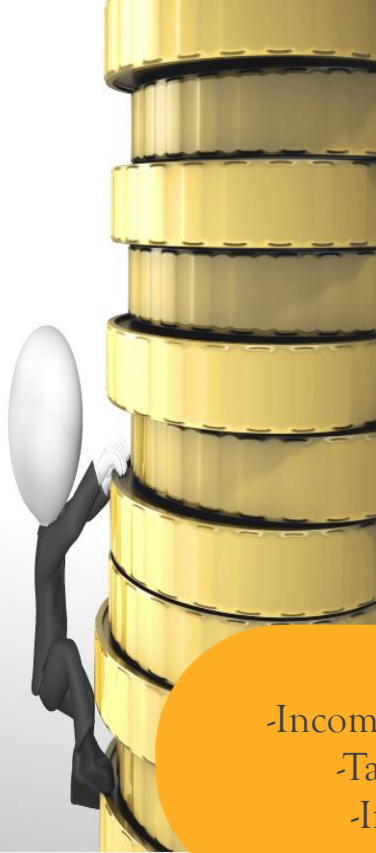
Commercial

Misinvoicing
Contraband
Illicit Trade in
Antiquities, Arms, &
Oil
Tax & Tariffs Evasion
Transfer Pricing

The cross-border movement of money or capital illegally earned, transferred or used.

- 1- **Disabler** to development
- 2- **Leakage** to domestic resource mobilization efforts
- 3- **Erodes** effective tax administration & financial systems
- 4- **Undermines** rule of law, governance & perception-based **corruption** standings
- 5- Provokes **instability** and **insecurity**

Motives for Trade Misinvoicing



- Exchange Controls
- Export Restrictions
- Trade Bans/Sanctions
- Expenditure Eligibility Requirements

Economic Factors



- Income Distribution
- Tax Evasion
- Inequality

Structural Drivers



Governance Conditions

- Regulatory Oversight
- Judicial Delays
- Bribery & Kickbacks
- Environmental Controls
- Political Captures

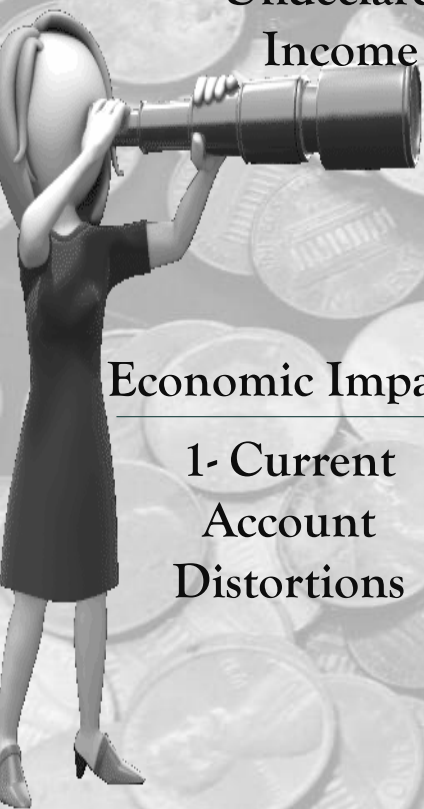


Security & Stability

- Political Instability
- Armed Conflicts
- Terrorism
- Criminal Activity



Types of Trade Misinvoicing

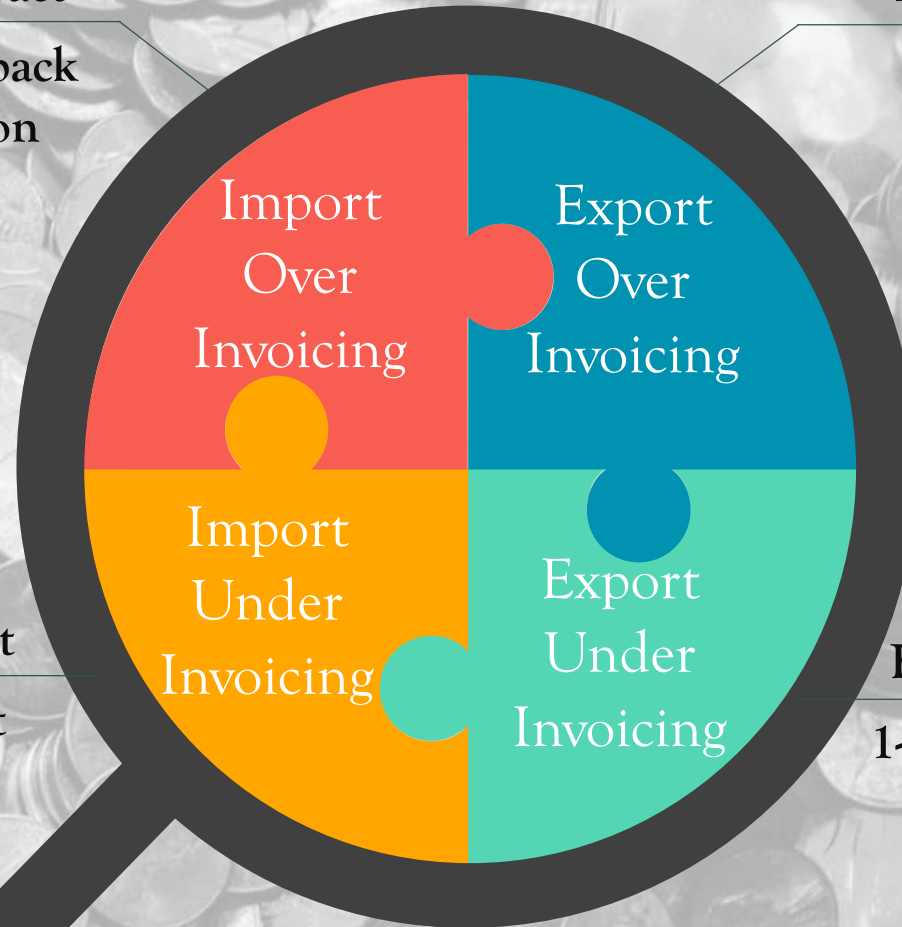


Economic Impact

- 1- Evade Currency Control
- 2- Shift Undeclared Income

Financial Impact

- 1- Duty Drawback
- 2- Tax Evasion



Economic Impact

- 1- Foreign Currency Allotment
- 2- Money Laundering

Financial Impact

- 1- Tax Break, Rebates
- 2- Export Subsidy

Economic Impact

- 1- Current Account Distortions

Financial Impact

- 1- Evade Import Duties & VAT
- 2- Repatriate Undeclared Capital

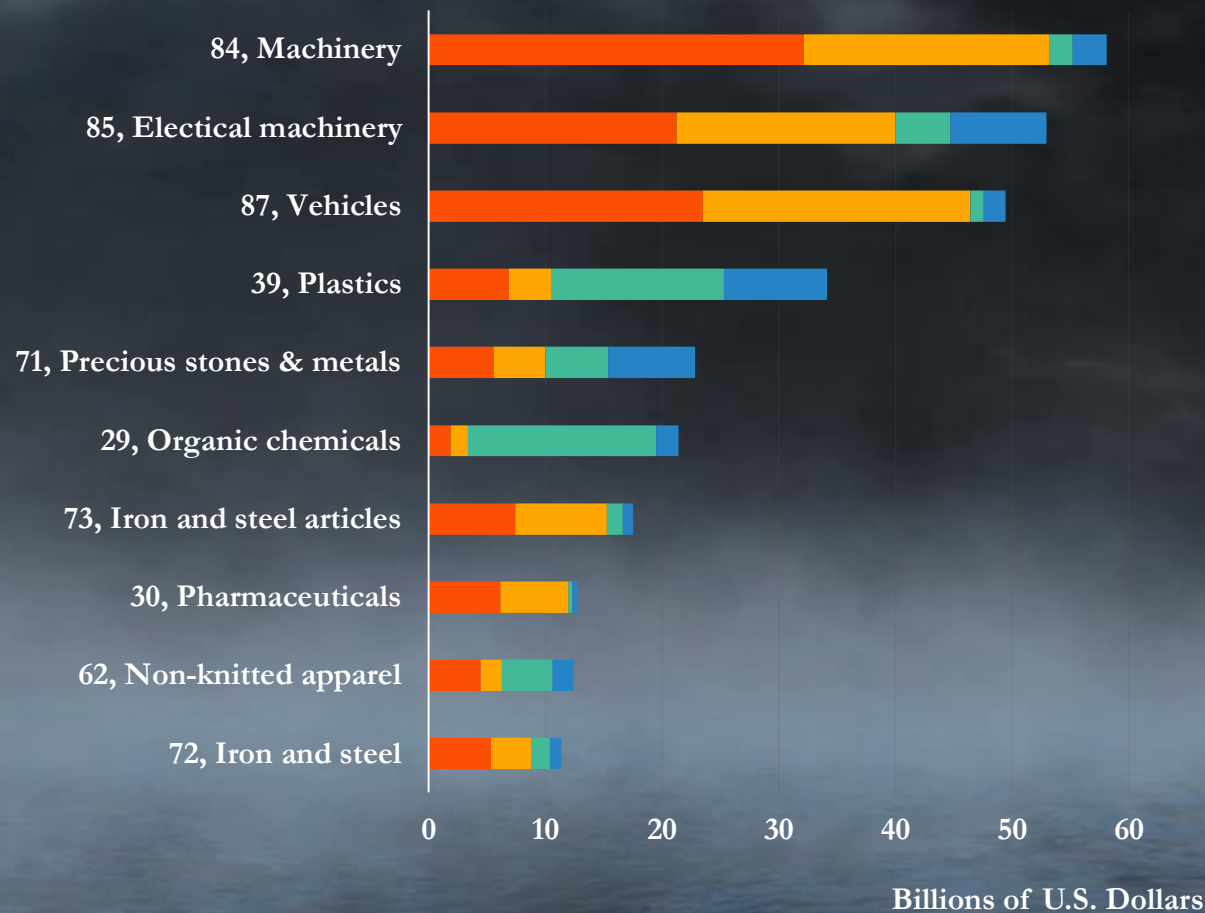
Economic Impact

- 1- Exploit Currency Controls
- 2- Evade Export Restrictions
- 3- Shift Undeclared Income

Financial Impact

- 1- Tax Evasion

Trade Misinvoicing in the Arab Region

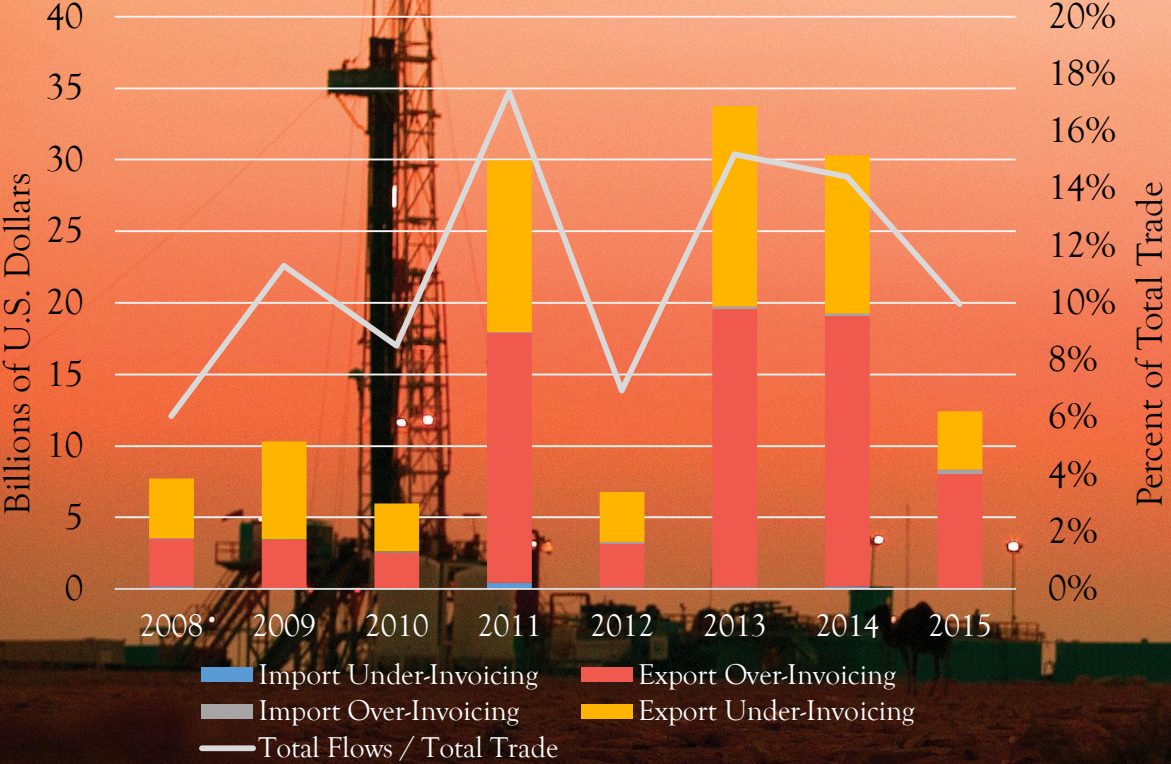


Top 10 Misinvoiced Categories in the Arab Region (2008-15)

These 10 categories make up 61% of non-oil trade misinvoicing

Oil trade misinvoicing makes up 22% of total trade misinvoicing

Oil Trade Misinvoicing in the Arab Region



HS 27 is the largest 2-digit commodity category particularly liquefied natural gas between 2008-15



Thank you

