Capital Flight in Liberia: Extent and Mitigation Recommendations

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Abstract

This research paper presents a result and analysis of the volume and pattern of illicit financial flows from Liberia over a 10-year period from 2004 to 2013. The objective is to determine the level of capital flight and recommend policy for mitigation. The research was conducted through desk review of relevant literatures on the topic and direct interviews and meetings with professionals in the areas of economics, banking, etc. This report makes a contribution on illicit financial flows from Liberia given that existing research on long-term trends in the pattern of illicit flows from African countries is rather scanty and does not include Liberia. The paper presents estimates (2004-2013) from the Global Financial Integrity (GFI) 2015 report estimate of illicit financial flows from Liberia [1]. This was appropriate due to the challenges to collect data ourselves. 2004 to 2013. The observation from the statistical analysis of long-term trends brings out some interesting disparity in the pattern and growth of the observed flows. The GFI Report utilizing the World Bank Residual model and the IMF Direction of Trade Statistics, illicit outflows from Liberia for the research period is estimated at about US$10 billion [1]. We argue that this shocking loss of capital seriously hampers the country efforts at poverty reduction, revenue and foreign exchange generation and economic development thus the need for immediate mitigation policy development and rollout must be considered.

Keywords: Capital flight; net borrower; increase revenue; extent and mitigation recommendations.

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1. Introduction

Since the early 1970's, several countries especially in the African region have experience considerable capital flight. Capital flight (KF) refers the domestic residents moving their wealth abroad using different ways to accumulate foreign assets. It has been argued in many literatures that this may have strong detrimental effects on domestic investment, economic growth, tax income and poverty reduction (Torn ell and Velasco 1992; collier et al 2004; Baja 2007; Yalta 2010; Fad et al 2012). At the same time, since the 1980s many countries including some in Africa have reformed their domestic financial markets in an attempt to improve the functioning of the domestic financial system and to increase the efficiency of resource allocation that is to enhance financial development (Foote 2013) [4,10,12].

The problem of illicit flows from Liberia deserves serious consideration. A recent 2015 report produced by Global Financial Integrity (GFI) estimates illicit financial flows out of at $966 million average per year [1]. Liberia presents serious analytical difficulties because of inadequate data. One thing is certain: while Liberia had to shoulder a heavy debt burden, our research has shown that sustained illicit outflows have turned the rest of the world to a net borrow from Liberia. This is because estimates of illicit capital outflows provided by economic models such as the World Bank Residual model and the Trade Misinvoicing model (see Section II and IV for description) account for the bulk of deposits reported by banks to the Bank for International Settlements (BIS) and by offshore financial centers. Explaining the factors that drive illicit financial flows or carryout a series of econometric tests seeking to determine their significance or impact is not the purpose of this paper. Though yet to be done on Liberia, there is a wealth of existing research on these subjects. Rather, we estimate and analyze the existence and extent of illicit flows from the country and present numerous mitigation policy options. Such an exercise has not been carried out for Liberia.

The paper has been organized as follows. Section II, III and IV presents a brief description of estimation of capital flight. Here we spoke about the two core economic models used to estimate illicit flows—the World Bank Residual model and the Trade Misinvoicing model based on the IMF's Direction of Trade Statistics. Under the residual model we spoke about correction of the current account for trade misinvoicing where we explain the methodology and the rationale underlying the treatment of estimates for current account correctness. We also discuss parallel market premium. Under trade misinvoicing model we explain the methodology for estimation and discussed export under invoicing and import under invoicing. Section V presents a discussion on the measurement of capital flight. Section VI present the main conclusion which include analyses of the results, section VII include the policy recommendation and the acknowledgement follow in sections VIII and IX the references and appendices. In the last page of this work we have included a table of illicit financial flows from West Africa. There are three forms of unrecorded money moving across borders [3,8]:

Corrupt: Proceeds of bribery and theft by government officials.

Criminal: Proceeds of drug trading, human trafficking, counterfeiting, contraband, and myriad forms of additional activities.

Commercial: Proceeds arising from import and export transactions conducted so as to manipulate customs duties, VAT taxes, income taxes, excise taxes, or other sources of government revenues

1.1 Objectives of this research

a. To develop an understanding of capital flight in Liberia; the scale and extent as a consequences of being deprived of needed fund for social development.

b. To develop a framework that curtails the practice and enforces the macroeconomic management framework to best deal with such menace.

2. Estimation of capital flight

Several methods on the measurement of capital flight are available from various literatures reviews (see references). Amongst the lots, we used the indirect measurement (**residual method**) proposed by the World Bank (1985) which has received by far the most consideration**.** This method begins from the entries in the Balance of Payment account and calculates the variance between sources and uses of capital i.e. the calculation of capital flight as a residual variance between capital inflows and recorded foreign exchange outflows [2].

In estimating and analyzing illicit financial flows (IFFs), sources of data and analytical methodologies that have been used by international institutions, governments, and economists for decades are utilized. Essentially, these data sources and methodologies are providing information on gaps—gaps in balance of payments data and gaps in trade data. Where recorded sources and uses of funds in balance of payments data do not match, the difference is net errors and omissions, indicating an inflow or outflow that was not recorded. Where bilateral trade data does not match (after adjusting for freight and insurance in the data of the importing country) this indicates reinvoicing of transactions between export from one country and import into another country [9]. The estimation model is expressed as $KF_{it} = \Delta DEBTADJ_{it} + NFI_{it} - (CA_{it} + \Delta RES)$ [13]. Where KF is capital flight from Liberia i in year t; $\Delta DEBTADJ_{it}$ is change in Liberia i external debt in year t adjusted for cross-currency exchange fluctuation in order to take into account for debt denominated in various currencies are aggregated in US Dollars; NFI_{it} is net foreign investment in Liberia i in year t, CA is the current account deficit of Liberia i in year t; ΔRES is the change in the stock external reserves.

2.1. The residual method

In comparison between sources and uses of foreign exchange, the residual or the broad measure is an indirect approach to measuring capital flight. This method measures capital flight as those inflows of foreign exchange in the domestic market which have no accounted/reported uses. Thus, the residual or variance between inflows and uses of foreign exchange are computed and a surplus of inflows over reported uses measures the extent of unaccounted uses or reflects capital flight from the country. Foreign exchange inflows are calculated as the sum of the increase in net external borrowing and the total non-debt creating foreign inflows in a given year. Uses of foreign exchange include the current account deficit and the net increase in foreign reserves. By convention, capital flight is computed as the sum of change in external debt, foreign investment inflows, current account surplus and change in international reserves [14].

If official sources/inflows exceed the official uses of foreign exchange, then it is assumed that the forex has been used unofficially or has left the country without being officially recorded. In other words, capital flight has occurred. The variance between the inflows and uses continues to be defined as capital flight. As in the residual method, negative figures for capital flight suggest net unofficial inflows of forex.

Essentially, the result from the residual measure of capital flight obtained from the GFI report shows that capital flight from Liberia has occurred [1]. On the average from 2004 to 2013 there has been $137 million leaving Liberia annually in illicit flight capital and the country cumulatively loss was $1.4 billion. The result shows fluctuation throughout the observed period with $58 million in 2004 reaching $288 million in 2009 decreasing by more than half in 2010 to $109 million but in 2012 increased to $341 million (the highest for the period) then decreasing to $296 million in 2013 (see table 3 below). The sharp decrease in flight capital between 2009 and 2012 can be attributed to

Researches has shown that 60-80 cents of every dollar of debt coming to the developing economies revolves back to the developed economies in illicit KF.

Liberia debt weaver because KF is fueled mainly by debt. Capital flight is high in high debt Countries according to researches. It is stated that as debt to government increases individuals overseas account also increases "the revolving door" [7].

Table 1: Illicit Outflows (HMN)

(In millions of U. S. Dollars, nominal)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Liberia	58	39	98	76	43	288	106	27	341	296	1,372	137
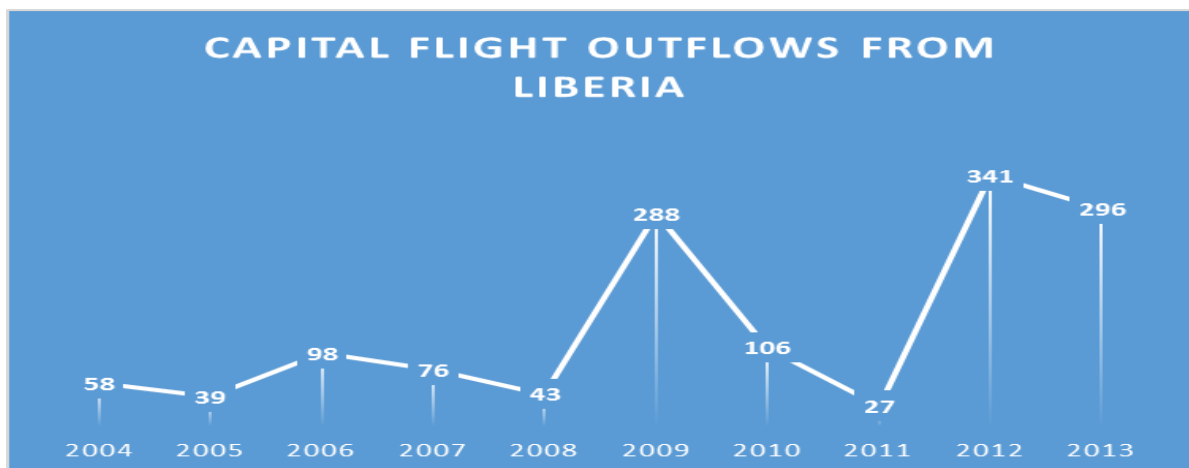
Figure 1: Data source: GFI 2015 Report

3. Correcting Current Account for Trade Misinvoicing

In order to determine the actual amount of the current account balance, its estimate must be adjusted for trade misinvoicing. The combined effect of export under invoicing and import over invoicing is to overstate the trade deficit or understate the trade surplus. Therefore, current account deficit/surplus figures need to be decreased/increased to reflect total trade misinvoicing.

Export under invoicing leads to the current account deficit being larger than if there were no misinvoicing and import under invoicing results in the current account deficit appearing smaller than it would be without misinvoicing. The direction of the net adjustment to the official current account deficit depends on the relative magnitude of the two causal factors (Ila Patnaik and Deepa and Vasudevan) [5].

Therefore balance-of-payments official data does not reflect possible misinvoicing in imports and exports. By consideration, we presume exports and imports are each $1,500, then the trade deficit is zero. In this case, under invoicing of exports of the magnitude of $300. It follows that when export is reported to be $1,200 the current account deficit will then be $300 (assuming zero invisibles). At the same time, import over invoicing, can also take place, by let's say we put it at $300, moved by the desire to acquire foreign exchange. The result will be imports reported as $1,300 which will further increase the deficit to $600. On the other hand, under invoicing of imports would reduce the current account deficit. Therefore, calculation of capital flight obtained by any of the other methods need to be adjusted by the extent of trade misinvoicing.

3.1. Parallel Market Premium

All misinvoicing may, however, not constitute capital flight [6]. In most regulated economies, including Liberia, under invoicing of exports is also encouraged by the existence of a parallel market for foreign exchange, where the local currency can be sold at a premium to the official exchange rate. Likewise importers could obtain foreign currency seemingly for imports and sell it at a premium. Conversely, the flexibility of the foreign exchange market in Liberia has reduced the premium

> The Central Bank rate setting is informed by a weekly parallel market survey.

to a large extent since it was introduced in early 1990s. Before the flexibility rate regime was introduced, the former Central Bank of Liberia (National Bank) had a fixed exchange rate regime (1:1) which characterized a very high and active parallel market rate. Importers would simply buy FX from the National Bank and sell same on the parallel market at a higher rate.

4. Trade misinvoicing

The fraudulent misinvoicing of trade transactions was revealed to be the largest component of illicit financial flows from developing countries, accounting for 83.4 percent of all illicit flows—highlighting that any effort to significantly curtail illicit financial flows must address trade misinvoicing. Comparing Liberia export-import data for trading partners with official Liberian data retrieval and estimation by the Global Financial Integrity (GFI) it shows that trade misinvoicing has been recognized. The inconsistency between official Liberian exports to the world (adjusted for shipping and insurance) and the world's imports from Liberia has been considered as

export misinvoicing. Traditionally, all export data are in fob terms (eliminating shipping and insurance cost) and all import data are in cif terms (i.e. plus shipping and insurance cost). Our investigation of the GFI estimation show that upon adding shipping and insurance costs to the official figure for Liberia's exports to the world they arrived appropriately at a figure for the world's imports from Liberia. The conversion of export data from fob to cif terms was carried out by multiplying it with the cif/fob factor [resulting to be 1.1 (IMF Balance of Payments Yearbook 1997)]. The residual inconsistency after this conversion is attributed to export misinvoicing. Export under invoicing takes place when official export data reports lower exports as compared to the actual value of goods transferred out of the country [11]. When exporters under invoice they provide for themselves the opportunity to retain income outside of the domestic economy and by so doing evade local tax. The model for estimation is Trade Mis-invoicing Values = (Imports Domestic – Exports Trading Partners) - (Exports Domestic – Imports Trading Partners). Where: Imports Domestic is imports recorded at home country; Exports Trading Partners is exports reported at all the trading partners; Exports Domestic is exports recorded at home country and; Imports Trading Partners is imports reported at all the trading partners.

Equally, the difference between official figures of Liberia's imports from the world and the world's exports to Liberia (adjusted for insurance and shipping cost) is attributed to import misinvoicing. If official figures on Liberia's imports were higher than the adjusted figures for the world's exports to Liberia, it would indicate import over invoicing. Import over invoicing would enable the importer to acquire excess foreign exchange and subsequently transfer it abroad while on the other hand if Liberia imports figure is lower than the adjusted figures for the world's export to Liberia, it would indicate import under invoicing. This would enable the importer to acquire foreign exchange abroad. Local tax evasion is the same motivation for import miss-invoicing.

Given our research result for import misinvoicing from Liberia while import over invoicing was zero import under invoicing amounted $102bn. In the case of export misinvoicing while over invoicing was zero under invoicing of export amounted to $8.3bn. On the average trade misinvoicing outflows was $829m with a cumulative amounting to $8.3bn [1].

Table 2: The Components of Trade Misinvoicing (In millions of U. S. Dollars, nominal or in percent)

| Country	Import Misinvoicing		Export Misinvoicing		Total Trade Misinvoicing Inflows (b+c)	Total Trade Misinvoicing Outflows (a+d)	Gross Trade Misinvoicing (a+b+c+d)
	Over-Invoicing (a)	Under-Invoicing (b)	Over-Invoicing (c)	Under-Invoicing (d)			
Liberia	0	101,636	0	8,288	101,636	8,288	109,924

Source: GFI Report 2015

The highest outflows were during 2006 showing $1.5bn, 2007 with $1.8bn and 2009 with $1bn then it began to reduce from 2010 to as low as $251m by 2013. The total trade misinvoicing inflows reached $102bn and the

total trade misinvoicing outflow was $8.3bn during the period 2004 to 2013. The gross trade misinvoicing sum up to $110bn (see table 2 and figure 1 above).

Table 3: Trade Misinvoicing Outflows

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Liberia	851	946	1,478	1,829	635	1,044	454	384	416	251	8,288	829
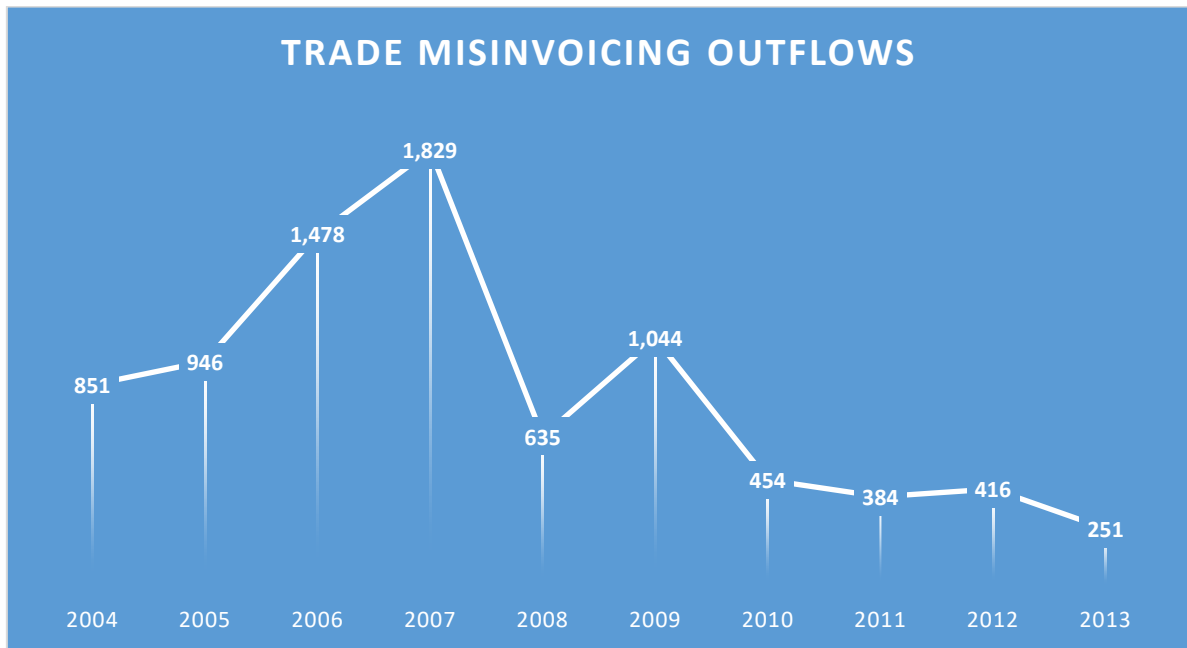
Figure 2: Data Source: GFI 2015 Report

4.1. Export Under invoicing

The Country's data for exports to Liberia and imports from the rest of the world were sourced from the Central Bank of Liberia data to the IMF recorded in the IMF Direction of Trade Statistics Publication. Also, data for the world's imports from and exports to Liberia were sourced from trade data of Liberia trading partners globally collected and compiled by the IMF in its Direction of Trade Statistics publication. These data were used in the GFI estimation for KF from developing economies including Liberia [1].

Exports under invoicing may take place when expectations of exchange rate depreciation are built up in the market [6]. Such an expectation may arise, for instance, if the "official" exchange rate is fixed at levels below the market rate. Under invoicing of exports would enable the exporter to realize a greater amount of domestic currency for the same amount of foreign exchange receipts when the expected depreciation actually takes place (trade misinvoicing and capital flight from India) [11]. It follows, therefore, that once the expected depreciation takes place under invoicing of exports should reduce. Conversely, a devaluation of the exchange rate may

regularly create uncertainty in forex markets and fuel suspicions of a further fall. In such a situation an exporter would prefer to under invoice exports and keep capital abroad until such time as the exchange rate policy is made clearer [6]. The actual pattern of export misinvoicing in a year of depreciation of the domestic exchange rate would depend on which of these two factors is stronger (Ila Patnaik and Deepa Vasudevan). Liberia Dollar continue to depreciate against the US Dollar during the period researched (See Figure 2 below).
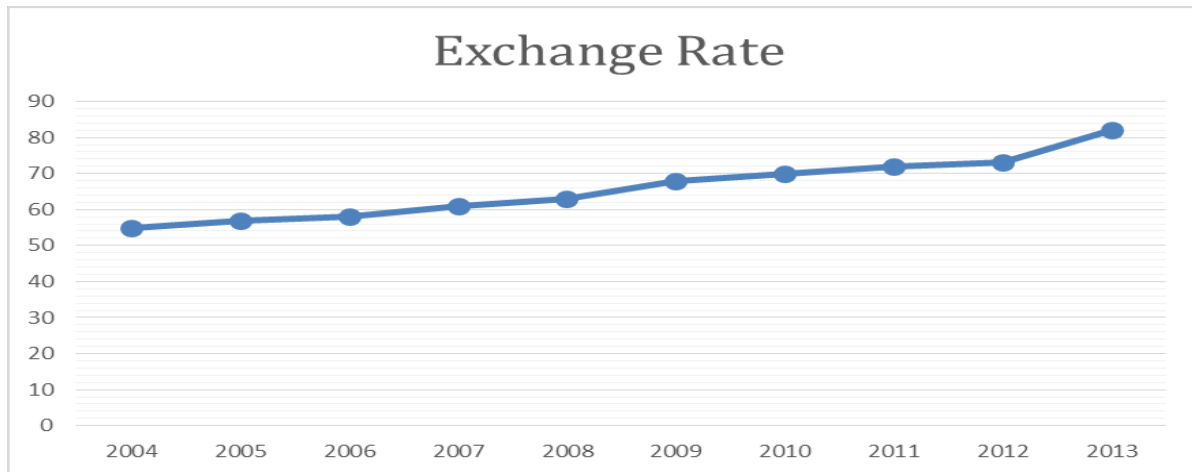

Figure 3: Data Source: Central Bank of Liberia

There is belief that there is dual exchange rate system existing in Liberia, wherein against a parallel rate the central bank auctions FX at the market exchange/ fixed rate to exporters/ importers that may be encouraging export under invoicing.

4.2. Import Under invoicing

In the observed period of this research, it is discovered that there occurred import under invoicing in Liberia and no import over invoicing (Table 1 above). Liberia has the twelfth highest weighted average tariff rate in the world and the second highest in West Africa. In addition, import bans and restrictions, inadequate trade capacity, minimal enforcement of intellectual property rights, poor infrastructure and licensing and corruption add to the cost of trade (Liberia Threshold Program). High tariff rates normally can result in under-reporting of imports, as importers attempt to ease tariff payments.

In the period 2004 -2013 export under invoicing took place as indicated by an estimated capital outflow of about $8.3 billion. Simultaneously imports were under invoiced to the extent of about $102 billion. In all, $110 billion of capital fled the country through routes of trade misinvoicing [1].

### 5. Measuring Capital Flight from Liberia

Estimation of KF for Liberia was obtained from official data for external debt, measured as total external debt and non-debt creating foreign inflows, measured as foreign direct and portfolio investment along with data for change in Liberia foreign reserves and current account balance from 2004-2013. These were obtained from

official IMF and World Bank sources and used by Global Financial Integrity to estimate flight capital from Liberia and published as part of their 2015 global report on capital flight. This was adjusted on the current account for trade misinvoicing. The data for the trade misinvoicing estimation was sourced from the IMF direction of trade statistics from members' country. According to the estimate measured by the residual method, adjusted for trade misinvoicing, Liberia loss amounted of about $10 billion in capital flight from 2004 to 2013 with an annual average of $966 million. Increasing since 2004 flight capital reached its highest at $1.9billion in 2007 when $1.9billion. Flight declined in 2008 to $678million, increased to $1.3billion in 2009 then continue to fluctuate in reduction after 2009 (see Table 4 below)

Table 4: Illicit Financial Flow from Liberia (HMN+GER)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Liberia	908	986	1,576	1,905	678	1,332	560	411	757	547	9,659	966
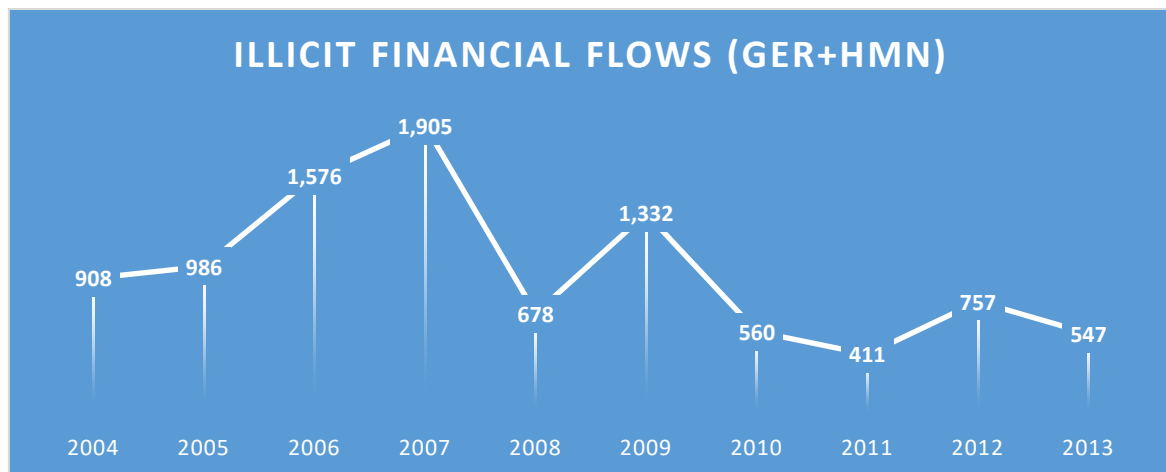
Figure 4: Data source: GFI Report 2015

6. Results

Our research evidence shows that amidst capital liberalization in Liberia, substantial capital flight took place from Liberia between 2004 and 2013. The results we have obtained indicate that despite current macroeconomic policies the movement of capital through illegal routes severely exist. Our outcome show that during the research period a total of $9,659m has fled the Country though illicit means averaging $966m annually (table 4). The evidence shows that trade misinvoicing constitutes the highest portion (86 percent) of illicit capital flight from Liberia. All of the misinvoicing observed during this period is related to both import and export under invoicing (table 3). The remaining 14 percent indicated in table 1 above can be linked to other forms of illicit capital flight such as debt fueled, remittances, smuggling, clandestine wire transfer and suitcases/ carry on of

smuggled cash. It can also be linked to diversion of public accounts into private accounts, kickbacks, commission on government contracts, inflated procurement costs, ghost projects, etc. In figure 4 above, the level of flight increase from 2004 recording $908m and fluctuated throughout and fell in 2005 to $547m. The most severe years were in 2005 that amounted to $1,576m, illicit flight in 2007 amounting to $1,905m and 2009 recorded $1,332m.

7. Discussion

With respect to our research questions these results agree to the rareness of the existence of capital flight in Liberia and the hypothesis that capital flight is undermining resource mobilization in Liberia. Throughout the research period 2004 - 2013 while KF has average $966 million (table 4) of which $829million (table 3) is from trade misinvoicing. The annual revenue for the same period remained under half a billion dollar/ $500 million neither has government spending exceeded the half billion dollars mark. Truly KF has affected domestic resource allocation especially in the area of trade misinvoicing totaling 86 percent and as a result government spending and development efforts have faced severe setbacks. Evidence from these results further revealed that had it not been for KF major impeding factor, efficient economic growth in Liberia could have been double throughout the period 2004 – 2013. Higher economic growth and poverty reduction in the Country has been hampered by capital flight.

8. Capital Flight Mitigation Strategy

8.1 General Measures

a.   Improve the domestic investment environment:

- Strengthening the rule of laws, including the protection of property rights;
- Public investment in infrastructure and 'human capital' that complements and 'crowds in' private investment;
- Transparent, predictable and consistent taxation policy; and
- Where appropriate, target tax amnesties for repatriated capital.

b.   Recovery of stolen assets:

- Launch an all-out effort to identify and recover stolen asses currently hidden in bank accounts and other investments overseas and elsewhere. A large portion of these assets is in liquid form and could be recovered with the cooperation of international banking institutions and western/ foreign governments in whose countries these stolen assets are kept mainly. Same should also be cooperated with the World Bank and United Nations Office on Drugs and Crime initiatives on Stolen Assets Recovery.

c.   Challenge the legality of Liberia odious debts:

- Statistical analysis reveals that approximately 60 to 80 cents of every dollar of external borrowing by

Africa left the continent in the same year it is borrowed 'debt fueled capital flight'.

d.   Economic and Financial Intelligence:

-       Strengthen the economic and financial intelligence unit (FIU) to track financial flows and prevent illicit capital flight and money laundering.

e.   Proactive role for the Association of African Central Bank Governors:

-Lead in gathering and sharing information on capital flight, working with the OECD and representative

of the Star initiatives and bilateral donor countries, some of which constitute safe havens for capital flight.

8.2 Specifics Measures

a. Improve information sharing through the adoption of international rules;
b. Encourage and facilitate the ability of banks and other financial institutions to freely exchange information on tax and capital flight;
c. Involve African countries individually and as a group in international initiatives, to maximize information exchanges on Liberian nationals' and companies' held abroad in offshore centers;
d. Strengthen Liberia economic consular office in major trading partners countries to prevent and monitor for trade miss-invoicing;
e. Promote the development of financial and capital markets to expand prospects for investment and portfolio diversification in Liberia, including through an increase in the scope of domestic investment of Liberia/ regional sovereign Capital, building on stronger reserve position achieved over the last few years;
f. Avoid falling back into unsustainable external debt ratios, particularly by ensuring that external borrowing in the post HIPC completion point era are primarily used for the expansion of productive investment with high economic returns and prospects for increasing economic diversification and export potential to mitigate exposure to terms of trade shocks;
g. Strengthen the Financial Intelligence Unit/ program;
h. Improves the dissemination of information by statistical offices and compile quarterly flow of funds accounts to enable better multinational surveillance and disclosure;
i. Strengthen existing institutions, improve governance and the rule of laws to mitigate risks of corruption and capture of public assets by private agents;
j. Accelerate human resources development to expand the capacity to manage the repatriation of flight capital;
k. Develop efficient processes for payments and transfers of funds, including through the modernization of infrastructures and computerization of financial transactions;
l. Effect a proper sequencing of capital account liberalization;
m. Build stronger regulatory institutions and framework in support of financial sector development;
n. Align the exchange rate to remove overvaluation, creating a conducive investment climate for local

investors;

o. Mobilize support of key national, regional and international institutions to enhance the repatriation for flight capital and monitoring returns;

p. Organize follow up national conference and with regional or global level, focusing on repatriation of capital flight and economic growth in Liberia;

q. Organize follow-up seminars of estimation and monitoring of capital flight at the national level as part of institutional capacity building;

r. Increase investment in strategic development projects that will have quick wins and promote other economic activities, provide incentives to enhance repatriation of capital, strengthen the role of the civil society in fostering accountability so that officials who are caught money laundering suffer the full cost of the law and;

s. Strengthening the functions of investigative journalism.

8.3 International Community (IC)

a. Engage the IC to play a lead role in the process of stemming and reversing flight capital from Liberia: though capital flight involves actors in source and recipient countries the burden of repatriation should be largely shouldered by the recipient countries;

b. Push to establish an international tribunal to arbitrate cases of corruption and capital flight;

c. Seek to nullify banks secrecy laws and policy of confidentiality and hence pave the way towards the disclosing of stolen money and assets;

d. Seek to enforce transparency in international banking operations;

e. Develop an action plan for the adoption of the International Financial Reporting Standards (IFRS) by operating insurance companies;

f. Advocate to intensify anti-money laundering and launch an international campaign for capital flight repatriation;

g. Seek to establish a global public registry of companies and trusts to counter the use of shell companies in illicit deals and;

h. Support international efforts to fight against illicit financial flows from developed as well as developing countries.

9. Recommendations

Liberia illicit financial flows are mostly facilitated by continued opacity in the global financial system. This opacity reveals itself in so many well-known ways: tax havens and secrecy jurisdictions, anonymous trusts and shell companies, bribery and corruption. Surplus techniques to launder dirty money, including the misinvoicing of trade, which is used to shift proceeds of criminal activity across national borders exist.

We agree that policy environments vary from one country to another (GFI), however there are best practices that all countries can adopt and promote at international and regional forums and institutions, including the ECOWAS, African Union, G20, the G8, the United Nations, the World Bank, the IMF and the OECD. Here we

highlights those best practices and proposes further steps that national regulators and hand in hand with international regulators could take to curtail illicit financial flows.

9.1 Trade Misinvoicing

Decreasing trade misinvoicing must seriously become a major focus for policymakers/ the government. Customs enforcement should be boosted appropriately through training and better equipment to spot the intentional misinvoicing of trade transactions. A particular important tool for stopping trade misinvoicing as it happens is access to real time, commodity level world market pricing information. This will inform customs officials to tell whether a good is significantly under- or over-priced in comparison to its prevailing world market norm price. This variance could then trigger an audit or another form of further review for the transaction. As an appropriate initiative, I refer to the Liberia Threshold Program signed with the Millennium Challenge Corporation that has capacity building activities planned of this nature for customs officers.

Also given the greater potential for abuse, trade transactions with secrecy jurisdictions should be treated with the highest level of scrutiny by customs, tax, and law enforcement officials. Brazil is an excellent example on this point, subjecting transactions with secrecy jurisdictions and tax havens to a higher tax rate. Also, there should be increased cooperation with ECOWAS to learn and adopt best practice because the study shows that many West African States have really low illicit capital outflows especially with trade misinvoicing (see appendices below).

9.2 Automatic Exchange of Financial Information

Liberia should actively participate in the G20 and OECD-endorsed global movement toward the automatic exchange of financial information. Ninety-six countries have committed to implementing the OECD/G20 standard by the end of 2018, which represents some progress from this time last year, when 89 countries had committed. Liberia should muster the courage working along with ECOWAS and the developing world to ensure that they are able to participate in the OECD and G20 process. This may require providing us with the necessary technical support for such automatic exchange.

Acknowledgement

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Appendices

Illicit Outflows from countries in ECOWAS Region

Table 5

(in millions of U.S. dollars, nominal)

Appendix I: Illicit Hot Money Narrow Outflows (HMN)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Benin	10	0	0	0	0	0	0	0	0	0	10	1
Burkina Faso	0	2	9	0	0	0	0	.	.	.	11	2
Cabo Verde	89	0	66	43	45	23	27	47	43	48	431	43
Cote d'Ivoire	0	38	38	0	44	37	25	45	77	0	303	30
Equatorial Guinea	0	0	102	29	0	0	0	0	1,338	1,196	2,666	267
Gambia, The	13	34	7	42	31	0	87	98	11	23	345	35
Ghana	0	0	0	37	374	1,342	721	691	190	659	4,013	401
Guinea	0	0	0	0	0	0	0	18	0	0	18	2
Guinea-Bissau	4	5	1	0	5	11	3	16	15	0	61	6
Liberia	58	39	98	76	43	288	106	27	341	296	1,372	137
Mali	26	24	37	0	0	74	0	53	20	36	272	27
Mauritania	.	.	.	0	0	0	0	.	108	292	400	67
Niger	0	0	0	18	57	0	0	9	30	15	129	13
Nigeria	0	17,345	17,151	14,399	20,783	26,377	15,144	5,265	4,998	26,735	148,197	14,820
Senegal	0	0	0	0	0	0	4	0	.	0	4	0
Sierra Leone	113	62	28	15	27	0	0	0	0	0	245	24
Togo	0	0	0	0	0	0	0	3	0	.	3	0
Total											**158,481**	**15,875**

(in millions of U.S. dollars, nominal)

Appendix II: Trade Misinvoicing Outflows (GER)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Benin	107	34	0	0	0	0	343	453	465	81	1,482	148
Burkina Faso	52	53	163	247	395	404	490	531	1,061	856	4,250	425
Cabo Verde	0	0	0	0	0	0	0	0	0	0	0	0
Cote d'Ivoire	2,656	3,866	2,693	3,429	2,393	1,204	1,742	1,020	2,122	1,917	23,042	2,304
Equatorial Guinea	320	172	355	918	1,968	2,869	2,851	3,140	3,232	3,259	19,084	1,908
Gambia, The	27	20	23	30	33	40	47	119	109	104	552	55
Ghana	0	0	0	0	0	0	0	0	0	0	0	0
Liberia	851	946	1,478	1,829	635	1,044	454	384	416	251	8,288	829
Mali	102	144	189	187	969	248	945	537	331	763	4,416	442
Mauritania	.	.	.	.	.	.	.	.	.	.	.	.
Niger	86	122	0	84	41	0	561	190	231	128	1,443	144
Nigeria	1,680	523	2,008	4,936	3,410	0	4,231	13,056	0	0	29,844	2,984
Senegal	318	1,109	490	693	1,440	606	584	764	997	1,029	8,030	803
Sierra Leone	39	32	282	846	18	0	1,915	1,791	0	413	5,335	534
Togo	251	952	1,690	2,883	4,514	3,809	1,173	4,085	1,451	1,479	22,289	2,229
Guinea	422	255	422	633	251	0	413	375	24	446	3,239	324
Guinea-Bissau	33	18	12	193	2	37	65	116	63	19	559	56
Total											**131,853**	**13,185**

(In millions of U.S. dollars,

Appendix III: Illicit Financial Flows (HMN + GER)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative	Average
Benin	117	34	0	0	0	0	343	453	465	81	1,493	149
Burkina Faso	52	56	172	247	395	404	490	531	1,061	856	4,262	426
Cabo Verde	89	0	66	43	45	23	27	47	43	48	431	43
Cote d'Ivoire	2,656	3,904	2,731	3,429	2,437	1,241	1,767	1,064	2,198	1,917	23,344	2,334
Equatorial Guinea	320	172	458	947	1,968	2,869	2,851	3,140	4,570	4,455	21,750	2,175
Gambia, The	40	53	30	72	64	40	134	218	120	127	898	90
Ghana	0	0	0	37	374	1,342	721	691	190	659	4,013	401
Guinea	422	255	422	633	251	0	413	393	24	446	3,258	326
Guinea-Bissau	37	24	13	193	7	48	68	132	78	19	620	62
Liberia	908	986	1,576	1,905	678	1,332	560	411	757	547	9,659	966
Mali	128	168	227	187	969	322	945	591	352	800	4,688	469
Mauritania	.	.	.	0	0	0	0	.	108	292	400	67
Niger	86	122	0	102	98	0	561	198	261	143	1,572	157
Nigeria	1,680	17,867	19,160	19,335	24,192	26,377	19,376	18,321	4,998	26,735	178,040	17,804
Senegal	318	1,109	490	693	1,440	606	588	764	997	1,029	8,034	803
Sierra Leone	152	94	309	861	45	0	1,915	1,791	0	413	5,580	558
Togo	251	952	1,690	2,883	4,514	3,809	1,173	4,089	1,451	1,479	22,293	2,229
Total											**290,334**	**29,060**

Data Source: Global Financial Integrity 2015 Report