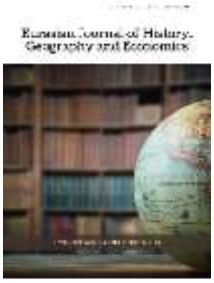

The role of the currency auction in the illicit financial flows in Iraq

Abeer Mohammed Jassim
dr_abirm_jassim@uomustansiriyah.edu.iq
Faculty member in Department of Economics, College of Administration and Economics- Mustansiriyah University

ABSTRACT

Illicit financial flows refer to capital flows that are illegally collected, transferred, or used. Because of these flows, the country is exposed to the loss of its resources in three aspects. The first is the loss of these flows, which can become a source for financing domestic investment and reducing the need for foreign exchange. The second is the loss of revenue flows, and finally, governments' loss of tax revenues resulting from these flows and their returns.
The research attempts to estimate the volume of illegal financial flows in Iraq that pass through the currency auction and then determine the size and importance of the losses exposed to the Iraqi economy because of these flows.

Keywords: Illicit financial flows, Central Bank of Iraq, currency auction, remittances, counterfeiting invoices, fake invoices, tax haven, losses of tax revenue.

Introduction
The term illegal financial flows appeared in the 1990s. It generally refers to capital flows across international borders linked to illegal activities, whether in their source, mode of transport, or even use. As huge sums of money flow from developing countries illegally every year, they lose the opportunity to use them in financing many vital areas such as much-needed public services such as security, justice, health and education.
The Central Bank of Iraq sells foreign exchange in the currency auction in order to stabilize the exchange rate of the Iraqi dinar in order to achieve stability in the general level of prices and to control inflation rates in Iraq, which is the main objective of its monetary policy. But at the same time, the currency auction window may be used to smuggle money out of Iraq, despite its dire need as it is going through a stifling financial crisis. *Research aims:* The research seeks to reach the following objectives:
1- Addressing the illicit financial flows in terms of concept, determinants, economic effects and their relationship to natural resources, as well as their global size.
2- Estimating the volume of illegal financial flows in Iraq that pass through the currency auction window held by the Central Bank of Iraq.
3- Determine the size of the losses borne by the Iraqi economy and government as a result of illegal financial flows.
4- Determine the size and importance of the problem of illegal flows in the Iraqi economy.
Research importance: The importance of the research stems from the following:
1- Money smuggling operations are taking place outside Iraq (illicit financial flows amounting to billions of dollars, which are derived from criminal activity and corruption, at a time when Iraq is suffering from a severe financial crisis and is resorting to external borrowing.
2- Selling billions of dollars in the currency auction may affect the volume of foreign

exchange reserves with the Central Bank of Iraq and weaken its ability to control the Iraqi dinar exchange rate and thus inflation in Iraq. *Research problem:* The research problem revolves around the volume of illegal financial flows that pass through the currency auction and the losses these flows cause to the Iraqi economy if they invested in Iraq and did not exit from it, as they represent an "important" source for financing investment and achieving higher economic growth rates on the one hand, and the government's loss they cause Iraqi tax revenues from the income expected to be achieved from these flows and their potential returns on the other hand. *Research Hypothesis:* The research is based on the hypothesis that (the Central Bank of Iraq's foreign exchange sales in the currency auction constitute a "basic" cover for the illegal financial flows in Iraq). *Research Methodology:* The researcher relied on the descriptive and quantitative approach through extrapolation and analysis of studies that dealt with illegal financial flows and mathematical analysis based on data obtained from the publications of the Central Bank of Iraq and the International Monetary Fund database of foreign trade trends.

1.The concept of illicit financial flows

The term illegal financial flows appeared in the 1990s to describe several financial activities across international borders and generally refers to the movement of capital associated with illegal activities across international borders. And this concept has evolved from the illegality or legality of the operations or activities from which the funds come to the operations of concealing them and not registering them in government records, and then illegal financial flows can be defined as unregistered capital flows that come from (1, 2014: UNECA):

1- Bribery, theft and all other forms of corruption of government officials and employees.

2- Profits from criminal activities such as human trafficking, robbery, counterfeiting, drug trade and terrorist financing.

3- The proceeds of tax evasion and commercial transactions related to money laundering.

The Organization for International Development and Cooperation, in defining the concept of illegal financial flows, refers to a set of methods and practices that aim to transfer funds and assets out of the country in ways that violate national or international laws, such as profits from illegal activities or if the funds come from legitimate activities or sources.

However, concealing them and transferring them abroad in a way that violates local regulations and laws such as tax systems would make these flows illegal, and even if they are used in illegal activities (such as financing terrorism) these flows are considered illegal flows. (OECD: 2014 2)

Thus, the term illicit financial flows mean unregistered funds obtained, transferred or used illegally across international borders. This falls within three main areas (Word bank:1, 2016):

1- The actions are themselves illegal (e.g. corruption and tax evasion).

2- Money is the product of illegal activities (such as drug trade, antiquities smuggling, human trafficking...etc.).

3- Using funds for illegal purposes (such as financing organized crime and terrorism).

The World Bank Group considers that the term illegal financial flows cover only the flow of illegal funds and assets across borders and the basic activities that generate those flows. Thus, activities such as tax evasion through legal tax planning do not fall under illicit financial flows. (World Bank 2016a, 5)

However, the United Nations expands the concept of illicit financial flows to include funds for which legal loopholes are used and to circumvent the spirit of the law or artificial legal arrangements, such as tax avoidance, profit diversion and transfer pricing used by multinational companies (United Nations: 2016; 5-4). Which is estimated at two-thirds (half of the transfer pricing) of total illicit financial flows globally (UNCTAD: 2014, 175).

1- <u>Global illicit financial flows</u>

It is difficult to estimate the volume of illegal financial flows, and the size of assets held by foreigners in tax havens, due to the nature of these activities, which are characterized by confidentiality and non-disclosure.

Nevertheless, some well-documented studies and recent reports provide indications of the large volume of these flows globally" and at the level of developing and developed countries alike.

Estimates of unregistered private financial wealth invested abroad at the end of 2010 indicate between $21 trillion and $32 trillion, to reach in 2015 between $24 trillion and $36 trillion, constituting between 10% and 15% of the global financial wealth. It represents only the minimum because it includes financial assets only and does not include real assets such as real estate, art pieces, jewelry and gold.

In general, the assets of unregistered financial wealth invested or held abroad grew on average at an annual rate of 16% between 2004 and 2014 (United Nations: 2016, 6), a high rate that exceeds the growth rates of national economies globally.

Residents of developing countries hold one-third of the world's unregistered financial wealth held abroad, and one-third of the share of developing countries is owned by residents of oil countries (UNCTAD: 2014, 177). This means that developing countries have unregistered financial wealth assets smuggled abroad ranging between 8 and 12 trillion dollars in 2015.

The Global Financial Integrity Organization estimates the loss of developing countries more than 7.8 trillion dollars in the ten years between 2004 and 2013 and their loss of more than a trillion dollars annually" as of 2011 as illicit financial flows and growing at an annual rate of 6.5%, which represents 4% of the volume of its GDP. (Kar: 5, 2015-6)

<u>3- Natural resources and illicit financial flows</u>

Developing countries have an opportunity to achieve economic development through their natural resources such as oil, gas and minerals. The huge financial returns from these resources can help in implementing development and investment programs, creating job opportunities and achieving the required economic growth rates.

However, most of the experiences of countries rich in natural resources (particularly those rich in fossil energy resources) indicate that the wealth of these resources may be a curse and not always a blessing." Over the past decades, the economic growth achieved by countries rich in natural resources was less on average than what was achieved in other countries. The poor in natural resources (Arzqi, 2013: 26) and governments receive on average between half and two-thirds of the extractive industry's revenues, and perhaps less than that due to the lack of efficiency in the systems for collecting government revenues (Daniel: 2013, 22), and perhaps one of the explanations for this phenomenon is the rampant corruption in Political elites and public administration elites, as countries possess an enormous wealth of resources.

Natural resources such as Russia, Mexico, Malaysia, Nigeria, South Africa, Brazil and Indonesia were among the top ten sources of illegal financial flows (Kar: 2015, 8). The presence of illegal financial flows may be in all sectors of the economy, but it is exacerbated sharply in the extractive and natural resources sector This is due to several factors, including Kapoor. (2011,6):

1- These resources are usually owned by the public sector and therefore there is no individual or organization that guarantees the proper management of these resources.

2- Natural and extractive resources have the potential to generate huge amounts of revenue and cash flows and this makes them vulnerable to abuse by corrupt authorities that issue licenses, concessions and rights granted in exchange for bribes and kickbacks offered by big corporations.

3- The geographical locations of natural resource production sites are usually far from city centres, which makes them far from police control.

4- Poor reporting and lack of transparency about the quantity and quality of natural resources produced and exported, allowing money to be easily smuggled.

5- Governments of countries rich in natural resources prefer to finance public expenditures from revenues from natural resources without imposing taxes, which reduces the incentives for citizens to monitor and hold the government accountable on the one hand, and the government has less incentive to meet and care for the needs of its citizens on the other hand.

4- Effects of illegal flows

One of the most important negative effects of illicit financial flows will widen the financing deficit experienced by developing countries, as they are unable to mobilize enough capital for domestic investment to ensure strong long-term economic growth. Public investment funds are scarce and cannot finance infrastructure and policy measures for social poverty alleviation.

It will increase developing countries' dependence on the outside, fall into the trap of foreign loans and foreign aid, and agree to implicit and explicit political conditions. Developing countries can achieve an average of 3% increase in the economic growth they achieve, and this percentage may increase to reach 3.9% in the oil countries if illegal financial flows stop (Herkenrath: 8, 2014).

Illicit financial flows also deprive governments of the resources required to carry out their economic, social and cultural duties such as health, education, social protection, safe drinking water and sanitation services...etc.

5- The determinants of illicit financial flows

The determinants of illicit financial flows vary from one country to another and from one period of time to another and may be related to legitimate capital flows when the motive is to diversify the financial portfolio, and at other times linked to illicit financial flows when the motive is the need to evade regulation and investigate sources Funds In general, the most important basic factors in countries' exposure to illicit financial flows can be identified in four main categories, namely: (UNDP: 2014,4-5) and (UNDP 1:20-2011,20)

1- The characteristics and nature of the country’s economic structure, which are represented in the abundance of natural resources alongside the openness of trade and in light of the weakness of management and organization and the inability to manage these resources, which increases the chances of embezzlement, bribery and counterfeiting of bills.

2- Macroeconomic factors and economic policy such as high and variable inflation rates, a deficit in the public budget, imposition of taxes, as well as the openness of the capital account are all factors that discourage domestic investment and can stimulate illegal financial flows.

3- Factors affecting the risks and returns of private investment, including real interest rate differentials, the real exchange rate of the national currency, the quality of infrastructure and human capital, as well as the business environment.

All of these factors affect the costs of trade and production, and then the returns on private sector investment and the decision to invest locally or to invest abroad, and then illicit financial flows.

4- Politics and governance factors, as political instability raises the risk of losing private wealth through confiscation or destruction of property as a result of violence and local conflicts, and mismanagement and governance facilitates theft, embezzlement, corruption and smuggling of goods and money across borders. Therefore, the weakness of management and governance and political instability are all Factors that stimulate illicit financial flows.

2- currency Auction

The currency auction is the main foreign exchange market in Iraq, in which the exchange rate of the Iraqi dinar against the US dollar is determined, and then the rest of the other currencies. The Central Bank of Iraq aims to control the supply of the Iraqi dinar and local liquidity in order to reduce inflation since the general level of prices in Iraq is directly related to the exchange rate of the dinar.

The currency auction achieves a number of goals, including (Abdul-Nabi: No, 6):

1- A direct intervention tool to achieve the stability of the dinar exchange rate.

2- A means of applying indirect tools in managing liquidity in the Iraqi economy and controlling its levels.

3- Unifying the exchange rates of the dinar after it was 17 official and parallel exchange rates before 2003.

3- Providing foreign exchange to local banks so that they can open credits, letters of guarantee and external transfer.

2.Practical framework

The Central Bank performs two types of dollar sales in the currency auction, the first is remittances abroad, financing the imports of the private sector. The second is the cash sale, which is to meet the Iraqis' demand for the dollar for tourism and travel purposes for treatment and study.

Table (1) shows that the Central Bank of Iraq sold in the currency auction between 2011 and 2019 about 350 billion dollars, of which 296.5 billion dollars were transferred abroad or 85%, and the rest (53 billion dollars) was sold as cash to banks and financial transfer companies.

Table (1): Central Bank Sales in Currency Auction (Million Dollars)

Years	Sales	Transfers		Cash	
	Value	Value	%	value	%
2011	15980	12982	81.23	2998	18.8
2012	25869	20302	78.5	5567	21.5
2013	33992	29422	86.6	4570	13.4
2014	36171	33938	93.9	2193	6.1
2015	39798	38839	96.3	1459	3.7
2016	48649	44985	92.5	3664	7.5
2017	53231	41005	77	12226	23
2018	51728	37165	71.8	14563	28.2
2019	444404	38315	86.3	5989	13.5
Total	349822	296493	84.8	53229	15.2

Source: Central Bank of Iraq: The General Directorate of Statistics and Research: Annual Statistical Bulletin, the years 2011-2019.

2- <u>Illicit financial flows via currency auction</u>

We will calculate the illegal financial flows in Iraq (smuggling through the currency auction window through three methods, which are counterfeit invoices, fake invoices and cash smuggling.

1- False import invoices:

The process of money smuggling is carried out by falsifying import bills by raising the values of those bills above the real value that they pay abroad. The process of calculating the falsification of import bills in Iraq is based on a comparison between the values of imports of goods and services (CIF) published by the Central Bank of Iraq in the statistics of the Iraqi balance of payments and the values of total imports of goods and services (CIF), which are calculated by the International Monetary Fund depending on the sources of other countries Which Iraq imports and published by the Fund in the database of foreign trade trends.

Table (2) data indicate that the total imports of Iraq (CIF) or recorded and published by the Central Bank of Iraq in the Iraqi balance of payments amounted to more than 356.3 billion US dollars from the years 2012 to 2019. While the database of foreign trade trends in the International Monetary Fund indicates that the total Iraqi imports (CIF) were 281.7 for the same period.

This means that the difference between them is more than 77.5 billion dollars, which represents illegal financial flows using falsification of import bills, and it represents 21.6% of the values of import bills on which the Central Bank sells foreign exchange on the basis of, and represents more than 26% of remittance sales in The auction is for the same period mentioned above.

Table (2) Forgery of import bills (CIF) in Iraq (million dollars), %

years	Iraq Imports (CIF) (database	Iraq Imports (CIF) (Central	The difference between	The difference in imports (%)	Currency Auction Remittances	The difference in remittances %

	(I.M.F) (1)	Bank data) (2)	columns (1) and (2)			
2012	15.255	19556	4.301	22.0	12982	33.1
2013	21.9.55	35012	13.057	37.3	20302	64.3
2014	25.794	41512	15.718	37.9	29422	53.4
2015	30.307	43915	13.603	31.0	33978	40.0
2016	38.381	47803	9.422	19.7	38339	24.6
2017	46.791	59006	12.215	20.7	44985	27.2
2018	52.481	59349	6.869	11.6	41005	16.8
2019	50.796	53177	2.381	4.5	37165	6.4
Total	281.759	359.329	77.570	21.6	296493	26.2

Source: Central Bank of Iraq: General Directorate of Statistics and Research: Annual Statistical Bulletin for the years 2012-2019.

- International Monetary Fund foreign trade trends database 2012-2019.

2- Fake import invoices

The Central Bank of Iraq transfers external parties depending on the requests of banks and local money transfer companies that are allowed to participate in the currency auction, in order to cover the requests of their customers from merchants and private sector import institutions and in accordance with the controls that the Central Bank operates to cover requests for foreign exchange for private sector imports. But when comparing the values of the Central Bank’s sales as external remittances in the currency auction and the values of the total private sector imports (CIF) recorded by the Central Bank in the Iraqi balance of payments, we see there is a clear difference, which represents the illegal financial flows through fictitious bills, in light of which the Central Bank transferred foreign exchange abroad as a cover for the imports of the private sector.

The data in Table (2) shows that the total value of private sector imports (CIF) amounted to 263.2 billion dollars from the years 2012 to 2019, while the total transfers made by the Central Bank to the account of banks and money transfer companies amounted to 296.5 billion dollars for the same period. The difference between the two values is more than 32.2 billion dollars, which represents more than 11% of the total remittances made by the Central Bank of Iraq for the aforementioned period.

3- cash sale

The Central Bank sells dollars in cash to local banks and local money transfer companies to cover the Iraqis' travel expenses for medical treatment or tourism abroad, which amounts to ten thousand dollars for each traveller. However, when applying, the names of citizens who want travel and treatment are repeated, and the passports themselves and their numbers, and the same names have been repeated in the banking companies without noticing this by the Central Bank. (Mohamed:125, 2013)

The use of the same passport twice and by two banks or two money transfer companies only. This means that 75% of the cash sale in the currency auction is used as illegal financial flows. The currency is not to meet the demand of Iraqis for the purposes of travel for medical treatment and tourism, but it is also used to smuggle foreign exchange out of Iraq.

Table (3) shows that the Central Bank sold in the currency auction between 2012 and 2019 more than 53.2 billion dollars in cash to meet the demand for foreign currency for the purposes of travel and treatment for Iraqis, and therefore the assumed 40% of smuggling is equivalent to 21.3 billion dollars.

Table (3): fake import bills and the total illegal financial flows in Iraq (million dollars)

Years	Total private	dummy invoices	% of remittances	Cash smuggling	Total illegal	Percentage of total

	sector imports	(difference between remittances and private import)		(40% of cash sales)	financial flows	flows of total auction sales %
2011	10180	2802	21.6	1199.2	8.302	52.0
2012	19752	550	2.7	2226.8	15.834	61.2
2013	27303	2119	7.2	1828.0	19.665	57.9
2014	32674	1304	3.8	877.2	15.789	43.7
2015	34877	3462	9.0	583.6	13.467	33.8
2016	37575	7410	16.5	1465.6	21.091	43.4
2017	37793	3212	7.8	4890.4	14.971	28.1
2018	32931	4235	11.4	5825.6	12.441	23.1
2019	30148	8168	21.3	2395.6	10.563	23.8
Total	263231	33262	11.2	21291.6	132.124	37.8

Source: - Central Bank of Iraq: General Directorate of Statistics and Research: Annual Statistical Bulletin for the years 2011-2019. Calculated by the researcher.

4. Losses of illicit financial flows in Iraq

We will calculate three types of losses that Iraq is exposed to due to illegal financial flows in Iraq, as follows:

1- Loss of illicit financial flows

The loss of these flows as they represent money "or assets" belonging to the Iraqis flowing abroad and most likely they will not return and Iraq will not reap any significant returns from them. In addition to being the most important sources of funding for local investment for development, achieving an increase in the growth rate of national income and average per capita income in Iraq, achieving higher rates of employment and fighting unemployment, as well as achieving prosperity and a better standard of living in Iraq.

Data in Table (3) indicate that the total illicit financial flows have exceeded 132 billion US dollars from 2011 to 2019, which represents approximately 38% of the total foreign exchange sales of the Central Bank of Iraq in the currency auction, amounting to 349.8 billion dollars for the same period. Iraq lost an average of more than 14.6 billion dollars annually."

2- Loss of proceeds from illicit financial flows

The money that flows abroad illegally does not mean that it is sterile money, but that it will generate annual returns and those returns will generate returns and so on, which means that Iraq does not lose illegal financial flows only, but will lose the annual returns of those flows if they remained in Iraq and were added in local investment.

Assuming that the illegal financial flows out of Iraq will achieve a rate of return of 5% annually (as long as it stays in Iraq and does not leave), which is a relatively moderate rate. And by calculating Iraq's loss from the proceeds of illegal financial flows through the process of multiplying the value of these flows for each year by the assumed rate of return (5%) and in a manner that continues from 2011 to 2019.

Then, multiply the yield product by (5%), assuming that the return will generate a return, and so on. For example, in 2011, illegal outflows amounted to 8.3 billion dollars, and the return will be after a year, i.e. in 2012, (8.3 * 5% = $0.415 billion) and in 2009 it will be the loss of return for 2008 flows multiplied by 5% (15.8 * 5% = 0.79) plus" 2011 flows multiplied by 5% (8.3 * 5% = 0.415) plus return flows 2011 multiplied by 5% (0.415 * 5% = 0.02) and thus the revenue loss in 2009 becomes (0.79 + 0.415 + 0.02 = 1.23 billion) and so we continue to calculate until 2019.

Table (4) shows Iraq's loss of revenues from illegal financial flows if they were invested in Iraq and assuming an annual return of 5%, and the data in this table indicate that Iraq has lost about 30 billion dollars in returns to those flows during the nine-year research period and it is continuing Increasingly, which means that, in just nine years, Iraq has lost about 162 billion US dollars (an average of 18 billion per year) in illegal financial flows and the returns on those flows, which could have been reaped by Iraq.

3- Loss of tax revenue

Illegal financial flows and their annual returns represent the entry of individuals or companies, and then according to Iraqi law, they will incur taxes that must be paid to the Iraqi government to finance its expenses. And if we only calculated income tax revenues on these flows, which amount to 15% according to the income tax law in Iraq, the Iraqi government, during nine years, has lost about 25 billion dollars in tax revenues that it could have obtained if the illegal financial flows were invested in Iraq and did not go to outside the country (see Table 4).

Note that there are other revenues that we have not calculated that the Iraqi government may lose, which are represented in fee revenues such as company registration fees and real estate registration fees.

Table (4) Iraq's total losses from illegal financial flows
(Million dollars)

Years	Total Illicit Financial Flows	Loss of Proceeds of Illicit Financial Flows	Total Illicit Financial Flows and Returns	Tax Loss	Total Iraq's Losses from Illicit Financial Flows
2011	8.302	0	8302	1.245	9.548
2012	15.834	415	16249	2.437	18.686
2013	19.665	1228	20893	3.134	24.027
2014	15.789	2272	18062	2.709	20.771
2015	13.467	3176	16643	2.496	19.139
2016	21.091	4008	25098	3.765	28.863
2017	14.971	5263	20233	3.035	23.268
2018	12.441	6274	18715	2.807	21.522
2019	10.563	7210	17773	2.666	20.439
Total	132.124	29846	161969	24.295	186.265

Source: Calculated by the researcher.

5. The volume of illicit financial flows in the Iraqi economy

When summing up the three types of losses that have passed as a result of illegal financial flows, we find that Iraq has suffered from the loss and loss of its money in huge amounts estimated at more than 186 billion US dollars, that is, an average of more than 20.6 billion dollars annually from the year 2007 to 2015, which would not have happened if not Financial and administrative corruption.

Table (5) Percentage of illicit financial flows to GDP and Iraqi exports,
(million dollars, %)

Years	Total Iraq's losses from illegal financial flows	Total Iraq's exports	% of exports	GDP	% of GDP
2011	9.548	39.587	24.1	88.038	10.8
2012	18.686	63.726	29.3	130.204	14.4
2013	24.027	39.430	60.9	11.300	21.6
2014	20.771	51.764	40.1	142.815	14.5
2015	19.139	79.681	24.0	185.750	10.3

2016	28.863	94.209	30.6	218.032	13.2
2017	23.268	89.768	25.9	234.637	10
2018	21.522	83.981	25.6	*222041	9.7
2019	20.439	43.442	47.0	*164421	12.4

Source: Central Bank of Iraq: General Directorate of Statistics and Research: Annual Statistical Bulletin for the years 2011-2019.

As Transparency International indicates that Iraq ranks 161 out of 167 countries on the list of the Corruption Perceptions Index in 2019 (International Transparency, 2015: 1). In order to clarify what these losses mean, their size and their importance in the Iraqi economy, we compared them with the volume of exports and the Iraqi GDP to make it clear, according to the data in Table 5, that the size of Iraq's total loss as a result of illegal financial flows exceeds 10% annually" (it reached up to 21% in 2009) of the size of the GDP in it, and these percentages are higher than their counterparts in developing countries for the period 2004 to 2013 (12, 2015: Kar), which is a period close to the research period.
As for the level of exports, the total losses of money looted from Iraq were a result of illegal financial flows, as they represent more than a quarter of Iraqi exports and reached more than 60% in 2009.

Conclusions

1- Despite the difficulty of estimating the volume of illegal financial flows, it is clear that Iraq has been subjected to a large process of looting and bleeding in its wealth, and it may be systematic through smuggling money outside Iraq, which is a logical result of what it suffers from financial and administrative corruption.
2- The magnitude of the illegal financial flows that pass through the Central Bank of Iraq's foreign exchange sales portal in the currency auction, also indicates the existence of other ways of illegal financial flows at high levels, such as the smuggling of foreign exchange with bags or through clearing operations conducted by money transfer offices and companies Banking not licensed by the Central Bank.
3- The currency auction is a key window for illegal financial flows in Iraq, through which more than 132 billion dollars were smuggled, which is equivalent to 37.8% of the total foreign exchange sales of the Central Bank of Iraq amounting to 350 billion dollars during the years 2011-2018.

Recommendations

1- A review by the Central Bank of Iraq of the mechanism and controls for selling foreign exchange in the currency auction.
2- Activating coordination between the Central Bank and the ministries and other relevant government agencies to provide data and information in order to limit or reduce as much as possible counterfeit and fictitious import bills.
3- Tightening control and controls on banks and money transfer companies participating in the currency auction in the process of transferring money to their customers, as well as tightening deterrent penalties for violating instructions and controls
3- Raising the level of coordination with the relevant international bodies to follow up and know the truth about the external parties to which the Central Bank transfers funds at the request of banks and money transfer companies.

Resources

1- Irzeki, Rabeh et al.: Risks of Capital Flight, Journal of Finance and Development: (Washington, DC, International Monetary Fund) vol. 50, number 3, pp. 26-28.
2- United Nations 2016: Illicit Financial Flows, Human Rights and the 2030 Development Plan (New York, United Nations).
3- UNCTAD 2014 Trade and Development Report 2014 (New York, United Nations).
4- Daniel, Flip et al. 2013: Resource Revenue Extraction, Journal of Finance and Development: (Washington, DC,

International Monetary Fund) Vol. 50 number 3 pp. 19-22
5- Abdul Nabi, Walid Eidi: The foreign currency auction and its role in stabilizing the Iraqi dinar exchange rate (Baghdad, Central Bank of Iraq).
6- Available at: https://www.cbi.iq/documents/waleed.pdf
7- United Nations Economic Commission for Africa (UNECA 2014: Ninth African Development Forum: Illicit Financial Flows Issue Paper) Marrakesh, UNECA (available at
8- http://www.uneca.org/sites/default/files/uploaded-documents/ADF/ADF9/adf
9- ix issues paper 2-illicit financial flows-arb.pdf
10- Cochrane, Paul 2015: Addressing Illicit Financial Flows and Africa's Flight. Available for money in the Middle East and North
11- http://khamsoon.com/publications/files/1430482457pdf1KHAMSOONPOLICY PAULKO CHRANARABIC.pdf
12- Muhammad, Falah Hassan: The role of financial control in preventing the phenomenon of foreign currency smuggling (selling currency in the Central Bank of Iraq as a model") Journal of Integrity and Transparency for Research and Studies, (Baghdad, Iraqi Integrity Commission) fourth year, sixth issue, Baghdad 2013, pp. 111-133. Available at:
13- http://www.nazaha.iq/images/nazaha-mag/r06/pdf/p06.pdf
14- Second, the sources are in the English language
15- Henry James S.: Taxing Tax Havens How to Respond to the Panama Papers, available at: www.foreignaffairs.com/articles/panama/2016-04-12/taxing-tax-havens.
16- Herkenrath, Marc 2014: Illicit Financial Flows and their Developmental Impacts: An Overview, international development policy 5.3 2014 available at https://poldev.revues.org/1863
17- Sony 2007: Illicit Financial Flows and Capital Flight: A Re-Define Briefing Paper. available at
18- http://re-define.org/sites/default/files/IllicitFinancialFlows-ABriefingPaper.pdf
19- Kar, Dev and Joseph Spanjers 2015: Illicit Financial Flows from Developing countries: 2004-2013 (Washington, DC, Global Financial Integrity). available at
20- http://www.gfintegrity.org/report/illicit-financial-flows-from-developing countries-2004-2013/
21- OECD 2014: Illicit Financial Flow from Developing Countries: Measuring OECD Responses
22- (Paris, OECD). available at
23- https://www.oecd.org/corruption/Illicit
24- Financial Flows from Developing countries.pdf
25- Transparency International 2015: Corruption Perceptions Index 2015 (Berlin Transparency international) available at https://www.transparency.org/cpi2015/#results-table
26- UNDP: A Snapshot of Illicit Financial Flows from Eight developing countries: result and issues from the investigation (New York, NY, UNDP). Available at:
27- http://www.undp.org/content/dam/undp/library/Democratic%2520Governa
28- nice/Anticorruption/issue%2520 Brief%2520A%2520snapshot
29- UNDP 2011: Illicit Financial Flows from the Least Developed Countries: 1990-2008 (New York, NY, UNDP).
30- Word bank 2016: Illicit Financial Flows (IFFs) (Washington, DC, Word bank) available at http://www.worldbank.org/en/topic/financialmarketintegrity/brief/illicit-financial-flows-iffs
31- Word bank 2016: The World Bank Group's Response to Illicit Financial Flows: A Stocktaking (Washington, DC, Word bank). available at

32- http://documents.worldbank.org/curated/en/502341468179035132/pdf/10456
33- 8-BRSecM2016-0112-IDASecM2016-0071-IFC-SecM2016-00423-MIGA-
34- SecM2016-0044Box394878B-PUBLIC-disclosed-4-5-16. Pdf
35- Third: data sources
36- International Monetary Fund database for the years 2011-2019.
37- Central Bank of Iraq, Statistical Bulletin: Preparation for the years 2011-2019.