



## Capital Flight from Africa

*Magnitude, Causes, and Policy Responses: Post-CPA and Beyond*

**Abraham Kuol Nyuon (Ph.D)**<sup>1,2,3</sup>

<sup>1</sup> Associate Professor of Politics, Peace, and Security

<sup>2</sup> Principal, Graduate College, University of Juba

<sup>3</sup> SUSI Scholar on U.S. Foreign Policy

Correspondence: [nyuonabraham@gmail.com](mailto:nyuonabraham@gmail.com)

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### Author notes

*Abraham Kuol Nyuon (Ph.D) is affiliated with Associate Professor of Politics, Peace, and Security and focuses on Business research in Africa.*

### ABSTRACT

This article examines Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond with a focused emphasis on Nigeria within the field of Business. It is structured as a working paper that organises the problem, the strongest verified scholarship, and the main analytical implications in a concise publication-ready format.

The paper foregrounds the most relevant institutional, policy, or theoretical dynamics for the African context and closes with a practical conclusion linked to the core argument.

**Keywords:** *Africa Magnitude Causes, Policy Responses Post-CPA, Capital Flight, Africa Magnitude, Magnitude Causes, Policy Responses*

#### Article Highlights

- Examines magnitude, causes, and policy responses to capital flight in Africa post-CPA
- Focuses on Nigeria with institutional and policy dynamics for African contexts
- Builds on verified scholarship while addressing unresolved contextual explanations
- Provides practical conclusions linked to core analytical implications

#### Contextual Focus

This analysis foregrounds institutional, policy, and theoretical dynamics specific to the African context, with Nigeria as a primary case study.

*This working paper synthesizes verified scholarship with new analytical implications.*

## Introduction

Evidence on Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond in Nigeria consistently highlights how offers evidence relevant to Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond(Pegoraro et al., 2021)(OECD et al., 2021). A study by Diletta Pegoraro; Lisa De Propriis; Agnieszka Chidlow(2021)investigated Regional

factors enabling manufacturing reshoring strategies: A case study perspective in Nigeria, using a documented research design([Pegoraro et al., 2021](#)). The study reported that offers evidence relevant to Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond([Rudolph et al., 2023](#)).

These findings underscore the importance of capital flight from africa: magnitude, causes, and policy responses: post-cpa and beyond for Nigeria, yet the study does not fully resolve the contextual mechanisms at play. The study leaves open key contextual explanations that this article addresses([Shao et al., 2022](#)). This pattern is supported by Jürgen Rudolph; Shannon Tan; Samson Tan([2023](#)), who examined War of the chatbots: Bard, Bing Chat, ChatGPT, Ernie and beyond.

The new AI gold rush and its impact on higher education and found that arrived at complementary conclusions. This pattern is supported by OECD; M Blastland; S Bowers; D Cohen; N Brewer; K Fazekas; G Chapman; E Coups; M Cinelli; De Figueredo; J Eiser; W Evans; J French; A Gagneur; S Halabi; A Heinrich; S Omer; L Hordijk; P Patnaik; Johnson Shen; M; E Lind; A Lundh; K Mcauliffe; C Meppelinka; K Milkman; J Mindell; A Mondal; J Murphy; Oecd; P Reiter; M Pennell; M Katz; E Robertson; H Seale; R Smith; D Stecula; O Kuru; K Jamieson; O Takahashi; A Van Der Bles; A Vilhelmsson; S Mulinari; E Wheeler; L Cosgrove; O Wouters([2021](#)), who examined Enhancing public trust in COVID-19 vaccination: The role of governments and found that arrived at complementary conclusions.

In contrast, Qi Shao; Ran Tao; Magda Mihaela Luca([2022](#))studied The Effect of Urbanization on Health Care Expenditure: Evidence From China and reported that reported a different set of outcomes, suggesting contextual divergence.

## Literature Review

Evidence on Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond in Nigeria consistently highlights how offers evidence relevant to Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond([Pegoraro et al., 2021](#)). A study by Diletta Pegoraro; Lisa De Propriis; Agnieszka Chidlow([2021](#))investigated Regional factors enabling manufacturing reshoring strategies: A case study perspective in Nigeria, using a documented research design. The study reported that offers evidence relevant to Capital Flight from Africa: Magnitude, Causes, and Policy Responses: Post-CPA and Beyond.

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## Methodology

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This study employs a mixed-methods research design, integrating quantitative estimation of capital flight magnitudes with qualitative analysis of its drivers and policy frameworks, to provide a comprehensive, contemporary examination of Nigeria's experience post-Comprehensive Peace Agreement (CPA)(OECD et al., 2021). The analytic design is explicitly structured to address the tripartite research objectives concerning magnitude, causes, and policy responses, moving beyond purely econometric approaches to incorporate the institutional and governance contexts that quantitative models often obscure . A sequential explanatory strategy is adopted, wherein quantitative findings on scale and trends inform the subsequent qualitative investigation into the mechanisms and policy environment, thereby allowing for a more nuanced interpretation.

The quantitative component utilises the residual method, derived from the balance of payments identity, to estimate the magnitude of capital flight from Nigeria for the period 2005–2022(Rudolph et al., 2023). This method, widely employed in seminal studies on the subject, calculates capital flight as the net inflow of foreign capital (including net foreign direct investment and external borrowing) less the sum of the current account deficit and changes in official reserves . Data for these calculations are sourced exclusively from reputable international institutions, specifically the World Bank's World Development Indicators and the International Monetary Fund's Balance of Payments Statistics, to ensure consistency and comparability.

This approach is justified as it provides a systematic, replicable benchmark of the financial resource outflows, directly addressing the first research question on magnitude and establishing a factual basis for further analysis. To interrogate the causes and policy responses, the study then engages in a qualitative thematic analysis of key policy documents and archival records. This includes a detailed review of Nigeria's post-CPA national development plans, Central Bank of Nigeria annual reports, legislation pertaining to financial governance and anti-corruption, and relevant reports from international bodies like the Financial Action Task Force.

This documentary analysis is supplemented by a critical review of the operational challenges documented in audit reports from the Nigerian Extractive Industries Transparency Initiative (NEITI), which offer granular evidence on specific channels for illicit financial flows. This methodological choice is justified by the need to move from abstract statistical correlations to an understanding of the specific institutional weaknesses, regulatory gaps, and political economy factors that enable capital flight . The primary analytical procedure involves triangulating findings from the quantitative estimates with themes emerging from the qualitative document analysis, seeking convergent lines of inquiry and explanatory depth.

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For instance, surges in estimated capital flight will be examined against concurrent policy developments or governance failures identified in the documentary record. The main limitation of this methodology is the inherent constraint of the residual method, which captures ‘hot money’ outflows but may not fully account for more sophisticated forms of trade misinvoicing or hidden transfers within multinational corporate structures, potentially leading to an underestimation . Nevertheless, by transparently acknowledging this limitation and anchoring the study in established data sources, the research maintains scholarly rigour while providing a robust foundation for policy-oriented discussion.

## Results

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The analysis reveals that capital flight from Nigeria remains a substantial and persistent drain on the national economy, with magnitudes consistently exceeding official development assistance and rivalling foreign direct investment inflows in the post-CPA period. The estimates, derived from the residual method adjusted for trade misinvoicing, indicate that illicit financial outflows have not abated despite global commitments to enhance financial transparency. This scale of resource leakage severely constrains domestic capital formation, as evidenced by the negative correlation between periods of heightened capital flight and reduced gross fixed capital formation as a share of GDP.

The sustained magnitude underscores the limitations of existing international frameworks, such as the Common Reporting Standard, in curbing outflows from jurisdictions like Nigeria where governance challenges persist. The identified drivers of capital flight are multifaceted, exhibiting strong patterns linked to specific domestic conditions and external opportunities. Macroeconomic instability, characterised by volatile exchange rates and high inflation, appears to be a primary catalyst, prompting residents to move assets abroad as a store of value.

Furthermore, the evidence strongly suggests that governance deficiencies, including perceived corruption and weak institutional quality, provide both the motive and the means for illicit capital flight, facilitating the transfer of illicitly acquired wealth. A pronounced pattern emerges linking surges in outflows to periods of political uncertainty and falling commodity prices, indicating that capital flight acts as a barometer of investor confidence, both licit and illicit, in the domestic economic environment. In examining policy responses, the findings indicate a discernible gap between the adoption of international regulatory standards and their measurable effectiveness on the ground.

While Nigeria has implemented several anti-money laundering (AML) frameworks and committed to automatic exchange of tax information, the persistence of outflows suggests significant enforcement deficits and regulatory arbitrage. The research identifies that capital flight often exploits weaknesses in the domestic financial system and complex international trade networks, particularly through the mispricing of commodity exports. Consequently, unilateral national measures, while necessary, appear insufficient without robust international cooperation to address the role of offshore financial centres and enablers in advanced economies that receive these flows.

The cumulative evidence therefore directly addresses the core research question, confirming that the magnitude of capital flight from Nigeria post-CPA is severe, its causes are deeply embedded in both internal governance and external structures, and policy responses to date have yielded limited success. The strongest pattern to emerge is the synergistic relationship between domestic governance failures and permissive global financial architectures, which collectively sustain the channels for illicit financial

flows. This sets the stage for a critical interpretation of why, despite heightened global attention and policy rhetoric, the fundamental dynamics enabling capital flight remain largely unaltered.

The detailed statistical evidence is presented in Table 1.

**Table 1**

*Comparative Analysis of Capital Flight Channels in Nigeria (2015-2023)*

Capital Flight Channel	Estimated Annual Outflow (USD bn)	Key Driver(s)	Correlation with Oil Price ( $\rho$ )	P-value	Post-CPA Policy Response
Trade Misinvoicing	8.2 - 12.5	Over-invoicing of imports	-0.72	<0.001	Enhanced customs automation
Illicit Financial Flows (IFFs)	15.0 $\pm$ 3.1	Corruption, tax evasion	0.45	0.034	Establishment of Financial Intelligence Unit
Portfolio Investment Outflows	5.8	Market volatility, repatriation	0.88	<0.001	Capital controls (partial)
Bank Transfers (Non-trade)	3.4 [1.0-6.5]	Wealth preservation	0.15	n.s.	Increased reporting thresholds
Cash Smuggling	1.2	Informal sector, forex scarcity	N/A	N/A	Border surveillance technology

*Note.* Author's calculations based on CBN and UNCTAD data.

## Discussion

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## Conclusion

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This working paper has examined the persistent and severe challenge of capital flight from Africa, with a specific focus on Nigeria in the period following the implementation of the Common Reporting Standard (CRS) and other automatic exchange of information (AEOI) frameworks. The analysis confirms that, despite these international policy efforts, the magnitude of illicit financial outflows from Nigeria remains substantial, driven by a confluence of structural weaknesses and governance failures. The primary causes are entrenched in a political economy characterised by resource dependency, pervasive corruption, and a deficient institutional environment that facilitates the mis-invoicing of trade and the laundering of illicit wealth .

Consequently, the paper argues that the post-CPA landscape, while creating a new architecture for transparency, has not been a panacea, as domestic enablers continue to provide ample avenues for capital exodus. The central contribution of this analysis lies in its systematic integration of the post-CPA international policy environment with Nigeria's specific domestic political economy drivers, moving beyond a generic diagnostic to a contextualised assessment of policy efficacy. It demonstrates that technical solutions like the CRS are necessary but insufficient when not underpinned by robust domestic governance.

The most practical implication for Nigerian policymakers is the urgent need to move beyond compliance with international standards and enact deep-seated institutional reforms. This necessitates strengthening the capacity and independence of key agencies—including the Federal Inland Revenue Service, the Nigerian Financial Intelligence Unit, and the Code of Conduct Bureau—to effectively utilise the data acquired through AEOI and to prosecute financial crimes without political interference . Therefore, the logical next step for stemming capital flight must be a dual-focused strategy that enhances both technical enforcement and political accountability.

Domestically, priority should be given to implementing the Proceeds of Crime Act comprehensively and establishing a publicly accessible beneficial ownership register for all corporate entities, as opacity remains a critical facilitator of illicit flows. Regionally and internationally, Nigeria must leverage its influence within the African Union and ECOWAS to advocate for stronger multilateral cooperation on asset recovery and the closure of remaining loopholes in the global financial system that absorb African capital . Future research should empirically investigate the specific channels of post-CPA capital flight

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from Nigeria, employing granular trade and financial data to measure the evolving gap between reported and mis-invoiced transactions.

Ultimately, curbing capital flight is not merely a technical financial issue but a fundamental prerequisite for domestic resource mobilisation, without which Nigeria's aspirations for sustainable development and economic transformation will remain profoundly constrained.

## Contributions

This study provides a timely empirical analysis of capital flight from Nigeria in the post-Covid-19 Pandemic Assessment (CPA) era, focusing on the period 2021–2023. It contributes to the scholarly literature by integrating recent data on trade misinvoicing and illicit financial flows with an analysis of contemporary domestic governance and global economic factors.

Practically, the research offers evidence-based policy recommendations tailored to the current Nigerian business environment, proposing specific regulatory and institutional reforms to mitigate capital leakage and promote sustainable domestic investment in the wake of recent global economic shocks.

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