

**Do illicit financial flows hurt basic healthcare provision?
The case of infant vaccination coverage in low- and middle-income countries**

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Abstract

Since 1980, developing countries have lost US\$16.3 trillion dollars through broad leakages in the balance of payments, trade misinvoicing, and unrecorded financial transfers. Moreover, according to the Global Financial Integrity (GFI), illicit flows from the developing world increased steadily to reach US\$1.1 trillion in 2013. The amounts of resource losses due to illicit outflows entail severe social costs and show that the extent of illicit capital flows from developing countries is serious cause for concern. Indeed, illicit capital flow from developing countries exceeds the combined total of official development assistance (ODA) and foreign direct investment (FDI) flowing into those economies and is considered a major hindrance to development. Capital flight, and in particular illicit financial flows, drains the scarce public resources available to finance the provision of public services (e.g., basic health interventions such as immunisation programs) in the poorest countries. Thus, this article analysed the impact of illicit financial flows on the infant immunisation coverage rate as a first step in analysing the impact of illicit capital flows on life conditions in developing countries. With this aim, we employed data for 56 low- and middle-income countries for the period 2002-2013. The main result of the empirical analysis is that, as expected, the relative level of illicit financial flows negatively impacts vaccination coverage in the sample of countries considered. Specifically, the total effect of a year increase of 1 p.p. in the ratio of IFF to total trade is to reduce the level of vaccination coverage rate over the coming years by 0.1 p.p. Taking into account that the average number of infants in the countries analysed over the sample period was approximately 65.3 million, this result suggests that at least 65,300 children may not receive this basic health care intervention in the future as a consequence of the increase in the ratio of IFF to total trade in a particular year.

Key words

Illicit financial flows, Infant vaccination coverage, Basic health output, Panel data analysis, Low- and middle-income countries.