



GLOBAL FINANCIAL INTEGRITY

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CONTACT: Monique Perry Danziger
202.293.0740; Monique@gfip.org

Illicit Financial Flows out of the Developing World Overwhelm Foreign Aid

Global Financial Integrity (GFI) is preparing to release a ground-breaking study estimating the magnitude of illicit financial flows from all poor nations. Titled "Illicit Financial Flows From Developing Countries: 2002 – 2006," the report shows that in the most recent year examined, approximately \$900 billion flowed out of underdeveloped states. Further, the data indicate that the developing world is losing an increasing amount of money each year to illicit capital flight.

"Illicit financial flows siphon revenue out of poor countries, robbing them of much-needed assets and forestalling economic development," said GFI director Raymond Baker. "These new figures reveal that illicit financial flows outpace Official Development Assistance by a ratio of nearly 10 to 1. This is critical to understanding global poverty and developing effective poverty alleviation and economic development strategies," Baker said.

Primary findings of the report include:

- Total capital flight exiting the developing world may be as much as \$1 trillion dollars per year,
- Measured against the flow of Official Development Assistance in 2006 poor countries, in aggregate, are losing close to \$10 dollars for every \$1 dollar they receive in aid,
- The volume of capital flight from developing countries is increasing at an average of 18.5% a year,
- Over the five-year period of this study, illicit financial flows grew at the fastest pace in the Middle East and North Africa region (49.4 percent) followed by Europe (25.4 percent), Asia (15.7 percent), and the Western Hemisphere (2.8 percent). Illicit financial flows from Africa actually declined (-2.9 percent) but this decline is more the result of incomplete data than supportive economic or political factors.

Illicit financial flows refer to money that is illegal in its origin, transfer, or use, and reflect the proceeds of corruption, crime and tax evasion. Corporate avoidance of customs duties, VAT and income taxes constitute an estimated 60% of the total outflow. The study utilized multiple economic models which were combined and "tested" to determine the most reliable estimates. The findings were based on macroeconomic trade and external debt data maintained by the International Monetary Fund and the World Bank.

"To effectively curtail these outflows we need to first identify and measure them," Baker noted. "This report is just the beginning of GFI's work to map and measure the movement of these illicit flows. The magnitude of the flows indicates there is much the international community must do to tackle this systemic and destructive problem."

The report will be made available to the general public Tuesday, November 24th. The full report, as well as French and Spanish language versions and an economist version of the report will be available for download at www.gfip.org pending the report's launch on the 24th. For an advance copy or to register input or questions contact Monique Perry Danziger at 202-293-0740 or email Monique@gfip.org.

Global Financial Integrity (GFI) promotes national and multilateral policies, safeguards, and agreements aimed at curtailing the cross-border flow of illegal money. In putting forward solutions, facilitating strategic partnerships, and conducting groundbreaking research, GFI is leading the way in efforts to curtail illicit financial flows and enhance global development and security.