Foreword

May 29, 2013

We are pleased to present to you this report on "Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009." Today, with good resource husbandry, Africa could be in a position to finance the bulk of its development needs from its own resources, with external financing as a merely complementary source. But as long as the African continent continues to witness illicit resource transfers of the order of magnitude described in this study, domestic financing for development will continue to be seriously inadequate. The report finds that during the thirty years covered by the study, Africa provided net resources to the world of up to US$1.4 trillion on a cumulative basis, far exceeding inflows over the same period. The illicit hemorrhage of resources from Africa is therefore about four times Africa's current external debt and almost equivalent to Africa's current GDP.

In recent years, African leaders have shown increasing interest on the issues of illicit financial flows and its corollary, stolen asset recovery. The interest ranges from the political changes brought about by the Arab Spring in North Africa, with citizens demanding the return of stolen assets, to the political debates heightened by the natural resource boom in Sub-Saharan African countries. In all these cases, there are popular demands for more transparent processes and the avoidance of capture by the elites of the rents from natural resource exploitation and other sources of public revenue. The irony of Africa being richly endowed with natural resources but continuing to depend on external support for the provision of basic services is beginning to dawn on many African countries. A number of them have joined the Extractive Industries Transparency Initiative, while others have introduced over-arching legislation to plug financing loopholes.

Illicit financial flows are a global problem and will require concerted efforts from the international community and the involvement of individual African countries. Many international institutions—the African Development Bank, G20, UN, European Union Commission, African Union Commission, World Bank, International Monetary Fund, and Bank for International Settlements—have underlined the importance of a determined and collective approach to resolving the challenges posed by the global shadow economy, comprising tax havens, secrecy jurisdictions, disguised corporations, trade mispricing, and money laundering. The chances of success will increase markedly if African governments themselves take domestic measures to address corruption, strengthen their anti-money laundering efforts, and also improve their investment codes. None of these is technically difficult, but they all require political will for success.

The resources lost to Africa from illicit financial outflows are large. If harnessed, they could plug the financing deficit that afflicts the continent, enable countries to extend their socio-economic infrastructure, create employment for their youthful populations, and safeguard their natural resource revenues. We should therefore accord efforts to address the proliferation of illicit financial flows from Africa as much importance as we are putting on domestic resource mobilization and the attraction of foreign direct investment.

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