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Unrecorded Cash Flows Leaving Developing World Outpaces Aid

By John Detrixhe

Jan. 7 (Bloomberg) -- Unrecorded cash flows, often acquired from corruption, crime and tax evasion or transferred illegally, are leaving developing countries at a rate of about \$10 for every \$1 of international aid, Global Financial Integrity said.

Developing countries lost about \$858.6 billion to \$1.06 trillion in illicit or unrecorded money in 2006, the latest year of its study, the Washington-based nonprofit organization said in a report today.

The GFI's outflow estimates are conservative because they don't include smuggling, trade mispricing or mispriced asset swaps, said GFI Director Raymond Baker.

"Those are huge numbers," Baker said in a telephone interview. The GFI's outflow estimate "does not include those categories, which we would expect to include in future analyses."

The flow of illicit money leaving developing countries increased at a compounded rate of 18.2 percent each year between 2002 and 2006.

Asia accounted for about half of the illicit money flowing out of developing countries, the GFI said. Asia is the "dominant region" for unrecorded cash leaving developing countries "due to a large volume of illicit financial flows from mainland China."

Europe, at approximately 17 percent, was second in overall illicit cash flows from developing countries, the GFI said. The Middle East and North Africa region and the Western Hemisphere region each had about 15 percent of illicit outflows. Africa, which the GFI said had incomplete data, contributed the smallest share of outflows at about 3 percent.

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