



global witness

G-20 must combat illicit capital flight to alleviate poverty in developing countries

April 2, 2009

Washington – Every year developing countries lose as much as \$1 trillion due to illicit financial practices such as government corruption, tax evasion, and criminal activity. Today's pledge from the G-20 to increase funding for the IMF and for the developing world are laudable, but these efforts must also address illicit capital flight which remains the greatest impediment to economic development and poverty alleviation.

Global Financial Integrity Director Raymond Baker said today "increasing aid will be marginally effective as long as the so-called shadow financial system remains intact. Comprised of tax havens, secrecy jurisdictions, and a host of other entities and techniques designed to shift assets across borders illicitly, this global network is facilitating a draining of assets which outpace official development aid at a rate of 10 to one. This means that for every \$1 dollar that goes into developing countries as aid, \$10 goes right back out via courtesy of this shadow financial system."

Corinna Gilfillan of Global Witness said today "We welcome the G20's declaration that the 'era of banking secrecy is over'. This is a crucial step forward in preventing corrupt money flows from going through the financial system. As shown in our recent report 'Undue Diligence', major banks are facilitating corruption and looting of natural resource revenues in the world's poorest countries, denying these countries the chance to lift themselves out of poverty. The G20 must act quickly to end banking secrecy and also take robust measures to strengthen the Financial Action Task Force and its review process so that it is an important tool in the fight against corrupt money."

"Official development assistance in 2008 was the highest in history," said Baker. "The plain truth of it is that sending more development aid to poor countries is not a panacea. We need to implement measures which will curtail these illicit financial outflows and allow developing countries to fully utilize development aid."

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Copies of the report *Undue Diligence* can be downloaded from www.undue-diligence.org.