
Former President Mbeki to chair high level talks on illicit financial flows

Addis Ababa, 14 June 2013 (ECA) - The former President of South Africa, Mr. Thabo Mbeki will chair a two day High Level Meeting on illicit financial flows in Lusaka, Zambia on 17th and 18th June, 2013.

The High Level Panel (HLP) on Illicit Financial Flows from Africa, established by the Economic Commission for Africa (ECA) and the African Union (AU) was inaugurated in February 2012 to address the debilitating problem of illicit financial outflows from Africa estimated at \$50 billion a year. The Panel is chaired by President Mbeki, former president of South Africa, and composed of nine other distinguished personalities from within and outside Africa. Illicit financial flows constitute, among others, undocumented commercial transactions and criminal activities characterized by over pricing, tax evasion and false declarations facilitated by some 60 international tax havens and secrecy jurisdictions that enable creating and operating of millions of disguised corporations, shell companies, anonymous trust accounts, and fake charitable foundations. Other techniques used include money laundering, transfer pricing and corruption.

While illicit financial flows are a global problem, their impact on the continent is monumental thereby representing a significant threat to Africa's governance and economic development. Current evidence shows that Africa lost over US\$ 854 billion in illicit financial flows between 1970 and 2008 corresponding to a yearly average of about US\$ 22 billion. The trend has been increasing over time and especially in the last decade, with an annual average illicit financial flow of US\$ 50 billion between 2000 and 2008.

However, these estimates may well be short of reality as they exclude such other forms of illicit financial flows as proceeds from smuggling and mispricing of services. The level of illicit financial outflows from Africa exceeds the official development assistance to the continent, which stood at US\$46.1 billion in 2012.

Some of the effects of illicit financial outflows are the draining of foreign exchange reserves, reduced tax collection, canceling out of investment inflows and a worsening of poverty. Such outflows also undermine the rule of law, stifle trade and worsen macroeconomic conditions.

Meanwhile, President Mbeki will hold talks with H.E. President Michael Sata to enhance dialogue and policy discourse on the matter. Preliminary evidence shows that taking prompt action to curtail illicit

financial outflows from Africa will provide a major source of funds for development programmes on the continent in the near future.

Over 60 delegates comprising key stakeholders from East and Southern Africa are expected to attend the regional consultation on the issue. Similar consultations have taken place in Kenya, Tunisia, Liberia and Nigeria.

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