5. ILLICIT FINANCIAL FLOWS

The need to tackle the problem of illicit financial flows has risen rapidly up the political agenda both in Africa and internationally over the last year. African Ministers have established a High Level Panel chaired by former President Mbeki on this subject. The Panel has issued a call for action to 'track it, stop it, get it'. The issue of tax evasion and aggressive tax avoidance is one of the priorities in this year's G-8, and the G-20 is also addressing the issue of how to prevent the erosion of domestic tax bases through profit shifting by multinational enterprises. It has also been discussed at meetings of the Africa Partnership Forum, the OECD Development Assistance Committee (DAC), and the OECD Global Forum on Development.

Illicit financial flows are a major obstacle to economic development and the achievement of the MDGs in Africa. They comprise funds illegally acquired, transferred or used. Estimates are debated, but there is consensus that the sums are significant, reducing the resources available to governments. Frequently quoted estimates include an annual average flow in excess of \$1 trillion globally over 2007-2009. with Africa's share at around 6%, or \$60 billion annually over this period, peaking in 2008, but dipping in 2009 as a result of the crisis, before starting to rise again in 2010. This compares to average private capital inflows of \$56 billion, and average official development assistance (ODA) of \$42 billion over the same period.

