Launch of Stolen Asset Recovery Initiative


I want to start by thanking the Secretary General. I very much appreciate his taking time to be with us. I know that he may have to leave in short order, but I appreciate the emphasis that he is personally putting on this initiative. The longstanding relationship of the United Nations and the World Bank has been very important. Indeed, I was just here on Friday with another initiative the Secretary General has undertaken, dealing with the African aspect of the Millennium Development Goals.

So, today the World Bank hopes to build on that relationship by jointly launching The Stolen Asset Recovery Initiative or StAR with the UN Office on Drugs and Crime, and our colleague, Mr. Costa. Asset theft is a development problem of the first magnitude. Corruption generates hundreds of billions of dollars of stolen money each year. One study puts the cross border flow from the proceeds of organized crime, corruption, tax evasion at between $1 and $1.6 trillion per year. Many developing countries are hemorrhaging money desperately needed to try to support the attack against poverty. By one estimate, corrupt money flowing abroad from developing countries is estimated at $40 billion a year. That amount represents 40% of official development assistance funds.

Of course the development impact of theft on such a massive scale is devastating. Former President, Sani Abacha, members of his family and accomplices are estimated to have stolen between $3 and $5 billion of Nigeria’s public assets during five years of his presidency. $5 billion is more than what Nigeria’s federal government spent in 2006 on education and health. This money could have provided antiretroviral therapy for two to three million Nigerians infected with HIV/AIDS for ten years.

Former President Marcos is estimated to have siphoned off between $5 and $10 billion. The development impact of fraud on such an enormous scale far exceeded the direct financial losses. It degraded public institutions, discouraged investment, and poisoned the macroeconomic environment and competency in the financial system. It took the Philippines 18 years to recover just $620 million of Marcos’ money; it would be many decades before it fully recovers from the devastating consequences of his actions.

Now, the Philippine and Nigerian experiences highlight three key elements of this fight against the theft of public assets and corruption in general. First, the development impact of corruption on such a vast scale is enormous. So, deterring such a crime is a priority for the World Bank and other development agencies. Ensuring that there is no safe haven for the proceeds of corruption would contribute to this goal by raising the cost of engaging in high-level corruption.

Second, fighting corruption in developing countries is as much a responsibility of developed countries as it is of developing countries. One source of corruption in developing countries is the bribes, kickbacks and other illegal income provided by firms and individuals in developed countries. The monies are almost always stashed in developed countries.

Third, suppressing the flow of corrupt monies from developing countries and recovering what has been stolen demands cooperation among countries. Without assistance and cooperation among countries, stolen money will continue to be spirited out of poor countries and its recovery will be a daunting task, time-consuming and costly.

Now, the StAR Initiative seeks to address each of these three issues and recognizes that asset theft is facilitated by lack of transparency and accountability in affected developing countries. So, this initiative underlines the importance of strengthening accountability institutions in developing states -- the central element of the World Bank’s governance and anticorruption strategy.

Developed states must actively assist in recovery of stolen assets. Examples already established include the dedicated unit that the UK has created to help trace and recover funds, and the process that Switzerland has initiated to start its own investigations on several occasions. So, the Bank and UNODC will work with all developed states to see what each can do to try to help the recovery.
Financial centers must increase the transparency to adopt best practices for accepting funds that originate outside their borders. Their aim should be full compliance with the standards provided by the financial action task force recommendations on money laundering. The Bank will strengthen its work on anti-money laundering, particularly in enhancing the capacity of countries’ financial intelligence units, sponsoring research, and identifying practices that make it especially difficult to trace stolen assets, and urging all countries to adopt measures to ensure their swift and certain return.

Developing countries frequently lack the institutional capacity to locate and repatriate stolen assets, so this initiative will provide financial and technical assistance to strengthen the institutional capacity of government agencies to do so. It will also help these countries bring their laws into compliance with the UN Convention against Corruption.

Global and bilateral cooperation across countries is absolutely essential. The World Bank will use its convening power to promote the ratification of the UN Convention against Corruption, which provides the critical legal framework for this work among countries. Along with our colleagues at UNODC, we will create an advisory group of individuals from across the globe respected for their expertise on asset recovery. This group of Friends of StAR will not only help further international cooperation, but will help us have an important source of knowledge and advice to the Bank and UNODC on an ongoing basis. Here, I want to particularly thank my good friend, Ngozi Okonjo-Iweala, who has really done a fantastic effort, not only in this work during her time in Nigeria, but she has been a leader, along with Danny Leipziger of the World Bank staff, in putting this initiative together, for which I am very appreciative. I also want to thank Ms. Labelle and Ms. Boswell of Transparency International for their support and guidance on this ongoing council as we move forward.

So, in sum, helping what developing countries recover is rightfully theirs is not only a matter of justice. It’s a fundamental development issue. Recovered funds can be used to fund social programs. The very certainty the kleptocrats will no longer be allowed to enjoy the proceeds of their crimes can significantly boost the economic prospects of countries suffering from endemic corruption. To make globalization inclusive and sustainable we have to combat this dark side of the process. There should be no safe haven for people that steal from the poor. Achieving this goal requires concerted action and strong commitment to endure what has usually been a long endeavor, by working in close partnership with the international development community. The World Bank, through the StAR Initiative and our governance anti-corruption strategy, hopes to make a positive difference for developing countries. Thank you.