



Illicit Financial Flows from Developing Countries

1. **Definition:** The term, **illicit financial flows**, pertains to the cross-border movement of money that is illegally *earned, transferred, or utilized*. Illicit financial flows generally involve the transfer of money earned through illegal activities such as corruption, transactions involving contraband goods, criminal activities, and efforts to shelter wealth from a country's tax authorities.

2. **Illicit Flows from Developing Countries Report:** In December 2008, GFI released the groundbreaking study, "Illicit Financial Flows from Developing Countries: 2002-2006," based on examination of macroeconomic data from the World Bank and the International Monetary Fund (IMF). In this analysis, GFI found the following:

- **Illicit financial flows out of developing countries, on average, for the five year period examined ranged from \$850 billion to \$1.06 trillion per year.** This estimate is *conservative* as it does not include several major forms of value drainages out of poorer countries not represented by money, namely:
 - Trade mispricing that is handled by collusion between importers and exporters within the same invoice, not picked up in mispricing models based on IMF Direction of Trade Statistics, a technique utilized extensively by multinational corporations;
 - The proceeds of criminal and commercial smuggling such as drugs, minerals, and contraband goods, and
 - Mispriced asset swaps, where ownership of commodities, shares, and properties are traded without a cash flow;
- **Illicit outflows from African countries are approximately \$25 billion per year.**

3. **Illicit outflows outpace aid, undermine development efforts:** The ratio of illicit financial flows coming out of developing countries compared to official development assistance (ODA), is 10-1. Meaning that for every \$1 in economic development assistance which goes into a developing country, \$10 is lost via these illicit outflows.

4. **Solutions:** Increasing transparency in the global financial system is critical to reducing the outflow of illicit money from developing countries. While the driving forces behind this annual outflow vary (government kleptocracy, corporate tax evasion, criminal activity) it is Western financial institutions and the shadow financial system which provide a consistent means for these ill-gotten gains to be transferred into secrecy jurisdictions and other points of absorption.

By increasing transparency, the outflow of illicit money from developing countries would be significantly curtailed.

Recommendations for achieving this greater transparency:

- curtail **trade mispricing** (a widely utilized tax avoidance technique of international businesses);
- require **country-by-country reporting** of sales, profits and taxes paid by multinational corporations;
- require confirmation of **beneficial ownership** in all banking and securities accounts;
- require **automatic cross-border exchange** of tax information on personal and business accounts; and
- **Harmonize predicate offenses** under anti-money laundering laws across all Financial Action Task Force cooperating countries.

To view the full report: Illicit Financial Flows from Developing Countries: 2002-2006, visit www.gfip.org or www.financialtaskforce.org



Note: In the GFI report, our estimates produced a normalized (low-end) and non-normalized (high-end) range of estimated outflow quantities. The report addresses this in its explanation of the analysis methodology. The following chart presents the low and high end estimates by individual country.

Illicit Financial Outflows By-Country

Yearly Average Illicit Financial Outflows Normalized and Non-Normalized 2002-2006, values in US\$ millions

Country	Normalized	Rank	Non-Normalized	Rank
China,P.R.: Mainland	233,520	1	289,552	1
Saudi Arabia	54,258	2	55,147	2
Mexico	41,680	3	46,156	3
Russia	32,025	4	38,688	4
Malaysia	19,027	7	31,271	5
India	22,726	5	27,304	6
Kuwait	21,040	6	21,208	7
Venezuela, Rep. Bol.	15,896	8	16,802	8
Indonesia	10,361	14	15,345	9
Philippines	12,154	11	15,048	10
Poland	13,762	9	14,066	11
Hungary	13,460	10	13,460	12
Argentina	12,099	12	13,040	13
Nigeria	9,112	16	12,513	14
Kazakhstan	11,734	13	12,098	15
Turkey	9,546	15	11,075	16
Ukraine	8,519	17	8,547	17
Brazil	0	...	8,407	18
Chile	6,961	19	8,173	19
Czech Republic	0	...	7,834	20
Belarus	7,217	18	7,686	21
Qatar	0	...	6,863	22
Egypt	6,836	20	6,836	23
South Africa	0	...	6,445	24
Thailand	0	...	6,302	25
Croatia	5,149	21	5,354	26
Syrian Arab Republic	2,956	27	4,226	27
Panama	4,070	22	4,070	28
Colombia	2,559	30	3,855	29
Romania	3,836	23	3,836	30
Slovak Republic	2,994	26	3,520	31
Costa Rica	3,229	25	3,323	32
Brunei Darussalam	3,299	24	3,305	33
Libya	0	...	3,199	34
Morocco	2,109	34	3,093	35
Pakistan	2,358	33	3,067	36
Israel	0	...	3,023	37
Azerbaijan, Rep. Of	640	58	2,834	38
Latvia	2,822	28	2,822	39
Angola	2,730	29	2,764	40
Uruguay	2,407	32	2,620	41
Bulgaria	1,974	36	2,492	42
Aruba	2,469	31	2,469	43
Bangladesh	1,689	40	2,344	44
Peru	0	...	2,227	45
Lebanon	1,953	37	2,111	46
Congo, Republic Of	2,060	35	2,060	47
Honduras	1,674	41	1,858	48
Oman	1,602	42	1,826	49
Dominican Republic	1,816	38	1,821	50



Tunisia	1,727	39	1,727	51
Bahrain, Kingdom Of	1,512	43	1,512	52
Lithuania	1,457	44	1,457	53
Ecuador	0	...	1,368	54
Ethiopia	423	67	1,333	55
El Salvador	1,292	45	1,292	56
Guatemala	1,187	46	1,187	57
Gabon	996	48	1,031	58
Malta	1,014	47	1,014	59
Zambia	678	57	986	60
Cyprus	766	52	980	61
Bolivia	787	51	898	62
Vietnam	0	...	876	63
Paraguay	857	49	857	64
Cameroon	0	...	842	65
Jamaica	840	50	840	66
Sudan	740	54	830	67
Jordan	577	63	751	68
Zimbabwe	750	53	750	69
Yemen, Republic Of	0	...	740	70
Nicaragua	723	55	723	71
Namibia	688	56	688	72
Kenya	0	...	686	73
Tanzania	0	...	660	74
Mali	573	64	629	75
Myanmar	624	59	628	76
Estonia	0	...	610	77
Mozambique	207	77	604	78
Nepal	600	60	600	79
Botswana	597	61	597	80
Maldives	593	62	593	81
Georgia	472	65	527	82
Ghana	0	...	482	83
Macedonia, Fyr	457	66	457	84
Cambodia	382	69	457	85
Guinea	363	70	430	86
Turkmenistan	0	...	429	87
Mauritius	0	...	414	88
Mongolia	224	75	398	89
Armenia	397	68	397	90
Sri Lanka	0	...	358	91
Slovenia	0	...	356	92
Moldova	345	71	345	93
Madagascar	226	74	326	94
Barbados	307	72	307	95
Tajikistan	277	73	277	96
Papua New Guinea	0	...	270	97
Trinidad & Tobago	0	...	225	98
Uganda	178	80	217	99
Samoa	216	76	216	100
Algeria	0	...	203	101
Seychelles	192	78	192	102
St. Vincent & Grens.	180	79	190	103
Togo	118	82	167	104
Rwanda	105	85	167	105
Benin	0	...	163	106
Swaziland	0	...	156	107
Iran, I.R. Of	0	...	145	108



Djibouti	119	81	119	109
Bahamas, The	117	83	117	110
Burundi	110	84	110	111
Lesotho	105	86	105	112
Mauritania	0	...	102	113
Kyrgyz Republic	86	88	101	114
Niger	0	...	101	115
Haiti	0	...	98	116
Fiji	0	...	94	117
Sierra Leone	92	87	92	118
Senegal	0	...	88	119
Albania	0	...	76	120
Bosnia & Herzegovina	0	...	71	121
Cape Verde	18	96	70	122
Somalia	0	...	63	123
Liberia	0	...	63	124
Burkina Faso	57	89	57	125
Gambia, The	56	90	56	126
Central African Rep.	51	91	51	127
Solomon Islands	21	95	49	128
Grenada	26	94	47	129
Dominica	0	...	36	130
Belize	34	92	35	131
Guyana	0	...	35	132
Guinea-Bissau	27	93	27	133
Vanuatu	12	97	12	134
St. Lucia	0	...	7	135
Suriname	0	...	5	136
Malawi	0	...	5	137
Congo, Dem. Rep. Of	0	...	5	138
Equatorial Guinea	0	...	4	139
St. Kitts	4	98	4	140
Afghanistan, I.R. Of	0	...	3	141
Comoros	3	99	3	142
Iraq	0	...	2	143
Tonga	0	...	1	144

Country estimates that are zero or have data issues are not listed in this table.

Source: Direction of Trade Statistics, Balance of Payments, International Finance Statistics databases of the IMF, as well as Global Development Finance database of the World Bank