***The "Illicit Financial Flows from Developing Countries over the Decade Ending 2009" report from Global Financial Integrity is EMBARGOED until Thursday, December 15th, 2011 at 00:01 EST (05:01 GMT). Contact Clark Gascoigne (cgascoigne@gfintegrity.org, +1 202 293 0740 x222) to request advance copy of the report.***

# Tip Sheet: Illicit Financial Flows from Developing Countries over the Decade Ending 2009: *New report updates January 2011 Global Financial Integrity analysis of illegal capital flight out of developing countries*

Report Background: In December 2008, Global Financial Integrity (GFI) released "Illicit Financial Flows from Developing Countries: 2002-2006," a groundbreaking report which used World Bank and IMF data to estimate the quantity and patterns of illicit financial flows coming out of developing countries. **The original report found that illicit financial flows out of developing countries were approximately US$1.06 trillion in 2006.**

In January 2011, GFI updated its 2008 study with its report, "Illicit Financial Flows from Developing Countries: 2000-2009," which included illicit financial flow data over the time period 2000-2008 and incorporated predictions for the year 2009. **The January 2011 report found that illicit financial flows increased from US$1.06 trillion in 2006 to approximately US$1.44 trillion in 2008.**

**December 2011 Illicit Financial Flows Report Update:** Updating its 2008 and January 2011 reports, GFI is now releasing illicit financial flows data for the year 2009 and updating existing figures based on new data.

## Report Findings include:

- **Developing countries lost US$903 billion in illicit outflows in 2009.** While this marks a significant decrease from the US$1.55 trillion they lost in 2008,[1] the global financial crisis accounts for the vast majority of the decrease, rather than improved governance or economic reforms.

- **Developing countries lost between US$723 billion and US$844 billion per annum on average through illicit flows over the decade ending 2009.**

- Despite the onset of the global financial crisis, **illicit flows increased in current dollar terms by 15.19% per annum** from US$386 billion at the start of the decade to US$903 billion in 2009. Adjusted for inflation, **illicit financial flows still grew by 10.6%.**

  Adjusted for inflation, annual illicit financial flow growth by region over the decade was:

  - Middle East and North Africa (MENA) ..........................................18.82%
  - Developing Europe ......................................................................15.93%
  - Sub-Saharan Africa (Africa) .........................................................15.74%
  - Asia .............................................................................................8.07%
  - Western Hemisphere ....................................................................4.07%

- **Conservatively estimated, Asia accounted for 44.9 percent of total illicit flows** from the developing world followed by the Middle East and North Africa (18.6 percent), developing Europe (16.7 percent), the Western Hemisphere (15.3 percent), and Sub-Saharan Africa (4.5 percent).

[1] GFI's previous annual study of illicit financial flows out of developing countries, "Illicit Financial Flows from Developing Countries: 2000-2009," published in January 2011, found that US$1.44 trillion had flown out of developing economies in 2008. Due to revised/improved World Bank and IMF data, GFI's new report estimates that US$1.55 trillion is a more accurate measurement of illicit financial outflows in 2008.

- Top 20 countries with the highest measured cumulative illicit financial outflows between 2000 and 2009 were:

1. China ............................... $2.74 trillion
2. Mexico ...............................$504 billion
3. Russia ................................$501 billion
4. Saudi Arabia ......................$380 billion
5. Malaysia .............................$350 billion
6. United Arab Emirates..........$296 billion
7. Kuwait ................................$271 billion
8. Nigeria ...............................$182 billion
9. Venezuela ..........................$179 billion
10. Qatar .................................$175 billion
11. Poland ..............................$162 billion
12. Indonesia ..........................$145 billion
13. Philippines ........................$142 billion
14. Kazakhstan ........................$131 billion
15. India ..................................$128 billion
16. Chile ................................$97.5 billion
17. Ukraine ............................$95.8 billion
18. Argentina .........................$95.8 billion
19. South Africa ......................$85.5 billion
20. Turkey ..............................$79.1 billion

Please refer to Table 5 in the Appendix for full rankings of countries by average annual outflows.

## Illicit Outflow Drivers, Trends:

- Trade mispricing was found to account for an average of 50.6% of cumulative illicit flows from developing countries over the period 2000-2009, down from its high in 2004 when it accounted for 57.2%. It remains the major channel for the transfer of illicit capital from China.

- Illicit transfers of the proceeds of corruption, bribery, theft, kickbacks, and tax evasion, accounting on average for 49.4% of illicit outflows over the decade, are on the rise as a percentage of total illicit financial outflows.

- Corruption, kickbacks, theft and bribery are the primary conduit for the unrecorded transfer of capital from oil exporters such as Kuwait, Nigeria, Qatar, Russia, Saudi Arabia, the United Arab Emirates, and Venezuela.

- Mexico is the only oil exporter where trade mispricing is the preferred method of transferring illicit capital abroad.

Implications for Economic Development Policy: The illicit outflows measured in this report are approximately 7-10 times the amount of official development assistance (ODA) going into developing countries. This means that for every $1 in economic development assistance which goes into a developing country, several dollars are lost via these illicit outflows.

Solutions: Increasing transparency in the global financial system is critical to reducing the outflow of illicit money from developing countries.

Recommendations for achieving greater transparency:

- Curtail trade mispricing.
- 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.
- Harmonize predicate offenses under anti-money laundering laws across all Financial Action Task Force cooperating countries.