

*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 Europe15.93%
 - Sub-Saharan Africa (Africa)15.74%
 - Asia8.07%
 - Western Hemisphere4.07%
- **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.

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

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