Abstract

This 2012 report on illicit financial flows (IFFs) from developing countries and regions updates estimates provided in *Illicit Financial Flows from Developing Countries Over the Decade Ending 2009* published by Global Financial Integrity in December 2011. The report presents an additional method of estimating flows based on the Hot Money Narrow measure adjusted for trade misinvoicing. The measure results in estimates of capital flows that are more likely to be illicit by nature. These conservative estimates of illicit flows are then compared against the previous estimates based on the World Bank Residual method adjusted for trade misinvoicing (the CED+GER method). The gap, representing flows of "licit" capital, has narrowed since the onset of the global economic crisis in 2008. We conclude by pointing out that estimates of illicit financial flows from certain countries with large sovereign wealth funds (SWFs) may be subject to significant margins of error due to incomplete or incorrect recording of SWF-related transactions.