Funding the Future

Poorest countries lost $197 bn to illicit financial flo...

Published: January 13, 2026, 6:16 pm

A United Nations Development Program (UNDP) commissioned report from Global Financial Integrity (GFI) (one of Tax Research LLP's partners in the Task Force on Financial Integrity and Economic Development) on illicit financial flows from the Least Developed Countries (LDCs) was presented for discussion yesterday at the United Nations Conference on Least Developed Countries hosted by the Republic of Turkey.

Written by GFI Lead Economist Dev Kar, the report, Illicit Financial Flows from the Least Developed Countries: 1990-2008, examines how structural characteristics of Least Developed Countries could be facilitating the cross-border transfer of illicit funds, discusses methodological issues underlying estimates of illicit flows, presents an analysis of the magnitude of such flows, and makes policy recommendations for the curtailment of these illicit flows.

In her opening remarks for the UNDP Conference yesterday, UNDP Administrator Helen Clark said,

Illicit flows seriously impede LDCs' efforts to raise resources for social and economic development. These flows are often absorbed into banks, tax havens, and offshore financial centers in developed countries.

Key findings of the report include:

Illicit flows divert resources needed for poverty alleviation and economic development.

Approximately US$197 billion flowed out of the 48 poorest developing countries and into mainly developed countries, on a net basis over the period 1990-2008.

The top ten exporters of illicit capital account for 63 percent of total outflows, while the top 20 account for nearly 83 percent.

Based on available data, African LDCs accounted for 69 percent of total illicit flows, followed by Asia (29 percent) and Latin America (2 percent).

Trade mispricing accounts for the bulk (65-70 percent) of illicit outflows from LDCs, and the propensity for mispricing has increased along with increasing external trade.

The top exporters of illicit capital (cumulative outflows) are:

Bangladesh, US$34.8 billion,
Angola, US$34.0 billion
Lesotho, US$16.8 billion
Chad , US$15.4 billion
Yemen, Republic of, US$12.0 billion
Nepal , US$9.1 billion
Uganda, US$8.8 billion
Myanmar, US$8.5 billion
Ethiopia, US$8.4 billion
Zambia, US$6.8 billion

The factors that drive illicit flows from LDCs may be broadly classified into three categories–macroeconomic, structural, and governance-related. It is likely that structural and governance issues are driving the bulk of illicit outflows, but this needs to be examined on a case-by-case basis.

The GFI report on LDCs was commissioned by UNDP as a contribution to the United Nations IV High Level Conference on the Least Developed Countries in 2011.