

## Abstract

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This study presents estimates of various types of capital flows to and from post-Soviet Russia. We argue that while netting out is a valid concept related to licit flows, illicit flows in both directions should be added in order to assess their adverse impact on the economy. Simultaneous equation modeling shows that total illicit flows both drive and are driven by underground economic activities. The latter is used as a proxy for the state of overall governance in Russia, which continues to be a serious issue. We suggest a range of domestic and international policy measures to curtail the cross-border transmission of illicit financial flows to and from Russia.