Combating Illicit Financial Flows
Global Programme in the GIZ Section Governance, Human Rights

The challenge

Nowadays, money easily flows across borders. This connectivity between financial systems promotes economic growth, but it also gives rise to an increasing global problem: Illicit financial flows.

The term illicit financial flows (IFF) refers to financial flows that are illicit either by virtue of their origin (e.g. stemming from organised crime), their utilisation (e.g. to finance terrorism) or the purpose of the transfer itself (e.g. money laundering).

The effects of IFF are especially devastating for developing countries and increasingly undermine international efforts to promote sustainable development.

IFF-related crimes, such as human or drug trafficking, destabilise countries and regions, erode citizens’ trust in government and law enforcement and, thus, increase the risk of violent conflicts.

The UN estimates that IFF cost some USD 1.26 trillion for developing countries per year. This is nine times the amount of official development funds they received in 2017. IFF, therefore, directly undermine the mobilisation of domestic resources and prevent much needed investments in health, education and other governmental services.

Not only do countries lose resources, their ability to prevent “dirty money” from entering the financial system also determines their access to international finance. Thus, preserving the integrity of their financial system and complying with international anti-money laundering standards is a prerequisite for sustainable economic growth.

The international community has pledged to combat IFFs as part of the UN Sustainable Development Goals (SDG, Target 16.4) and the debate on sustainable development financing (Addis Ababa Action Agenda, Addis Tax Initiative).

Our approach

The global programme “Combating Illicit Financial Flows” focuses on the proceeds of crime. Illegal activities can only be stopped if criminals are no longer able to launder their illegally acquired assets and thus benefit from them. To this end, we support our partners in increasing their compliance with important international standards, such as the anti-money laundering and combating the financing of terrorism standards of the Financial Action Task Force (FATF).

The programme’s holistic approach covers three areas of intervention:

1) Prevention: To prevent IFF, the programme supports partner countries in strengthening their legislative framework in line with international standards. It systematically increases the traceability of the proceeds of crimes e.g. by supporting the establishment beneficial ownership registers.

2) Financial investigation: The programme assists national law enforcement agencies to adopt new investigation methods, to overcome challenges of cross-border investigations and to improve inter-agency cooperation.

3) Asset Recovery: To ensure that crime ‘does not pay’, the programme supports the recovery of assets stolen in developing and emerging countries. It does so by fostering collaboration among relevant agencies at national, regional and global level.

The programme achieves broad impact by scaling up innovative national approaches, fostering peer-to-peer learning between countries and regions and by feeding national and regional experiences into the international debate.
To enable coherent agenda setting of German ministries in combating IFF, the programme supports a biannual inter-ministerial dialogue of the Federal Ministry for Economic Co-operation and Development (BMZ) with other relevant ministries, such as the Federal Ministry of Finance (BMF), the Federal Ministry of Justice and Consumer Protection (BMJV) and the Federal Foreign Office (AA). Additionally, the programme supported the German delegation in various plenaries and working group sessions of the UNODC, FATF and its regional style bodies.

Activities and results

The programme achieved impact in its partner countries and in all three of its priority regions Africa, Latin America and the Western Balkans.

In Kenya, the programme supported the establishment of multi-agency teams to conduct joint financial investigations. Due to this new method of collaboration, the national Ethics and Anti-Corruption Commission increased its conviction rate by over 50 percent from 2016 to 2017. Moreover, the agency recovered a record sum of 2.7 billion Kenyan Shillings in stolen assets (over USD 27 million) in the first four months of 2019 alone. Kenya has promoted this successful approach in the regional asset recovery network (Asset Recovery InterAgency Network for Eastern Africa - ARIN-EA). The global programme currently supports several of the networks’ member states in the implementation.

The programme supported Peru in increasing its compliance with the international anti-money laundering standards of the FATF and in preparing for the mutual evaluation. It for instance facilitated money-laundering risk analyses of the financial, mining, fisheries, and timber sector and contributed to the development of the new national anti-money laundering strategy. After an exemplary performance in its FATF Mutual Evaluation, the programme supported Peru in sharing its experiences. This led to other Latin American countries requesting Peru’s support to help them prepare for their own mutual evaluations.

The programme also supports countries, such as Mauritius, after a FATF mutual evaluation in implementing the identified priority actions. Strengthening the anti-money laundering system prevents imminent sanctions that restrict the inflow of foreign capital.

In the Western Balkans, the programme has assisted law enforcement agencies to strengthen their regional collaboration and to adopt innovative investigation methods. For instance, the programme purchased specialised cash sniffing dogs and trained law enforcement practitioners in inter-agency investigations to tackle the regional problem of cash smuggling. The approach has already sparked interest and is likely to be adopted by other countries.

At international level, the programme has organized an asset recovery dialogue between African and European countries in 2018. During the event, policy-makers and law enforcement practitioners identified challenges in the area of mutual legal assistance and worked out joint solutions. The successful format was repeated in September 2019.