

# Combating Illicit Financial Flows

## Global Programme in the GIZ Section Governance, Human Rights

<b>Programme name</b>	"Combating Illicit Financial Flows"
<b>Commissioned by</b>	Federal Ministry for Economic Cooperation and Development (BMZ) & Co-Financed by the Norwegian Ministry of Foreign Affairs
<b>Programme region</b>	Global
<b>Duration</b>	January 2019 – January 2022
<b>Volume</b>	EUR 12.5 million

### 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 corruption, 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.

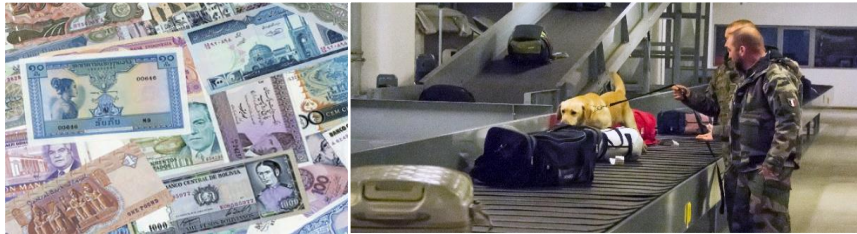
(2) **Financial investigation**: The programme assists national law enforcement agencies to adopt new investigation methods, to overcome challenges of cross-border investigations and to improve inter-agency cooperation.

(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 facilitate **coherent agenda setting of German ministries in combating IFF**, the programme supports a biannual inter-





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ministerial dialogue of the Federal Ministry for Economic Cooperation 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 2017 to 2018. Moreover, the agency **recovered a record sum of more than 9 billion Kenyan Shillings in stolen assets** (over USD 80 million) in the first half of the financial year 2019/2020. 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 strengthened the co-operation of law enforcement agencies, purchased **specialised cash sniffing dogs** and introduced, together with its partners, **beneficial ownership registers**.

At **international level**, the programme has established an **asset recovery dialogue** between African and European countries. In addition, the **Global Forum on IFFs and sustainable development** took place for the first time in September 2020. 100 contributors from 62 countries spoke to more than 400 participants. The successful format will be continued by launching an international platform to connect a diverse set of actors and to jointly work on global key subjects by way of trainings, studies and innovative formats. The platform is to enable long-term co-operations and partnerships.

Published by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	On behalf of	The Federal Ministry for Economic Cooperation and Development (BMZ)	
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Last updated	February 2021			