

Combating Illicit Financial Flows

Global Programme in the GIZ Section Governance, Human Rights

The Challenge

Nowadays, money easily flows across borders. With just one click, you can send it across continents. This condition promotes economic activity and international trade, 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. The think tank Global Financial Integrity estimates that **developing countries lose up to USD 1 trillion annually on account of IFF**. This is around seven times the amount they receive in official development aid.

The outflow of IFF from developing countries directly undermines the **mobilisation of domestic resources**. IFF, therefore, prevent much needed investments in health, education and other governmental services. 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**. Additionally, countries that do not comply with international anti-money laundering standards face sanctions limiting the inflow of foreign capital. Being vulnerable to IFF, therefore, has negative effects on the business and investment climate and ultimately on **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).

Programme name	Global Programme "Combating Illicit Financial Flows"
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Programme region	Global
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Our Approach

Illicit financial flows are a global challenge, which calls for increased international cooperation. The global programme "Combating Illicit Financial Flows" strengthens the cross-sectoral fight against IFF on national, regional and international level. Its holistic approach covers four areas of intervention:

- (1) **Prevention:** To prevent IFF, the programme supports the development of coherent strategies. It does so by promoting the implementation of global anti-money laundering and transparency standards, such as enforcing due diligence procedures and establishing beneficial ownership registers.
- (2) **Financial investigation:** The programme assists national law enforcement agencies to adopt new investigation methods, overcome challenges of cross-border investigations and implement international standards for improved 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 by fostering collaboration among law enforcement and other agencies at local, regional and global level.
- (4) **Inter-ministerial Cooperation:** To enable coherent agenda setting of German ministries in national policies and international fora, the programme supports a





Programme: Combating illicit financial flows

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biannual inter-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).

Linking the national, regional and international level:

The programme localises internationally agreed standards to combat IFF by supporting their implementation on national level. Tested innovative approaches are then scaled up to the regional level. On this level, the programme works with regional organisations to foster peer-to-peer learning. Finally, the programme feeds national and regional experiences into the international discussion and, thus, advances the international agenda against IFF.

Results

The programme achieved impact in its partner countries **Kenya, Peru** and **North Macedonia** and in all three of its priority regions **Africa, Latin America** and **Western Balkans**.

In Kenya, the programme supported the establishment of multi-agency teams to conduct joint financial investigations. This new method of collaboration between law enforcement agencies has accelerated investigations considerably. From 2016 to 2017, the Ethics and Anti-Corruption Commission increased its conviction rate by over 50 percent and Kenya managed to recover 500 million Kenyan shillings in 2017. Kenya has promoted this successful approach in the regional asset recovery network (Asset Recovery InterAgency Network for Eastern Africa – ARIN-EA) which plans to implement it in several of its member states.

In Peru, the programme supported money-laundering risk analyses of the mining, fisheries, financial and timber sector. The identification of the prevalent risks contributed to the development of a national anti-money laundering strategy, a prerequisite to comply with the international anti-money laundering standards of the Financial Action Task Force (FATF). Peru shared its methodology and findings within the regional style body of the FATF in Latin America (Financial Action Task Force of Latin America – GAFILAT), allowing other countries to profit from their knowledge and experience.

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 supported the German delegation in various plenaries and working group sessions of the UNODC, FATF and its regional style bodies. It ensured that experiences gained in partner countries were included in the international debate.

To promote international asset recovery, the programme has organized a dialogue event between African and European countries. During the event, policy-makers and law enforcement practitioners identified challenges in the area of mutual legal assistance and worked out joint solutions.

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