

Combating Illicit Financial Flows

Global Programme in the GIZ Section Governance, Human Rights

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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 (IFFs) refers to financial flows that are illicit either due to their **origin** (e.g. stemming from environmental crime), their **utilisation** (e.g. to finance terrorism) or the purpose of the **transfer** itself (e.g. money laundering).

The effects of IFFs are especially devastating for low- or middle-income countries and increasingly **undermine international efforts to promote sustainable development**.

IFF-related activities, 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 United Nations Office on Drugs and Crime ([UNODC](#)) estimates that **1.6 trillion US-Dollars** are lost per year due to IFFs resulting from transnational organized crime, dwarfing the amount low- or middle-income countries receive in official development assistance (ODA). IFFs, therefore, directly undermine the **mobilisation of domestic resources** and prevent much needed investments in health, education, and other public services.

Not only do countries lose resources, but 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 standards in this field is a prerequisite for **sustainable development**.



The international community has pledged to combat IFFs as part of the **United Nations 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” (GP IFF)** pursues a holistic “follow-the-money” approach. The focus lies on the financial transactions of illicit activities. Perpetrators can only be stopped if they are no longer able to launder their illicitly 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 standards of the Financial Action Task Force (FATF), the United Nations Convention Against Corruption (UNCAC), and the United Nations Convention against Transnational Organized Crime (UNTOC).

The programme’s holistic approach covers the **following areas of intervention**:

- **Prevention:** To prevent IFFs, the programme supports partner countries in strengthening their legislative framework in line with international standards. It systematically increases the traceability of suspicious financial transactions e.g. by supporting the establishment of beneficial ownership registers.
- **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.
- **Asset Recovery:** To ensure that illicit activities “do not pay”, the programme supports the recovery of illicitly obtained assets in partner countries. It does so by fostering collaboration among relevant agencies at the national, regional, and global levels.





Programme: Combating Illicit Financial Flows
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Fighting IFFs is multi-layered and takes place on several levels. To ensure **policy coherence** while **avoiding overlaps and unintended consequences**, the programme strengthens institutions and networks and connects the national, regional, and global levels. On the one hand, global agendas are fed into processes at the regional and national levels (**top-down**). On the other hand, national and regional experiences are introduced into the international debate (**bottom-up**).

The programme achieves broad impact by **scaling up innovative national approaches** and by fostering **peer-to-peer learning** between countries and regions on topics such as digital and data-based solutions. To facilitate a development-oriented fight against IFFs and a coherent agenda setting on the international level the programme established the **Global Forum on Illicit Financial Flows and Sustainable Development**. Additionally, the programme supports a **biannual German inter-ministerial dialogue**.

Activities and results

The programme achieved impact in its partner countries and 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 Inter-Agency 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 FATF standards** 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 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 cooperation of law enforcement agencies, purchased **specialised cash sniffing dogs**, and introduced, together with its partners, **beneficial ownership registers**.

At the **international level**, the programme has established an **asset recovery dialogue** between African and European countries. In addition, the **Global Forum on Illicit Financial Flows 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 training, studies, and innovative formats. The platform is to enable long-term cooperation and partnerships.

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