Illicit financial flows related to illegal activities

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Transnational organised crime

- Drug trafficking - multi-billion, international business, affecting most countries in the world
- Trafficking in persons – human beings trafficked for the purpose of sexual or labour exploitation
- Smuggling of migrants
- Production and sale of counterfeit goods
- Illicit trade in firearms
- Trafficking in natural resources and wildlife
- Corruption, extortion, kidnapping, …
The case of drug trafficking - heroin

[Map showing drug trafficking routes worldwide, with key countries and regions highlighted.]

- Heroin trafficking generated by production in Latin America
- Heroin trafficking generated by production in Myanmar/Lao People's Democratic Republic
- Most frequently mentioned transit countries of opiates produced in Afghanistan

Route labels:
- Balkan route
- Northern route
- Southern route
The case of drug trafficking - cocaine
The case of drug trafficking

- The value of the opium economy within Afghanistan was worth 3 billion in 2016 – corresponding to 16% of its GDP and by far exceeding the value of its licit exports.
- Onwards trafficking of heroin to Europe: another 28 billion annually; global estimate: ~68 billion (2011).
- Cocaine: global market worth 85 billion (2011).
- Cannabis, synthetic drugs etc.
Relevance of IFF from illegal activities

- Direct impact of financing TNO groups and their activities, but as well
- Strong links between e.g. drug trafficking and corruption
- Financing of terrorism and insurgency groups
- Weakening of the Rule of Law; impediment to licit economic development in heavily affected countries
- Public health costs and law enforcement/security costs
Effective policies may...

- Enhance the understanding on how transnational organised crime operates and funds itself
- Aid the disruption of the transnational illegal economy
- Reduce the funds available to organised crime groups
- Thus, reduce the direct and indirect harms caused by transnational organised crime while strengthening governance and the rule of law
Assessing the scale – a call for disaggregation

- Effective policies targeting the ‘crime component’ of IFF depend on the nature of the crime
- Measuring each component in a systematic way allows monitoring and assessing progress
- Aggregate estimates (e.g. from trade balance) may not fully capture IFF from illegal activities (e.g. zero value in Afghanistan in the GFI method)
Way forward

- A systematic framework for assessing the financial dimension of drugs and crime at national level is needed
- A ‘bottom up’ approach is pursued starting from market size estimates to shares laundered and internationally transferred
- Consistency with efforts of including illegal activities into the national accounting systems
- Ownership of data by NSO
Thank you!
Illicit financial flows - Illegal sources

1. From legal sector (e.g., regular goods and services)
   - Legal economic assets
     - Legal
     - Illegal
     - Illegal profits domestically laundered
   - Illicit
     - Legally generated and transferred through licit cross-border transactions
     - Legally generated but violating commonly agreed standards such as tax avoidance, and abusive practices with intellectual property fees
     - Illicit economic assets (originally generated legally) transferred through legal channels
     - Illicit economic assets (originally generated illegally) transferred through illegal channels
     - Illegal economic assets from illegal economic activities transferred through legal channels
     - Illegal economic assets from illegal economic activities transferred through illegal channels

2. From illegal sector (e.g., drug trafficking, counterfeiting, fencing, trafficking in persons, smuggling of migrants, corruption, kidnapping, extortion)
   - Illegal
   - Illegal profits domestically laundered

* Illicit financial flows used for terrorist financing are to be considered as illicit financial flows