

Session 3



Natural resources and illicit financial flows: an interlinked story

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What are we talking about?

→ Natural resources sector (NR)

Oil, gas, minerals

Wildlife

Forest

Fisheries

→ Legal and illegal exploitation



Extractive revenues
representing 60-90% of
total budget



Valued at US\$51-152
billion annually



Valued at US\$7-23 billion
annually

What are we talking about?


→ Exploitation of natural resources often associated with illicit financial flows (IFF)

Corruption (bribery, embezzlement, abuse of functions, trading in influence)

Tax avoidance (e.g. manipulation of transfer pricing)

Tax evasion (e.g. not paying customs taxes)

Money laundering



Corruption:

- Forest = US\$29 billion lost annually
- Extractive = most prosecuted for bribery



Revenues lost annually:

- Illegal logging = US\$6-9 billion
- Wildlife trafficking = US\$1 billion

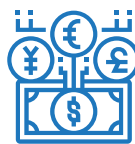
Figures based on: World Bank, Interpol, UNODC, OECD

Common patterns & tactics

→ Combining 2 or more of the following to hide illicit practices



Creating layers of offshore shell companies & hiding the beneficial owner



Opening bank accounts located in multiple countries



Making use of secrecy jurisdictions



Using intermediaries (professional enablers / middlemen)



Concealing resources with other goods / misdeclaring as something else

A global problem

→ Starting in one country but involving multiple jurisdictions & players



IFF and NR, a tale of OSCE countries

Illegal logging, timber laundering, and IFF

→ Austria, Croatia, Belgium, Germany, Italy, Romania, Slovenia, Ukraine

Opaque oil/mineral deals, and IFF

→ Azerbaijan, Romania, Mongolia

→ OSCE financial institutions (banks) used

→ Secrecy jurisdictions within OSCE countries: Belgium, BVI, Cyprus, Germany, Hungary, Jersey, Luxembourg, Netherlands, Switzerland, UK (top 20 of TBN rankings)

→ Re-investment of illicit funds (real-estate, luxury goods): OSCE countries, recipient countries



Key challenges



- 1 **Natural resources & associated IFF not seen as top priority / serious threat**
- 2 **Crime convergence**
- 3 **Finding evidence & building a case**
 - Cracking down secrecy jurisdictions (even within OSCE)
 - Lack of cooperation / selective cooperation
- 4 **Targeting / investigating ALL players**

What can be done?



Include natural resources and illicit financial flows high on agenda – a top priority



Cooperate, collaborate, develop networks of experts, think out of silos, and share best practices

→ Establishing (free & centralised) public registers of beneficial ownership & legal entities



Promote transparency

→ Disclosure of asset declarations and interests
→ Public register of lobbyists



Support and protect civil society, whistleblowers, journalists

→ Joining transparency initiatives, e.g. Extractive Industry Transparency Initiative, Open Government



Build capacity across law enforcement and criminal justice systems

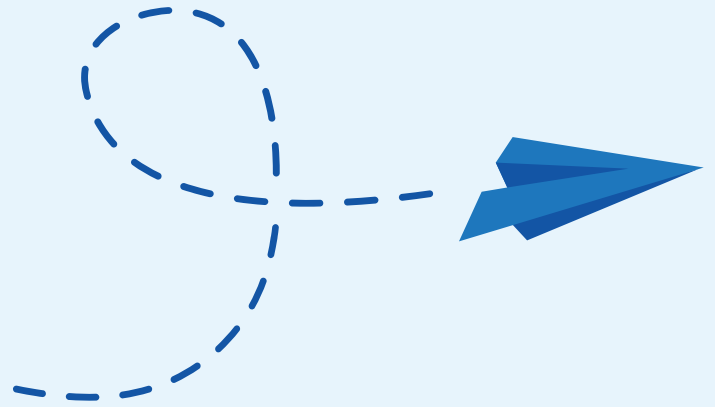
Partnership



Support national, regional and international initiatives

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