



# Illicit Finance and Environmental Crimes: Identifying Shared Priorities

**A Convening Organized by the FACT Coalition  
June 28th and 29th**

## **Summary Report**



### Introduction

Environmental crime is a lucrative, global business and highly susceptible to corruption and financial crimes. The Financial Action Task Force has estimated that **environmental criminals generate up to \$281 billion in illicit profits each year** through illegal logging, land clearance, mining, fishing, and waste trafficking. Far from isolated to “resource-rich” developing countries, environmental crimes and irresponsible extraction operate across global networks with global consequences as dirty money floods communities and environmental degradation exacerbates climate change. When policy makers and advocates miss chances to advance policy at the intersection of these issues, bad actors get a free pass to continue their wanton destruction.

**On June 28th and 29th, the FACT Coalition convened anti-money laundering, illicit finance, environment, and climate policy makers, thought leaders, and activists to discuss ways to counter this growing threat posed by illicit finance and environmental crimes.** The convening brought together **more than 60 advocates and experts** from government, international secretariats, and **more than 30 civil society organizations** to share lessons learned on the intersection of illicit finance and environmental crimes. The June 28th session under Chatham House rules lasted three hours, with an opening panel of three experts, followed by four commodity-specific case studies, and a concluding lightning round table on next steps for reform. The June 29th session for civil society participants only discussed possible shared advocacy strategies.

The event built off of a growing interest within the FACT Coalition membership to discuss—and act on—the environmental and climatic implications of illicit financial flows. While there has been increasing attention paid to these issues by researchers and think tanks, there has been less focus on developing a shared and explicit advocacy agenda designed to advance legal and regulatory reforms, particularly in destination countries like the United States. This convening was designed to address this gap and inspire a longer conversation about possible joint advocacy between environment, conservation, and anti-corruption groups.

### Opening Panel

An academic with an extensive background researching and writing on themes of illicit finance and environmental crimes kicked off the convening's scene-setting first panel. In their remarks, the panelist exhorted the audience to see a bigger picture of money laundering and environmental crime, one that includes a broader geographic

view and a larger scope of crimes.

Crimes may take place in one country and illicit products may be sold in another, but tackling this intersection of crimes requires a keen attention to transit countries where products and profits are laundered before reaching their final destination. As it turns out, “nobody is focusing sufficiently on the interim points to understand who is behind,” and who enables this trade. The audience also learned that following one environmental crime often leads to a web of interconnected crimes with widespread consequences. Across commodities, environmental crimes are strongly related to human trafficking, forced labor, and drug smuggling. The academic panelist encouraged listeners to see these crimes as one, not least as a way to command greater law enforcement attention towards environmental crime and the money laundering that enables it. Lastly, they encouraged the attendees to look beyond individual criminals and to recognize the role that corporations and states play in actively causing environmental destruction or creating the secretive conditions that foster it.

**“We need to be looking at the entire supply chain...understanding the source and the destination is not enough.”**

The panel's second expert hailed from civil society, sharing their own experience working with an anti-corruption organization trying to bridge into environmental conservation: “we tried to find the connection between corruption and environmental degradation...it's a never ending process. Corruption

**“Either an anti corruption or a conservation group can't tackle this alone... Partnerships are not optional.”**

is all over the place.” Corruption's grip ranged from weakening regulatory checks, to stymieing on-the-ground law enforcement, to enabling the laundering of criminal profits. As a result, many anti-corruption tools are “dual use,” striking at both environmental crimes and financial crimes. Looking past the

individual predicate offense, “the types of financial crime involved are really quite similar.”

Drawing on lessons from their work at this intersection, the civil society expert identified that financial investigations are drastically underutilized in combating environmental crimes. As another lesson learned, they articulated that conservation organizations and anti-corruption groups have operated in silos for too long. Tackling this issue would require sustained, deliberate effort to bring these communities together.

To round out the discussion, the panel was joined by a presenter with practice working at the international level studying and identifying environmental crimes

related to money laundering threats. In addition to providing key figures, such as the eye-popping \$281 billion in estimated profits generated by environmental crime each year, the presenter cut to the heart of why environmental crimes have grown so quickly: the rules against it are weak. Criminal offenses are “too narrowly drafted” to address environmental crimes, and often countries impose only regulatory fees in place of criminal charges.

**“If you’re going to export millions of dollars of goods, but you have to pay a regulatory offense of a few thousand and there’s no jail time, it makes sense. This is a great place to go and make money illegally.”**

In addition to having governments strengthen their rules against environmental crime, they called on civil society to help take the lead. When it came to tracking the proceeds and proliferation of environmental crime, “the NGO community was often better informed than their own national authorities.” Governments also needed to foster greater collaboration between their traditional money laundering-oriented authorities, bridging the gaps between environmental protection, customs enforcement, and anti-corruption.

## Case Studies

The convening’s second hour featured four case studies, grounding the conversation with a look at how four different commodities were exploited and offering lessons for how to move forward.

### GOLD

A representative of a Peru-based civil society organization offered a case study on gold mining and associated illicit financial flows for FACT’s first case study. In 2015 alone, Peru witnessed illegal mining worth \$1.6 billion dollars, and there’s good reason to believe that the laundering of such profits could be happening in countries like the United States. Cases like the famed [NTR Metals scandal](#) shows how illegal gold can be brought to the U.S., where enablers are ready to accept dirty gold and support the money laundering schemes to reward criminals.

### TIMBER

Timber took center stage for the convening’s second case study, which examined a four-year investigation across three continents and four countries as discussed in the report [“Toxic Trade.”](#) The report tells of corruption, tax avoidance, and willful violation of conservation laws. The story centered on the Dejjia Group, one of the most

influential Chinese timber groups in Africa. Enabling overharvesting through alleged bribes to officials at every rung of government, the Dejia Group was allegedly able to illegally harvest and export over \$80 million worth of Congolese logs. In addition to grand corruption, their use of trade-based money laundering allowed them to avoid millions in taxes by funneling profits through tax havens while bringing their illegally sourced products to markets in the United States and Europe.

### FISH

Meaningful ownership transparency, and the struggles to secure it, was the highlight of the discussion on illegal, unreported, and unregulated (IUU) fishing. A team representing both international transparency advocates and local activists and journalists in source countries provided the presentation. With fishing vessels coming from across the world, being able to link vessels to their true owners is a critical step in holding IUU fishing accountable. As a panelist revealed, however, just having beneficial ownership registries is not enough—they need to be public. Public registries give civil society the tools to complement authorities' efforts to map and track perpetrators of IUU fishing. The gap between what is needed and what is being done is a common theme in IUU fishing, another presenter noted, explaining how Senegal had publicly embraced the standards of the Fishing Transparency Initiative (FiTI) but, as of yet, has failed to implement them.

### WILDLIFE

The convening's last case study discussed a recent report ["Bringing Down the Dragon,"](#) which analyzed the operations of the Chen organized crime group, responsible for the smuggling of at least 20 tonnes of ivory in China's largest ivory case. The report's analysis identified ten enabling factors for wildlife crime, among which three had strong connections to illicit finance. Firstly, pervasive corruption facilitated the harvesting and shipment of illegally acquired goods through customs clearance. Once cleared from the source country, advanced concealment methods, such as using legal businesses to cover for their illegal trade, allowed goods to travel unnoticed across multiple countries. Lastly, illicit financial flows through third party bank accounts enabled discreet laundering of the profits from their crime. On this point, the presenters made clear that financial investigations by law enforcement were a highly underutilized tool in fighting wildlife crime, "the exception and not the norm." The conclusion points to the need to bridge both authorities and advocates across illicit finance and environmental protection.

### Priorities for Reform

In the last hour of the convening, policymakers and experts from around the world, including from “destination” governments and international organizations, offered their thoughts on what reforms were needed to fight environmental crimes and related illicit financial flows at both the international and domestic level.

#### Priorities to Advance Both Domestically and Internationally

- **Public beneficial ownership registries** should be set up around the world with a strong standard from the Financial Action Task Force to ensure useful data.
- **Due diligence requirements** should be extended across supply chains and to a broader range of products such as agricultural commodities linked to deforestation and minerals associated with serious human rights abuses, conflict financing and other financial crimes such as corruption, money laundering and tax evasion.
- **Gatekeepers legislation** (extending anti-money laundering due diligence obligations to professionals like lawyers, investment advisers, company formation agents, and others) as suggested in FATF's [recommendation 22](#) should be passed in countries that have not implemented such reforms, and advocates should push to strengthen laws where only partially implemented.
- **Trade data** should be shared more freely between countries and to the public to foster cooperation with foreign law enforcement and civil society alike.
- **Greater cooperation on financial investigations** is needed between authorities tracking environmental crime networks.
- **Harmonization of environmental crime and money laundering rules** should be pursued to ensure disruption, rather than displacement, of crime to more lenient jurisdictions.

#### Priorities to Advance Internationally

- **Environmental Disclosures** through the Extractive Industries Transparency Initiative should be made stronger and mandatory.
- **National Money Laundering Risk Assessments Recommendations** from the Financial Action Task Force should encourage national authorities to discuss environmental crimes.

#### Priorities to Advance Domestically

- **Greater funding for financial investigation units** should be allocated within national budgets to ensure authorities are up to the task.
- **Money laundering predicate offenses** should be expanded to include all environmental crimes.
- **Designing foreign aid programs** to provide source countries the capacity to

crack down on lower level corruption and non-compliance.

- **Guidance for responsible business conduct** as recommended by the [Organization for Economic Cooperation and Development](#) and the [United Nations](#) should include guidance on avoiding involvement in environmental crime.

The second day of the convening, for civil society groups only, discussed possible shared advocacy strategies.

**For more information on the event and next steps, please contact Chris Boose, FACT Coalition Policy Fellow, at [cboose@thefactcoalition.org](mailto:cboose@thefactcoalition.org)**