



## Illicit Financial Flows and Environmental Justice in Colombia

### What are Illicit Financial Flows?

- Illicit financial flows (IFFs) are illegal movements of money or capital from one country to another.
- IFFs severely undermine Colombia's political and economic security by creating weak institutions, diminishing the rule of law, and leaving the country ill-equipped to fight poverty.
- Key types of IFFs include grand corruption, organized crime, tax evasion, trade misinvoicing, wildlife trafficking, and smuggling and trafficking in minerals, such as gold.

### How are IFFs and Environmental Justice Connected?

Colombia's natural resources – oil, natural gas, gold, and timber – can become sources of illicit income for transnational criminal organizations and other groups.

Illegal logging, fishing and mineral extraction cause environmental degradation and further impoverish communities and individuals who rely on these resources.

These activities involve the use of trade channels, the financial system and secret legal structures to help move money and commit crimes.

### What can be done to curtail IFFs?

- Create a Coalition of Civil Society Organizations: Stronger advocacy efforts that target the financial eco-system are critical to achieving environmental justice in Colombia.
- Promote Financial Transparency: Correct registration of companies, including easy identification of the true Beneficial Owner of a company, can help better target and prosecute environmental crimes.
- Increase Efforts in Cross-Border Trade: Implement policies and tools that prevent the falsification of certificates of origin and other documents integral to supply chain integrity.

## Illegal Gold Mining

Illegal gold mining in Colombia generates an estimated US\$2.4 billion in cash annually, roughly three times the value of the cocaine industry.<sup>1</sup> Most of this illegally mined Colombian gold is sent to American and European cities, while the mining process, which uses mercury, damages the Colombian environment. It is estimated it could take over 100 years for the environment to recover from such damage.<sup>2</sup>

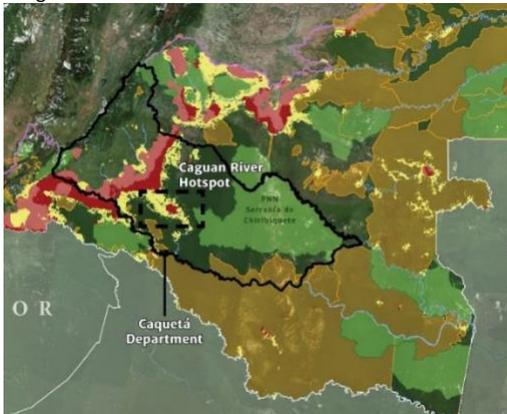
The 2015 prosecution John Uber Hernández Santa, the owner of Goldex, one of Colombia's largest gold exporting companies, sheds light on the illegal gold supply chain. According to details from the case, the company sourced its gold from falsified suppliers, including thousands of dead and fictitious people. Goldex is estimated to have exported 47 tons of illegal gold worth more than US\$1.4 billion to companies in the United States.<sup>3</sup>



## Amazonian Deforestation

As of 2019, an estimated 70% of Amazonian deforestation in Colombia is linked to illicit activities<sup>4</sup>, conducted mainly by criminal groups such as dissidents from the largely demobilized Revolutionary Armed Forces of Colombia (FARC), Los Puntilleros and other smaller groups.<sup>5</sup> In total, accumulated forest lost has reached over 2 million hectares in Colombia.<sup>6</sup>

Image 1: Colombia Deforestation<sup>7</sup>



The Colombian peace process left a power vacuum in rural areas. Areas previously under the control of FARC were left up for grabs, with inadequate environmental oversight by government authorities. Criminal groups have moved into this space, seeking to benefit from the lucrative illegal timber industry. In addition, land is often cleared as a precursor for illegal gold mining, illegal coca production, or other illicit activities. Many of these factors have helped to accelerate deforestation rates in Colombia in recent years.<sup>8</sup>

These trends have devastating environmental consequences and serve to finance additional criminal activities by armed groups in Colombia.

## Illicit Exports of Colombian Timber

The Colombian Ministry of the Environment has estimated 47% of timber sales carried out at the national level in Colombia are illegally sourced.<sup>9</sup>

A 2020 investigation by Global Financial Integrity found a number of irregularities in Colombian timber exports, including potential export over-invoicing and under-invoicing to move value in and out of Colombia. Additionally, at least one Panamanian importer of Colombian timber was named in the 2016 Panama Papers, with directors listed on their business registration documents linked to as many as 1,400 companies worldwide.



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<sup>1</sup> <https://www.miamiherald.com/news/nation-world/world/americas/colombia/article194188034.html>

<sup>2</sup> <https://www.miamiherald.com/news/nation-world/world/americas/colombia/article194188034.html>

<sup>3</sup> <http://america.aljazeera.com/articles/2015/11/18/blood-gold-colombia.html>

<sup>4</sup> <https://www.thedialogue.org/wp-content/uploads/2019/05/Nearing-the-Tipping-Point-for-website.pdf>

<sup>5</sup> <https://www.insightcrime.org/news-analysis/organized-crime-deforestation-colombia/>

<sup>6</sup> <https://www.thedialogue.org/wp-content/uploads/2019/05/Nearing-the-Tipping-Point-for-website.pdf>

<sup>7</sup> <https://www.arcgis.com/apps/Cascade/index.html?appid=a3a7d272de1d4d1989385d1a81a23f2d>

<sup>8</sup> <https://eia-global.org/reports/20192026-condendando-el-bosque>

<sup>9</sup> <https://www.elespectador.com/noticias/medio-ambiente/ley-de-financiamiento-promoveria-el-trafico-illegal-de-madera-en-el-pais-articulo-825307>