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Illicit financial flows and development in Latin America

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Illicit financial flows (IFFs) stemming from illegal activities in Latin America are primarily driven by illegal gold mining, drug trafficking and corruption, which are closely intertwined and often enabled by state-embedded actors. IFFs reduce the public revenue available for health, education and other services, sustain armed and criminal groups, weaken institutions and contribute to environmental damage, including deforestation and mercury contamination. Their effects fall disproportionately on poor, indigenous and rural communities. In Colombia, Guatemala and Cuba, anti-money laundering frameworks have improved, but implementation remains weak, and responses focus on the formal financial sector rather than on trade-based and informal laundering channels.

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Cuba: Corruption and anti-corruption (2025)

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Caveat

It is often difficult to differentiate between illicit financial flows (IFFs), which are by definition cross-border, and illicit funds which may remain within a country's borders. To the extent possible, this Helpdesk Answer focuses on the former, although when discussing the sources of funds, the distinction is not always clear.

It is also difficult to isolate the specific impacts of IFFs on human development from the impact of illicit finance, financial crime and corruption more broadly. Again, to the extent possible, this Helpdesk Answer concentrates on the former.

The report briefly considers the scale of tax related IFFs in the Latin America region, but in general the emphasis is on IFFs that result from non-tax sources, rather than tax evasion or avoidance.

Less attention is given to Cuba in the report given Transparency International's recent (2025) report on corruption and anti-corruption in Cuba.

Query

Please provide an overview of the relationship between illicit financial flows (IFFs) and development in Latin America with a focus on Colombia, Guatemala and Cuba.

Main points

- Non-tax IFFs in Latin America stem mainly from illegal markets and corruption. Illegal mining is now estimated to generate more criminal proceeds than drug trafficking, and gold has reportedly become the "new cocaine". Drug trafficking nonetheless remains a major source of IFFs and the illegal profits it generates are frequently reinvested in other criminal activity, such as illegal mining, human trafficking and illegal logging.
- Corruption is both a source and an enabler of IFFs. Grand corruption schemes such as Lava Jato move bribes through shell companies and offshore accounts, while bribery of customs, border, environmental and port officials enables illegally mined gold to reach international markets. Extortion by organised crime groups is pervasive in the region and can overlap with corruption where state agents are involved.
- Illicit funds are moved and concealed through shell and front companies, third-party “mule” accounts, trade mis-invoicing, virtual assets and complicit professionals, as well as informal channels such as black market currency brokers and bulk cash smuggling. Illegally mined gold is laundered chiefly by falsifying its origin.
- Evidence on the direct impact of IFFs on human development in the region is limited, but the harms of the underlying illicit activities are well documented. These include public funds diverted from health, education and water services, armed groups financed by drug and gold proceeds, environmental damage and human rights abuses.
- Anti-money laundering systems across the region remain weak in practice. According to GAFILAT, most countries score only “moderate” or “low” on effectiveness, with persistent gaps in the supervision of non-financial businesses and virtual asset providers (DNFBPs), beneficial ownership transparency and asset recovery.
- Country experiences vary. Colombia has a capable financial intelligence unit and asset forfeiture regime, but prosecutions focus predominantly on drug related laundering. Guatemala’s 2026 AML law closes long-standing regulatory gaps, but the capture of the judiciary and prosecution service threatens enforcement. Cuba is less exposed to conventional IFFs, but recent cases point to growing risks.
- Donor supported programmes are numerous but often shaped by donors’ own priorities, target senior officials rather than technical staff, and pay too little attention to the trade-based, informal and cross-border flows that dominate the region.

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Introduction

Illicit financial flows (IFFs) are flows of funds across borders that either: i) originate from illicit activities; ii) are transferred through illicit transactions; or iii) stem from a licit activity but are used in an illicit manner (UNCTAD and UNODC 2020). IFFs are a major drain on capital and revenues, undermine just fiscal systems and reduce resources available to governments to provide key public services. UNCTAD and UNODC (2020) offer a useful categorisation of activities generating illicit financial flows:

1. tax and commercial practices: tariff, taxation, duty and revenue offences; corporate offences including competition and import/export offences; acts against trade regulations; market manipulation or insider trading, price fixing
2. exploitation type activities and terrorism financing: kidnapping; slavery and exploitation; trafficking in persons; sexual exploitation; extortion; robbery; burglary; theft; financing of terrorism
3. illegal markets: drug trafficking; firearm trafficking; illegal mining; smuggling of migrants; smuggling of goods; wildlife trafficking;
4. corruption: bribery; embezzlement; abuse of functions; trading in influence; illicit enrichment; other acts of corruption.

Meanwhile, Reuter (2017) points to five main policy responses that can help curb IFFs. Disaggregating the different sources and channels of IFFs in this way can be useful when considering potential policy responses to counter the specific type of IFF one is confronting:

a. anti-money laundering laws and programmes
b. stolen asset and recovery procedures
c. automatic exchange of information between countries
d. the development of new rules regarding country-by-country reporting of corporate profits
e. the establishment of beneficial ownership registers

This Helpdesk Answer reviews the evidence on IFFs and their impact on development outcomes in Latin America generally and in Colombia, Guatemala and Cuba specifically. It also reviews the key strengths and weaknesses of the policy responses to curb IFFs and provides a brief mapping of the principal regional bodies and initiatives to curb IFFs in Latin America. In terms of categories of activities which

generate IFFs, the focus of this paper is primarily on illegal markets (3) and corruption (4), with some reference to extortion (2) as a particularly pervasive activity in the region. It does not cover IFFs generated from tax and commercial practices (1), although some sense of the scale of the problem of tax related IFFs is conveyed in Box 2.

Given this focus, the policy responses it covers are primarily in the areas of anti-money laundering (AML) laws and programmes (a), stolen asset and recovery procedures (b) and beneficial ownership registers (e).

Regional overview: Principal IFF challenges in the Latin American region

Key sources of IFFs in the region

Recent findings from the FATF regional body for Latin America (GAFILAT) identifies the predicate offences most frequently linked to money laundering cases in the region as corruption, organised crime, tax offences, misuse of virtual assets, environmental crimes, drug trafficking, human trafficking/migrant smuggling, smuggling, fraud and gambling (GAFILAT 2025a).

Among these crimes, there is evidence that **illegal mining**[1] tops the list. The Organization of American States (OAS) estimates that illegal mining in Latin America now generates more illicit money than drug trafficking, extortion and other illegal activities combined, making it the region's leading source of criminal proceeds (OAS 2022a). Mineral trafficking is considered especially attractive for laundering because minerals can have a high value to weight ratio, are high value, durable, stable in price and easy to transport, making them well suited to smuggling, drug trafficking, arms trafficking and terrorist financing. The range of minerals includes gemstones (diamonds, emeralds, sapphires, rubies) and metals (gold, silver, platinum group metals, tin, tantalum/coltan, tungsten, and even copper, iron and coal in some contexts) (GFI 2021).

Gold, in particular, has become a common source of IFFs, described by Global Financial Integrity (GFI) as the "new cocaine" in Latin America, in part because it is more lucrative, easier to launder and considerably less risky than illicit drugs (GFI 2023; Earth.org 2024). According to the Global Initiative against Transnational Organized Crime (GI-TOC), soaring gold prices in the early 2000s made mining highly profitable at the same time as the US led war on drugs squeezed the profitability of cocaine trafficking. Drug trafficking groups responded by moving into gold mining, exploiting the fragmented, remote and weakly governed nature of artisanal small-scale mining (ASM) to seize territory and dominate production. By 2016, roughly 28% of Peru's gold, 30% of Bolivia's, 77% of Ecuador's, 80% of Colombia's and 80–90% of Venezuela's gold was being produced illegally (GI-TOC

[1] It should be noted that there is no uniform international definition of "illicit/illegal mining", complicating both measurement and policy responses (GFI 2021)

2016). There is little sign of this trend abating; the UNODC World Drug Report 2019 concluded that the value of illegal gold exports exceeded that of cocaine in the two largest cocaine producers, Colombia and Peru (cited in Earth.org 2024). Illegal gold mining has now become a dominant illicit economy in Ecuador (growing 750% in the Sucumbíos region between 2015–2021), Peru (an estimated 44% of 2023 gold exports from illegal sources) and Venezuela, where organised crime and, allegedly, the Maduro government control small-scale miners through extortion and violence (Amerhauser 2025). Gold mining is also closely linked to the illicit trade in chemicals, such as mercury, which is highly toxic and used in small-scale gold mining to extract gold from ore (Amerhauser 2025).

According to Wagner and Hunter (2020), the organised crime groups engaging in the small-scale mining sector have largely adopted the criminal structures, networks and activities that existed prior to the global surge in illegal mining rather than establishing new ones. Artisanal and small-scale miners, who are mostly poor informal labourers rather than career criminals, are caught between these criminal and armed groups, which extort and exploit them, and state authorities, which often cannot distinguish informal miners from illegal operators (OAS 2022a). By failing to make this distinction, governments risk criminalising informal miners and removing their livelihoods, making them more vulnerable to human trafficking or recruitment into armed groups (GI-TOC 2016).

Beyond minerals, other commodities linked to environmental crime, such as timber and wildlife products, are also used as both a source of illicit finance and as means of illicitly transferring value across borders. These products are not only extracted illegally for criminal purposes, but can also be fraudulently invoiced and smuggled across borders, which in turn facilitates tax evasion, customs fraud and the laundering of money from criminal activities (Amerhauser 2025). For instance, illegally logged wood is mixed and mingled with timber logged within concessions (Amerhauser 2025). Even cattle can be laundered by, for example, transferring cattle raised in irregular or protected areas to legitimate farms, thereby concealing their origin and facilitating their sale in formal markets (Igarapé Institute 2024, cited in Amerhauser 2025).

While illegal mining has become a primary source of IFFs, **drug trafficking**, according to GFI, remains “one of the largest generators of criminal proceeds” and, combined with corruption and money laundering, “arguably the greatest challenge to the Latin America and Caribbean region” (GFI 2021). According to the UNODC/UNCTAD‘s IFF measurement framework, cocaine is the most valuable and widely trafficked drug, generating an estimated US$2.4 billion to US$10.8 billion annually in criminal proceeds just from Mexico, Colombia and Peru (UNODC 2023a).

Drug trafficking also has a symbiotic relationship with other crimes, often giving rise to other forms of transnational organised crime, such as human trafficking, illegal

mining or illegal logging (GFI 2021). Trafficking organisations use drug money, laundering expertise and established smuggling networks to expand into new illicit markets, which in turn makes them more resilient to enforcement against any single revenue stream (OAS 2022a). Amerhauser (2025) provides numerous examples of how the narcotics trade generates illicit flows, including cocaine-for-gold barter in the Amazon, cash generated by fentanyl being smuggled by flight attendants from New York to the Dominican Republic; or the MS-13 gang demanding Bitcoin payment for cocaine transport to Mexico (Amerhauser 2025).

Human trafficking and migrant smuggling have been described as a significant but "often overlooked, misunderstood, or oversimplified" source of IFFs in the region (GFI 2021). GFI (2021) cites International Labour Organization (ILO) estimates that there are 1.2 million people experiencing labour exploitation, 400,000 experiencing sexual exploitation and 200,000 subject to forced labour in the Latin America and Caribbean region. This is estimated to result in annual criminal profits in the region of roughly US$12 billion. The region is noted as having some of the highest prevalence of trafficking globally, but the lowest detection and conviction rates (GFI 2021). GFI (2021) suggests that the low conviction rate is associated with the fact that current government responses have prioritised public awareness campaigns and victim support rather than targeting the criminal financial networks.

Corruption can be a direct source of IFFs; for instance, the transfer across borders of the proceeds of corrupt acts like bribery. Brazil's Operation Car Wash (Operação Lava Jato), for example, involved systematic siphoning of public money from the state oil company Petrobras through bribes to executives and politicians and subsequent laundering via shell companies and offshore accounts in Switzerland, Panama and Andorra (Amerhauser 2025).

Yet corruption can also be an enabling factor that facilitates the generation, transfer and use of funds arising from other offences. This could include, for example, a bribe paid to a customs official to look the other way during the trafficking of illicit goods. Illegal gold mining, for example, depends on bribing public officials at every stage of the supply chain, from customs and border officials who allow smuggled mercury and heavy machinery into mining areas, to environmental and labour inspectors who certify non-compliant mines, and officials at ports and airports who turn a blind eye as the gold is exported to international markets (OAS 2022a).

Extortion is another major source of illicit finance in the region. Although extortion by criminal groups is generally considered an organised crime offence rather than a form of corruption, the two often overlap. In Rio de Janeiro, for example, militias largely made up of current and former police officers, and with ties to local politicians, extract weekly protection fees from residents and businesses in their territory (Veloso Hirata et al. 2022). They then launder the proceeds by building large

apartment towers, which they rent to residents of densely populated neighbourhoods (Amerhauser 2025). Extortion is also a widespread problem in Guatemala (see below).

Mechanisms for concealing and moving IFFs in the region

Based on an analysis of 53 money laundering cases from 18 member countries between 2023 and 2024, GAFILAT (2025a) identifies six main typologies for concealing and moving illicit funds in the region. These are:

- abuse of legal entities, including shell, screen and fictitious companies to hide beneficial owners and mix licit/illicit funds and move these funds
- use of third parties (front men and "mule accounts") to conceal the real owner of funds, often exploiting economically vulnerable individuals
- structuring or "smurfing", which involves splitting transactions into small amounts across accounts to avoid detection
- trade-based money laundering (TBML), using over/under-invoicing, fictitious exports and trade triangulation,[2] especially in mining, agro-export and tech sectors
- use of virtual assets (crypto and stablecoins) via virtual asset service providers (VASPs) and peer-to-peer (P2P) platforms to break traceability
- use of "gatekeepers" to operate laundering structures by exploiting their professional credibility. This can include professionals working in the financial sector (such as accountants, lawyers, notaries and bankers), as well as professionals in the non-financial sector (such as real estate agents, dealers in precious metals and stones, and trust and corporate service providers).

Specifically with regard to TBML, special economic zones (SEZ), designed to attract investment through tax breaks and deregulation, are particularly vulnerable to the generation and disguise of illicit income. SEZs in Chile and Paraguay have been linked to TBML, fraudulent invoicing and counterfeiting, exploiting the reduced scrutiny these zones typically receive (Amerhauser 2025). In the case of illegal gold mining, a common method is mis-invoicing of gold exports to disguise illicit transactions, often exploiting free trade zones (OAS 2022a).

[2] Trade triangulation involves routing goods through third countries or free zones so that neither the origin nor destination matches the true supplier/buyer, effectively creating a "shadow" diversion of value.

With regard to virtual assets, Amerhauser (2025) notes that criminal groups such as MS-13 in El Salvador, Honduras and Guatemala increasingly demand Bitcoin for cocaine transport and extortion since crypto is easier and safer to move and convert than physical cash. State actors also use cryptocurrencies to evade sanctions, and state-linked platforms like El Salvador's Chivo Wallet have been exploited by transnational fraud networks. The fact that unregulated cryptocurrency exchanges often neglect identity checks makes laundering through crypto increasingly attractive (Amerhauser 2025).

Box 1: Laundering illegally mined gold

Common mechanisms for laundering illegally mined gold include:

- falsifying documents to claim gold has come from legal concessions (GI-TOC 2016)
- simulating legal gold production through shell "consolidator" companies and forged small-scale miner registrations (OAS 2022a)
- bribing or intimidating legitimate mine owners and customs, border and environmental officials (GI-TOC 2016; OAS 2022a)
- using cash intensive front businesses (grocery stores, gas stations) to channel resources into and out of illegal mining zones (OAS 2022a)
- selling through front export companies or complicit brokers (GI-TOC 2016)
- smuggling gold across borders (GI-TOC 2016)

In Brazil, for example, securities and exchange brokerages hire gold buying stations who are the initial buyers of mined gold and contract them to act as mercantile agents. There, the most common method of laundering the gold is to falsely declare its origin. This is possible because the stations do not usually verify the origin and, until recently, were not legally required to confirm the accuracy of the information provided (Amerhauser 2025). Although this law has changed, it remains straightforward to mix legal and illegal gold. Once this process is complete, the gold is transformed from a commodity into a financial asset and can freely cross international borders to enter the formal consumer market (Amerhauser 2025; Earth.org 2024).

Beyond those mentioned above, real estate, casinos and sports betting are a major laundering conduit, using cash purchases, shell companies and provisional service providers, who – knowingly or negligently – facilitate the laundering of illicit funds. In Ecuador, for example, foreign criminal networks from the Western Balkans have set up real estate and construction firms for this purpose. Casinos and betting operations serve the same function. The 2021 Golden MGM casino case in Guatemala

used staged gambling, fake winnings and high cash turnover to launder drug trafficking proceeds, with the casino also acting as a meeting point for criminal intermediaries between the Americas and Asia (Amerhauser 2025).

The informal economy is another area considered vulnerable to IFFs in Latin America. Remittances, especially in countries like Nicaragua and Honduras, often move through channels that fall outside regulatory oversight and are hence vulnerable to abuse. Remittances are also closely linked to irregular migration and migrant smuggling (Amerhauser 2025). Meanwhile, the "black market peso exchange" is used by Colombian and Mexican traffickers to convert drug dollars into local currency through complicit import/export businesses (Realuyo 2017), while Brazilian *doleiros* (black market currency brokers) move large, undeclared sums tied to drug trafficking and corruption, exploiting their knowledge of banking regulations (Amerhauser 2025). One example is the 2023 bribery scandal involving Brazilian construction company Camargo Corrêa, where *doleiros* reportedly collected large sums of cash from corporate actors, masked the illicit origin of the funds with fictitious contracts and routed the payments through a network of accounts in tax havens, shell companies and the now-defunct Banca Privada d'Andorra (Amerhauser 2025).

Other examples include informal value transfer systems, such as Chinese underground banking networks used by the Sinaloa cartel to move over US$50 million to the US, and bulk cash smuggling such as flight attendants trafficking fentanyl proceeds from New York to the Dominican Republic (Amerhauser 2025). The US IRS, meanwhile, has highlighted the vulnerability of prepaid cards, describing them "the currency of criminals" due to minimal oversight and easy cross-border movement (Realuyo 2017).

Impacts on human development in the region

At the global level, there is broad consensus on the negative effects of IFFs on growth and poverty reduction, with effects tending to compound over time (Bergin 2025). According to GFI (2019), IFFs "generate significant costs that divert money from public priorities [...] have negative impacts on the environment and human health, and generate enormous economic and socio-political distortions".

The most direct effect is through lost domestic revenue, with IFF outflows shrinking the resources available for development spending and deepening aid dependency (Bergin 2025). These losses fall hardest on resource rich, low income and fragile or conflict affected states, compounding existing governance weaknesses and inequality. UNCTAD estimates suggest that states with high levels of capital flight spend on average 25% less on health and 58% less on education than states with low capital flight (cited in Jenkins

2024). IFFs also distort market prices, deter genuine investment and undermine fair competition for legitimate businesses, with empirical studies linking higher estimated IFF levels to lower human development index scores (Bergin 2025).

In Latin America specifically, IFFs from corruption, drug trafficking, illegal mining, smuggling and other forms of organised crime affect human development by diverting resources, weakening public institutions and reinforcing criminal and corrupt networks. UNDP (2025) identifies organised crime and illicit economies as significant threats to human development in Latin America and the Caribbean, highlighting their effects on access to public services, livelihoods, security and economic opportunities. Similarly, evidence from Colombia shows how illicit economies, including illegal gold mining and drug trafficking, generate cross-border financial flows while interacting with corruption and weaknesses in natural resource and public sector governance. These processes can reduce the resources and institutional capacity available for public investment and service provision (GFI 2021).

The negative impact in the region of the predicate crimes behind IFFs is particularly evident with respect to illegal gold mining. According to the Brazilian federal public prosecutor's office, for instance, each kilogram of illegally mined gold causes US$325,000 in environmental damage, around ten times its market price (Igarapé Institute 2021). In Colombia alone, a 2016 government estimate concluded that mending the damage caused by mining would cost nearly US$11 billion and take up to 40 years (The Guardian 2016). The illicit gold supply chain is also bound up with unregistered migrant labour, child labour and sexual slavery at mining camps (OAS 2022a). Meanwhile, mineral extraction fails to guarantee positive changes in local realities in the long term, with only brief effects on GDP per capita indicators (Instituto Escolhas 2021).

IFFs also finance and sustain the predicate crimes that generate them, fuelling state capture and corruption, environmental degradation and armed conflict. In fragile states, an estimated 38% of illicit flows to non-state armed groups originate in the illicit extraction of natural resources (Shaw, Nellemann and Stock 2018, cited in Jenkins 2024). In Colombia, IFFs have also reportedly played an important role in allowing different violent non-state actors to overcome their mutual mistrust and cooperate, to the detriment of the state (Idler 2020).

Lastly, the availability of channels to move and conceal illicit proceeds abroad is itself an incentive to commit crime, including corruption. Banks, corporate service providers, lawyers, real estate agents and investor visa schemes in major financial centres lower the transaction costs of grand corruption and shield those involved from accountability. Assets held in stable jurisdictions with strong property rights act as a form of insurance against political change at home, while second residence or citizenship gives corrupt officials an "exit" option if they come under investigation. By

making stolen and criminal funds easier to hide and keep, these services raise the expected rewards of crime and corruption while lowering the risk of detection and confiscation (Cooley and Sharman 2017). Latin America is heavily exposed to this dynamic. The region was one of the three largest markets, alongside China and Russia, for shell companies sold by Mossack Fonseca, the Panamanian law firm at the centre of the 2016 Panama Papers leak (Cooley and Sharman 2017).

Box 2: The scale of tax related IFFs in Latin America

As noted above, this report focuses largely on IFFs generated from corruption and illegal markets. Nevertheless, tax related IFFs warrant a mention given their estimated scale and impact in the region. Tax related IFFs differ from crime related flows in that they may arise either through legal activities like aggressive tax avoidance or illegal activities like tax evasion through trade mis-invoicing, transfer mispricing and the use of offshore secrecy jurisdictions to shift wealth and profits out of the region.

Cobham et al. (2021) find that Latin America's exposure to this kind of IFF is overwhelmingly imported from outside the region: vulnerability in trade mis-invoicing is dominated by North America and Asia, while vulnerability in investment (both portfolio and direct) and banking channels is dominated by North America and Europe, with over 90% of investment channel vulnerability being traced to OECD member states and their dependencies, and a substantial share of banking liability vulnerability concentrated in the Cayman Islands and the Bahamas (Cobham et al. 2021). Cobham et al. estimate that cross-border tax abuse alone costs the region approximately US$43 billion a year, equal to 20.4% of the region's combined public health budgets.

Earlier analysis by Podestá et al. (2017) estimated that manipulation of import and export prices generated illicit outflows equivalent to 1.8% of regional GDP (around US$765 billion) cumulatively between 2004 and 2013, roughly two-thirds from import overbilling and one-third from export underbilling. According to their estimates, Mexico, Brazil and Costa Rica together accounted for the bulk of outflows which were concentrated in trade with the United States (38% of accumulated flows) and China (19%).

Unlike in Africa, where tax related IFFs are dominated by extractive industries (oil, precious metals, minerals), in Latin America the flows are concentrated in manufacturing sectors tied to global value chains, particularly electronics and automobiles, reflecting intra-firm trade between related parties. The report concludes that the estimated tax revenue lost to these illicit activities amounts to around 0.5% of GDP, or around US$31 billion annually, resources that could be applied to programmes of economic development, health, education and poverty alleviation (Podestá et al. 2017).

Systemic weaknesses in measures to counter IFFs in the region

Efforts to counter IFFs in the region are hampered by weaknesses in AML laws and policies as well as poor implementation. These efforts are specific to each country in the region, and more detail for each of the three case study countries is presented below. Nonetheless, GAFILAT (2025b) identifies common areas across the region in which national anti-money laundering and counter-terrorist financing systems are weak, drawing on the 4th Round of FATF Mutual Evaluations. In particular, it identifies the following as key gaps:

- understanding and assessing risks (especially the terrorist financing risk, which is poorly analysed across the region)
- weak controls for designated non-financial businesses and professions (DNFBPs) and virtual asset service providers (VASPs)
- gaps in beneficial ownership transparency
- underdeveloped risk-based supervision
- weak asset recovery frameworks
- uneven capacity in financial intelligence and prosecution of money laundering

Across the 11 “immediate outcomes” evaluated by FATF, the report finds that the vast majority of countries scored only “moderate” or “low” effectiveness, with almost none reaching “high” (GAFILAT 2025b).

Colombia

IFF sources and mechanisms in Colombia

Organised crime is a key source of IFFs in Colombia. According to the Organized Crime Index, Colombia scores 7.82/10 on criminality, making it the second most affected of 193 countries globally in terms of the scope, scale and impact of organised crime. Criminality is driven mainly by illegal gold mining, the cocaine trade, extortion and financial crimes (GI-TOC 2025a). GFI, meanwhile, identifies drug trafficking, grand corruption and illegal gold mining as the three dominant non-tax related sources of IFFs in Colombia. These IFFs are all closely intertwined, enabled by a large informal economy, an inefficient legal system, weak state presence across large parts of the country and the long-standing operation of illegally armed groups (FARC, ELN, right-wing paramilitaries and criminal gangs) (GFI 2019; GFI 2021). In a similar vein, the Colombian national risk assessment report found that criminal activities that registered the highest money laundering threat were public corruption, narcotrafficking and trade-based money laundering (TBML) (US Department of State 2023).

Box 3: Estimated scale of crime related illicit finance in Colombia

According to GFI (2021), criminal proceeds in Colombia are estimated to amount to between US$6.5 billion and US$16.2 billion per year, of which between US$4.5 billion and US$11.3 billion is laundered annually. This places Colombia among the top locations in the hemisphere for criminal proceeds and money laundering. GFI also reports that Colombia's national risk assessment estimated money laundering to be roughly equivalent to 5.4% of GDP in 2017, while a World Bank study quantified the estimate at US$14.7 billion (cited in GFI 2021). Meanwhile, data from a UNODC pilot in the region estimated inward IFFs from cocaine trafficking from Colombia alone at US$1.2 billion to US$8.6 billion per year between 2015 and 2019. Outward IFFs resulting from cocaine trafficking were estimated at US$227 million on average annually during the same period (UNODC 2023a). Inward flows are much higher than outwards flows as they represent the value of the finished product sold abroad, whereas outward flows represent the cost of imported inputs for the production of cocaine, such as precursor chemicals.

Mirroring the regional trend identified in the previous section, **illegal gold mining** is now believed to have overtaken cocaine as Colombia's most lucrative illicit activity, generating an estimated US$2 billion to US$3 billion per year according to 2021

estimates (GFI 2019). Since the mid-2020, gold prices have soared past US$60,000/kg while cocaine prices fell as much as 73% during the COVID-19 pandemic, making illicit gold mining one of the fastest growing criminal economies in Colombia (GFI 2023). In one documented case, Colombia's then second-largest gold exporter (Goldex) reportedly laundered nearly US$1 billion by falsely registering illegally mined gold, including gold purchased directly from organised crime groups, as legitimate production (GFI 2019). By 2020, 69% of Colombia's gold production was estimated to be illegal, rising to 85% by 2022, with 66% of illegal extraction occurring inside natural parks and forest reserves and illegal operations destroying roughly 500 hectares of forest per day (GFI 2023). Illegal gold mining now affects most of Colombia's mining areas, with over half occurring in protected zones, causing severe mercury contamination especially in Afro-Colombian communities (GI-TOC 2025a).

The 2025 gold price surge (up 30% in 2025 alone) has also directly financed armed conflict. A gold stockpile originally accumulated by FARC has been valued at an estimated US$12 million, providing ever increasing purchasing power for arms and drones as the price of gold increases (FACT Coalition 2025). Colombia's attorney general's office estimates that up to 70% of FARC's total assets were historically held abroad, channelled into real estate, transportation and hospitality via shell companies and fraudulent invoicing (FACT Coalition 2025). Meanwhile, Venezuelan gold is increasingly co-mingled with Colombian exports, obscuring its origin and undermining the effectiveness of sanctions against Venezuela (GFI 2023).

While illegal gold mining has recently become the primary illicit activity in Colombia, IFFs have historically been driven by **drug trafficking**. Although proceeds from drug trafficking fell from over 10% of GDP in 2000 to roughly 1–2% by 2013 under Plan Colombia,[3] cocaine production later resurged to record highs (GFI 2019). As Mexican cartels took control of much of the US distribution chain, Colombian traffickers shifted their focus to other Latin American markets, Europe and Asia Pacific (GFI 2019). Today, Colombia remains the world's leading producer of cocaine, with proceeds laundered through front companies, real estate and, increasingly, cyber-enabled financial fraud (GI-TOC 2025a).

Colombia also continues to experience widespread **financial crime** (including tax evasion) fuelled by high informality and weak oversight, abuse of front companies and real estate to disguise illicit funds and continued exploitation of Panama's financial system by Colombian entities (GI-TOC 2025a). Some of the main channels used for financial crimes are the banking sector, followed by the trade sector, either through TBML or service-based money laundering. The latter typically involves the

[3] Plan Colombia was a joint security and anti-drug agreement between the United States and Colombia from 2000 to 2015.

falsification of invoices for services, particularly professional services and is difficult to detect due to the subjective value of the service rendered (GFI 2021).

Another mechanism used to move IFFs in Colombia is **wildlife laundering**, where illicit actors use legitimate corporate entities (breeding farms, wildlife sanctuaries, commercial traders, seafood companies) to pass illegally harvested wildlife into legal supply chains, disguising its true origin. A primary example is caiman farming, which supplies skins to global fashion markets. Experts estimate roughly one-third of skins exported from Colombia since 1990 may have originated from the wild rather than captive breeding (RUSI 2025).

An important feature of the IFF landscape in Colombia is the **interlinking nature of the above-mentioned sources and mechanisms**, namely organised crime, illegal mining, drug trafficking, smuggling, extortion and human trafficking (GFI 2023). Illegal gold mining, for example, is exploited extensively by armed groups (Clan del Golfo, ELN, FARC) both as a source of revenue and as a channel for laundering cocaine proceeds; drug money is invested in mining operations and gold purchases, and the gold is then given a legal origin through fraudulent miner registrations, front companies and complicit exporters before being sold on international markets (OAS 2022b).

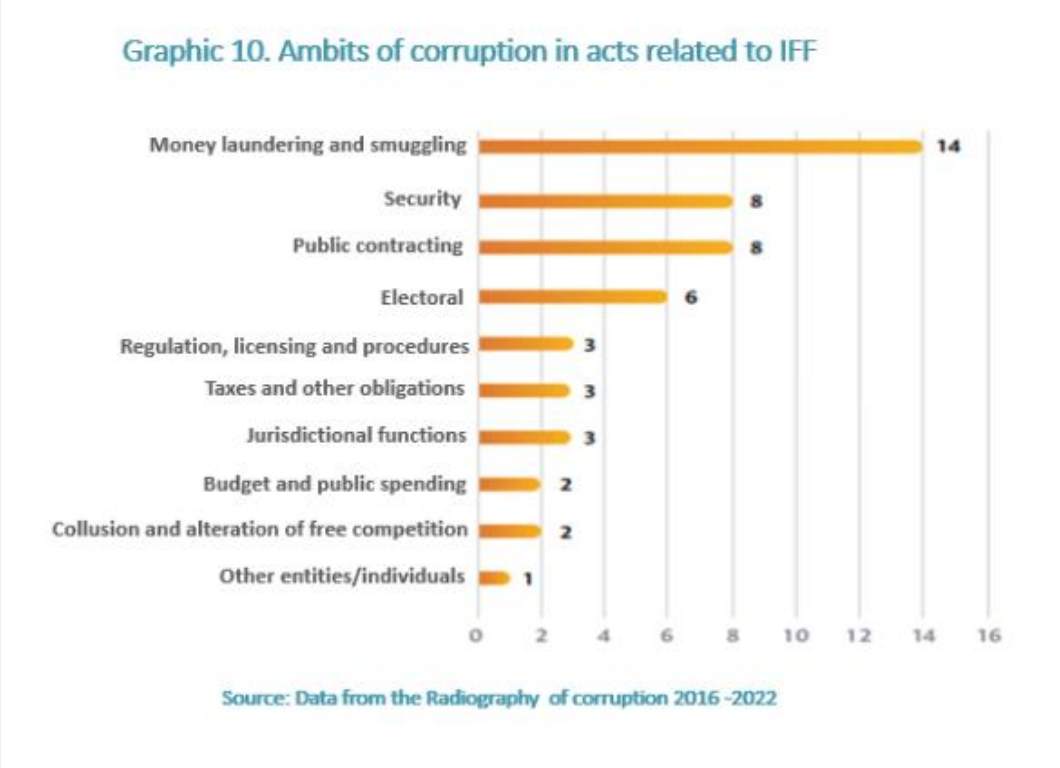
Drug trafficking cartels and armed groups are believed to exploit "legitimate" wildlife industries to launder profits (RUSI 2025). Illicit proceeds in Colombia are laundered mainly through bulk cash smuggling and trade-based money laundering (invoice fraud, counterfeit/contraband goods via ports and land borders). Criminal groups also use money brokers, real estate, wire transfers and remittances, alongside illegal gold mining, which, as noted above, both launders the proceeds of crime and generates new illicit income. There is also a notable convergence between the private sector and organised crime, with construction, tourism, agriculture, transport and entertainment industries providing infrastructure for laundering (GI-TOC 2025a).

Corruption is considered a persistent enabler across these mechanisms, embedded in customs, border control, environmental authorities, police, the armed forces, and local and national politics, with criminal groups often securing electoral influence through illicit financing (GI-TOC 2025a). Corruption costs Colombia an estimated US$13 billion to US$17 billion annually in stolen public funds, equivalent to 60–80% of the 2018 national education and health budget combined (GFI 2019).

Box 4: Corruption-linked IFFs in Colombia

Transparencia por Colombia's Citizen Monitor of Corruption tracks corruption cases reported in the national and regional press. Of the 1,243 cases it recorded between

2016 and 2022, 50 were linked to IFFs. Money laundering and smuggling was the most frequent pattern, followed by cases related to security, public contracting and elections, which reflects the role of illicit economies as well as the links between IFFs and political financing (see graphic below). In 22 of the 50 cases, the funds had an illegal origin (such as the proceeds of corruption or drug trafficking). In 15, the funds were put to illegal use (financing illegal armed groups, illegal campaign financing or bribes). In 13, the transaction itself was illicit (transfers to accounts in secrecy jurisdictions, routing through shell companies or cash smuggling) (Transparencia por Colombia 2024).



Source: Transparencia por Colombia 2024

It is worth noting that these illicit proceeds do not only contribute to cross-border IFFs. Proceeds are often kept onshore and invested in overpriced real estate or political campaigns rather than sent abroad. In other cases, proceeds are routed abroad only to return to the country later. Digital currencies are increasingly used to funnel drug proceeds back into Colombia, even as free trade zones remain relatively well regulated (US Department of State 2023). The Odebrecht/Ruta del Sol II scandal illustrates how bribe payments are laundered. The US$6.5 million bribe paid by Odebrecht to Colombia's vice-minister of transportation was deposited at Banca Privada d'Andorra in the name of a Panamanian shell company, transferred to the bank's Panamanian subsidiary and then partially returned to Colombia, where it was invested in real estate and company shares (GFI 2019).

Impacts on human development in Colombia

GFI's opportunity-cost modelling for Colombia found that the US$2.8 billion lost to trade mis-invoicing alone in 2016 could have provided more than eight times Colombia's four-year development plan spending projection. On corruption, the report notes that funds that would otherwise be invested in education, health, drinking water and sanitation are misappropriated principally at the level of regional and local governments (GFI 2019). It also notes that narcotrafficking and illegal mining proceeds directly fund armed groups that "perpetrate violence, undermine institutions and control other crimes" (GFI 2019).

The Organized Crime Index points to a variety of harms associated with IFF generating activities in Colombia, including forced labour across coffee, strawberry, palm, coal, gold and emerald sectors, as well as child recruitment by armed groups, which has escalated sharply in recent years (GI-TOC 2025a). Mercury from illegal mining, meanwhile, has had devastating consequences for local, especially Afro-Colombian, communities. Indigenous and Afro-Colombian communities are also flagged as particularly affected by both weak state presence and targeted violence against those who report crimes (GI-TOC 2025a). Wildlife laundering, meanwhile, diverts value away from communities and toward illicit intermediaries and foreign operators, while also degrading the natural resource base on which those communities depend (RUSI 2025).

Systemic strengths and weaknesses in the measures to counter IFFs in Colombia

According to GAFILAT, Colombia's system for countering money laundering (and by extension IFFs) is strongest in the areas of (GAFILAT 2018a; GAFILAT 2023):

- risk understanding, with a "reasonable understanding" of its ML/TF risks
- international cooperation, described as proactive, timely and constructive on mutual legal assistance and extradition
- financial intelligence, with the financial intelligence unit (UIAF) found to produce good quality operational and strategic analysis with broad information access
- confiscation, with law enforcement well trained and resourced to trace and recover criminal proceeds, and asset forfeiture applied effectively as a genuine policy priority.

The Organized Crime Index largely supports this analysis, concluding that national policies and laws and anti-money laundering are relatively strong, with international cooperation the strongest pillar, reflecting active participation in the UN Convention against Transnational Organized Crime and bilateral efforts with Ecuador and Brazil on border/environmental crime (GI-TOC 2025a).

At the same time, Colombia has improved governance standards for mining, introduced better traceability and stronger penalties and implemented reforms to the customs/tax authority (DIAN) that replaced politically appointed staff with technocrats (GFI 2019). A former senior Colombian official interviewed for GFI's report estimated that these reforms, combined with stronger enforcement, may have reduced overall contraband smuggling by around 25% compared with 2013 levels. However, enforcement crackdowns have reportedly had a displacement effect, with tighter formalisation of gold mining pushing criminal networks toward outright smuggling (GFI 2019).

Other noteworthy interventions include the government's "Total Peace" initiative (dialogue with armed/criminal groups) and a national anti-corruption strategy, although both face implementation gaps (GI-TOC 2025a). Total Peace, for example, has struggled with ineffective ceasefires and coordination problems. Moreover, while the government has tried to place environmental issues and illegal mining at the centre of talks, this has not been without challenges as, for example, armed forces destroying illegal miners' machinery has sparked local protests. The government has also introduced reform proposals to ease artisanal miners' access to formal mining rights, among other anti-corruption efforts (GFI 2023).

On the other hand, GAFILAT's mutual evaluation report highlights a continued mismatch between the volume and diversity of money laundering prosecutions and the country's actual risk profile, with prosecutions narrowly focused on drug trafficking linked laundering rather than corruption, illegal mining or other major predicate crimes (GAFILAT 2018a). Transparency International's 2026 comparative study of financial intelligence units adds that suspicious transaction report (STR) volumes are particularly low in Colombia, while the UIAF has no power to freeze accounts and law enforcement lacks direct access to UIAF reports, slowing prosecutions (Transparency International 2026). GAFILAT also found that large swathes of DNFBPs (lawyers, accountants, real estate agents, most precious stone dealers) remain outside AML/CFT supervision (GAFILAT 2018a; GAFILAT 2023). Although AML obligations formally extend to non-financial sectors, revenue thresholds limit how far they apply. As a result, smaller firms offering high-risk services, as well as independent professionals, fall outside the regime (Transparency International 2026). A 2021 attempt to make environmental crimes a predicate offence of money laundering failed. Colombia has since adopted new AML and criminal policy plans and

strengthened due diligence over politically exposed persons (PEPs), but oversight of DNFBPs remains under-resourced and weak (US Department of State 2023).

Colombia has had a beneficial ownership registry since 2022[4], with compliance estimated by the tax authority at around 85%. However, a 2025 report by Transparencia por Colombia identified several weaknesses, including the fact that: (i) the registry is not public, and access is restricted to seven authorities; (ii) the information submitted is not systematically verified; (iii) financial penalties for non-compliance are comparatively low; and (iv) the registry is not integrated with other databases such as the public procurement system (SECOP) (Transparencia por Colombia 2025).

Other identified weaknesses include a lack of adequate whistleblower protections (GFI 2021), weak victim/witness support and fragile territorial integrity (GI-TOC 2025a). In particular, Colombia's porous borders with Venezuela, Ecuador, Peru and Brazil, and limited state presence in rural areas, continue to enable organised crime groups to operate largely unchecked (GI-TOC 2025a). At the same time, much TBML linked contraband is sold through poorly supervised informal markets, known locally as San Andresitos (US Department of State 2023).

On the enforcement side, money laundering prosecutions are weak, in part because of a lack of highly trained, specialised staff to work on financial crimes cases (GFI 2021). Limited inter-agency information sharing also reportedly hampers prosecutions (US Department of State 2023). In addition, in many cases, the lesser charge of "illicit enrichment" is sought since it has a lower burden of proof (GFI 2021). In a similar vein, asset forfeiture is often used in place of full money laundering investigations (GFI 2021). As a result, asset forfeiture is severely backlogged, with over 24,000 seized properties and proceedings taking up to 24 years, due to a shortage of judges and courts (US Department of State 2023).

[4] The Registro Único de Beneficiarios Finales (RUB), administered by the tax authority (DIAN).

Guatemala

IFF sources and mechanisms in Guatemala

Research from GFI suggests that the main activities generating criminal proceeds in Guatemala, by order of perceived magnitude, are drug trafficking, corruption, trafficking in persons and smuggling of migrants. Mineral trafficking is not considered to be a significant issue (GFI 2021). A similar analysis is provided by InSight Crime, which posits that drug trafficking by "*transportistas*" moving product for Mexican and Colombian cartels[5] remains the core illicit economy, alongside human trafficking, extortion, arms smuggling, illegal adoptions, environmental crime and money laundering (InSight Crime 2024). According to the Organized Crime Index, Guatemala scores 6.77/10 on criminality (26 of 193 countries globally, fourth in Central America), and organised crime's chief activities include extortion, the cocaine trade, human smuggling, the heroin trade and arms trafficking (GI-TOC 2025b).

Box 5: Estimated scale of crime related illicit finance in Guatemala

Using what it describes as a "consensus range" of 2-5% of GDP, GFI estimates that criminal proceeds in Guatemala amount to US$1.5 billion to US$3.8 billion a year, and that money laundering of these criminal proceeds amounts to US$1.1 billion to US$2.7 billion dollars a year for Guatemala (GFI 2021).

The structure of the **drug trafficking** has evolved over time in Guatemala. The large vertical clans have splintered into smaller groups who share territory with public officials, security forces and politicians. These state-embedded actors can sometimes be as complicit and powerful as traditional traffickers. Land routes through Honduras (carrying cocaine from Venezuela and Colombia) have reactivated alongside traditional maritime routes, especially since 2019–2020. Izabal department is flagged as uniquely high-risk, combining commercial ports, clandestine airstrips, land routes and coca cultivation labs (InSight Crime 2021). Sitting on a major south-to-north trafficking corridor, Guatemala was, until recently, the third-largest opium poppy producer in Latin America, with Mexican cartels expanding into the country to cultivate poppies, facilitated by widespread corruption

[5] Historically the Zetas, but now primarily the Sinaloa and CJNG cartels.

which has reportedly penetrated local and national political, judicial and law enforcement systems at every level (GI-TOC 2023; GI-TOC 2025b).

Guatemala's mountains are one of only four jade sources worldwide, and **illegal jade extraction** has emerged as a new illicit mining economy in Guatemala's Izabal department fuelled by a Chinese investment boom in the stone (InSight Crime 2019). In some areas, entire villages allegedly work in collusion with corrupt local authorities, while legal mining operations stand accused of disregarding environmental standards and using illicit means to overcome community opposition (GI-TOC 2023). At one mine in Izabal, for example, leaked company documents reportedly revealed payments to police, proposals to "buy" community leaders and the surveillance of journalists (Rueckert and Dupont de Dinechin 2022). Even established cocaine clans (including Los Mendoza, Los Lorenzana) have reportedly also diversified into jade (InSight Crime 2019). A core laundering technique appears to be trade mis-invoicing, with jade falsely declared as low-value "serpentine" to bypass export restrictions (InSight Crime 2019). In 2019, police seized 10 tons, worth approximately US$10 million (InSight Crime 2019).

Extortion is also pervasive in Guatemala, with thousands of cases reported monthly, increasingly targeting private individuals via "copycat" groups that emerged during the COVID-19 pandemic[6] (GI-TOC 2023). The origins of extortion go back to Central American youth gangs formed in Los Angeles in the 1980s and deported back to the region en masse in the 1990s–2000s. "*Mano dura*" (or tough-on-crime) policies subsequently backfired by overcrowding prisons, which became organising hubs for gangs to formalise extortion as a revenue stream. In financial terms, Guatemala's extortion economy is estimated at US$33million to US$61 million per year, with one estimate as high as US$60 million to US$400 million (GFI 2022). Guatemala's GAFILAT-CFATF mutual evaluation report found suspicious transaction reports (STRs) tied to extortion totalled only around US$3.7 million, suggesting that authorities are only detecting a fraction of the resulting illicit proceeds (GFI 2022). Furthermore, GFI estimates that only 35% of Guatemalan extortion victims report the crime to authorities (GFI 2022).

A core structural challenge specific to laundering extortion proceeds (as opposed to the proceeds of illicit drugs, for example) is that the bank account owner receiving payments is typically neither the victim nor the perpetrator. Extortionists instead tend to route payments through third-party accounts (often associates, or female/underage family members with no criminal record), which complicates detection for both financial institutions and law enforcement (GFI 2022).

[6] Criminals who claim to be members of established gangs such as MS-13 or Barrio 18 but who are not, and rely on these gangs' reputation for violence to make their threats credible.

GFI has identified a **diverse set of channels to move dirty money** in Guatemala, including the use of banks, political networks, shell companies, construction, infrastructure projects, mis-invoicing, bulk cash smuggling, supermarkets, gas stations and even churches (GFI 2021).

One emblematic case highlights the complex networks used to conceal and move illicit finance in Guatemala. While the case is largely one of domestic money laundering rather than cross-border IFFs, it illustrates how such schemes can involve political figures at the highest levels. As reported by the Washington Office on Latin America (WOLA 2020), Vice President Roxana Baldetti allegedly built a shell company network to launder campaign finance and later kickbacks related to public contracting. According to WOLA (2020) this involved:

- private sector "financiers" funnelling money through shell companies with no real goods/services exchanged
- triangulating funds through multiple frontmen to disguise the true origin of funds in official campaign expense reports to the electoral tribunal
- running a parallel scheme awarding public contracts in exchange for kickbacks

As in the case in Colombia, corruption, or more specifically, **state capture,** is a critical enabler of IFFs in Guatemala. GI-TOC (2023) describes corruption in Guatemala as deeply structural, with state-embedded actors directly participating in drug trafficking, swaying local elections and in some cases running their own drug operations, while mafia-style groups have infiltrated politics, security forces, the private sector and the judiciary. Money laundering by local and foreign companies is believed to involve "billions of dollars each year", often disguised through diversification into legitimate businesses, particularly in agriculture and mining (GI-TOC 2023).

According to InSight Crime (2024), government contracts and appointments are traded for bribes, with drug clans installing political allies (mayors, congress members) to secure public works contracts that double as laundering vehicles. InSight Crime traces Guatemala's IFFs to "illegal clandestine security apparatuses" (CIACS): networks of active/former military, police and intelligence officials rooted in the civil war that evolved into sophisticated corruption and trafficking networks embedded in politics, customs and the judiciary (InSight Crime 2024).

Endemic border corruption is said to enable cocaine and jade trafficking and migrant smuggling (the latter generating "millions, or even tens of millions" in illicit profits) (InSight Crime 2021). In one reported case, a jade smuggling operation involved the systemic bribery of public officials (approximately US$200,000 per month) to bypass mining/environmental regulators. Leaked audio implicated the Izabal governor discussing the "operation" and a possible meeting between Chinese nationals and the president (InSight Crime 2019).

Impacts on human development in Guatemala

The clearest links between IFFs and human development in Guatemala relate to corruption in public services, extortion and the laundering of drug money. Corruption in public contracting has had direct and sometimes fatal consequences. In the IGSS-PISA case in 2015, a contract for haemodialysis services at the Guatemalan social security institute was awarded to a company that did not meet the minimum requirements. Patients died as result, and senior officials were arrested (Acción Ciudadana 2025).

Illicit money also shapes who holds power. CICIG found that around half of Guatemalan political party financing derived from corruption, including 25% from criminal organisations (CICIG 2015, cited in InSight Crime 2015). The rest came largely from government contractors, which the anti-corruption association ACFCS 2015) summarised as money obtained through overpriced and unnecessary public works or through covering up the businesses of groups involved in drug, arms and human trafficking.

GFI estimates that extortion of individuals in Guatemala generates US$40 million to US$57 million a year. Much of this money ends up in financial institutions, laundered through third-party bank accounts and cash intensive local businesses (GFI 2022). Extortion proceeds are also used to bribe police, judges and politicians, fuelling the cycle of corruption. In 2018, Operation Regional Shield 2 led to the arrest of an army colonel accused of laundering MS-13 extortion proceeds, along with a senior police official accused of tipping off gang members (GFI 2022). The burden of extortion falls most heavily on the poor with nearly 15% of Guatemalan households earning less than US$65 a month reporting being extorted (GFI 2022).

The wider harms include slower economic growth, damaged social networks, lost faith in institutions, and displacement and migration (GFI 2022: 1). In Guatemala specifically, extortion victims report lower trust in institutions than non-victims, and half of victims stopped visiting family and friends out of fear (GFI 2022).

Meanwhile drug money laundering is destroying Guatemala's most important forest. In the Maya Biosphere Reserve in Petén, drug traffickers clear protected forest to ranch cattle illegally, which serves as a means to launder money, smuggle drugs and control territory. Illegal cattle ranching accounts for most of the reserve's deforestation, with drug traffickers, not subsistence farmers, chiefly to blame for the forest loss (Devine et al. 2020).

More broadly, WOLA (2020) argues that corruption in Guatemala and its Northern Triangle neighbours has eroded the state's capacity to meet its population's needs, contributing to large-scale internal displacement and migration. It is worth noting

that while some of the proceeds of this corruption are transferred abroad and therefore conceptually fall under the term IFFs, many of the funds never leave the country in which they were generated.

Systemic strengths and weaknesses in the measures to counter IFFs in Guatemala

The 2016 GAFILAT–CFATF mutual evaluation report and its follow-up find Guatemala's AML/CFT system to be "fairly high" in technical compliance, having achieved substantial effectiveness in international cooperation, financial intelligence, and money laundering investigation/prosecution and confiscation (GAFILAT 2016). The financial intelligence unit (IVE) was found to produce good quality intelligence used effectively in both money laundering investigations and asset forfeiture cases (GAFILAT 2016; GAFILAT 2018b). The Organized Crime Index also finds international cooperation to be a relative strong point with Guatemala having ratified various international treaties and having extradited a former president along with major drug traffickers (GI-TOC 2023). That said, international cooperation on asset recovery is described as "complex, slow, and rarely used", hampered by a lack of bilateral treaties and unfamiliarity of authorities in partner jurisdictions with concepts like non-conviction based forfeiture (Acción Ciudadana 2025).

To deal with the specific issue of extortion, the government created a dedicated extortion unit within the attorney general's office in 2009. The unit has since expanded geographically to build better local gang intelligence and improve investigation efficiency. Guatemala's FIU and attorney general's office, meanwhile, have partnered with financial institutions on the "*No prestes tu cuenta*" (don't lend your account) public awareness campaign, targeting the specific third-party account laundering method described above. Guatemala has also introduced specific red flag indicators to help financial institutions flag suspicious extortion linked activity e.g., frequent deposits/withdrawals across different geographic regions, repeated phone numbers linked to multiple bank accounts, rapid same-day deposit/withdrawal cycles, and unusual account activity concentrated in known high-extortion zones (GFI 2022).

On the other hand, risk/policy coordination, supervision, preventive measures and legal persons/beneficial ownership were all rated only moderate (GAFILAT 2016; GAFILAT 2018b). The Guatemalan AML/CFT system also fails to clearly regulate certain types of financial institutions, including microfinance institutions, community credit unions, fintech, mobile money providers and certain remittance payers (GFI 2021). Guatemala's national risk assessment, meanwhile, has not been updated since 2014 (Acción Ciudadana 2025).

Crucially, designated non-financial businesses and professions (DNFBPs) have long been a structural blind spot in Guatemala. Until recently casinos, video lotteries, lawyers and notaries were not subject to AML/CFT obligations or supervision at all (GAFILAT 2016; Acción Ciudadana 2025). However, Decree No. 15-2026 (which entered force in September 2026) consolidates Guatemala's old AML law (from 2001) and counter-terrorism financing law (from 2005) into one comprehensive framework. Crucially, it finally closes the DNFBP gap by bringing real estate firms, vehicle dealers, crypto/virtual asset providers, and lawyers/notaries/accountants (when handling client funds, company formation or real estate deals) under AML obligations for the first time. It also introduces a risk-based approach and dissuasive penalties (fines up to US$300,000; 6–20 years' imprisonment for laundering). According to information provided to the author by Acción Ciudadana, the new legal framework preserves lawyer-client privilege for legal defence/advice purposes but not for transactional work.[7] However, Article 42 of Decree 15-2026 establishes a special regime for lawyers, notaries and certain other professionals, with significantly more limited obligations than those applicable under the general AML framework. These obligations mainly concern registration with the IVE, maintaining basic client records, reporting inconsistencies or unusual transactions, and retaining relevant documentation. While their inclusion as obliged entities represents an important step forward, the limited scope of these requirements raises concerns about the effectiveness of preventive controls, particularly regarding beneficial ownership identification, due diligence and the potential misuse of professional services to facilitate money laundering.

Similarly, until recently, beneficial ownership information on legal persons could not be gathered reliably since companies were not required to collect it from shareholders and information was not made accessible to obliged entities in a timely manner (GAFILAT 2016; GAFILAT 2018b). However, according to information provided to the author by Acción Ciudadana, under the new AML law, obliged entities and professionals must determine which natural person ultimately controls or benefits from a company, account, transaction or legal arrangement.

A separate "transparent suppliers" rule (Government Agreement 133-2024) that requires the disclosure of beneficial owners of government suppliers was challenged as unconstitutional, provisionally suspended in 2025, then upheld by the constitutional court as a legitimate anti-corruption and anti-money laundering tool (Ministerio de Finanzas Publicas 2026). However, at the time of writing, implementing regulations have not yet been published.

[7] For more information on balancing professional confidentiality and anti-money laundering obligations in the legal profession, see Dolan (2025).

Despite the progress on the policy front, questions have been raised about the independence of the superintendency of banks (SIB) and its financial intelligence unit, the special verification intendancy (IVE) (GI-TOC 2023). The SIB's budget is covered by mandatory annual fees paid by the entities it supervises, including banks, insurers and other regulated financial institutions, and the IVE's budget falls within this system as part of the SIB.[8] In addition, the Monetary Board, which approves the SIB's budget, includes a representative elected by the boards of private banks, as established in Article 132 of the Constitution (ConstitutionNet, no date). Industry-funded supervision is an established international practice, and Guatemala's FIU was rated compliant with FATF Recommendation 29 in its 2016 mutual evaluation (GAFILAT 2016).

Specialist law enforcement units exist (anti-narcotics, criminal investigation) and receive US training and support, but reportedly suffer from understaffing, corruption and poor coordination (GI-TOC 2023). According to experts interviewed for a GFI (2021) report, the core problem lies with "corrupt entities co-opting supervision, investigation, and sanction". Acción Ciudadana (2025) states that the judiciary and public prosecutor's office have undergone "progressive capture", with disciplinary and criminal mechanisms used to target independent judges and prosecutors, especially those investigating corruption or money laundering.

A pivotal governance setback was the abolition of Guatemala's UN backed anti-corruption body (CICIG) in 2019. Its replacement, a presidential anti-corruption commission, was criticised as too close to the executive to be impartial (GI-TOC 2023). That commission was itself replaced in 2024 by a national anti-corruption commission, which is reported to suffer from political dependence, a lack of budgetary autonomy and vulnerable to being dismantled with any change of government (Acción Ciudadana 2025). Since the CICIG was dismantled, remaining anti-corruption institutions (the constitutional court, the specialised FECI prosecutorial unit) have come under sustained attack, with the attorney general's office deliberately weakened and "stacked with allies"" turning the judiciary into what InSight Crime (2024) calls "a tool for shielding corruption schemes and persecuting political rivals".

[8] Article 17, Decree 18-2002

Cuba

IFF sources and mechanisms in Cuba

Multiple commentators have observed how financial crime and IFFs in Cuba have different characteristics to many of its regional neighbours due to the unique realities of the country, namely US. sanctions, isolation from the international financial system, substantial government control over the economy and economic scarcity (GFI 2021; Transparency International 2025; GAFILAT 2024; GAFILAT 2015). GAFILAT's 2015 mutual evaluation report of Cuba notes that the financial system is small, unsophisticated and has limited international integration (for instance, there is no securities exchange market) (GAFILAT 2015).

At the same time, legal persons operating in Cuba are mostly state-owned. Thus, while such structures may be attractive vehicles for corrupt officials in the country (see below), shell company abuse is far less attractive to criminals than in more privatised economies (GAFILAT 2015). As a result, Cuba has traditionally been a **comparatively unattractive IFF destination** (Transparency International 2025), with financial crime described almost as a non-issue by international standards (GI-TOC 2025c).

Box 6: Estimated scale of crime related illicit finance in Cuba

GFI estimates that proceeds of crime in Cuba amount to between US$2 billion and US$5 billion per year. Of this, an estimated US$ 1.4 billion and US$3.5 billion is laundered each year (GFI 2021).

However, there have been several incidents in recent years that suggest that Cuba's political economy is far from immune to illicit finance schemes. Research by Transparency International documents a cluster of recent cases (2024–2025) suggesting growing exposure to IFFs (Rodriguez Pratt 2025):

- a Russian mafia network dismantled by Spanish/EUROPOL authorities planning to launder proceeds through Cuban photovoltaic energy investments in exchange for strategic minerals
- repeated undeclared cash seizures from Cuban travellers in Panama (three cases in one month alone, one involving US$25,000 hidden in a book)
- Operation Mayabeque, a US$600,000 cross-border bank fraud/laundering scheme

- a US case moving over US$3.3 million through Panamanian shell companies tied to a Cuba linked individual
- at least 25 offshore companies linked to Cuba's government/military sector, using Swiss intermediaries, nominee directors and trust arrangements to obscure beneficial ownership and divert state funds abroad

Mechanisms for moving illicit funds include the use of shell companies, structured cash deposits, third-party identities, multi-currency layering and triangulation through US and European banks. Reporting has pointed to Panama as a key hub for laundering Cuban (and Venezuelan) illicit funds, exploiting Panama's weak beneficial ownership controls and role as a financial centre (Acosta and Romero 2025).

Research by Acosta and Romero (2025) names specific Cuban state-owned offshore entities[9] exposed in the Panama Papers/Pandora Papers allegedly used to move capital out of reach of the US embargo, and links family members of senior military officials and GAESA (Cuba's military run economic conglomerate) to offshore structures. It also draws a parallel to Venezuela, arguing the two countries' laundering networks increasingly share lawyers, intermediaries and concealment techniques (Acosta and Romero 2025). Another report describes GAESA as running an opaque network structure with subsidiaries incorporated in Panama, Cyprus and Liberia specifically to evade US sanctions, and cites leaked internal accounting showing GAESA held approximately US$18 billion in current assets as of March 2024, with US$14.5 billion sitting in undisclosed overseas accounts entirely outside Cuba's government budget and exempt from state audit (Grafeco 2026).

Domestically, Cuba has a large **parallel black market**, which operates alongside the state dominated formal economy. Key drivers of this economy include:

- state enterprise employees stealing and reselling goods (from gasoline to agricultural produce) into the informal sector
- a dual monetary system that creates arbitrage opportunities, since rationed goods can be resold on the black market at higher prices
- a growing but heavily taxed private sector, where under-reporting of income (tax evasion) is common

Notably, state-embedded actors themselves are flagged as directly engaging in illicit activity, using state-run enterprises for personal profit and intelligence gathering, partly driven by inadequate state salaries (GI-TOC 2025c). **Human trafficking and smuggling** are also significant operations, including allegations that Cuban

[9] Including Técnica Hidráulica S.A. and Corporación Panamericana S.A.

authorities “force or coerce professionals to participate and remain in labour export programmes” (GI-TOC 2025c).

Impacts on human development in Cuba

Research for this Helpdesk Answer did not uncover specific evidence of the impact that IFFs, and outward IFFs in particular, have had on human development in Cuba. The available literature rather indicates how economic conditions in Cuba are conducive to corruption.

A 2025 Helpdesk Answer on corruption in Cuba linked the country’s IFF/corruption dynamics directly to a severe, ongoing economic crisis, driven by the collapse of Venezuelan support, the COVID-19 pandemic, uncontrolled inflation and long-standing structural inefficiencies (Rodriguez Pratt 2025). At the same time, chronic scarcities of food, medicine, fuel and housing have normalised “survival corruption” among public sector workers unable to meet basic needs, particularly in healthcare, education and fuel distribution. The paper also flags that Cuba’s centrally managed dual/hybrid currency system (CUP/MLC) has exacerbated socio-economic disparities and driven partial dollarisation and informal market growth, meaning ordinary Cubans without MLC access are structurally disadvantaged relative to those with access to hard currency (often tied to remittances or state/military linked economic activity) (Rodriguez Pratt 2025).

Systemic strengths and weaknesses in the measures to counter IFFs in Cuba

GAFILAT’s mutual evaluation and follow-up reports credit the country with genuinely strong inter-agency coordination, a capable financial intelligence unit (DGIOF) producing good quality intelligence, and an effective confiscation and asset forfeiture regime (GAFILAT 2015). By the 2024 follow-up, Cuba’s technical compliance ratings were overwhelmingly compliant or largely compliant across the board, with only Recommendation 7 (proliferation financing targeted financial sanctions) remaining stuck at partially compliant as the single unresolved gap (GAFILAT 2024).

The central AML weakness is underuse of AML tools, with a near-total absence of standalone money laundering prosecutions despite decades of criminalisation, and a national risk assessment methodology that did not fully connect identified risks to the response plan (GAFILAT 2024; GAFILAT 2015).

Rodriguez Pratt (2025) notes that, under President Díaz-Canel, a renewed anti-corruption campaign launched in March 2024 has produced high-profile investigations into more than 120 state officials. However, the report notes that enforcement is real but highly selective, concentrated on cases that serve the leadership's political interests rather than functioning as a neutral rule-of-law mechanism (Rodriguez Pratt 2025).

Mapping of ODA supported regional bodies and initiatives to curb IFFs in Latin America

According to GFI (2021), donor and country led efforts to counter financial crimes in Latin America are well balanced across prevention, detection, investigation and prosecution, with strong attention to both legislation and implementation. Based on an analysis of 107 externally supported programmes between 2010 and 2019, GFI (2021) found that most focused on corruption (41%), followed by drug trafficking (21%), trafficking in persons/smuggling of migrants (21%) and mineral trafficking (17%) as the illicit activity targeted. The top recipient countries were Colombia, Mexico, Brazil, Costa Rica, Ecuador and Panama. More than 13 donors were involved, with the US government leading more than 60% of programmes, alongside UNODC, OAS, Interpol, ILO, OECD, EU, GIZ, Norad and the UK government.

Nevertheless, several gaps limit real-world impact, according to GFI (2021):

- bodies like FATF shift priorities (cryptocurrencies, proliferation financing, environmental crime) based on whoever holds the presidency, driving countries to chase moving targets rather than pursue their own national priorities
- interventions are often framed through donors' national lens rather than how the affected country actually experiences the problem
- interventions are often narrow in scope; for example, US programmes treat trade-based money laundering mainly as a drug trafficking issue, sidelining other commodity or trade-based financial crimes
- capacity building is often targeted at senior officials rather than the technical staff who do day-to-day work
- interventions typically have not targeted the multi-jurisdictional cooperation that cross-border crimes require

Amerhauser (2025) similarly finds that that current responses are heavily weighted toward anti-money laundering (AML) legislation and financial sector compliance, and therefore neglect trade-based and informal flows. She highlights weak enforcement, gaps in regulating high-risk non-financial businesses (e.g. precious stone/metal traders) and fragmented and uncoordinated government agencies, among other things (Amerhauser 2025).

Table 1: ODA supported regional bodies and initiatives to curb IFFs in Latin America

Actor	Project	Description
GAFILAT	GAFILAT (Financial Action Task Force of Latin America)	A FATF style regional body bringing together 18 countries across South America, Central America and North America. Created to prevent and counter money laundering, terrorist financing and financing of weapons proliferation. It conducts mutual evaluations of member countries against the 40 FATF recommendations, runs working groups and coordinates regional AML/CFT policy.
IDB	Alliance for Security, Justice, and Development	Launched in December 2024 by 23 IDB borrowing member countries, the alliance is a coordination platform organised around five goals: (i) protecting vulnerable populations; (ii) strengthening institutions; (iii) disrupting financial flows/illicit markets; (iv) generating shared knowledge; and (v) scaling evidence based interventions. Backed by US$4 billion in expanded IDB security financing (announced in August 2026) and a rapid response task force now partnered with INTERPOL.
	Support for integrity policies and control of money laundering and financial flows (Aug 2025–)	US$400,000 IDB technical cooperation grant aimed at: (i) strengthening institutional capacity for AML prevention and asset recovery; (ii) supporting digital tools for public integrity/auditing; (iii) generating studies and knowledge exchange on transparency and integrity.
	Regional support to combat migrant smuggling (Aug 2024–)	US$220,000 technical cooperation supporting Bolivia, Colombia, Ecuador, Peru (Andean Community) to build a roadmap against migrant smuggling, with a gender/generational/intercultural lens. The programme focusses on trafficking of people rather than IFFs per se.
OAS	Prevention and Combat of Illicit Financial Flows (2023 -)	This programme provides training and technical assistance on the prevention and curbing of financial flows associated with transnational organised crime, with the support of the government of Italy and in collaboration with the *guardia di finanza*. It aims to strengthen the capacities of security, criminal prosecution and financial intelligence professionals in OAS member states in financial and asset investigation methodologies.

		The programme trained officials in Colombia, Ecuador, Peru, Guyana, and Suriname to detect and prosecute money laundering tied to illegal gold mining. Activities included situational diagnoses, national task forces against illegal mining, judge/prosecutor training on AML and mining law and a regional informal network.
	Confiscation, management, administration and liquidation of assets (BIDAL, 2008–2024)	The programme was designed to support Argentina, Chile, Uruguay, El Salvador, Dominican Republic, Brazil, Paraguay and later Costa Rica to build systems to seize, manage and dispose of criminal assets.
	Recovery of assets linked to money laundering and corruption — Colombia (2021–2025)	This programme sought to improve the capacity of Colombian prosecutors and specialised money laundering investigation units to produce better financial intelligence and identify, seize, forfeit and manage illicit assets.
EU	EU Global Facility on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)	The EU AML/CFT Global Facility provides demand driven support to third countries based on the deficiencies in their AML/CFT regimes. Examples from the region include: **Colombia:** bilateral technical assistance launched March 2023 after Colombia requested help, especially on beneficial ownership. Activities include e-training on virtual-assets risk assessment and beneficial ownership workshops run jointly with GAFILAT/IDB. **Cuba:** bilateral technical assistance since 2025, including training on FATF statistics and AML/CFT reporting, as well as participation in regional conferences on beneficial ownership and money laundering prosecution.
	EL PAcCTO 2.0 (Nov 2023 – Dec 2027)	EU-LAC's Partnership on Justice and Security is a €58.8 million programme implemented by a consortium of EU member state agencies (Spain's FIIAPP, Italy's IILA, Portugal's Camões, France's Expertise France/Civipol, Netherlands) across the full criminal justice chain in 16 Latin American and 15 Caribbean states. Objective 2 explicitly targets AML frameworks, asset recovery mechanisms and

		organised crime related corruption. Objective 3 covers operational cooperation with EUROJUST/EUROPOL.
	Global Illicit Flows Programme (GIFP)	An EU umbrella funding programme launched in 2019, merging the earlier Cocaine Route and Heroin Route Programmes. It funded a portfolio of sub-projects (AIRCOP, SEACOP, CRIMJUST, COLIBRI, CORMS/MASIF, EU-ACT, ENACT) countering organised crime and illicit flows (narcotics, arms, wildlife and illicit finance) across trafficking corridors globally, including Latin America and the Caribbean. As of June 2026, the GIFP was retired and its portfolio absorbed into the EU's new Global Threats Programme under its "fight against organised crime" area.
	EU-LAC Alliance for Citizen Security	A political joint declaration signed in Santa Marta, Colombia (in November 2025) by the EU and 18 LAC states committing signatories to strengthen financial intelligence, asset tracing/recovery, anti-corruption efforts and border/maritime security. It builds on EL PAcCTO 2.0, EUROFRONT and the GIFP as its operational vehicles.
	EUROFRONT	EU–Latin America cooperation programme funded by the European Commission improving integrated border management at 4 pilot crossings across 7 countries. The programme focusses on countering human trafficking/ migrant smuggling rather than IFFs specifically.
IMF	AML/CFT thematic fund (2009–currently phase III)	This is the IMF's flagship global capacity development vehicle for AML/CFT, funded by 12 donor partners (approximately US$30 million). The programme delivers technical assistance via modular (multi-year, country specific) and thematic (short, targeted) engagements in the form of national risk assessments, legal drafting, risk-based supervision, FIU strengthening, and dedicated beneficial ownership and virtual-assets workstreams. The programme has provided support in 5 Latin America countries, including supporting risk-based approaches to AML/CFT supervision in Guatemala.
UNODC	CRIMJUST	CRIMJUST is a global programme launched 2016, and now in its third phase, funded by the EU's GIFP and implemented with INTERPOL. The programme focusses on post-seizure investigations helping

		countries – including those in Latin America and the Caribbean – go beyond drug/asset seizures to dismantle organised crime networks and pursue high-level criminal targets.
GIZ	Combating illicit financial flows in Latin America (ImpactaIFF), 2025–2028	This is a German BMZ funded regional project (Ecuador, Mexico, Peru) delivered in partnership with GAFILAT. The project uses a "follow the money" approach spanning prevention, financial investigation, and asset recovery. At the regional level, the project strengthens GAFILAT's strategic capacity ahead of the 5th mutual evaluation round and its asset recovery network (digital tools, cross-border cooperation). At the national level, it promotes best practices on money laundering (including virtual assets) in the three focus countries, plus private sector training via the Alliance for Integrity.
DAI	Tackling Illicit Financial Flows in Latin America (TIFF), 2022–2026	This UK funded (Integrated Security Fund) programme covers Colombia, Ecuador, Peru and Panama. It provides technical/methodological support to prosecutors' offices and attorney general offices (Ecuador, Colombia) to investigate/prosecute IFFs and corruption, and aims to strengthen FIUs regionally.

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