

THE 4-4-2

4 NEWS – 4 GLANCES – 2 QUESTIONS ECONOMIC BULLETIN

Fighting Illicit Financial Flows (IFFs) in Cabo Verde

APRIL 2022

INTRODUCTION

The 4-4-2 aims at sharing, at the end of each month, some punctual insights from calculations and analysis made in the past weeks by the UN and its partners on economic development and SDGs. It will stay away from subjective analysis, to focus on objective data, most of them published by the National Statistics Office and the Central Bank.

In this issue:



4 NEWS OF

LAW ENFORCEMENT BEING
STRENGTHENED



4 GLANCES AT

THE MULTIPLE FACETS OF
COMBATTING IFFS



2 QUESTIONS TO

AMADO PHILIP DE ANDRÉS
REGIONAL REPRESENTATIVE,
UNODC REGIONAL OFFICE FOR
WEST AND CENTRAL AFRICA



4 NEWS OF ...

Law enforcement being strengthened

Illicit Financing Flows peaked in 2020 and decreased in 2021



115 new suspicious money laundering operations were reported in 2021, 23.5% less than 2020 but 49.5% more than 2019

(Source: Financial Information Unit)



The Public Prosecutions Office registered 13 new cases related to the crime of money laundering in 2020/2021, a decrease by 23.5% compared to previous year

(Source: UNODC)

Addressing them remains a top priority



An assessment Of Money Laundering and Corruption Risks and Vulnerabilities was carried out in Cabo Verde in January 2021

(Source: Attorney General's Office)



The 8th Annual General Assembly of the ARINWA - West African Asset Recovery Network was held in Praia in November 2021

(Source: Annual Report of the Public Prosecutor on the Justice System)

Highlights from the Official Gazette in 2021

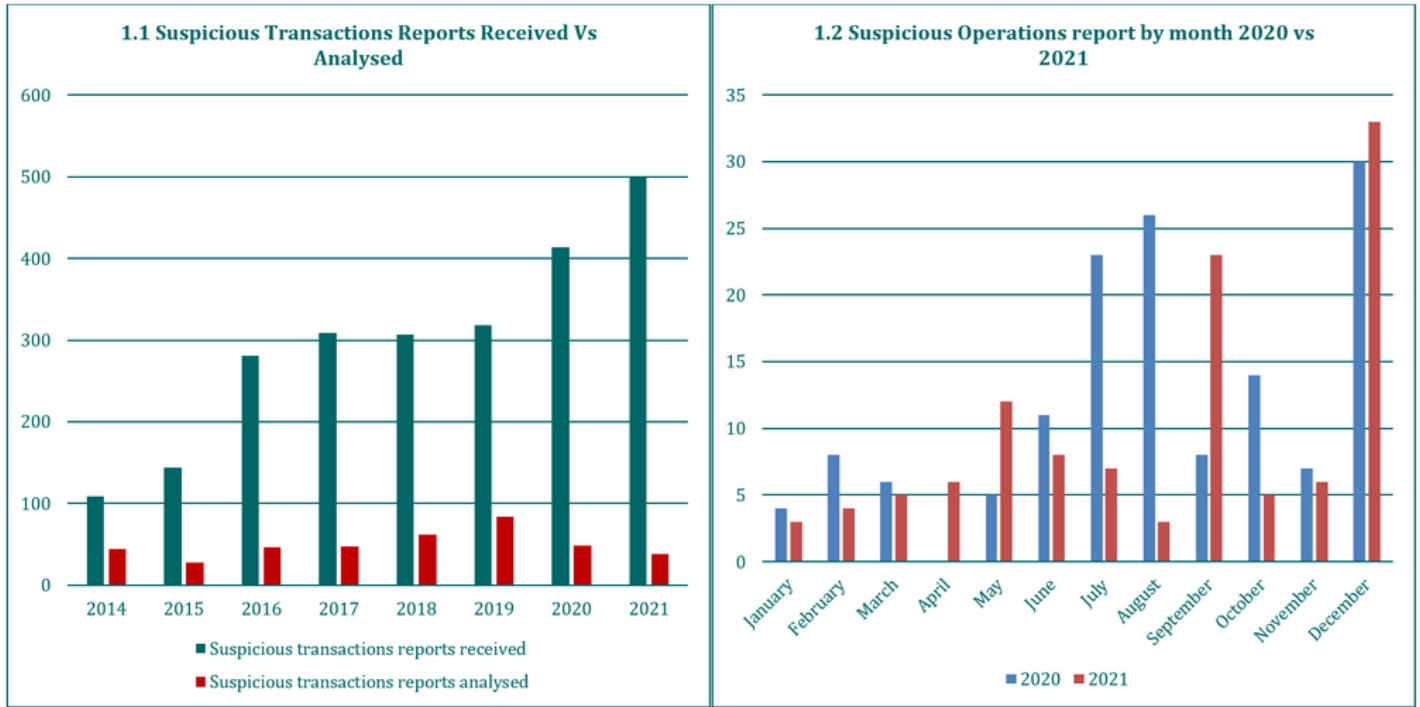
- The maintenance in the Ministry of Justice of the Commission for the Coordination of the Fight against Organized Crime and the reinforcement of the Directorate General for Justice Policy, both departments with competencies in the field of money laundering and terrorist financing. (Decree-law no.77/2021 of 10th November - [BO n° 111, I Series](#))
- In the non-financial sector, the maintenance of the Department for the Regulation and Supervision of the Construction and Real Estate Market in the Ministry of Infrastructures, Territorial Planning and Housing, with powers to analyse the content of the mandatory communications foreseen in the legislation that establishes measures to combat money laundering and the financing of terrorism. (Decree Law No. 62/2021, of 29 September - [BO 93, I Series](#))



4 GLANCES AT...

The multiple facets of combatting IFFs

Illicit Financing Flows treatment is growing yet limited



Glance #1

Illicit financing flows (IFFs) include any financial transfer from an illicit source or with an illicit destination. Examples of IFFs by source include fraud, money laundering, bribery, drug or person trafficking or tax evasion. IFFs by destination include financing terrorism or other illicit activity. Despite the increasing number of reports of suspicious transactions in Cabo Verde over the last 7 years, a limited share of these reports has been analyzed. The increase in reporting between 2014 and 2019 is probably due to more awareness and reporting capacities than to an absolute increase. In 2020 and 2021, the crisis may have triggered and maintained an increase in Illicit Financing Flows. In the last two years, reports have been concentrated in two “rush hours” in the middle and at the end of the year, making harder to analyze them.

Sources: Financial Information Unit for the graphs

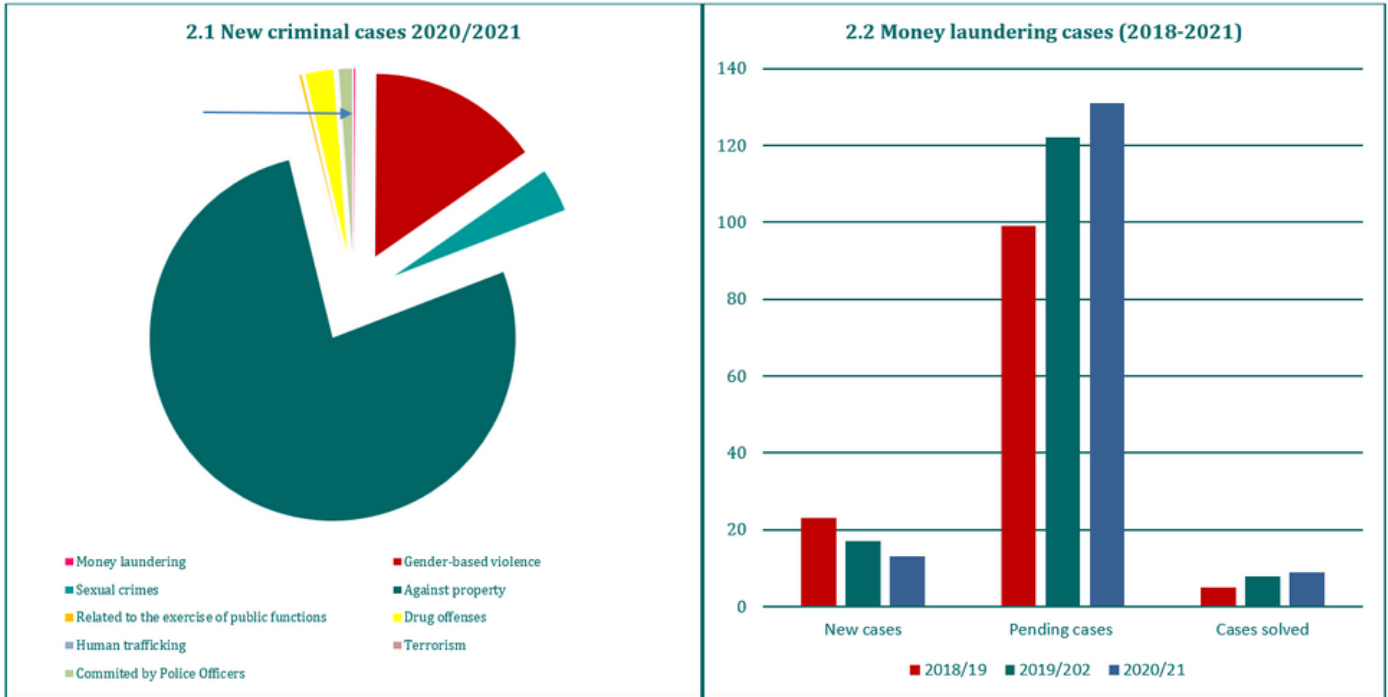




4 GLANCES AT...

The multiple facets of combatting IFFs

Money laundering cases are decreasing but piling up



Glance #2

The crime of money laundering represents but a tiny portion (0.1%) of new records in the Prosecutor General's Office in the judicial year 2020/2021, and new cases have been decreasing since 2018. However, there is a clear tendency to accumulate cases from previous years and a low percentage of solved cases. The number of solved cases is slightly increasing, though, and the crimes of money laundering solved represents a higher share of the total of crime cases solved (0.3%). The decrease in new cases and the increase in cases solved reflect an effort to better tackle this issue and is embedded in a broader process to improve financial management and domestic resource mobilization, the one main source of SDG financing.

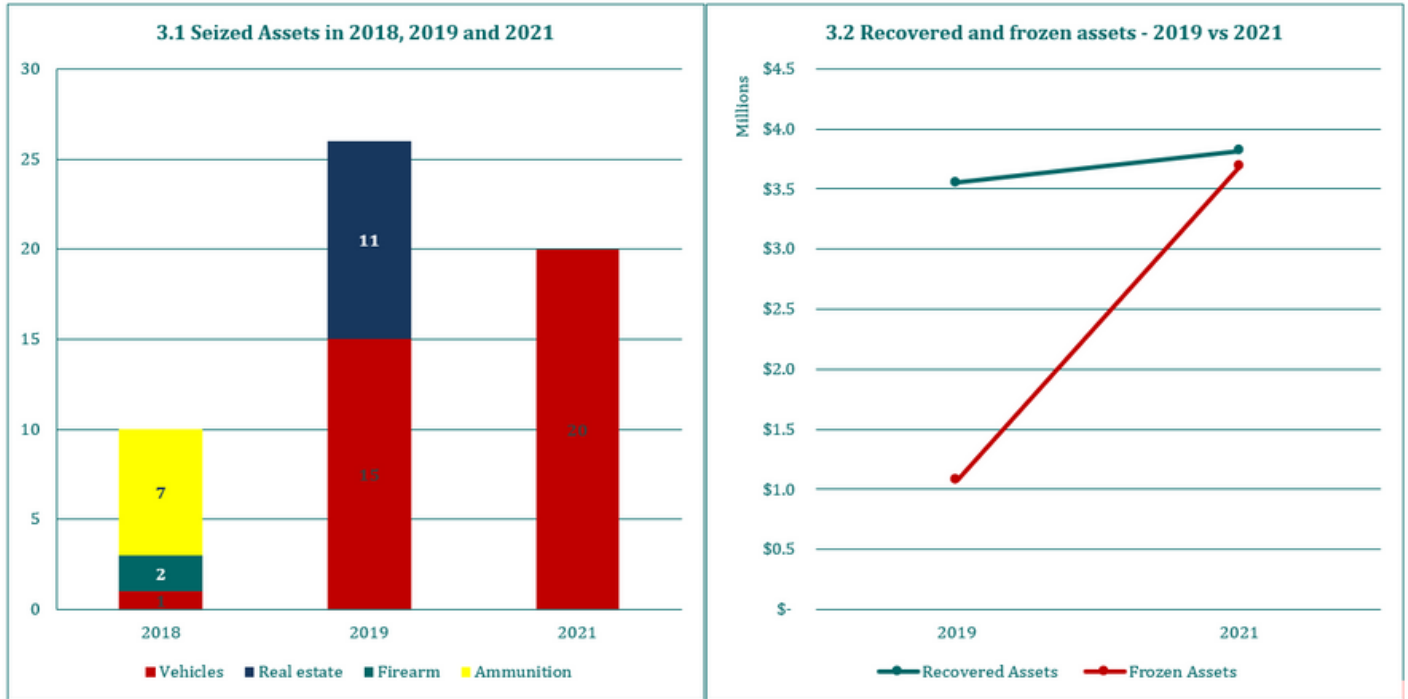
Source: Annual Report of the Public Prosecutor on the Justice System (2020/2021)



4 GLANCES AT...

The multiple facets of combatting IFFs

Asset recovery can provide fiscal space, and is (slowly) evolving



Glance #3

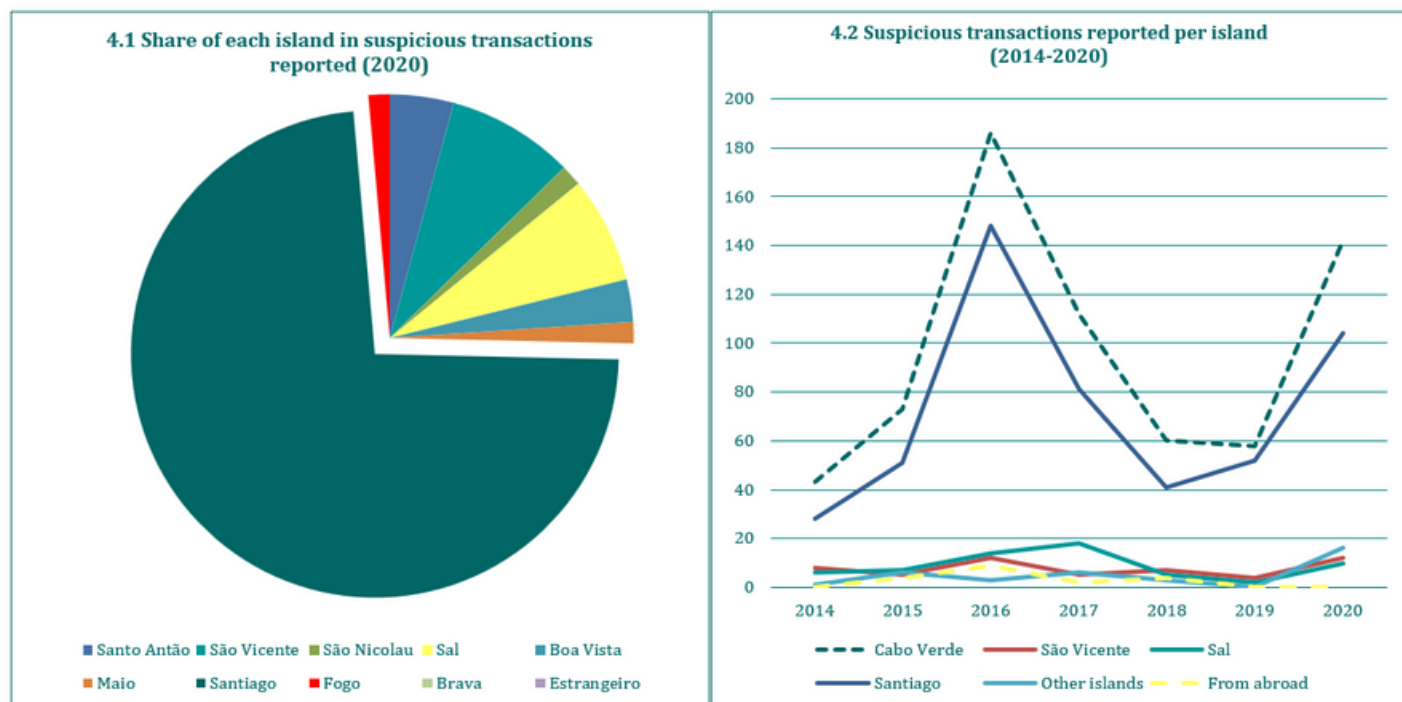
The number of assets seized was reduced between 2019 and 2021, so did their diversity. Despite this decrease, the volume of seized assets doubled over the last three years. In terms of value, both assets frozen and recovered experienced an impressive improvement between 2019 and 2021. The value of frozen assets more than tripled and the value of recovered assets increased by 7.4%. As has been made clear by the challenging implementation of recent sanctions against Russian oligarchs, identifying who (really) owns the assets and recovering them is many a time a “tour de force”. However, the potential it represents to create fiscal space in a complicated context of multiple crises, makes improvement of assets recovery an important development solution.

Source: Judicial Police - Asset Recovery Office, 2022

4 GLANCES AT...

The multiple facets of combatting IFFs

Local, national and regional dimensions of IFFs



Glance #4

The island with the highest number of transactions reports in 2020 is Santiago, the largest island, with a contribution to the country’s GDP dwarfing other islands’, and where the capital is located. The only two other significant contributors to suspicious transactions reported are the second and third islands by GDP: Sao Vicente and Sal. Santiago was not the sole responsible for the surge in suspicious transactions reported in 2020, and Sao Vicente, Sal and other islands saw their share increasing in the last couple of years. At regional level, UNCTAD estimates that curbing annual capital flight from Africa could bridge half of the SDG financing gaps.

Source: Financial Information Unit for the graphs ; UNCTAD, [Tackling Illicit Financial Flows for Sustainable Development in Africa](#) for SDG financing gaps

2 QUESTIONS TO...

AMADO PHILIP DE ANDRÉS, REGIONAL REPRESENTATIVE, UNODC REGIONAL OFFICE FOR WEST AND CENTRAL AFRICA



WHAT IS THE VOLUME OF ILLICIT FINANCIAL FLOWS IN AFRICA AND IN CABO VERDE?

All over the world financial resources are moved out of the countries where they were collected in violation of national and international legal provisions. A recent report of the Economic Commission for Africa[1] estimated that losses related to IFFs in Africa would approach USD 89 Billion.

It is difficult to assess the exact volume of IFFs in Cabo Verde, as only a fraction of suspicious transaction is reported, and the treatment of the new cases is relatively slow, and the lack of statistical indicators on IFFs reduces clarity about how large these flows are, where they originate from and what consequences they have on institutions and economic activity.

In accordance with the recommendations included in the first Mutual Evaluation Report of 2007, the Financial Intelligence Unit was created as a financial intelligence service, operating within the Central Bank, and qualified

as a national center for the collection, analysis and dissemination of information on possible money laundering or terrorist financing activities.

Starting in 2002, the legal system was progressively installed to prevent and repress the crime of money laundering, and now includes a system for detecting and investigating suspicious transactions (STRs) and a system for carrying customers due diligence (CDD).

In 2020, the Interministerial Commission for the Coordination of Policies to Prevent and Combat Money Laundering and the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction was established. Nevertheless, much work remains to be done. The challenge remains to have the financial resources to meet the needs already identified in this area.

[1] UNCTAD, [Tackling Illicit Financial Flows for Sustainable Development in Africa](#), 2020

HOW THE REDUCTION OF THESE ILLICIT FINANCING FLOWS CAN CONTRIBUTE TO SUSTAINABLE DEVELOPMENT?

The negative impact of IFFs on sustainable development financing is also well known in the African continent, and Cabo Verde is no exception. Cabo Verde is demonstrating its strong commitment to combating the IFF that is considered to undermine the capacity of the country to provide the necessary financing for development and social expenditure.

In this sense, the mobilization of domestic financial resources continues to be essential for the achievement of Sustainable Development Goals in Cabo Verde, namely combating threats to achieve health, education, access to clean water, sanitation, housing, security and justice for all and promoting sustainable peace and well-being, even more so in a context of multiple crises that cause fiscal space to shrink, hampering public investments in sustainable development.

Therefore, strong national, regional and international partnerships are essential to ensure that the country reclaims its resources and repositions them for sustainable development.

Cabo Verde has made relevant achievements in the fight against IFFs, namely through the adoption of legal and

institutional frameworks to prevent and fight against money laundering, terrorist financing, corruption and to recover and manage proceeds of crime. The country has acceded to the United Nations Convention against Transnational Organized Crime and its three Additional Protocols. Cabo Verde has also taken up membership in a chapter of the Financial Action Task Force (FATF) and is a member of Inter-Governmental Action Group against Money Laundering in West Africa (GIABA).

In Cabo Verde, the intensification, from 2012 onwards, of the repression of illicit drug trafficking and the improvement of the levels of supervision and financial vigilance have led to the confiscation of the traffickers' material assets in favour of the State. The current headquarters of the Drug and Alcohol Control Commission, the Armed Forces, the Border Police and the Attorney General's Office are presented as paradigmatic examples in this sense.

In 2019, total assets recovered amounted to CVE 343.848.754 (3.5 million USD), with the value in 2021 rising to CVE 369.166.396 (3.8 million USD).



Credits:

Publication of UN Resident Coordination Office (RCO) - Cabo Verde
Coordination: Ana Graça, Resident Coordinator
Content, Analysis and Interview: Sebastien Vauzelle, Senior Economist, RCO
Cristina Andrade, Senior Coordinator of the UNODC Programme Office Cabo Verde
Officer-in-Charge (OiC) of the UNODC Programme Office Guiné Bissau,
Solange Ramos, Senior Law Enforcement Advisor, UNODC Cabo Verde
Graphic Edition: Anita Pinto
Photos: UNODC Cabo Verde, Photo 1 Dexam Sabi Cabo Verde



caboverde.un.org



onucv



uncaboverde



uncaboverde