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Good afternoon Chairman Whitehouse and distinguished Members of the Caucus. It is an honor to join you today to outline how the United Nations Office on Drugs and Crime (UNODC) is helping countries around the world to effectively address drug trafficking and related financial flows and corruption.

BACKGROUND ON UNODC

First, a bit about my agency.

UNODC is a specialized office of the UN secretariat, established in 1997 by the Secretary-General to merge the then-separate UN entities that focused on drugs and crime, respectively. The merger enhanced the UN’s capacity to address the interrelated issues of drug control, crime, including corruption, and international terrorism.

UNODC is unique in its field, as our mandates include a combination of policy, technical assistance, and data/research.

Policy: We are currently guardians to the most significant global treaties relating to crime, drugs and corruption, particularly the United Nations Convention against Transnational Organized Crime and its three protocols (against trafficking in persons, smuggling of migrants and trafficking in firearms); the United Nations Convention against Corruption; and the three international drug control conventions. In addition, we are secretariat to the major UN policy processes related to crime and drugs, including the UN Commission on Narcotic Drugs (CND), which is the prime global forum for establishing political commitments and sharing latest trends and practices.

Expertise and Presence on the Ground: Our technical assistance work spans a wide range of activities. We currently have a presence in 124 countries, with most of our staff based in the field working with governments and other stakeholders -- from the private sector to civil society and academia -- to support and facilitate progress in tackling serious crimes, corruption and drug-related activity. We have direct access to main beneficiaries through global, regional and national programmes and projects.

Data/Research: UNODC has a professional research branch that is involved in compiling several flagship global publications, as well as numerous others targeted to regions and countries. Among them, we publish the annual World Drug Report, which provides

important data and trends in drug use, production and illicit trade and flow of drugs, and provides analysis on several cross-cutting issues related to the world drug problem.

By the way, UNODC's work is 94 percent funded by donors, and we rely heavily on tapping experience and expertise from governments around the world. In both these areas, the United States remains a most critical donor and partner.

I would like to take this opportunity, given their presence at today's hearing, to thank particularly the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) for its longstanding policy, substantive and financial support for many key areas of our work. We are also extremely grateful for the invaluable expertise and experience contributed regularly by the U.S. Department of Justice to our activities in Vienna and around the world.

PROMOTING HOLISTIC ANTICORRUPTION REGIMES: THE UN COVENTION AGAINST CORRUPTION

There is a science to fighting corruption.

Developed over decades, an effective anticorruption regime consists of actions taken by many stakeholders on a number of different fronts.

For example, governments must ensure ethical standards among civil servants, ensure proper financial controls, allow for checks and balances, among many other actions.

At the same time, the private sector must also ensure ethical standards among employees, create values-based systems, and ensure proper financial controls, among many other actions.

And at the same time, civil society has an oversight and advocacy role, in addition to its own role in promoting integrity internally.

In fact, the wide-ranging set of commitments found in the UN Convention against Corruption are based on such a holistic anticorruption regime, with commitments relating to prevention, criminalization, international cooperation and asset recovery.

One way to fight corruption generally is to ensure effective action is being taken on all these fronts, and that there is a viable and holistic anticorruption regime within a specific country, involving all actors.

But in addition to promoting holistic anticorruption regimes, we need to understand different contexts of corruption and target measures that are tailored to combating and preventing corruption in those specific contexts.

HOW UNDERSTANDING DRUG AND FINANCIAL FLOWS CAN HELP IDENTIFY CORRUPTION POINTS

Using our unique vantage point of policy, presence around the world and professional data gathering and research, I would like to share how we try to build our knowledge about illicit drug flows and related corruption – and what we are doing to address it. It is a jigsaw puzzle for sure, but we are continually trying to add pieces to the puzzle through our work and experience with partners around the world.

UNODC, with data from governments and others, is **fairly good at identifying flows of illicit drugs around the world**. Every year, we use a range of data to review the latest evidence regarding the supply and smuggling of drugs. All is analyzed and compiled in our annual flagship World Drug Report¹ The details of such flows for various drugs and precursors -- such as cocaine, heroin, methamphetamines and fentanyl -- and how these flows have changed over the years are well known to this Caucus, so I will not take the time to repeat them here.

We are **also beginning to gain useful expertise on estimating illicit financial flows between countries linked to drug flows**. UNODC's work to date has primarily been methodological in nature, but we are starting to use this methodology to identify and track dollar amounts.

As a custodian agency of the UN Sustainable Development Goal 16.4 that calls on countries to significantly reduce illicit financial flows and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime by 2030, UNODC has, in cooperation with the United Nations Conference on Trade and Development (UNCTAD) developed methodological guidelines to measure illicit financial flows (IFFs) from selected illegal market activities, including from trafficking along the northern route.² In addition, UNODC leads technical assistance projects to test the guidelines and measure illicit financial flows in selected countries of Latin America and Asia-Pacific and conducts regional studies on illicit financial flows dedicated to specific illegal activities.

Our piloting to date has included analyzing financial flows related to illicit drug movement from Colombia and Mexico to the United States. Through the triangulation of datasets on drug production, consumption and seizures from all concerned countries, it has been possible to estimate illicit financial flows related to drug trafficking from Mexico to the United States. For example, trafficking in heroin, cocaine and methamphetamine are estimated to have generated a combined annual average of \$12.1 billion in IFF's into Mexico during the 2015-2018 period. This is equivalent to the average annual value of total Mexican agricultural exports in the same period. According to the pilot study, the heroin market is the most lucrative of the three, generating average annual inward IFFs of \$4.8 billion in the same period, reaching a peak of \$5.3 billion in 2017. Inward IFFs related to cocaine trafficking reached an annual average of \$4.5 billion, reaching a peak of \$5.3 billion in 2017, and those related to the methamphetamine market reached an annual average of \$2.4 billion in the same period.

How does all this relate to corruption?

Understanding the flow of illicit drugs can help us identify where there may be high-risk points for corruption. When we know that drugs take a certain path from the source to the United States or other destinations, then we can start to dig deeper to identify where corruption may facilitate those flows. Where drugs move by land, there may be government officials, including border authorities and law enforcement officials along the way, who may be exposed to greater corruption risks. Along the cocaine trafficking route from South America to Europe, for example, we are seeing that bribes are paid to obtain false documents, avoid baggage checks, obtain confidential information on law enforcement interdiction measures, and secure safe passage for drugs across borders. Organized crime

¹ <https://www.unodc.org/unodc/en/data-and-analysis/wdr2021.html>

² https://www.unodc.org/documents/data-and-analysis/statistics/IFF/IFF_Conceptual_Framework_FINAL.pdf

groups frequently use corrupt practices also to recover drugs seized and placed under the custody of law enforcement authorities.

In addition, understanding illicit financial flows related to drug flows also helps supplement our knowledge of high-risk points for corruption. While money laundering is used to move and hide corrupt proceeds, corruption can also help fuel the laundering of proceeds generally of illicit drug activity. So we need to understand how corruption can facilitate bulk cash flows and trade-based money laundering. We can predict with confidence that the proceeds of crime and corruption will seek to exploit the anonymity of cryptocurrencies and corporate vehicles, and we further need to understand how corruption might facilitate these avenues.

The Financial Action Task Force and other international actors have developed typologies for money laundering in specific situations, including related to drug flows, and these can be useful to add to the knowledge base. We are also trying to gather knowledge through our work in over 100 countries.

WHAT IS UNODC DOING TO ADDRESS CORRUPTION RELATED TO DRUG FLOWS

Through a number of UNODC programmes, we are specifically targeting corruption risk points that are common to many drug flows.

- UNODC's **CRIMJUST Programme** was initiated in 2016 with the initial objective of strengthening criminal investigation and criminal justice cooperation along the cocaine trafficking route. The program initially supported seven Latin American and Caribbean countries (Colombia, Peru, Bolivia, Argentina, Brazil, the Dominican Republic and Panama) and four West African countries (Nigeria, Ghana, Cape Verde and Guinea Bissau), but has been expanded to four additional countries in Latin America and the Caribbean (Mexico, Ecuador, Paraguay and Uruguay) and eight additional countries in Africa (Benin, Togo, Cote d'Ivoire, Senegal, The Gambia, Morocco, South Africa and Mozambique). CRIMJUST has evolved in its thematic focus over the past years and now aims to support and promote criminal justice cooperation along drug trafficking routes, regardless of the drug type or the route, and has placed stronger emphasis on promoting criminal justice strategies to disrupt and/or dismantle the organized crime groups responsible for the trafficking. The program specifically addresses the cross-cutting issue of corruption through an integrity component aimed at drug law enforcement units and judicial authorities. UNODC's assistance aims to build capacity and supervision, strengthen internal and external accountability and oversight, implement effective reporting mechanisms and provide tools for effective corruption risk assessment and management. Activities also focus on individual integrity through training on rules and regulations, standard operating procedures, codes of professional conduct, staff management and disciplinary procedures. Given this programme has been primarily funded by the European Union, we have mainly targeted source, transit and destination countries in Latin America, through the Caribbean and Africa to Europe.
- Several other UNODC programmes have also allowed us the opportunity to identify and target corruption risk points relating to flows between borders. For example, our **UNODC Container Control Programme (CCP)** is primarily geared towards helping airport and seaport authorities stop the flow of illicit goods, including drugs, via containers and cargo. Our **AIRCOP** programme does the same for illicit goods and financial flows

involving passengers. Through these programmes, we are active in 99 seaports and 26 airports throughout the globe. Our experts use their local knowledge to help identify corruption risk points and address them. They have delivered ethics and integrity training and procedures to the police and customs units at airports and seaports in West Africa, Latin America, the Caribbean and the Middle East. We partner with the World Customs Organization and INTERPOL in this work.

- Our **Global Programme on Money Laundering** has developed a series of trainings related to investigating movement of funds via cryptocurrencies. We have also developed a guidebook and courses on Financial Disruption.
- Not surprisingly, prevention is a huge part of the fight against corruption. UNODC provides assistance and substantive guidance **to anti-corruption authorities, supreme audit institutions, procurement bodies and other oversight bodies** on measures to mitigate risks of fraud and corruption as well as to reinforce oversight, accountability and monitoring mechanisms. UNODC also supports governments and institutions to establish and **strengthen effective reporting mechanisms that ensure high levels of confidentiality**, including through the use of information technology or digital platforms to process whistle-blowing reports. We also need to **address the use of corporate and related vehicles** that facilitate anonymous movement of funds through strengthening mechanisms to identify and track beneficial ownership.
- We have also established a series of **Regional Platforms** to fast-track implementation of the UN Convention against Corruption, including the Regional Platform for South America and Mexico. The Regional Platforms are comprised of targeted countries of the same region that jointly identify regional anti-corruption priorities, based on an analysis of needs. Each Platform has produced a Roadmap of activities designed to advance countries' efforts to implement UNCAC. The experts from South America and Mexico identified four priority thematic areas for attention: (1) building integrity systems with a focus on conflicts of interest as well as income and asset declarations; (2) promoting corporate compliance; (3) strengthening whistle-blower protection; and (4) promoting international cooperation.
- Related to these Regional Platforms, UNODC is in the process of establishing **Regional Hubs** of anti-corruption advisers and experts who will help address these technical assistance needs throughout the Latin America and Caribbean region. This will allow us to group staff with diverse and complementary expertise and provide an environment for deploying field-based teams consisting of different levels of seniority and expertise. This approach is also designed to respond more rapidly to increasing requests from States for guidance, technical support and capacity-building for the investigation and prosecution of complex multi-jurisdictional corruption cases, and the recovery of proceeds of crime.
- Finally, in this context, we have created a special partnership between UNODC and the World Bank. Known as the **Stolen Asset Recovery initiative, or StAR**, this initiative supports international efforts to end safe havens for corrupt funds by providing practitioners with knowledge and policy tools consolidating international good practice on cutting edge issues related to preventing the laundering of the proceeds of corruption. In particular, the StAR Initiative works with the national authorities in

Colombia, Costa Rica and Ecuador on multiple aspects of asset recovery framework, including the training on illicit financial flows behind corruption, financial investigations and the use of open-source intelligence.

CONCLUSION

By understanding illicit drug flows and illicit financial flows, we can continue to identify potential risk points for corruption. The UN Convention against Corruption provides a holistic framework of how to address and prevent corruption from a number of fronts. Continued support is necessary for activities that then target corruption risk points and apply the measures contemplated in the UNCAC, whether it be to combat existing corruption or prevent corruption from happening in the future. As a leader in international anticorruption efforts since its very early days, the contributions of the United States with regard to funding, expertise and international policy will be critical to moving forward the international anticorruption agenda.