

PRESS RELEASE

## NEW REPORT EXPOSES ILLICIT FINANCIAL FLOWS IN BOSNIA AND HERZEGOVINA, MONTENEGRO AND SERBIA

The report '*Illicit financial flows in Bosnia and Herzegovina, Montenegro and Serbia*' uncovers the key drivers and current trends of illicit financial flows in these three countries and looks at the government response to curb this crime.

**VIENNA, Austria – 19 January 2022:** Millions of euros of illicit financial flows (IFFs) are moving through Bosnia and Herzegovina, Montenegro and Serbia every year, according to a new report from The Global Initiative Against Transnational Organized Crime (GI-TOC). Most of the money flows through the financial system: 'The criminal underworld is moving its money through the upperworld of finance both within the region and offshore,' said Robin Cartwright, one of the report's authors.

The report, '*Illicit financial flows in Bosnia and Herzegovina, Montenegro and Serbia: Key drivers and current trends*', follows up on a GI-TOC report on IFFs in Albania, Kosovo and North Macedonia published in August 2020. It provides detailed information on the ways in which money earned illegally is transferred into and out of the three countries to criminal beneficiaries worldwide.

The report is the result of a civil society-led analysis based on interviews with anti-money laundering officials, local police officers, infrastructure advisors and civil society representatives across the region. Although the report sheds light on the phenomenon, the illicit nature of these flows makes uncovering the full scope of the problem difficult: 'The lack of available data on all components and channels of IFFs, but particularly on money laundering and trade channels, most likely make the numbers presented in the report a significant underestimate,' said Cartwright. The authors also note that more research is needed on how cryptocurrencies are being used to launder money.

The paper looks at the three components of IFFs, namely corruption, organized crime and tax evasion. It also follows the channels through which dirty money is moved and shows that state institutions in Bosnia and Herzegovina, Montenegro and Serbia have limited awareness and capacity to respond adequately to IFFs.

Corruption is a key vulnerability in the Western Balkans and the report focuses on three case studies: the financing of non-governmental organizations in Bosnia and Herzegovina, the defence industry in Montenegro and infrastructure investment in Serbia. 'The case of Serbia is particularly interesting as it seems that corruption in infrastructure has inflated prices by 20–30% but there is no institutional response to prove it,' said Saša Đorđević, the GI-TOC's field coordinator for Serbia

and Montenegro. 'The defence industry in Montenegro also deserves close attention given the country's poor controls over procurement risk and financial and operational risk management,' he added.

In terms of tax evasion, the report reveals that the Western Balkans are deprived of €200 million every year from the illicit trade of tobacco, and that income tax is evaded by paying workers in cash. For example, in Bosnia and Herzegovina, almost 30% of the workforce are informally employed. Billions of euros of imports are vulnerable to misinvoicing across the Western Balkans.

In terms of organized crime, the report finds that drug trafficking, the trade in counterfeit goods and migrant smuggling generate large-scale IFFs. 'The market for the smuggling of migrants in 2020 was estimated to be valued at around €8.5 to €10.5 million in Bosnia and Herzegovina alone,' said Anesa Agović, the GI-TOC's field coordinator for Bosnia and Herzegovina.

The proceeds earned from corruption, tax evasion and organized crime that are then laundered into the local economies of Bosnia and Herzegovina, Montenegro and Serbia are estimated to be equivalent to 2–5% of each country's annual GDP – in total €1.5 billion to €3.75 billion. Most of this money is thought to flow into construction, real estate, tourism and gambling.

The report concludes that despite significant government efforts to prevent this type of crime, implementation of new laws and regulations are limited. 'This discourages the public and private sectors from investing in essential infrastructure. And it deprives the licit economy of resources that are needed for sustainable development, like investment in health, schools, social assistance and public security,' said Kristina Amerhauser, one of the report's authors. Furthermore, the problem of IFFs is not well understood and is under-researched. 'We hope the GI-TOC's focus on this topic can increase awareness of the problem and stimulate more effective prevention and responses,' said Amerhauser.

**For further questions or to interview the report's authors, please contact Claudio Landi ([Claudio.landi@globalinitiative.net](mailto:Claudio.landi@globalinitiative.net)).**

### **About the Global Initiative**

*The Global Initiative Against Transnational Organized Crime is a network of professionals working on the frontlines of the fight against the illicit economy and criminal actors. Through a network of global civil society observatories on the illicit economy, we monitor evolving trends and work to build the evidence basis for policy action, disseminate the expertise of our Network and catalyze multisectoral and holistic responses across a range of crime types. With the Global Initiative's Resilience Fund, we support community activists and local NGOs working in areas where crime governance is critically undermining people's safety, security and life chances.*