



Illicit Financial Flows and Environmental Impact in Belize

What are Illicit Financial Flows?

Illicit financial flows (IFFs) are illegal movements of money or capital. IFFs are funds that are illegally earned, transferred, or utilized across international borders.

IFFs negatively impact a country's political and economic security by severely undermining the rule of law. They can also contribute to environmental harm by fueling illegal deforestation, illicit mining, and other activities. For example, IFFs can be used to pay poachers and traffickers and to purchase equipment or supplies needed to exploit and illegally traffic goods.

IFFs can also be used to give bribes to officials to issue environmental permits or falsify environmental documents.

Key sources of IFFs include grand corruption, organized crime, tax evasion, trade misinvoicing, wildlife trafficking, and smuggling and trafficking in minerals, such as gold.



How are IFFs and the Environment Connected?

Environmental crime has emerged as a profitable revenue source for organized crime groups and has become a major concern for authorities due to its social and environmental impacts. Belize, rich in rainforests, coral reefs, and wildlife, faces a growing menace: environmental crime associated with IFFs. **Key environmental crimes causing significant IFFs in Belize:**

Rosewood Racket:

Despite a 2016 moratorium, illegal logging of rosewood persists, with smuggling facilitated by corruption and complicit companies.¹

Plundering the Seas:

Overfishing, both legal and illegal, threatens marine ecosystems and depletes stocks of conch, lobster, and grouper.²

Trail of Feathers:

Illegal wildlife trade targets iconic species like scarlet macaws and jaguars, driven by demand for exotic pets and traditional medicine.

Illegal Cattle Ranching:

Guatemalan villagers are illegally clearing land in the Chiquibul Forest for cattle ranching³. Due to this, deforestation is threatening/jeopardizing endangered species and the forest's role as an ecological corridor.



¹ Environmental Investigation Agency. (2014). Rosewood and the Ongoing Illegal Logging Crisis in Belize. Washington, DC; Environmental Investigation Agency. https://static.us.eia.org/pdfs/Rosewood_Belize.pdf?_gl=1*18nxe81*_ga*MT110DM00TkyLjE3MDE2Mzc3OTQ.*_ga_WYHNPQWXX*MTcwMTYzNzc5NC4xLjEuMTcwMTYzNzc5NC4wLjAuMA..
² Wildlife Conservation Society . (2020, May). Illegal Wildlife Trade in Belize: Millions Lost Annually. Belize City ; Wildlife Conservation Society . https://belize.wcs.org/Portals/177/Files/Full%20Report%20_Illegal%20Wildlife%20Trade%20in%20Belize_FINAL.pdf?ver=2020-10-13-213041-057
³ Novelo.H. (2023, November 29). Narco-links suspected as cattle ranching threatens Belize rainforests. Centroamérica Investigative Journalism Network. Retrieved from <https://www.cijn.org/narco-links-suspected-as-cattle-ranching-threatens-belize-rainforests/>





Beyond these, illegal gold panning pollutes waterways, and overexploitation of the endangered hibiscus macrantha threatens its existence. Each activity generates illicit funds, robbing Belize of natural wealth and hindering sustainable development.

Criminal groups take advantage of limited state presence in rural areas, conducting operations where there is less oversight from governments and where they face fewer risks of being detected.

As is the case for many developing countries, natural resources are incredibly important to society and the economy. Belize is considered resource-dependent; it relies on its natural resources for income generation (tourism, fisheries, agriculture, forestry) as well as for basic needs (food, medicine, housing materials, etc.). Belize's natural resources face national and international pressures.

What can be done to curtail IFFs?



➔ The Ministry of Sustainable Development, Climate Change, and Disaster Risk Management can mobilize resources to identify illegal activities, increase convictions, and implement stiffer penalties for criminals.

➔ Increase oversight by the Customs Unit to combat misinvoicing and tax evasion in international trade.

➔ Collaborate with police and supervisory authorities, such as the Belize Defence Force, the Belize Forestry Department, and the Belize Police Department, to identify vulnerable areas where illicit activities, such as drugs and illegal cattle ranching, are prevalent.

➔ The Ministry of Sustainable Development, Climate Change, and Disaster Risk Management can maintain a publicly available database of environmental crimes and convictions. In this way, the government and civil society organizations will be able to assess the impact of IFFs on the country's economy and environment.

➔ Share data on IFFs among the competent authorities; because many of these issues are cross-cutting, a coordinated response by government agencies is key.

➔ Ensure training for competent authorities to strengthen technical capacity on IFFs and mitigate any future issues.

➔ The Government should implement a Beneficial Ownership registry which would reveal the true owners behind land deals and resource extraction. This registry would shed some light on illicit financial flows linked to environmental crimes, empowering authorities to crack down on illegal logging, wildlife trafficking, and pollution profiteering.

➔ Competent authorities should meet at least twice a year to discuss whether the management structures and institutional arrangements that are in place are adequate in the fight against IFFs.

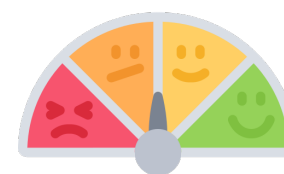
➔ The government should drive a campaign to educate the public about IFFs and to remain vigilant regarding their environment.



Moreover, Belize's Environmental Protection Act requires further regulatory development. Belize currently lacks a sufficient legal framework, and the existing mechanism does not consider participatory decision-making processes. The following recommendations could strengthen the Environmental Protection Act.



Strengthen the definition of what constitutes an environmental crime.



Standardize methods for damage assessment.



Create a robust environmental sanctioning mechanism.



Millions Lost: A Case Study of Belize's Illegal Wildlife Trade



Belize, celebrated for its rich biodiversity, harbors a concealed predicament, a flourishing illegal wildlife trade siphoning its financial resources. The Wildlife Conservation Society's (WCS) 2020 report, titled "Illegal Wildlife Trade in Belize: Millions Lost Annually," unveils this distressing reality, highlighting the significant monetary losses incurred by Belize's natural heritage. The report cites, "Between 2012 and 2018, based on limited information, it is estimated that Belize lost a minimum of \$61 million from the illegal trade...of game species, conch, lobster, timber (rosewood, mahogany), sharks, and parrots," serving as a poignant illustration of the extensive depletion of the nation's resources.⁴ However, this monetary estimation merely scratches the surface, as comprehensive data remains elusive.

The WCS report delineates Belize's vulnerability, portraying a somber panorama. From the abduction of majestic parrots from their canopy habitats to the illicit trafficking of valuable rosewood timber across borders, the poachers' influence extends across diverse domains. This clandestine activity not only depletes Belize's revenue but also dismantles ecosystems, disrupts local livelihoods, and fuels organized crime.

Rick Blakley also conducted an assessment of illegal hunting and trade in Southern Belize.⁵ In this assessment, it was mentioned that "Belize is in a unique position of identifying this issue as it is starting and could curtail this activity before it turns into a fully functioning parallel economy" (Blakley, 2023). Both the WCS assessment and the Blakley assessment issued a compelling call to action, urging policymakers, communities, and international organizations to take action. By investing in enforcement, fostering community engagement, and empowering local guardians of the wild, Belize can ensure a future where its wildlife not only survives but thrives.



GFI's initiative aligns with this imperative by facilitating the identification of IFFs associated with illegal wildlife activities in Belize. Through research focused on laws, policies, and institutional frameworks governing these financial flows, GFI aims to support Belize in addressing the complex nexus between the illegal wildlife trade and financial transactions. By providing insights into the financial dimensions of this issue, GFI plans to contribute to the broader effort to combat illegal wildlife trade and protect Belize's natural heritage.

⁴ Wildlife Conservation Society . (2020, May). Illegal Wildlife Trade in Belize: Millions Lost Annually. Belize City ; Wildlife Conservation Society . https://belize.wcs.org/Portals/177/Files/Full%20Report%20_Illegal%20Wildlife%20Trade%20in%20Belize_FINAL.pdf?ver=2020-10-13-213041-057

⁵ Rice, Blakely, "Illegal Wildlife Hunting and Trade in Southern Belize: An Assessment of Impacts and Drivers" (2017). Capstone Collection. 3057. <https://digitalcollections.sit.edu/capstones/3057>

