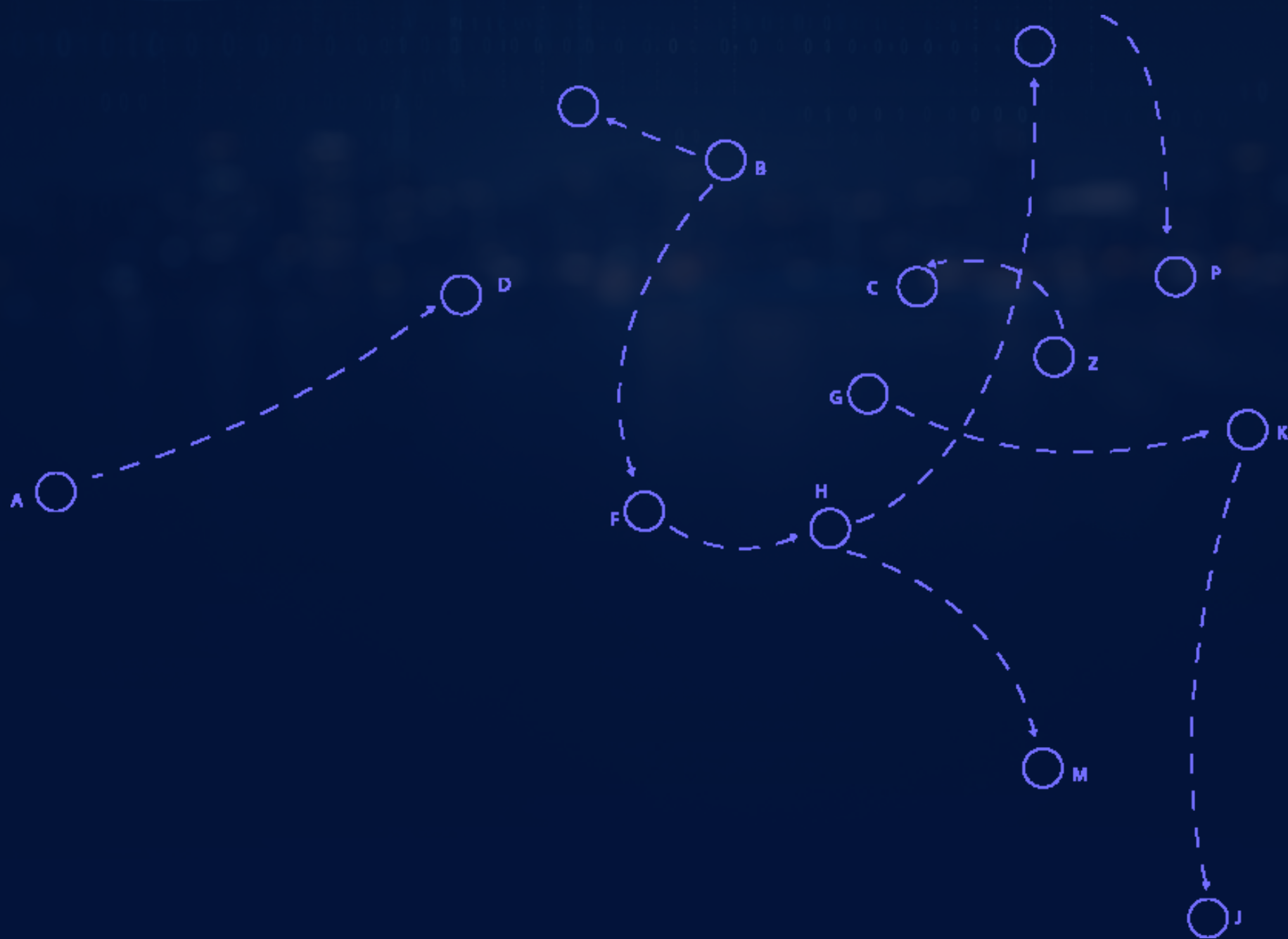


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APPLYING A SYSTEMS LENS TO ILLICIT FINANCE – INSIGHTS AND IMPLICATIONS

At UNDP's Global Policy Centre for Governance, we have been using systems thinking to deepen our understanding of illicit financial flows and to find ways to tackle them with greater coherence and effectiveness. This piece offers an overview of our approach and what we've learned.



Each year, billions of dollars are stolen, laundered, and hidden from governments and communities from around the world. These cross-border flows of money related to corruption, tax evasion, and other illicit activities are often referred to as illicit financial flows (IFFs). IFFs are usually [defined](#) as “financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.”[1] As such, they include funds associated with corruption, fraud, organized crime, and tax evasion.

IFFs are inherently transnational, and they involve a variety of actors. They happen within a global ecosystem that spans developing and developed economies and typically involve myriads of transactions routed through layers of anonymous corporate entities domiciled in financial secrecy jurisdictions. Various actors and corporate entities (elites, banks, legal advisors) as well as institutional structures (policies, laws, social norms) are involved. These elements are distributed across jurisdictions, and interact in more and less predictable ways, shaping how illicit finance flows across the globe.

This phenomenon costs developing countries [hundreds of billions](#) of dollars a year[2] and is one reason why the [sustainable development financing gap](#), now estimated at over USD \$4 trillion, continues to widen. [3] In addition, IFFs may have corrosive effects not only in countries suffering from outflows but also in places where illicit wealth is spent or channeled through. For instance, it can fuel corruption[4], inflate real estate prices[5] and, generally, be a driver of instability[6]. IFFs might therefore at times act as a threat multiplier that interacts with and exacerbates other challenges and risks.[7] All this leaves the Sustainable Development Goals further beyond reach.

The importance of tackling IFFs is recognized in the [outcome document](#) of the Fourth International Conference on Financing for Development (FfD4) as crucial for countries to retain the resources required to fund sustainable development. The so-called *Compromiso de Sevilla* urges countries to “promote measures to eliminate safe havens, aggressive tax practices, and loopholes that create incentives for illicit financial flows,” putting domestic finance and strong, transparent, and accountable public finance systems at the heart of global action and committing signatories to tackle the role of professional service providers, strengthen asset recovery, improve information exchange, and much more.

[1] UN Trade and Development & UN Office on Drugs and Crime, Conceptual framework for the statistical measurement of illicit financial flows (Vienna, 2020), 12. <https://unctad.org/publication/conceptual-framework-statistical-measurement-illicit-financial-flows>.

[2] Cecilie Wathne and Matthew C. Stephenson, “The credibility of corruption statistics: A critical review of ten global estimates”, U4 Issue 2021:4 (2021), U4 Anti-Corruption Resource Centre, <https://www.u4.no/publications/the-credibility-of-corruption-statistics>.

[3] United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2024(New York: United Nations, 2024): <https://desapublications.un.org/publications/financing-sustainable-development-report-2024>.

[4] Kassa, Saba and Monica Guy, “Quick Guide 37: Strategic corruption”, Basel Institute on Governance, 10 February 2025, <https://baselgovernance.org/publications/qg37>.

[5] James K. Boyce and Léonce Ndikumana, “The Little-Known Factor Driving up Housing Costs: Dirty Money” Opinion, Politico, 12 December 2024, <https://www.politico.com/news/magazine/2024/10/12/undocumented-workers-home-prices-00183126>.

[6] Chayes, Sarah, Thieves of State: Why Corruption Threatens Global Security (Norton, 2016).

[7] For more on the concept of “threat multiplier” see Sherri Goodman and Pauline Baudu, “Climate Change as a ‘threat multiplier’: History, Uses and Future of the Concept”, Briefer No. 38 (2023), Center for Climate and Security: <https://climateandsecurity.org/2023/01/briefer-climate-change-as-a-threat-multiplier-history-uses-and-future-of-the-concept/>.

[8] United Nations, Sevilla Commitment. Outcome Document adopted at the 4th International Conference on Financing for Development, A/RES/79/323, 26 August 2025, <https://financing.desa.un.org/ffd4/outcome>.

Often, efforts tackling IFFs focus on a specific country, stakeholder or technical challenge. This offers useful in-depth insights, but risks missing how a specific element relates to the bigger picture. For instance, tackling IFFs tends to be seen as a problem for developing countries that suffer from illicit finance outflows. But IFFs are transnational in nature as they move through global ecosystems spanning developing and developed countries. Often, developed countries with high degrees of financial secrecy[9] are nodes in these systems, providing ‘safe havens’ for illicit wealth.[10]

In UNDP’s Global Policy Centre for Governance (GPCG), we set out to complement existing approaches to IFFs by applying systems thinking to better understand illicit finance systems and identify entry points for tackling them. This piece provides an overview of what we did, what we learned, and implications for efforts to address IFFs. Our initiative, called Action on Transnational Corruption and Illicit Finance (ATAC), was launched in March 2024 with seed funding from the MacArthur Foundation. It has focused specifically on IFFs originating in Africa and has deployed systems thinking and complexity-grounded methods to better understand transnational corruption and IFFs and conceptualize ways to tackling these problems in a more coordinated, coherent, and effective way.

This piece is divided into three sections. The first section provides an overview of the systems thinking tools we used and how we deployed them. The second section summarizes what we learned about illicit finance ecosystems. If you are only interested in the subject matter insights feel free to skip section one. The final section in this piece discusses implications for those tackling IFFs.

How we applied systems thinking to illicit finance

IFFs happen in complex dynamic ecosystems that consist of many interacting parts. In these systems, interactions generate feedback loops and have effects across the whole system.[11] Feedback loops refer to self-reinforcing or self-correcting chains of cause and effect. For instance, a country with weak enforcement capacity is more vulnerable to illicit financial outflows. As these outflows grow, public revenues decline, shrinking fiscal space and limiting the government’s ability to invest in oversight and enforcement institutions. Under-resourced institutions then weaken further, reinforcing the very vulnerabilities that enabled the illicit outflows in the first place.

Furthermore, when it comes to complex issues like IFFs, things rarely work in simple, straight lines. One action does not always trigger the same reaction, because people and institutions shift, adapt, and respond in unexpected ways. This makes it hard to predict how any individual actor will behave – or how the whole system will react – when we try to introduce a change. These kinds of problems also cannot be understood by looking at each part on its own. What really matters is how the parts connect, such as how

[9] Tax Justice Network, “The world’s biggest enablers of financial secrecy”, Financial Secrecy Index, 3 June 2025, https://fsi.taxjustice.net/#scoring_id=268.

[10] Daniel Haberly, Georgia Garrod, Robert Barrington, “From Secrecy to Scrutiny: A New Map of Illicit Global Financial Networks and Regulation”, CSC Working Paper No. 18 (2024), Centre for the Study of Corruption, University of Sussex, <https://giace.org/resources/from-secrecy-to-scrutiny-a-new-map-of-illicit-global-financial-networks-and-regulation/>.

[11] Glenda Eoyang, “Applied Complexity: Theory and Practice of Human Systems Dynamics”, Evaluation Uncertainty, 1 September 2020: <https://evaluationuncertainty.com/2020/09/01/applied-complexity-theory-and-practice-of-human-systems-dynamics/>.

decisions, incentives, and behaviors influence one another, and how those interactions create effects that spread across the entire system. In other words, the whole behaves differently than just the sum of its individual parts.[12] Below, we use the word ecosystem rather than system because the former helps to convey the living and dynamic nature of illicit finance (if you're interested, have a look at [Pickett and Cadenasso](#) for more on the utility of ecosystems as a framework and metaphor[13]).

Systems approaches can help us navigate the complexity of challenges such as IFFs by helping us to understand the elements and relationships that shape how the whole ecosystem works and how it changes. Several frameworks offer ways of doing this, but they focus on different things.[14] For instance the multi-level perspective on system transitions[15] offers insights into how large-scale transitions happen, while the Water of Systems Change[16] model points to factors that tend to hold a system in place.

We utilized several frameworks to analyze illicit finance ecosystems, focusing on the following:

- **Actors:** The behaviors, relationships, and interactions among actors in illicit finance ecosystems influence how the system works. We used a simple framework for understanding relevant individuals, groups and organizations in the ecosystem, distinguishing between the type, role, degree of complicity and geographical location of actors. Relevant actors included political actors such as public officials and politicians, people in business, companies, and a variety of professional service providers (e.g. lawyers, real estate agents). We used Connection Circles to visually map relationships among actors.[17]
- **Underpinning structures:** We used the iceberg model[18] to complement our focus on actors, visible behaviors, and immediate events (such as a particular corruption scandal) with attention to the underpinning structures that shape why these events and behaviors happen (e.g. regulatory regimes, enforcement capacity, and social norms). With inspiration from the Water of Systems Change framework, we focused on formal and informal institutions (e.g. laws, policies, power structures, culture, and social norms).

[12] David J. Snowden and Mary E. Boone, "A Leader's Framework for Decision Making", Harvard Business Review, November 2007, [er from illicit finance outflows. But IFFs are transnational in nature as they move through global ecosystems spanning developing and developed countries. Often, developed countries with high degrees of financial secrecy\[9\] ar.](#)

[13] Steward T. A. Pickett. and Mary L. Cadenasso, "The Ecosystem as a Multidimensional Concept: Meaning, Model, and Metaphor", Ecosystems Vol. 5 (2002): 1-100, [er from illicit finance outflows. But IFFs are transnational in nature as they move through global ecosystems spanning developing and developed countries. Often, developed countries with high degrees of financial secrecy\[9\] ar.](#)

[14] Søren Vester Haldrup and Samuel Tran, "Innovative M&E from the Sandbox and beyond", UNDP Strategic Innovation, Medium, 20 January 2023, [er from illicit finance outflows. But IFFs are transnational in nature as they move through global ecosystems spanning developing and developed countries. Often, developed countries with high degrees of financial secrecy\[9\] ar.](#)

[15] Frank W. Geels, "The multi-level perspective on sustainability transitions: Responses to seven criticisms", Environmental Innovation and Societal Transitions Vol. 1 Issue 1(2011): 24-40, [er from illicit finance outflows. But IFFs are transnational in nature as they move through global ecosystems spanning developing and developed countries with high degrees of financial secrecy\[9\] ar.](#)

[16] John Kania, Mark Kramer and Peter Senge, "The Water of Systems Change", FSG, June 2018, https://www.fsg.org/resource/water_of_systems_change/.

[17] Layla Acaroglu, "Tools for Systems Thinkers: Systems Mapping", Disruptive Design, Medium, 20 September 2017, <https://medium.com/disruptive-design/tools-for-systems-thinkers-systems-mapping-2db5cf30ab3a>.

[18] The iceberg model is a simple, intuitive and popular tool for systems thinking practitioners, but has also been criticized as being too simplistic and not conveying the dynamic nature of systems. See New Philanthropy Project, "The Iceberg Model", <https://www.thinknpc.org/resource-hub/systems-practice-toolkit/the-iceberg-model/>.

- **Leverage points:** We experimented with a typology of system leverage points to identify places where portfolios of interventions might be particularly impactful in disrupting or transforming IFF ecosystems. Entry points are about where in the system to focus. They are often defined as places in a complex system where a small shift in one thing can produce big changes in everything. A leverage point may refer to the system’s institutions or dynamics, such as a certain incentive structure or the interactions between a set of actors. We used Donella Meadows’ typology as a starting point.[19]

We also deployed UNDP’s sensemaking methodology to interpret information about illicit finance ecosystems.[20] Sensemaking is an activity and a process that helps a group of people to explore and understand complex situations based on a variety of information.[21] In several sensemaking sessions we collectively, with a range of external partners and experts from several countries, explored cases and data, deploying the tools outlined above, to identify patterns, trends, and potential levers for change.

Our analysis is based on primary and secondary data from a range of sources and draws on several country case studies. Data sources include academic research papers, government reports and official statistics, court documents, journalistic investigations and data leaks, as well as key informant interviews. Data and evidence were also surfaced during collective sensemaking sessions. We conducted in-depth country case studies on four jurisdictions in Africa (covering Western, Eastern, and Southern Africa) and one in the Middle East to better understand the roles that different countries play in illicit finance ecosystems. Cases were selected to reflect variation in jurisdiction types, covering source, bridging, and destination countries (see below).[22] For sensitivity concerns, the insights below are presented without references to specific countries or individuals (feel free to contact us for more information).

We gained substantive insights into how illicit finance ecosystems work, their transnational nature and how to transform them. The next section summarizes five insights.

[19] Donella Meadows, “Leverage Points: Places to Intervene in a System”, The Sustainability Institute (1999), <https://donellameadows.org/archives/leverage-points-places-to-intervene-in-a-system/>

[20] UNDP, “Sensemaking Workshop Preparation Guide and Facilitator Guide and Sensemaking Training”, 17 January 2022, <https://www.undp.org/publications/sensemaking-workshop-preparation-guide-and-facilitator-guide-and-sensemaking-training>.

[21] For a discussion of sensemaking see Thomas Aston, “Making sense of all the sense making”, Thomas Aston, Medium, 17 March 2024, <https://thomasmtaston.medium.com/making-sense-of-all-the-sense-making-c6d6eff2994f>.

[22] This approach to case selection and analysis is particularly useful for exploratory research and can help ensure representativeness in the minimal sense of representing greater variation in the independent variable (jurisdiction types). See Jason Seawright and John Gerring, “Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options, Political Research Quarterly Vol. 61 Issue 2 (2008), <https://journals.sagepub.com/doi/10.1177/1065912907313077>.

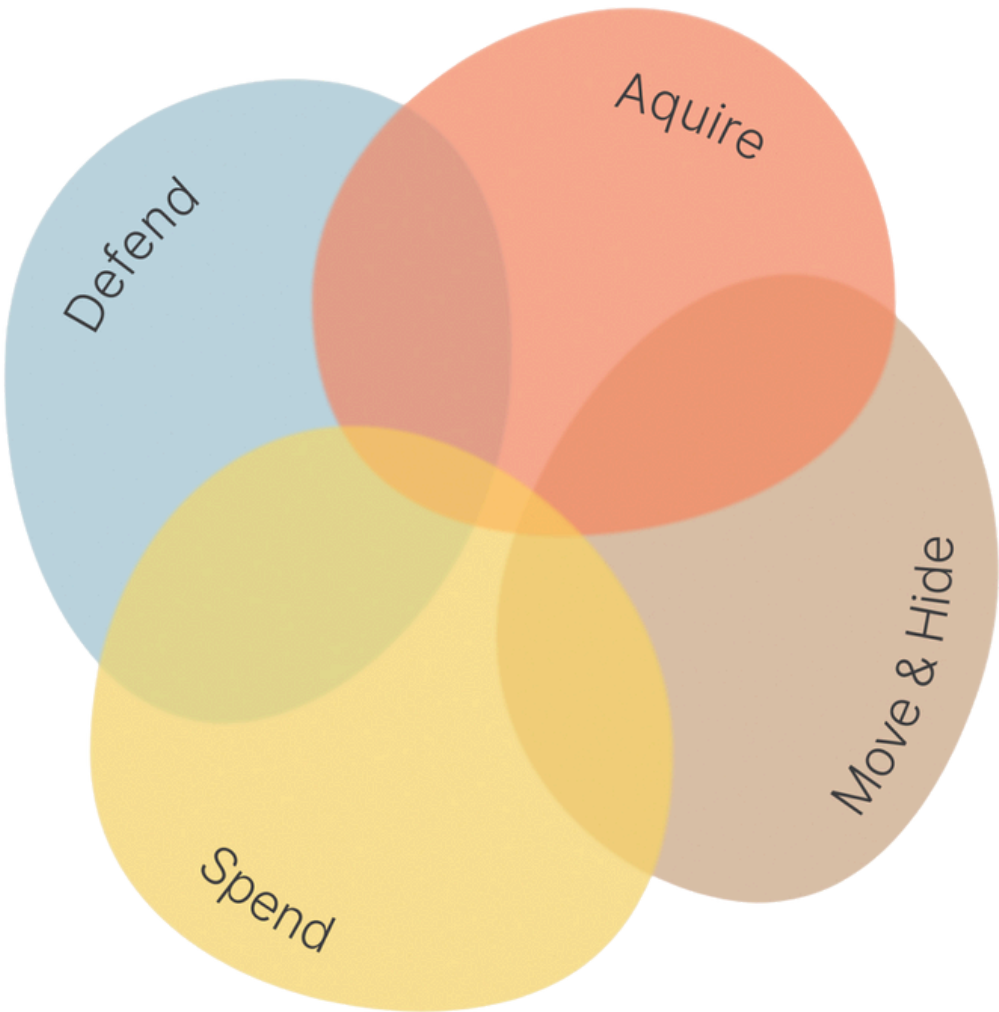
What we learned about illicit finance ecosystems

The following insights are subject to important limitations. The specific features of the ecosystems described – such as the relationships among key actors – reflect the particular data and country cases examined and may therefore carry biases or have limited representativeness. For instance, data from a leak such as the Paradise Papers represent the clients and jurisdictions related to only a select number of corporate service providers. The data may therefore only provide a partial glimpse into how IFF ecosystems work. Moreover, this analysis represents an (incomplete) point-in-time snapshot that cannot capture the evolving and adaptive nature of these systems – in other words: our representation of the system may be outdated by the time you read this. The insights below should therefore not be seen as a comprehensive or universally representative picture of illicit finance ecosystems but as an illustration of how a systems lens can deepen our understanding of the nature and dynamics of IFFs.

Insight #1: There is a functional architecture behind IFFs. Many different countries are part of it

To reduce and navigate complexity, we found it useful to look at IFF ecosystems in terms of the roles that actors and jurisdictions play in making the system function in a certain way. We distinguish between four functions: i) acquiring, ii) moving and hiding, iii) spending, and iv) defending illicit wealth. This framework is inspired by Lemaître and Visser[22] and is a useful tool to navigate the ‘life cycle’ of illicit flows and the roles that individual actors or jurisdictions play in sustaining the ecosystem. For instance, there are actors that enable the acquisition of illicit finance (e.g. by facilitating corruption) and actors that play a role in moving or spending it. While there is a logical sequence to these functions, they do not always follow that sequence. The functions can also overlap. Figure 1 below offers an illustration.

Figure 1: Illicit finance ecosystems – key functions



Source: UNDP

[22] Sophie Lemaître and Anrike Visser, “Kleptocrats’ trusted helpers: The professions that enable illicit financial flows”, U4 Issue 2023:3 (2023), U4 Anti-Corruption Resource Centre <https://www.u4.no/publications/kleptocrats-trusted-helpers>.

Countries across the globe play a role in the acquisition, moving, hiding, spending or defending of illicit wealth as sources, bridges, and destinations for IFFs. Many developing countries are primarily source countries where IFFs originate. Both developed and developing countries may function as bridging jurisdictions, offering anonymous corporate vehicles and financial infrastructure that illicit actors exploit to move and conceal the origin of illicit funds. Developed countries in the Global North often serve as end-destinations where illicit wealth is ultimately spent or invested. Numerous cases and research illustrate the roles that developing and developed countries play as sources, bridges and destinations.[24]

The role of any given country is not fixed. It may vary from one case to another, including depending on the type of illicit finance. Some countries may simultaneously occupy multiple roles. For instance, one of the countries covered in our case studies is an emitter of domestically generated illicit finance while also being a bridge to the global financial system and a destination for illicit wealth from other countries. Research from the Governance & Integrity Anti-Corruption Evidence (GI ACE) programme provides a useful overview of the evolving nature of IFF ecosystems and how they differ depending on the type of illicit finance in question.[25]

Insight #2: A variety of actors operate in these ecosystems. Their interactions shape the flows of illicit finance

Many actors operate in or sustain IFF ecosystems, including political actors, businesspeople, and professional service providers (PSPs). Political actors and businesspeople include (networks of) public officials and policy makers, company executives, informal powerbrokers, as well as their families. PSPs include lawyers, company formation agents, accountants, real estate agents, and many others. Rather than distinguishing PSPs by their professions, it is useful to look at the services that various professions provide.[26]



[24] See for example Sydney P. Freedberg. et al, “How Africa’s richest woman exploited family ties, shell companies and inside deals to build an empire”, Luanda Leaks, January 19 2020, International Consortium of Investigative Journalists: <https://www.icij.org/investigations/luanda-leaks/how-africas-richest-woman-exploited-family-ties-shell-companies-and-inside-deals-to-build-an-empire/>; Micah Reddy, “As Equatorial Guinea burned through oil riches, millions were funnelled to a company owned by its ‘playboy prince’”, May 8 2025, International Consortium of Investigative Journalists: <https://www.icij.org/investigations/2025/05/as-equatorial-guinea-burned-through-oil-riches-millions-were-funneled-to-a-company-owned-by-its-playboy-prince/>; United States Department of Justice, United States v. One Michael Jackson Signed Thriller Jacket, 2:13-cv-09169, (C.D. Cal.), 4 February 2022: <https://www.courtlistener.com/docket/4150840/united-states-v-one-michael-jackson-signed-thriller-jacket/>; and EU Tax Observatory and Skatteforsk Centre for Tax Research, “Nigeria”, Atlas of the Offshore World, <https://atlas-offshore-world.org/country/NGA>.

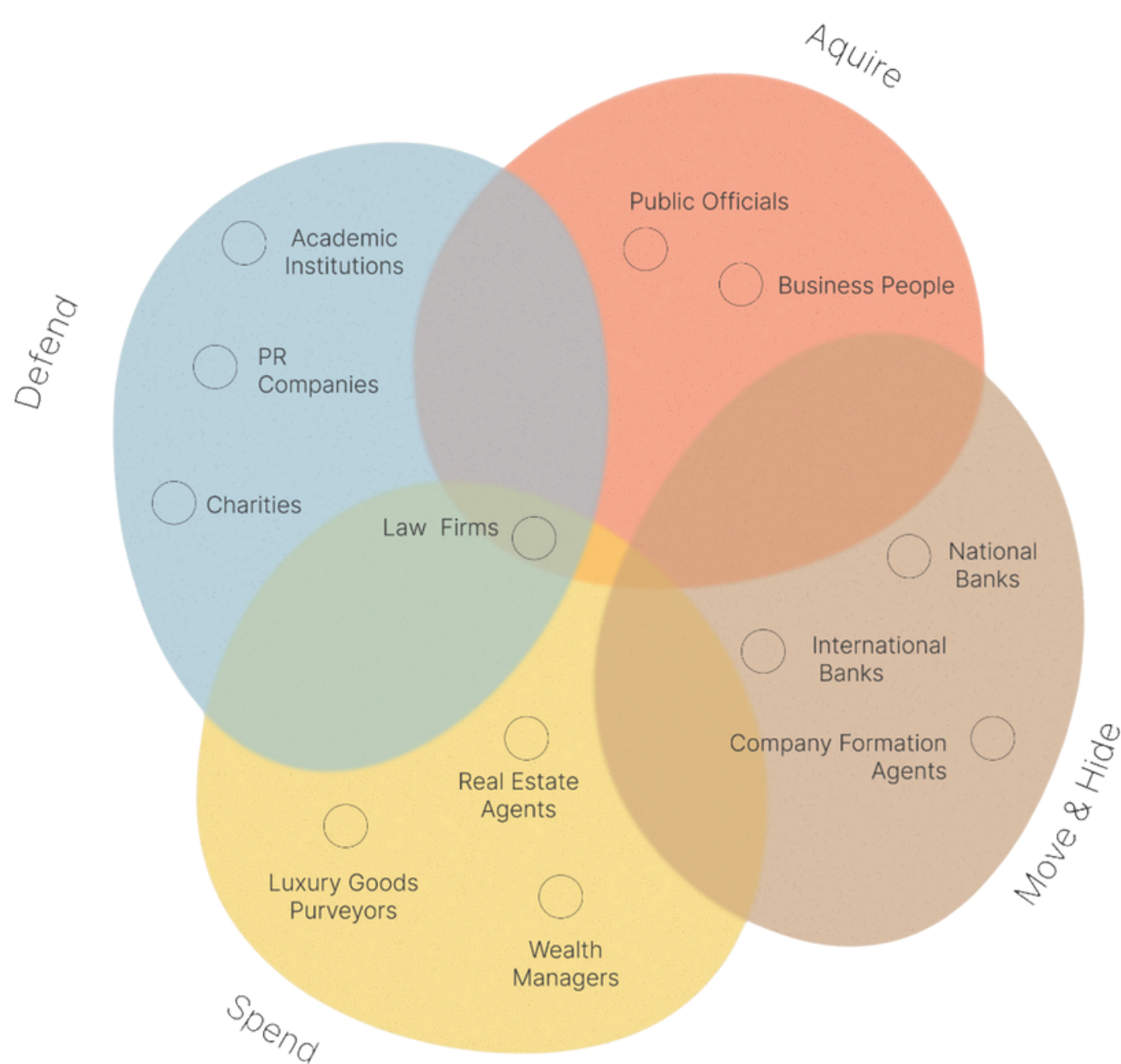
[25] Daniel Haberly, Georgia Garrod, Robert Barrington, “From Secrecy to Scrutiny: A New Map of Illicit Global Financial Networks and Regulation”, CSC Working Paper No. 18 (2024), Centre for the Study of Corruption, University of Sussex, <https://giace.org/resources/from-secrecy-to-scrutiny-a-new-map-of-illicit-global-financial-networks-and-regulation/>.

[26] UNDP, “Sovereign Debt and Professional Enablers of Tax Abuse and Illicit Financial Flows”, FIG Working Paper (2024), Finance, Integrity and Governance Initiative, <https://www.undp.org/publications/finance-integrity-and-governance-initiative>.

Other actors may include multinational corporations (MNCs) and inadvertent allies several steps removed. MNCs seem to be particularly relevant when it comes to the natural resources sector[27] [28] and to tax-related IFFs.[29] Inadvertent allies are actors that sustain regulatory and enforcement environments conducive to IFFs. They may include powerful business associations or policy makers sympathetic to PSPs’ arguments against regulation[30] [31], or policy makers influencing resource allocations to oversight, investigation, and prosecution bodies. These actors may inadvertently create an enabling environment for IFFs by starving enforcement institutions of the necessary resources (we’ll come back to this at the end of this section).

These actors are distributed across jurisdictions and play different roles in the ecosystem. Some actors serve several functions while others play a more specialized or confined role. For instance, lawyers and others offering legal advice may enable not only the movement and hiding of funds (e.g. by setting up an anonymous shell company) but also defending (e.g. through Strategic Lawsuits Against Public Participation) and spending (e.g. by designing real estate contracts). Real estate agents, however, are mainly relevant for spending (i.e. by facilitating the purchase of real estate). The figure below provides an illustration of how a selection of relevant actors may help shape an illicit finance ecosystem.

Figure 2: Actors mapped against illicit finance ecosystem functions



Source: UNDP

[27] Jack Farchy , Jonathan Browning and Katharine Gemmel, “Glencore’s Billionaire Ex-Oil Head Charged With Corruption”, 1 August 2024, Bloomberg,, <https://www.bloomberg.com/news/articles/2024-08-01/glencore-s-billionaire-ex-oil-head-alex-beard-charged-with-corruption-by-uk?srnd=homepage-americas>.

[28] Barnaby Pace, “Take the future: Shell’s scandalous deal for Nigeria’s Oil”, Global Witness, 26 November 2018, <https://globalwitness.org/en/campaigns/oil-gas-and-mining/take-the-future/>.

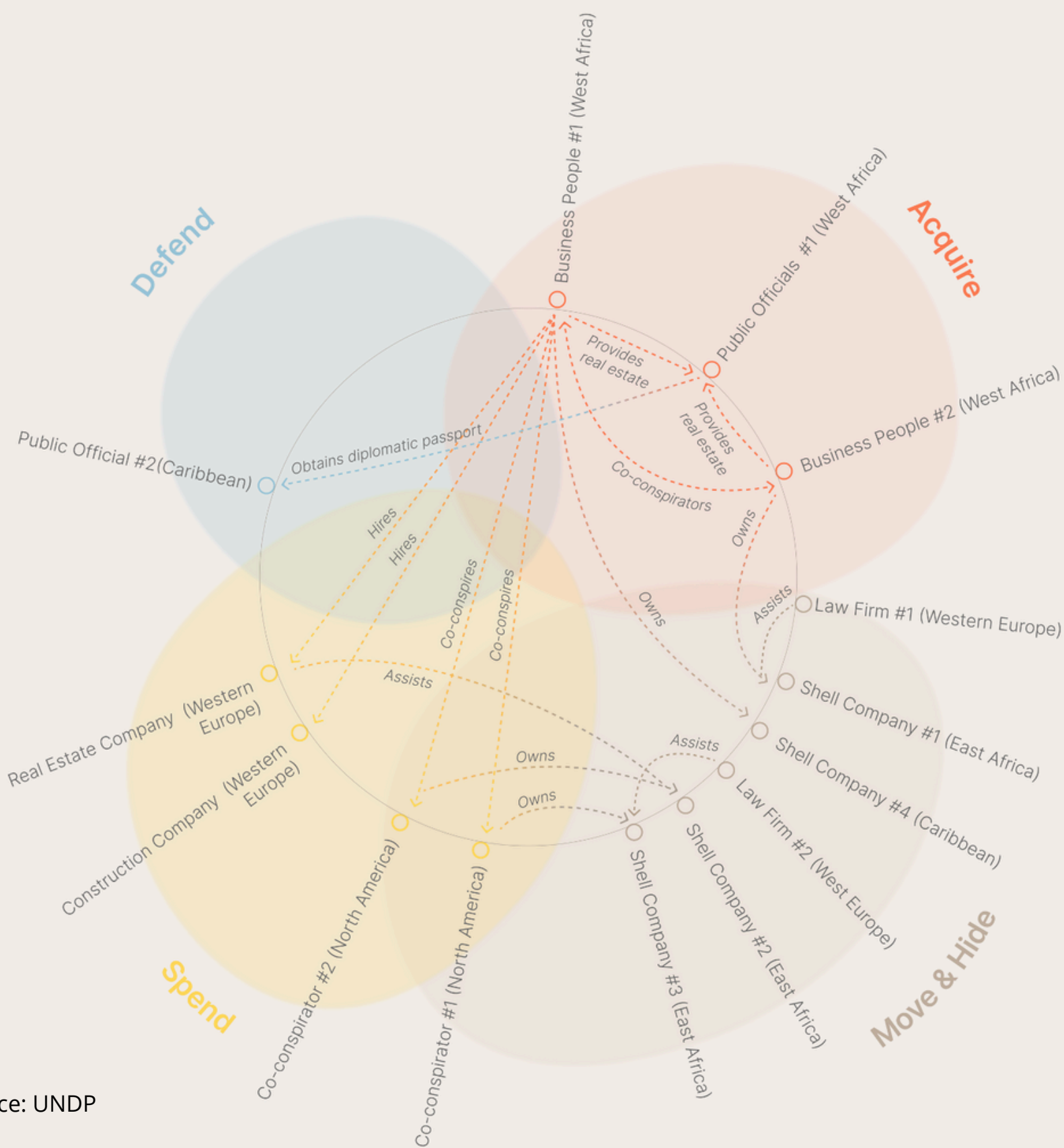
[29] Thomas Tørsløv, Ludvig Wier and Gabriel Zucman, “The Missing Profits of Nations”, The Review of Economic Studies Vol. 90 Issue 3 (2023): 1499-1534 <https://doi.org/10.1093/restud/rdac049> .

[30] Emma Agyemang and Nic Fildes, “OECD pressed Australia to drop plan to reveal where multinationals pay tax”, The Financial Times, 7 July 2023, <https://www.ft.com/content/b21cfde0-8940-45db-b3e3-3e9807d7b957>.

[31] Mark Bou Mansour, “Global tax rulemaker under fire after Australia pressured to delay global tax transparency breakthrough”, Tax Justice Network, 23 June 2023, <https://taxjustice.net/press/global-tax-rulemaker-under-fire-after-australia-pressured-to-delay-global-tax-transparency-breakthrough/>.

The interactions among actors and entities shape how illicit wealth is acquired, moved and hidden, spent, and defended. Mapping interactions in a [connections circle](#) and linking it to an illicit finance ecosystem’s four key functions proved a useful framework for analysis.[32] Figure 3 below provides an illustration based primarily on court documents from a specific case in which business elites bought real estate to benefit a public official in return for lucrative public contracts.[33] The visual depicts interactions among the actors and entities involved, highlighting their varied roles in shaping the acquisition, movement and hiding, spending, and defending of illicit wealth. Certain titles (e.g. “co-conspirator” or “construction company”) are drawn verbatim from official court documents, while others (e.g. “public official” or “businessperson”) serve as generic labels in place of named defendants.

Figure 3: Case example of interactions among actors in the ecosystem



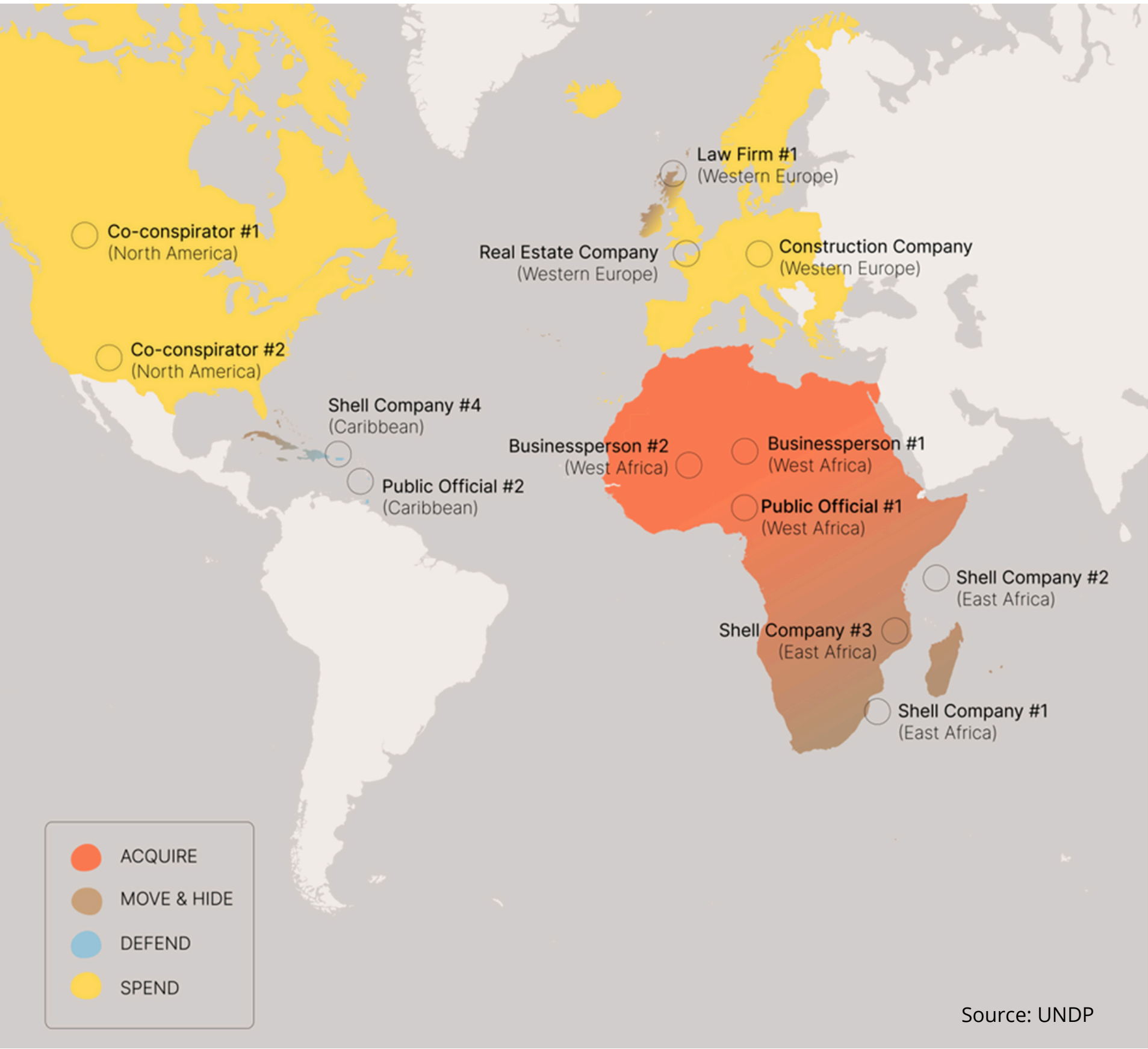
Source: UNDP

[32] Mapping the connections among actors in an ecosystem can yield useful insights. The approach is sometimes used by journalists and researchers investigating IFFs. However, system maps can quickly become very complicated and cease to be helpful. In this connection, the key is to consciously select a method that delivers the types of insights you need. See Philippe Vandenbroeck, “Juggling conflicting purposes for system maps”, In Too Deep by Kumu, Medium, 9 September 2015 <https://blog.kumu.io/juggling-conflicting-purposes-for-system-maps-1f973d384aeb>.

[33] United States Department of Justice, United States v. The M/Y Galactica Star, 4:17-cv-02166, (S.D. Tex.), 14 Jul 2017, ECF No. 1. <https://www.courtlistener.com/docket/6120284/idb/united-states-v-the-my-galactica-star-being-a-65-meter-motor-yacht-built/>. The node under “defend” draws on evidence from Al Jazeera, “Al Jazeera Investigation – Diplomats for Sale”, Al Jazeera Investigations, 25 November 2019, <https://network.aljazeera.net/en/pressroom/al-jazeera-investigation-%E2%80%93-diplomats-sale>.

Building on this visual, Figure 4 below elaborates on the geographic dimensions of the case. It visually places actors and entities by region (not specific countries) to highlight the transnational nature of illicit finance ecosystems and the roles of different jurisdictions. The positioning of actors is illustrative – it shows regional location (e.g. East Africa) and should not be interpreted as indicating or attributing activity to a specific country.

Figure 4: Case example of geographic distribution of ecosystem actors

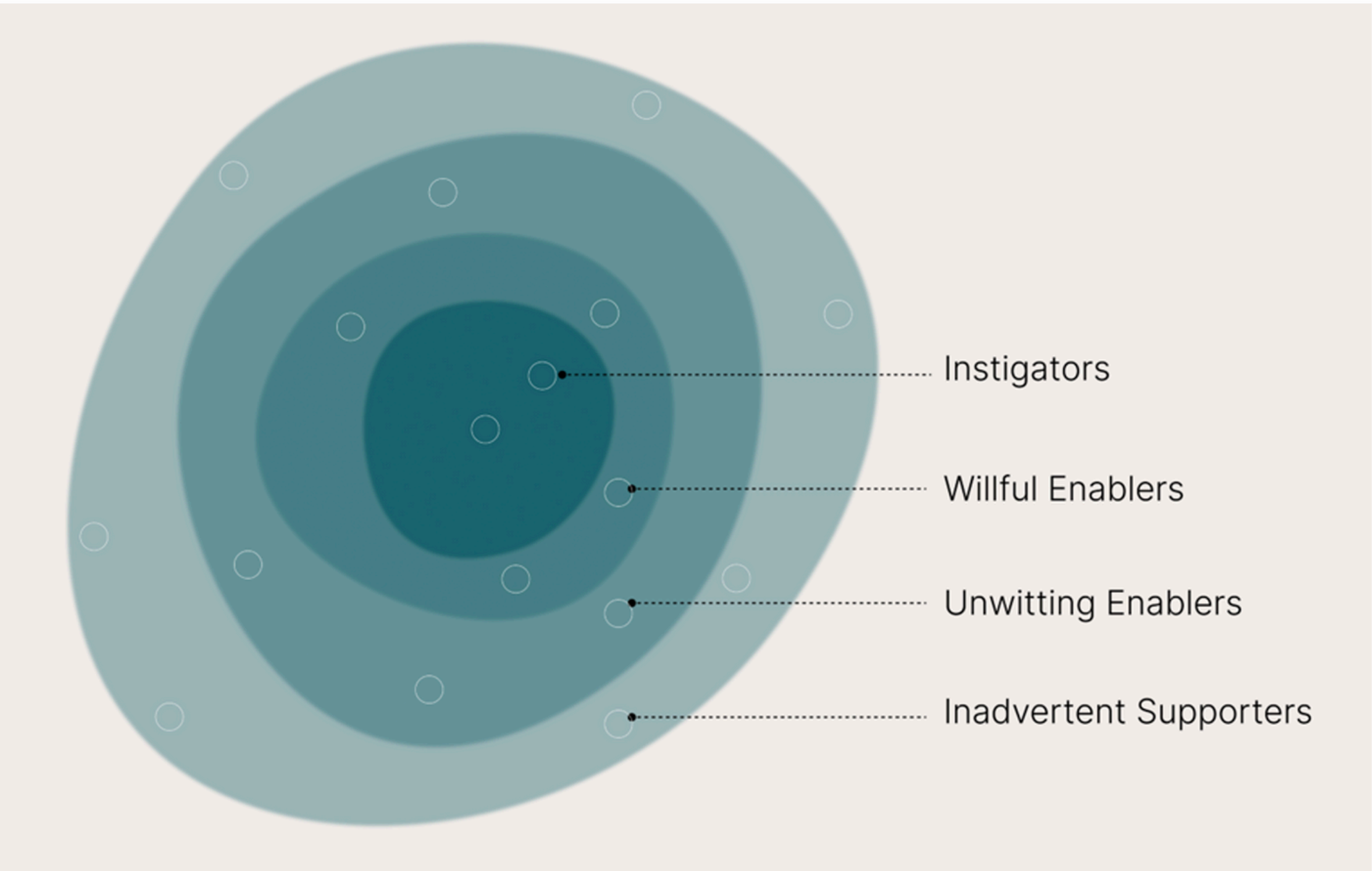


These visuals underline how important it is that efforts to tackle IFFs have a transnational focus and that they target a variety of stakeholder groups, sectors and jurisdictions. The section on “implications” below elaborates.

Insight #3: Actors’ involvement and complicity vary. Policy responses should reflect this

Generally, the degree of direct involvement, complicity, and geographical location of an actor varies depending on the case in question. Some are actively and willfully involved in illegal (or ethically questionable) activities while others may play a more indirect or unwitting role. These actors may also differ in terms of the incentives they face, with some being driven by a desire for financial gain and others by a desire to conform to social norms or serve a political constituency. The Financial Action Task Force (FATF) distinguishes between professionals who are unwitting, willfully blind, corrupted, and complicit[34], while Prelec and Ricardo (2023) distinguish between upstream and downstream enablers.[35] Note that not all individuals belonging to these groups instigate or enable IFFs. The figure below illustrates this continuum of complicity.

Figure 5: Continuum of complicity



Source: UNDP, drawing FATF (2013) and Prelec and Ricardo (2023)

[34] Financial Actions Task Force (FATF), “FATF Report. Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals”, FATF, June 2013, <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Mltf-vulnerabilities-legal-professionals.html>.

[35] Tena Prelec and Ricardo Soares de Oliveira, “Enabling African loots: tracking the laundering of Nigerian kleptocrats’ ill-gotten gains in western financial centres”, Journal of International Relations and DevelopmentVol. 26 (2026): 272-300, <https://doi.org/10.1057/s41268-023-00292-4>.

Policy and regulatory measures aimed at shifting actors’ behaviors must be tailored to reflect the incentives and complicity of the actors in question. For instance, interventions designed to deter instigators or willful enablers of IFFs will necessarily look very different from those intended to influence the conduct of unwitting enablers, who may enable illicit flows due to gaps in awareness or technical competencies.

Insight #4: Structural elements shape how these ecosystems work. Both formal and informal institutions matter

Actors and corporate entities are not the only factors shaping and maintaining illicit finance ecosystems. Formal structures such as laws and regulations are part of IFF ecosystems as they shape how actors behave and influence distinct functions in the ecosystems. It is not only policies and laws related to money laundering and anti-corruption that are relevant but also, as explained below, seemingly unrelated ones governing other aspects of society and the economy. For instance, laws in source countries shaping procurement or public officials’ discretionary powers to award contracts enable the acquisition of illicit finance. Similarly, structures in bridging and destination countries that permit the creation of anonymous companies and trusts or that limit beneficial ownership transparency and information sharing shape the movement and hiding of illicit finance. Lastly, policies and regulation in source, bridging or destination countries related to issues such as real estate (e.g. foreign ownership rules[36]), immigration (e.g. residence-by-investment schemes[37]), and litigation (e.g. ability to deploy Strategic Lawsuits Against Public Participation[38]) influence the spending and defending of illicit finance.

Fragmentation in countries’ fiscal policy can be an enabler of IFFs. Where revenue, expenditure, and debt policies and systems operate in silos, gaps emerge that illicit actors exploit. For example, a government may introduce generous corporate income tax exemptions and sector-specific tax holidays to attract foreign investment, without systematically assessing their fiscal cost or monitoring compliance. At the same time, weak procurement and public investment management systems may allow politically connected firms – some benefiting from these tax exemptions – to win inflated public contracts with limited oversight. The legal architecture of tax systems is therefore important. Tax expenditures such as exemptions, deductions, credits, or reduced rates, while often intended for legitimate policy goals, can create structural vulnerabilities that sophisticated actors exploit to accumulate or conceal wealth. Poorly designed or unevaluated provisions, such as capital gains preferences, offshore income exemptions, or sector-specific holidays, can mix illicit with licit funds and shield them from scrutiny.

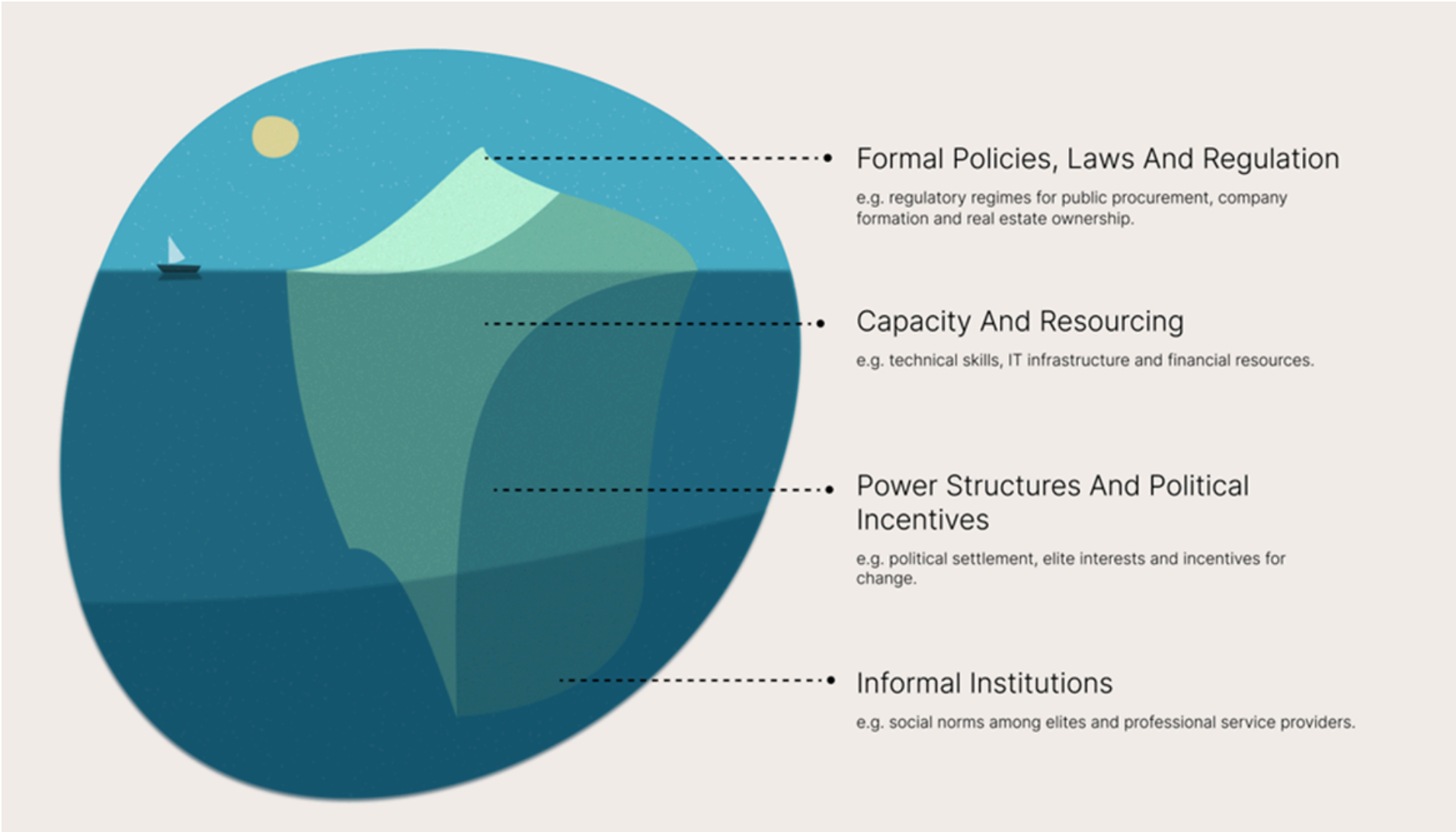
[36] Annette Alstadsæter et al., “Who Owns Offshore Real Estate? Evidence from Dubai”, EU Tax Observatory Working Paper No. 1 (2025), <https://www.taxobservatory.eu/www-site/uploads/2025/09/Who-Owns-Offshore-Real-Estate-Evidence-from-Dubai-16.09.2025.pdf>.

[37] Cooley, Alexander, John Heathershaw, Jason Sharman, “The Rise of Kleptocracy: Laundering Cash, Whitewashing Reputations”, Journal of Democracy 29, no. 1 (2018), <https://www.journalofdemocracy.org/articles/the-rise-of-kleptocracy-laundering-cash-whitewashing-reputations/#f21>.

[38] Oliver Bullough, “A very British censorship: How UK law helps oligarchs silence journalists”, openDemocracy, 22 September 2022, <https://www.opendemocracy.net/en/oliver-bullough-oligarchs-libel-journalism-slapp/>.

Informal institutions and invisible structures also matter tremendously. Political economy factors (power, vested interests, economic incentives) and informal structures such as social and cultural norms and unwritten rules shape actors’ behaviors and how the ecosystem functions. For instance, social norms influence how elite networks operate and professional attitudes matter for how service providers behave, such as by encouraging or justifying risky behaviors and ignoring red flags.[39] The figure below provides an overview of some of the types of structural factors at play.

Figure 6: Institutional structures shaping illicit finance ecosystems



Source: UNDP

[39] See Frank Vogl, “Banking scandals: On corporate culture, public interest and role of Western governments”, Transparency International, 15 October 2021, <https://www.transparency.org/en/blog/banking-scandals-corporate-culture-public-interest-western-governments>; Helen Taylor, “Gatekeepers, Enablers or Technicians? The contested role of lawyers as facilitators of kleptocracy and grand corruption”, Spotlight on Corruption, 18 March 2025, <https://www.spotlightcorruption.org/report/gatekeepers-enablers-or-technicians-the-contested-role-of-lawyers/>; and Devi Pillay, “Consulting firms, corruption, and state capture: A case study from South Africa”, (2025) Governance & Integrity Anti-Corruption Evidence Research Programme: <https://giace.org/resources/consulting-firms-corruption-and-state-capture/>.

Insight #5: Implementation and enforcement issues matter. They are a feature rather than a bug

Formal structures such as policies and laws are important, but implementation and enforcement matter perhaps even more. Some source, bridging, and destination countries have the right institutions and regulation but are unable or unwilling to resource and enforce these. IFF ecosystems thrive in the context of weak enforcement of rules and regulations, inadequate oversight and information sharing, poor collection and verification of beneficial ownership information, etc. A 2022 report on the state of effectiveness and compliance with the FATF standards notes that while countries have made significant progress in establishing and enacting a broad range of anti-IFF related laws and regulations, many face substantial challenges in taking effective action, including difficulties in investigating and prosecuting high-profile cross-border cases and preventing anonymous shell companies and trusts from being used for illicit purposes.[40] The discrepancy between form and function bears similarity to the concept of ‘isomophic mimicry’, where outward forms (appearances, structures) of functional states and organizations elsewhere are adopted to camouflage a persistent lack of function.[41]

Enforcement challenges may often be less a technical malfunction than a built-in feature of the current system. Around the world, oversight, investigative, and prosecutorial bodies have been hamstrung by chronic underfunding, staff shortages, and political interference.[42] Even in wealthy countries, relevant public institutions have struggled with low morale, high staff turnover, and the ability to hold wrongdoers to account.[43] In some contexts, revenue services, independent anti-corruption bodies, and other accountability institutions have been deliberately eroded to facilitate corruption, state capture, and illicit financial outflows.[44]

[40] Financial Action Task Force (FATF), “Report on the State of Effectiveness and Compliance with the FATF Standards”, FATF, April 2022, <https://www.fatf-gafi.org/en/publications/Fatfgeneral/Effectiveness-compliance-standards.html>.

[41] Lant Pritchett, Michael Woolcock and Matt Andrews, “Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation”, CID Working Paper No. 239 (2012), Center for International Development, Harvard University, https://www.hks.harvard.edu/sites/default/files/centers/cid/files/publications/faculty-working-papers/239_PritchettWoolcockAndrews_Looking_like_a_state_final.pdf.

[42] Claudio Ferraz and Frederico Finan, “Malfunctioning Democracies: Understanding Accountability Failures in Developing Countries”, NBER Working Paper 34198 (2025), National Bureau of Economic Research <https://www.nber.org/papers/w34198>; “CPI 2024 for Western Europe and EU: Leaders’ Hollow Efforts Cause Worsening Corruption Levels”, Transparency International, 11 February 2025, <https://www.transparency.org/en/news/cpi-2024-western-europe-eu-leaders-hollow-efforts-cause-worsening-corruption-levels>; and Saba Kassa, “How informal power networks can instrumentalise anti-corruption institutions”, Basel Institute on Governance, 10 June 2025, <https://baselgovernance.org/blog/how-informal-power-networks-can-instrumentalise-anti-corruption-institutions>.

[43] See Daniel Beizsley and Susan Hawley, “Is Britain’s FBI on its knees? How to make the National Crime Agency a genuinely elite crime fighting force”, Spotlight on Corruption, 9 September 2024, <https://www.spotlightcorruption.org/report/britains-fbi-on-its-knees-rept/>; Ed Siddons, “HMRC Fines Zero ‘Enablers’ of Offshore Tax Evasion in Five Years”, The Bureau of Investigative Journalism, 16 June 2024, <https://www.thebureauinvestigates.com/stories/2024-06-16/hmrc-fines-zero-enablers-of-offshore-tax-evasion-in-five-years/>.

[44] Mills Soko, “State Capture eroded institutions in South Africa. How the revenue service is rebuilding itself”, The Conversation, 16 August 2022, <https://theconversation.com/state-capture-eroded-institutions-in-south-africa-how-the-revenue-service-is-rebuilding-itself-187891>.

Implications for those tackling IFFs

Using a systems lens has implications not only for how we research and analyze IFFs, but also how we tackle them.

Empower integrity actors to work transnationally

IFFs are transnational and unfold across a global ecosystem that spans developing and developed economies. Efforts or organizations that seek to tackle IFFs should therefore be designed and empowered to operate transnationally. This includes being able to work across Official Development Assistance (ODA) and non-ODA countries and applies to a suite of actors or initiatives whether they aim to curb outflows from a particular country, combat inflows to a certain destination or bridging jurisdiction, or tackle specific types of illicit finance at regional or global levels. It could entail increasing the use of joint investigation teams across jurisdictions, improved information sharing (e.g. beneficial ownership data), and establishing multi-agency centers for financial intelligence to ease coordination. Working this way will require flexible funding, stronger transnational relationships, new skills and technologies, and mandates to work beyond single jurisdictions.

Transnational collaboration among investigative journalists in connection with the Panama, Paradise, and Pandora papers as well as government-to-government focused initiatives like Tax Inspectors Without Borders (TIWB), a joint OECD–UNDP initiative launched in 2015, show how transnational approaches can work in practice. TIWB, for instance, pair experienced tax officials with counterparts in other countries and thereby strengthens cross-border collaboration, skills transfer, and operational capacity to track illicit flows. To date, it has helped 70 developing countries mobilize over USD 2.4 billion in additional tax revenue and demonstrates how relatively modest investments in transnational capacity can yield substantial returns for domestic resource mobilization, addressing tax-related IFFs while simultaneously strengthening countries' ability to finance their own development.

Design efforts to be nimble and adaptive

IFF ecosystems are dynamic and evolve in response to geopolitical events, macroeconomic trends, and enforcement efforts. Those tackling IFFs should therefore be equipped to work in a nimble and adaptive manner. Innovations and experience in fields such as adaptive management and systems thinking offer useful guidance.[45] For instance, a probe-learn-adapt operating model is useful rather than one that assumes that the problem can be sufficiently understood a priori and solutions identified up front.[46] This requires results frameworks and accountability mechanisms that allow and incentivize organizations to learn from their initial activities and to adapt based on what they learn rather than to deliver and report only on the activities that were in their original workplan. It also requires incorporating a practice of regular reflection (or sensemaking) as part of implementation.[47]

[45] Salimah Samji et al, “PDIA Toolkit. A DIY Approach to Solving Complex Problems”, Harvard University, October 2018, <https://bsc.hks.harvard.edu/tools/toolkit/>; Alina Rocha Menocal et al., “LearnAdapt: a synthesis of our work on adaptive programming with DFID/FCDO (2017–2020)”, Overseas Development Institute, 20 March 2021, <https://odi.org/en/publications/learnadapt-a-synthesis-of-our-work-on-adaptive-programming-with-dfidfcdo-20172020/>; UNDP, MEL 360: Monitoring, Evaluation and Learning for Systems Change, 2025, <https://360systemsguide.com/>.
[46] David J. Snowden and Mary E. Boone, “A Leader’s Framework for Decision Making”, Harvard Business Review, November 2007, <https://hbr.org/2007/11/a-leaders-framework-for-decision-making> .
[47] UNDP, “Sensemaking Workshop Preparation Guide and Facilitator Guide and Sensemaking Training”, 17 January 2022, <https://www.undp.org/publications/sensemaking-workshop-preparation-guide-and-facilitator-guide-and-sensemaking-training>; and Søren Vester Haldrup, “How to do M&E when you’re working with complex problems”, UNDP Strategic Innovation, Medium, 1 February 2024: <https://medium.com/@undp.innovation/how-to-do-m-e-when-youre-working-with-complex-problems-b91622ebc9b2>.

Go beyond visible obstacles and technical fixes

Effective action on IFFs requires an approach that goes broad and deep by considering both the visible and invisible elements in the ecosystem that shape illicit financial flows and that works across government to ensure coherence. Technical solutions such as training sessions to improve financial crime investigations skills are necessary but not sufficient. An effective response to IFFs requires a whole-of-government approach that addresses underlying issues such as coordination across several policy areas and the various government agencies responsible for them as well as across agencies in different countries. Financial intelligence units, tax administrations, law enforcement, procurement systems, beneficial ownership registries, prosecutors, and anti-corruption agencies across ministries such as finance, justice, interior, and trade all have an important role to play in curbing IFFs.[48] In this connection, a fiscal policy coherence approach – which is at the heart of UNDP’s Public Finance for SDGs initiative – can be useful because it embeds IFF efforts at country level within broader public finance system strengthening and helps governments align policies with development objectives and with each other, reducing incentives and opportunities for IFFs.

Similarly, a whole-of-society approach is crucial to strengthening trust, exchange, and collaboration among stakeholders in different parts of society and across borders, not least across law enforcement, private sector, civil society, and media.

Tackle IFFs by working as an ecosystem

Illicit finance is a multifaceted transnational challenge. Tackling it requires a suite of efforts that strategically target and disrupt different parts of the illicit finance ecosystem. These efforts must be led and implemented by different actors operating in source, bridging and destination countries. UNDP’s portfolio approach to system transformation[49] and the mission-oriented innovation approaches led by other organizations[50] offer useful alternatives to sector bound single-point or single-stakeholder solutions. A portfolio logic could be a powerful operating model for coalitions of actors seeking to tackle IFFs, enabling them to work strategically, collaboratively, and transnationally as an ecosystem to disrupt and transform the elements in the system that enables the acquisition, movement and hiding, spending, and defending of illicit wealth. To be as effective as possible, efforts should target entry points in different parts of the system and use a variety of levers (e.g. from capacity and IT infrastructure to political incentives and social norms).

We have gained valuable insights from our pilot applying systems approaches to better understand what shapes IFFs and to spot opportunities for tackling these flows in a more coordinated, coherent, and effective way. This piece has offered a high-level overview of our approach, key insights, and implications for those of us working to tackle IFFs. Yet, this is a starting point, and we recognize that the reflections above are broad and tentative. We invite you to reach out if you want to learn more, exchange perspectives, or explore opportunities for collaboration.

[48] UNDP, “Barriers to Action: Technical and Practical Constraints to Combating Illicit Financial Flows”, FIG Working Paper (2025), Finance, Integrity and Governance Initiative, <https://www.undp.org/publications/barriers-action-technical-and-practical-constraints-combating-illicit-financial-flows>.

[49] “Modernizing Development”, UNDP, <https://www.undp.org/systems-portfolio>.

[50] See Mariana Mazzucato and George Dibb, “Missions: A Beginner’s Guide”, IIPP Policy Brief 09 (2019), Institute for Innovation and Public Purpose, University College London, <https://www.ucl.ac.uk/bartlett/publications/2019/dec/missions-beginners-guide>; and Organisation for Economic Co-operation and Development, “Public Sector Innovation Facets: Mission-oriented innovation”, Observatory of Public Sector Innovation, Facets Brief, 27 October 2021, <https://oecd-opsi.org/publications/facets-mission/>.

