



The Eleventh United Nations  
Congress on Crime Prevention and Criminal Justice,  
18-25 April 2005, Bangkok, Thailand

## ECONOMIC AND FINANCIAL CRIMES: CHALLENGES TO SUSTAINABLE DEVELOPMENT

A series of high-profile cases in Europe and North America over the last decade have provided a comprehensive insight into the potential damage caused by economic and financial crime, which includes damaged credibility for businesses and institutions, bankruptcy and loss of jobs. In the developed world, the impact of such crimes may be easier to contain, given the size of their economies and their ability to install appropriate regulatory mechanisms. In the developing world, however, the long-term impact on and costs for sustainable development are significantly higher as a result of weak regulatory frameworks and limited government capacity.

### The concept and extent of economic and financial crime

The term “economic and financial crime” refers broadly to any non-violent crime that results in a financial loss. These crimes thus comprise a broad range of illegal activities, including fraud, tax evasion and money-laundering. The category of “economic crime” is hard to define and its exact conceptualization remains a challenge. The task has been further complicated by rapid advances in technology, which provide new opportunities for such crimes.

The overall extent of the phenomenon is difficult to determine, owing in part to the lack of a clear and accepted concept, the fact that systems for recording economic and financial crime differ greatly from country to country and that several cases are not reported since companies and financial institutions choose to deal with incidents internally. Nevertheless, there is a growing perception that economic and financial crimes, most notably fraud, are some of the fastest growing offences.

### The impact of advances in technology

Considerable advances in technology have transformed global information flows and the way business is conducted. The Internet and its global reach, the banking sector’s growing sophistication and other advances in technology have created new opportunities for sophisticated organized criminal groups. The fraudulent use of credit and debit cards, for example, has become a globalized business. Identity fraud is another growing area of criminal activity that involves the collection of data on individuals and the counterfeiting of their identities. In several economic crimes that make use of high technology, the physical presence of the offender is not required: this means that these crimes can be committed in countries with the weakest legal framework and law enforcement infrastructure to counter them. Data suggests that economic and financial crimes have continued to grow rapidly, owing mainly to technological advances, especially the rise of the electronic banking sector and the expansion of Internet facilities.

### Money-laundering

Money-laundering is one of the most prevalent forms of economic and financial crime. Criminal activities generate significant illegal profits and need to launder these profits so that they can be integrated into the legitimate financial system. Money-laundering provides cash flow and investment capital for the perpetrators. As with all types of economic and financial crime, countries with weak regulations and control measures in the financial sector are more vulnerable to money-laundering. This, in turn, damages the integrity of their financial institutions, distorts financial markets and hampers foreign direct investment.

### **The impact on sustainable development**

Activities such as those described earlier undercut legitimate economic activities and discourage investment. Economic and financial crimes pose a severe long-term threat to peaceful and democratic socio-economic development. Financial markets cannot flourish in countries where illegal economic and financial activities are socially accepted, because they depend on high professional, legal and ethical standards. Even the perception that economic and financial illegal acts are taking place can cause economic damage. Public suspicion undermines government legitimacy. To effectively counter these crimes is therefore crucial to sustainable development and institution-building.

### **Preventing and controlling economic and financial crimes**

More effective action by the international community and institutions has been called for in order to combat financial crime, especially money-laundering. The High-level Panel on Threats, Challenges and Change identified transnational

organized crime as a critical threat to the global community and has recommended that a comprehensive international convention on money-laundering be negotiated. Although no international instrument deals specifically with the problem of economic and financial crime, both the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption include provisions for building an international framework to respond to such criminal activities.

A common global approach to deal with the problem could contribute to further strengthening international cooperation and law enforcement mechanisms. This would require standardization of legal definitions of economic and financial crimes and expertise for investigating such crimes within law enforcement agencies, especially in developing countries. The United Nations Office on Drugs and Crime already provides technical assistance to help Governments build up their capabilities to fight economic and financial crime, especially money-laundering.

### **For further information:**

[www.unodc.org](http://www.unodc.org) and [www.unis.unvienna.org](http://www.unis.unvienna.org)