

**FACT SHEET**  
**PIRATE TRAILS:**  
**Tracking the Illicit Financial Flows from Piracy off the Horn of Africa**

**Why this Study?**

Twenty first century Somali Piracy not only creates problems in the region, but also has a global impact. Unchallenged piracy is not only a menace to political stability and a threat to international security, but it also undermines global growth prospects going forward. Up until now, little attention has been paid to tracking and disrupting the financial flows from piracy.



This study by the International Criminal Police Organization, United Nations Office on Drugs and Crime and the World Bank attempts to understand the illicit financial flows from pirate activities off the Horn of Africa.

**The study**

- Analyzes how much money is collected in ransom payments;
- How and to whom this money - the proceeds of piracy - are distributed;
- How these proceeds may be invested.

The study focused on: Djibouti, Ethiopia, Kenya, Seychelles, and Somalia.

Despite an absence of credible data, the study has been able to make some meaningful analysis while identifying areas for more critical research.

**KEY FINDINGS**

**How much money?**

It is estimated that **US\$339 million to US\$413 million** was claimed in **ransoms** for pirate acts off the coast of Somalia and the Horn of Africa between April 2005 and December 2012.

**The Beneficiaries**

The three main categories of **beneficiaries** of the proceeds of piracy are:

- *Low Level Pirates*; who typically receive a pre negotiated standard fee of between **US\$ 30,000 to US\$ 75,000** per hijacked, which amounts to about **0.01 percent to 0.025 percent** of an average ransom payment.
- *Pirate Financiers*; those who invest in the piracy business model and are the main beneficiaries of the proceeds of piracy. They collect typically between **30 – 50 percent** of the total ransom payment, depending on the piracy business model.
- *Local Community*; such as khat suppliers, cooks etc. who are paid for their provision of goods and services to pirates.

**Pirate Financiers**

The main reported **locations of pirate financiers' assets**, suggest that contrary to conventional wisdom, many investments of proceeds of piracy are actually made within Somalia.

As expected, the proceeds are typically moved by cross-border cash smuggling, trade based money laundering, bank wire transfer and the abuse of Money Value Transfer Services.

### Pirate Investments

An **analysis of the investments** made by a sample of 59 *Pirate Financiers* reveal the range of sectors – legitimate business activities and criminal activities that pirate financiers invest into:

- Some of these proceeds from piracy are recycled into **financing criminal activities, including further piracy activities**.
- Deeper dive analysis into the khat trade, suggests that proceeds from piracy find their way into the **khat trade particularly in Kenya**, where the khat trade is not monitored and therefore the most vulnerable to this risk.
- However, despite the perception that the real estate boom in parts of the region is fueled by proceeds from piracy, the study finds that this is not the case. There are other factors that influence the real estate market, including bank credit to the real estate sector. Consequently, **ransom payments cannot influence the property prices**, as is suggested by many in the public and private sectors. In general, the data and evidence on the ground was limited, therefore this common perception cannot be substantiated.

### Recommendations

In light of these findings and analysis, the study suggests the following recommendations among others:

- There is a need for a strong commitment by countries to bolster regional cooperation and to effectively make use of tools to follow 'dirty money'.
- There is a need to step up action against cross border cash smuggling, by strengthening capacity of countries in the Horn of Africa to adequately detect, interdict, seize, and ultimately confiscate illegal cross-border cash smuggling. This is paramount to any strategy aimed at tackling the issue of financial flows linked to piracy and other illicit proceeds.
- There is a need to implement a risk- based oversight of Money Value Transfer Service (MVTS) Providers, to avoid a further shift to cash and pushing MVTS providers underground.
- There is a need to step up monitoring of the khat trade, and to develop a mechanism to monitor financial flows into the khat trade.

*Photo credit: U.S. Navy*