

Report

First seminar on the impact of organized crime on the economy of Latin America and the Caribbean

From data to policy: measuring criminal economies for public decision-making

ECLAC, Santiago, 23 and 24 September 2025

Fernando Carrión
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Introduction

On 23 and 24 September 2025, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Office on Drugs and Crime (UNODC) and the Friedrich Ebert Foundation (FEF) convened a group of experts in economics, organized crime and public security and justice policies, with the aim of establishing a multidisciplinary dialogue to analyse the impact of organized crime on the economic dynamics of Latin America and the Caribbean and, based on that exchange, to develop preliminary inputs to formulate evidence-based public policies.

The traditional public policies deployed to combat these economies, which focus almost exclusively on the criminal justice system, have proven insufficient, as organized crime has demonstrated an ability to adapt faster than States can respond. Accordingly, a comprehensive approach is needed that harnesses economic, institutional, security, intelligence and technological tools, coordinated at the local, national, regional and global levels. No country acting alone can tackle organizations whose activities extend beyond borders.

As is the case with the organized crime that sustains them, illegal economies must be addressed as complex economic realities that are deeply woven into the region's territorial, institutional and market fabric. They cannot be tackled solely from a criminal or security perspective, but require comprehensive, evidence-based responses that combine economic, social, institutional and international cooperation instruments.

A.**Critical structural context: insufficient growth, development traps and expansion of criminal economies**

Latin America and the Caribbean is facing a critical low-growth cycle. According to the Economic Commission for Latin America and the Caribbean (ECLAC), average growth between 2014 and 2023 was just 0.9%, less than half of the 2% recorded in the “lost decade” of the 1980s.” Growth projections of 2.2% and 2.3% for 2025 and 2026, respectively, confirm that the region will remain on an inadequate growth path, with rates below those recorded in the wake of the coronavirus disease (COVID-19) pandemic.

This adverse economic dynamic is part of what ECLAC has identified as the three development traps: low capacity for growth; high inequality and low social mobility and cohesion; and weak institutional capabilities and ineffective governance. These traps not only hinder economic and social development, but also create an environment that is conducive to the expansion of criminal economies, which deepen these structural vulnerabilities further.

The regional macroeconomic panorama reflects significant constraints: deteriorating external accounts, weak domestic demand that relies on private consumption, meagre fiscal space with higher financing costs and cautious monetary policy easing. The countries are spending increasingly on interest payments (in some cases equivalent to 61% of education expenditure, 70% of spending on health, or 57% of social protection expenditure), which reduces their capacity to invest in areas that are fundamental to development.

B.**Magnitude of the crime issue: from lethal violence to democratic erosion**

Organized crime and violence are among the most serious challenges facing the region. According to UNODC, Latin America and the Caribbean accounts for approximately one third of homicides worldwide, with an average rate of nearly 20 homicides per 100,000 inhabitants, compared with 2.3 in Asia, 2.2 in Europe, 6.3 in North America and 12.7 in Africa. Even more worrying is the fact that around 50% of homicides recorded in the Americas in 2021 were linked to organized crime or gangs, compared with just 6% in Europe.

Nonetheless, lethal violence is merely the most visible manifestation of a deeper structural issue. For decades, Latin America and the Caribbean has been the most violent region in the world; but behind these indicators lies structural crime—that is, not merely isolated individual acts, but crime rooted in the economic, social, institutional or political structures of society— which affects market competition and captures democratic institutions.



Tripartite structure of the regional economy: formal, informal and illegal

The economy of Latin America and the Caribbean has a tripartite structure: one third formal, one third informal and another third illegal. While the proportions may be debatable, they highlight a central hypothesis, namely that organized crime is no longer a marginal issue. On the contrary, it has significant weight, and it interacts and overlaps with the formal and informal economies.

Various studies suggest that activities related to illegal economies could represent between 3.4% and 13% of regional gross domestic product (GDP), depending on the components included in the measurement. This figure includes, among other factors, the costs of violence as a proportion of GDP (3.4%, according to the Inter-American Development Bank (IDB)), tax evasion (6.7%, according to ECLAC), corruption (2.0%, according to the World Bank) and money laundering (between 2% and 5% of GDP, as estimated by the International Monetary Fund (IMF) and corroborated by UNODC and the World Bank), along with illegal mining, smuggling and arms trafficking.

Other issues that are difficult to quantify but economically significant include extortion, operation of protection rackets, control of local markets and the growing penetration of organized crime into formal economic sectors through money laundering. For example, recent studies conducted in Colombia estimate that money laundering has grown from 1.3% of GDP at the start of the century to 4% today, a share equivalent to the resources of the country's real estate sector.

The boundaries between the legal, illegal and informal economies are porous and increasingly blurred. Illegal markets do not operate in a parallel reality but, on the contrary, are deeply intertwined with the formal and informal sectors of the economy. This intersection manifests itself in multiple ways.

For some crimes, such as drug trafficking, supply is predominantly illegal, but the destination markets are mixed. With regard to forestry crimes, extraction may be illegal, but processing and export are undertaken through legal enterprises. In illegal gold mining, illicit production is channelled into formal marketing chains. The formal private sector is not merely a victim or an accomplice; instead, there is a spectrum ranging from involuntary participation and negligence to active and deliberate participation.

The data presented on Colombia illustrate this: more than 96% of the inputs needed for the production of coca leaf and intermediate derivatives (agrochemicals, fuels, tools) are of legal origin. Only in the final stage of cocaine hydrochloride production does the proportion of illegal inputs increase to 73%. This shows that illegal markets are structurally dependent on legal ones and vice versa.

Territories adapt to the presence of illegal economies and develop structural dependencies that persist even when the specific illegal activity changes. In Colombia, 58% of coca-growing territories are also engaged in illegal mining, which suggests that long-term illegal activity creates territorial conditions that are conducive to the establishment of other criminal activities.

D. The multidimensional impacts of organized crime in the region

Organized crime and illegal economies are not just a public security problem. Their effects span multiple dimensions, ranging from the economy and the environment to the functioning of democratic institutions.

1. Economic impact: distortions and diseconomies

- (a) Crime generates multiple diseconomies, or negative externalities that cause certain legal sectors of the economy to shrink. One of the most visible is the disincentive that insecurity poses to domestic and foreign private investment. Companies avoid investing in areas with high crime rates, or else they pay substantial security surcharges.
- (b) In addition, money laundering allows “shell” companies, or companies infiltrated by organized crime, to operate with artificially low costs and thus displace legitimate competitors. In territories with a major presence of illegal economies, the relative prices of land, labour, housing and inputs are distorted.
- (c) Formal businesses face “double taxation” because they are forced to pay both legal taxes and criminal levies (extortion, protection money, tolls). This harms small and vulnerable businesses disproportionately. In some countries, extortion has become the main predatory criminal issue, essentially violent and with devastating economic effects on the local economies.
- (d) The resources allocated to security, which are growing exponentially, ought to be invested in infrastructure, education and health instead. As noted, interest payments on public debt—inflated partly by deficits resulting from expenditure on security—consume resources that in some cases are equivalent to 61% of education expenditure, 70% of spending on health, or 57% of social protection expenditure.
- (e) The capacity of the victims of violence to grow their human capital and accumulate future income is compromised. School violence, recruitment by gangs and criminal organizations, and intergenerational trauma in the affected communities undermine long-term social productivity.
- (f) Environmental crimes (illegal mining, illegal logging and the trafficking of species) cause irreversible damage to ecosystems, affect fundamental environmental services and jeopardize the sustainability of the region’s natural resource-based economies.
- (g) Paradoxically, the criminal economy also promotes positive economic activities in some sectors, albeit in a distorted manner. The region’s private security sector is growing at annual rates of 13% to 14%; and, while it generates direct and indirect employment, it imposes a social cost and diverts productive resources.
- (h) Resources originating in organized crime and laundered into tourism, real estate, commerce, construction and electronic currencies generate positive effects in these economic activities, albeit with distorting effects on competition and prices.
- (i) Moreover, in the marginalized territories, illegal economies do in fact generate employment and income, boost local trade and, in some cases, finance basic infrastructure that the State fails to provide. Data from Colombia show that the economic performance of coca-growing municipalities is superior to that of comparable municipalities without these crops; and that activities such as liquor stores, gas stations and hotels are overrepresented in coca-growing municipalities.
- (j) This duality of diseconomies that cause the contraction of legitimate sectors in the face of economies that stimulate certain activities, complicates analysis and policy responses, since dismantling criminal economies without offering viable alternatives can lead to humanitarian and economic crises in the territories that depend on them.

2. Social and humanitarian impacts

- (a) Organized crime accentuates inequalities, increases forced displacement and deprives entire communities of fundamental freedoms.
- (b) Lethal violence is the most visible manifestation, but not the only one. In some contexts, low or declining homicide rates coexist with rigid territorial control by criminal groups that exercise criminal governance and regulate violence to maintain the stability of their businesses.
- (c) Young people are highly vulnerable and, in the absence of formal employment opportunities with guaranteed rights, organized crime offers them high-risk employment alternatives.
- (d) A study in Rio de Janeiro, conducted by the Centre for Studies on Public Security and Citizenship, found that students in schools affected by violent police operations lose 64% of their expected learning in Portuguese and almost 100% in mathematics. Repressive anti-drug policies impair learning processes and have boosted school dropout rates in Brazil.
- (e) Young people are simultaneously victims (recruited because of a lack of alternatives), perpetrators of violence (often exploited) and a population at risk. The recruitment of children and adolescents is a very serious intrinsic dynamic of organized crime, which has adverse effects on their life trajectories.
- (f) Women face situations of exacerbated gender-based violence in territories under criminal governance, where they are victims of trafficking in persons, sexual exploitation, femicide and domestic violence.
- (g) The Indigenous and Afrodescendent communities are disproportionately affected in territories where illegal economies, territorial conflicts and State weakness converge.
- (h) Latin America and the Caribbean is the most dangerous region in the world for environmental defenders, many of whom have been assassinated for opposing organized criminal activities (illegal mining, logging, trafficking of species) in territories without effective State protection.
- (i) In Brazil, studies have been carried out on the effects of organized crime on people's mental and physical health. According to the Centre for Studies on Public Security and Citizenship, 50.9% of residents in favelas where violent police operations are frequent suffer from at least one serious disorder (hypertension, insomnia, depression or anxiety).
- (j) Lastly, although not all consumption of substances declared illegal is problematic, organized crime exacerbates problematic consumption among vulnerable populations, particularly among young people; and the public health policies in place to address this issue are inadequate.

3. Impact on democratic institutions

- (a) The impact on democratic institutions is increasingly serious. Organized crime promotes widespread corruption, not only in the police, prisons and the justice system, but throughout the entire State structure, the political system and the private sector.
- (b) Criminal activity undermines the 'State's capacity to exercise its legitimate monopoly on violence, and it erodes public confidence in democratic institutions. In many territories, criminal structures fulfil functions normally performed by the State, such as informal administration of justice, delivery of services, territorial control and infrastructure building. This gives them legitimacy among marginalized populations.
- (c) This erosion of the democratic State's capacities is the most worrying consequence. In many territories, criminal groups dispute or effectively control the monopoly on the use of force. In several countries, the State cannot access certain areas without large-scale military operations.

- (d) The growth of violence and insecurity has generated an anti-democratic trend in the region, whereby organized crime is used to justify the erosion of democratic guarantees, declare prolonged states of emergency, militarize public security and concentrate executive power. Violence fuels a discourse that legitimizes other types of violence, including that perpetrated by the State, resulting in serious human rights violations.
- (e) Impunity increases because justice systems do not have the capacity to investigate and punish the multitude of interconnected crimes that stem from criminal activities. The lack of integrated financial investigation, specialized teams to prosecute organized crime and coordination between criminal and financial prosecutors means that investigations are tardy and focus on individual segments of the issues without understanding them holistically.
- (f) The emphasis on police action rather than judicial action results in an increase in the number of persons detained or arrested, but not in the number of investigations. This frustrates the public, demoralizes the police and undermines the legitimacy of the justice institutions.
- (g) The fact that prosecutors, judges, witnesses and victims lack effective protection encourages self-censorship.

4. Environmental impact: irreversible damage in an increasingly lucrative market

- (a) Criminal economies, including illegal gold mining, illegal logging and species trafficking, cause irreversible destruction of ecosystems, contamination of water sources by mercury and uncontrolled deforestation, and directly threaten the safety and lives of environmental defenders.
- (b) Environmental crimes are estimated to represent the third-largest illegal economy in the world, generating up to US\$ 281 billion annually, with growth rates of 5% to 7% per year (three times higher than those of the formal economy) and accounting for approximately 38% of the income of non-State armed groups. The World Bank estimates the real social and environmental cost at between US\$ 1 trillion and US\$ 2 trillion per year.
- (c) For organized criminal groups, these crimes are attractive because of their low risk and high returns. In countries such as Peru and Colombia, revenues from environmental crimes, particularly illegal gold mining, have even surpassed those obtained from drug trafficking.
- (d) Environmental crimes are characterized by a “double laundering” dynamic: first, the natural resource (e.g. gold or timber) is laundered by inserting it into legal marketing chains and then the money obtained from its sale is laundered. This profoundly distinguishes environmental crimes from those related to drug trafficking, as there is a legitimate market for the product and the illegality stems from how it is obtained.

E.

From organized crime to illegal power and the formation of armed capital

The region is not only facing small, medium-sized and large criminal organizations, but also unlawful power at an advanced stage of consolidation, which is based on four concurrent elements: (i) multiple and diversified illegal markets; (ii) extremely high levels of political and private corruption, across the entire State; (iii) an ambivalent and weak State, which is present in the territories but fails to act effectively where illegal markets exist; or else does so in ways that facilitate organized crime; and (iv) an authoritarian citizenry with a consolidated culture of illegality, which demands a heavy hand but, at the same time, normalizes violations, purchases stolen goods and evades taxes.

The consolidation of this illegal power is based on two other elements: money laundering and the arms market. These are the critical points where effective intervention could limit the most serious consequences of the issue.

One of the most worrying aspects of this process is the consolidation of a power that, in some contexts, citizens do not always perceive as qualitatively worse than the existing political authority. This represents an existential risk to democracy in the region.

The criminal economy not only refers to products, but also to a cycle of capital accumulation obtained through violence. This means that the exercise of violence is in itself an economy, irrespective of the specific products trafficked (drugs, gold, timber and others). Organized crime not only involves the trafficking of products, but also the accumulation of a specific type of capital through the exercise of violent control over territories and markets.

The first phase of the armed capital cycle is accumulation. Criminal groups use violence to control territories, dominate local illegal economies and create criminal assets consisting of weapons, networks of contacts, privileged information and operational capacity.

In the second phase, the capital accumulated through violence is transformed into political capital (campaign financing and influence on legislative and political programmes); economic capital (investments in legal economies, such as hotels, construction, transportation, livestock and land purchases); and social capital (building social legitimacy by providing infrastructure, goods and services ranging from schools and roads to security).

In the third phase, capital is perpetuated through intergenerational transfer (for example, the children of drug traffickers inherit “clean” businesses); inter-organizational transfers (when one organization absorbs another) and institutionalized learning (each new organization learns from the successes and failures of its predecessors).

In the event of demobilization or peace processes, criminal structures recruit ex-combatants with military skills, discipline and knowledge of the territories. Thus, criminal groups absorb the organizational capacity of the groups that preceded them and criminal capital is recycled into new structures. Colombia provides an example of this, where, following the demobilization of the Revolutionary Armed Forces of Colombia – People’s Army (FARC-EP), dissident criminal groups absorbed many former combatants and learned from their territorial control and organizational capabilities.

This cycle feeds back on itself as violence generates capital, which in turn morphs into legitimate power that facilitates further violent accumulation. Breaking this cycle requires intervention on several fronts simultaneously: extinction of ownership (financial dimension); restitution of land and basic services (territorial dimension); break-up of criminal pacts (political-institutional dimension); prison reform to break internal command and control; control of illegal markets; and social prevention to offer legitimate alternatives for capital accumulation.

F. Impact at the national level

1. Chile

A relatively safe country with low rates of organized crime until a few years ago, Chile has undergone a worrying transformation in the last decade. In the first half of 2025, the homicide rate was 2.5 per 100,000 inhabitants. Although this is still low by regional standards, it has tripled in recent years. Homicides linked to organized crime accounted for 48% of the total in 2020. Following the implementation of specific policies, this proportion fell to 32.1% in 2025.

The growth of other crimes is clear to see. The number of cases of extortion investigated by the police increased from 212 in 2018 to 1,062 in 2024, while cases related to Act No. 17,798 on gun control rose from 7,972 to 22,474 in the same period. It was established that over 50% of the weapons used to commit crimes and subsequently seized had been registered legally in the past.

The Government of Chile's response included the creation of the Homicides and Organized Crime Task Forces (ECOH), the formulation of a national policy against organized crime with 10 strategic pillars, strengthening of the Financial Analysis Unit, adoption of more than 70 security-related laws in a few years (through fast-track legislative procedures) and the creation of a new Ministry of Public Security independent of the Ministry of the Interior, in order to institutionalize the measures and ring-fence them from short-term political calculations.

2. Ecuador

Ecuador offers a laboratory for studying good and bad decisions in public security policies. Between 2007 and 2014, policies to strengthen institutions and modernize prisons led to a steady decline in violent deaths in the country. Impact assessments suggest that these policies prevented thousands of deaths that would otherwise have occurred.

Starting in 2017, the Security Coordinating Ministry, the Ministry of the Interior and the Ministry of Justice were eliminated, and the sanctioning capacity of the Judiciary Council was weakened, among other measures. Violent deaths increased exponentially and have multiplied tenfold since 2018. In particular, there were several prison massacres following the elimination of the Ministry of Justice: without centralized management, the prison administrations organized prisoners by types of crime (with the consequent concentration of members of the same group in the same wing) rather than by level of danger. This resulted in turf-war dynamics being reproduced inside the prisons.

The case of Ecuador shows that better security management requires strengthening public institutional frameworks and allocating adequate budgets to them, so that the logic of the minimal State does not undermine citizen security policies, and that the policies in question outlast government terms of office.

3. Brazil

Brazil faces extreme levels of both lethal and police violence, with 35,000 homicides in 2024, of which 6,000 were perpetrated by the police. In addition, there are 80,000 missing persons, victims of State or criminal violence.

Studies on the cost of the war on drugs in this country report that in the States of Brasilia, Rio de Janeiro, São Paulo, Bahia, Pará and Santa Catarina, US\$ 1.3 billion is spent annually just on the enforcement of Act No. 11,343/2006. This establishes the national system of public policies on drugs, encompassing the institutions of the criminal justice system: the Civil Police, the Military Police, the Federal Public Prosecution Department, the Judiciary, the prison system and the socioeducational system. These resources could otherwise be used to finance the education of 1.5 million students or maintain 400 emergency health units. The disproportionate effects on the Black population, which is overrepresented among victims of homicide, police killings and incarceration, show that drug policies have exacerbated racial violence in this country.

4. Colombia

Over the past ten years, 90% of coca cultivation has remained in the same territories, thus demonstrating the stabilization and concentration of the issue.

Strategically, coca cultivation has been concentrated near centres of population (90% of coca-growing areas are located 15 km or less from the nearest town) or in border areas. This concentration changes the profile of the growers: they are no longer isolated farmers with no alternatives, but social actors who are increasingly integrated into services and markets. This complicates the traditional narratives that point to poverty as the cause and, consequently, alternative development as the solution.

Local economic dependence can be extreme, and the persistence of this issue creates conditions conducive to the development of other illegal economies: 58% of territories with coca crops are also engaged in illegal mining. This suggests that the persistence of illegality transforms institutions and communities and increases their propensity to engage in various unlawful activities.

G. The transnational dimension and its regional consequences

Transnational organized crime cannot be countered with national policies exclusively. The organizations in question operate in global networks, exploit gaps between jurisdictions and adapt more quickly than the coordinated State responses.

Current international cooperation, particularly among Latin American countries, is recognized as insufficient. In addition to legal mechanisms, it is necessary to share successful experiences, train specialized officials, develop joint financial intelligence and build capacity to track money across borders.

The fragmentation of national responses to integrated transnational criminal networks is one of the key structural advantages of organized crime. Until effective regional integration in security and justice is achieved, the responses to global markets will continue to be local, with limited results.

H. Three conclusions on magnitude, organizational transformation and territorial persistence

The seminar discussions focused on understanding the impact of organized crime on the economy of Latin America and the Caribbean. The conclusions presented below address this issue from a standpoint that recognizes organized crime not as a security problem with collateral economic effects, but instead as an economic problem in itself, which requires an economic response, in addition to traditional security and justice responses.

1. The criminal economy operates as a large autonomous sector that distorts the functioning of the formal and informal economies

The seminar showed that the criminal economy in Latin America and the Caribbean operates as an autonomous economic sector that is deeply intertwined with the formal and informal economies. These are not marginal activities, but instead constitute a sector that: (i) participates in all economic phases (production, circulation, trade, consumption and investment); (ii) generates direct and indirect employment for hundreds of thousands of people; (iii) capitalizes and reproduces itself by reinvesting profits; (iv) stimulates some sectors of the formal economy, such as private security; and (v) is structurally dependent on legal inputs.

This economic reality requires moving beyond exclusively punitive approaches, which have proven insufficient. Organized crime needs to be understood as an economic obstacle to development that reduces productive capacities, distorts markets through unfair competition, discourages investment, diverts public resources from investment in human capital and infrastructure, and perpetuates inequalities. To address it, comprehensive economic policies are needed that combine fiscal, regulatory, social investment and legal market-strengthening instruments, in conjunction with security and justice responses.

2. The direct and indirect economic costs of crime far exceed traditional estimates and affect vulnerable populations disproportionately

In addition to the aggregate figures of the GDP affected, other specific and measurable economic costs were documented at the seminar. These are not distributed equitably, but fall disproportionately on marginalized territories and communities where the presence of the State is weak or ambiguous.

There are also indirect economic costs that are hard to quantify but are structurally significant. These include reduced tourism in the affected zones, private security surcharges, decisions on investments that never materialize, capital flight to safer jurisdictions and the destruction of natural capital owing to environmental crimes, which jeopardizes long-term economic sustainability.

The criminal economy also generates distorted positive economic activities and creates economic dependencies that hinder public policy responses. Dismantling criminal economies without offering viable alternatives generates humanitarian and economic crises in the territories that depend on those economies.

3. The territorial persistence of illegal economies generates structural economic dependencies that cannot be resolved through repression, but instead require sustained investment in territorial development

The data presented show that illegal economies are not temporary, but become entrenched in territories and generate deep-rooted economic dependencies. This persistence transforms local economic structures. Formal sectors become dependent on the demand generated by illegal economies; labour markets adapt to criminal opportunities when legal alternatives are precarious or non-existent; and illegal enclave economies are created in which legitimate activities coexist with and depend on illegal ones. The response cannot be confined to forced eradication or temporary militarization, because these methods generate displacement effects without addressing the underlying economic causes.

Long-term territorial economic interventions are needed that combine the following elements: (i) sustained public investment in infrastructure, basic services and connectivity; (ii) development of legal and viable production chains with real access to markets, technical assistance and credit; (iii) active youth employment policies that compete with what organized crime offers; and (iv) strengthening of legitimate social capital through community organizations, productive associations and mechanisms for citizen participation.

The decapitalization of criminal structures must be accompanied by the simultaneous capitalization of the legal territorial economies, bearing in mind that economic transformation processes require a 10-to-15-year horizon.

Eight public policy pillars to address organized crime as an economic issue

The following recommendations are organized according to eight dimensions proposed in the seminar discussion, recognizing that they are interrelated and mutually reinforcing.

1. Legal and regulatory framework

- (a) UNODC stressed the importance of anchoring public policies in the international legal framework as a starting point for tackling transnational organized crime effectively. This dimension involves:
- The adoption and implementation of international instruments such as the United Nations Convention against Transnational Organized Crime and the Protocols thereto, the United Nations Convention against Corruption, the international drug control treaties and the United Nations Convention on Cybercrime.
 - Regional harmonization of laws to facilitate legal cooperation and avoid regulatory loopholes that facilitate impunity.
 - The establishment of international cooperation mechanisms, such as extradition, mutual legal assistance and cross-border confiscation of illicit assets.

This framework must be dynamic, adapted to new forms of crime and respectful of human rights.

- (b) It is necessary to increase regional consistency in the classification of crimes, legal cooperation procedures and standards for the protection of victims and witnesses. This means ensuring legal interoperability, to make it possible to prosecute transnational networks.
- (c) Excessively broad legal definitions of organized crime can facilitate abuse of authority and overwhelm justice systems. Laws need to be robust enough to dismantle the most powerful criminal structures without excessively penalizing actors at the lower levels of criminal chains.

2. Institutions and governance

- (a) According to UNODC, strengthening the rule of law requires effective, coordinated and corruption-free institutions. This dimension includes:
- Strengthening the operational capacity of the police, prosecution departments, prison systems, customs and financial intelligence units.
 - Inter-agency coordination to avoid duplication of tasks and ensure comprehensive responses.
 - Transparency and internal control through audits, whistleblower protection mechanisms and a culture of institutional integrity.
- (b) Governance must be inclusive, efficient and results-oriented and have legitimacy among the citizenry.
- (c) The bottleneck between police capacity and judicial capacity fosters public frustration and increases impunity. Criminal justice systems need to be strengthened with specialized prosecution units, high-capacity ombudsperson departments and professionalized prison systems.

- (d) Effective inter-agency coordination can overcome the fragmentation of the system. This coordination can be strengthened through mechanisms such as national councils against organized crime involving all relevant agencies, real-time information-sharing protocols, specialized prosecutors with multidisciplinary teams and interministerial committees.
- (e) In several of the region's countries, prison reform is a priority. This requires centralized management, sustained investment, effective control of illegal communications and reintegration programmes with follow-up.
- (f) Progress must be made in consolidating internal control and anti-corruption mechanisms, such as periodic audits, rotation of personnel in sensitive positions, thorough investigation of cases of unexplained wealth, protection for internal whistleblowers and effective sanctions for officials who are co-opted by organized crime.
- (g) Comprehensive responses require institutional continuity to ensure that successful policies are maintained beyond changes of government. Incentives include the creation of ministries or specialized agencies with a degree of technical autonomy, as well as mechanisms for inter-agency coordination that transcend specific administrations.

3. Financing

- (a) UNODC pointed out that public policies cannot be implemented or sustained without adequate resources. This dimension includes:
 - Multi-year and sustainable financing, aligned with strategic priorities.
 - Cost-benefit analysis to identify the interventions that have the greatest impact on dismantling criminal networks.
 - Mobilization of national and international resources, including technical cooperation and partnerships with development banks.

Investing in security, justice and prevention is a necessary condition for sustainable development.

- (b) The investment should prioritize interventions that have demonstrated the greatest impact on dismantling criminal structures and protecting communities. Expenditures on activities that do not produce results (such as media operations, or the purchase of equipment without trained personnel to use it) should be avoided.
- (c) Security policies require five to ten years of continuity to show results. Annual budgets, subject to political fluctuations, make planning difficult.
- (d) Resources spent on incarcerating people for minor crimes could be reallocated strategically to the investigation of complex criminal structures, protection of victims, prevention in vulnerable areas and the consideration of problematic drug use as a public health issue.

4. Data, monitoring and evaluation

- (a) UNODC emphasized that policymaking needs to be based on reliable and verifiable information. This dimension includes:
 - Monitoring and evaluation systems that measure the real impact of the interventions, beyond operational indicators such as arrests or seizures.
 - External audits and participatory feedback, involving the academic sector, civil society and the affected communities.
 - Transparency in public management, with open data and accountability.

Information makes it possible to adapt strategies, improve effectiveness and strengthen institutional trust.

- (b) Global criminal activities require interoperable information systems, in other words platforms that enable the police, prosecutors, customs, financial intelligence units and other relevant actors to share information in real time, while respecting each country's laws on privacy and due process.
- (c) Indicators of impact, not just activity, should be developed to measure results (reduction of the territorial control of organized crime, dismantling of economic structures and restoration of public confidence), rather than just activities (such as the number of arrests or the quantity of drugs seized). Activity metrics can create perverse incentives.
- (d) Conduct external evaluations of security policies, with participation from the academic community, civil society and international organizations. Transparency of results and policy impact should be ensured.
- (e) Rigorously estimate the magnitude of criminal economies, illicit financial flows, money laundering and comprehensive social costs. The seminar revealed significant methodological shortcomings that hinder the formulation of empirically based policies.
- (f) Strengthen the use of emerging technologies, such as artificial intelligence (to analyse patterns of crime), big data (to detect criminal networks) and georeferencing (to conduct targeted territorial interventions).

5. Intelligence and strategic analysis

- (a) According to UNODC, combating organized crime requires anticipation, precision and technology. This dimension includes:
 - The interoperability of information systems between national and international agencies.
 - An analysis of criminal networks, encompassing financial, logistical and social structures.
 - The use of advanced technologies, such as artificial intelligence, big data, georeferencing and predictive analysis.

Strategic intelligence enables steps to be taken before damage occurs, through targeted and effective interventions.

- (b) Financial investigation must be a central focus. This requires strengthened financial intelligence units with advanced technical capabilities, financial investigation teams in specialized prosecution units, timely access to banking and business information (with legal safeguards) and cooperation between financial intelligence units in different countries.
- (c) The analysis of criminal networks must map entire structures (not just the visible operators), including the final beneficiaries, input suppliers, transport providers, money launderers, legal facilitators, political connections and offshore structures.
- (d) It is essential to establish and strengthen prospective intelligence that anticipates the movements of organized crime (new routes, new products, new methods) through trend analysis, monitoring of global markets and cooperation with international intelligence agencies.

6. Regional and international cooperation

- (a) Transnational organized crime requires responses that are coordinated between countries. UNODC highlighted the importance of strengthening judicial, police and technical cooperation through multilateral mechanisms such as UNODC itself, the International Criminal Police

Organization (INTERPOL) and the Police Community of the Americas (AMERIPOL), among other entities. Real-time information exchange, regulatory harmonization and specialized assistance are promoted to tackle criminal networks operating across borders. International cooperation must be based on shared responsibility and approaches tailored to regional contexts.

- (b) Cooperation is currently insufficient. Innovation is needed, for example, through a mechanism for enhanced multilevel cooperation inspired by the European Public Prosecutor's Office, which convenes various institutional actors both within and outside the region, with joint investigation teams that have a permanent mandate and integrated regional databases.
- (c) Cooperation between Latin American countries has historically been weak, owing to political mistrust and rivalries. It needs to be strengthened through operational (not just declarative) police and judicial cooperation agreements, specific protocols for the prosecution of organizations operating in multiple countries, and early warning mechanisms on the movements of criminal structures.
- (d) Regional policies are needed to control the flow of weapons (mainly from the United States) and chemical precursors for drug production. This requires collaboration with the producing and transit countries, stricter regulation of legal markets for weapons and chemicals, and tracking technologies.
- (e) Port and border governance is essential. Strengthening this requires investment in technology (scanners, drones, monitoring systems), staff training, corruption control at critical points and bilateral coordination for integrated border management. Blind spots at borders and ports represent a structural advantage for criminal activity.

7. Control of illegal economies

- (a) According to UNODC, it is imperative to regulate, control and dismantle illegal economies. This dimension addresses:
 - The regulation of vulnerable sectors such as illegal mining, species trafficking, smuggling, the use of cryptocurrencies and informal trade.
 - Conducting in-depth financial investigations that reach the final beneficiaries and offshore structures.
 - Dismantling of the logistical, legal and financial support networks that sustain criminal operations.

Controlling illegal economies is essential for weakening the economic power of organized crime.

- (b) Strategic prioritization is essential to make more effective use of available resources. The seminar proposed focusing efforts on today's three most problematic illegal markets, namely: (i) arms trafficking (controlling flows and the secondary market); (ii) trafficking in chemical precursors (for the production of synthetic drugs and cocaine processing); and (iii) illegal gold mining (owing to its growing profitability, devastating environmental impact and links to the financing of armed groups).
- (c) Regulating sectors that are vulnerable to money laundering, such as real estate, vehicle sales, cryptocurrencies and free trade zones or special regimes, requires specific and harmonized actions.
- (d) Informal economies are a response to the lack of legal opportunities. Control policies should not punish the most vulnerable actors disproportionately, while large-scale organized crime operators enjoy impunity.

8. Prevention and social resilience

- (a) UNODC emphasized that communities must be at the centre of public policies. This dimension involves:
- Alternative development in territories affected by illegal economies, with an emphasis on education, youth employment and basic services.
 - Active citizen participation through community policing, promotion of a culture of legality and strengthening of the social fabric.
 - Building territorial resilience to reduce structural vulnerabilities and prevent organized crime from taking root.

Prevention is more effective when it is based on individual empowerment and social inclusion.

- (b) Interventions in historically marginalized territories must combine effective State presence with legal economic opportunities (employment, credit, markets), infrastructure and community strengthening.
- (c) To prevent young people from being recruited by criminal organizations, programmes for at-risk populations must be created that offer real alternatives, such as quality education, technical training with effective job placement and psychosocial support. It is essential to establish inter-agency early-warning systems that detect risk factors before they increase.
- (d) Decriminalization of drug possession and use, treating problematic use as a mental health problem, reducing harm for active users and providing safe regulated supply help to defund criminal markets. This, in turn, frees police and judicial resources to pursue production and trafficking structures.
- (e) Organized crime exacerbates gender-based violence. In this context, there is an urgent need to adopt specific prevention and care policies, with safe shelters, protected reporting channels and effective prosecution of exploiters and traffickers.
- (f) Territorial control by organized crime thrives where there is a disconnect between the State and society. For this reason, it is necessary to strengthen social cohesion through community participation in security matters (without vigilantism), the recovery of public spaces and the building of trust between communities and authorities.
- (g) In some cases, after decades of State absence and services provided by criminal groups, reclaiming territory without offering real alternatives creates humanitarian crises. Accordingly, explicit agreements must be established: States must provide services and opportunities; communities must participate in the dismantling of criminal structures; and mutual compliance must be verified independently.

J.

Final comments

Organized crime and illegal economies are among the most complex challenges facing Latin America and the Caribbean. This problem will not be solved by a specific policy or in a single term of office. It requires a long-term vision, coordination between countries, sustained political will and the capacity to resist the easy answers of punitive populism and authoritarianism.

Although much is known about the problem, consequential action is not being taken. The region now has more resources for security, additional institutions and more international cooperation than it did 20 years ago; but the results are insufficient or even counterproductive in some contexts.

One of the most persistent obstacles to formulating effective responses to transnational organized crime and illegal economies is not a lack of knowledge, but the use of inadequate metrics that prioritize operational activities, such as arrests and seizures, over strategic outcomes, such as the effective dismantling of criminal networks. Policies continue to focus on specific products (such as drugs) rather than targeting actors and structural dynamics, such as territorial control, criminal governance, extortion, institutional capture and the functioning of illegal economies. This is compounded by a lack of institutional continuity beyond government cycles and short-term political incentives that favour populist responses, such as heavy-handedness or militarization, to the detriment of comprehensive, sustainable and evidence-based solutions.

Responses should be proportional to the nature of the challenge: transnational, sustained over time, focused on dismantling the economic structures that sustain illegal economies and based on effective regional cooperation. This means adopting strategies that integrate security, development and human rights with a long-term vision that strengthens institutional and community resilience.

The seminar reaffirmed that organized crime and the associated illegal economies need to be understood, above all, as complex economic realities with the capacity to distort markets, alter relative prices, crowd out legitimate competition and generate diseconomies that affect growth, investment and productivity. The discussion highlighted the fact that criminal organizations participate in all phases of the economic cycle—production, financing, trade, consumption and investment—and that their structural integration in territories creates economic dependencies that cannot be addressed through criminal justice or security responses alone. The information presented showed that these illegal economies compete with formal markets for resources, labour and infrastructure, and that they generate direct and indirect costs that limit the possibilities for sustainable development throughout the region.

The seminar also had the positive result of convening specialists around the need to formulate comprehensive economic policies that weaken the incentives that sustain illegal economies, strengthen legal markets, promote viable productive alternatives and ensure territorial economic reconversion processes. It was stressed that combating organized crime is not only a security imperative, but also a condition for macroeconomic stability, the efficiency of public and private investment, the strengthening of human capital and the very legitimacy of democratic institutions. On the basis of these advances, ECLAC, UNODC and the Friedrich Ebert Foundation agreed to hold a follow-up meeting on 16 December 2025, in Bogotá, which would bring together specialists from the region to develop this economic approach further, and to encourage more and better research and public policy design.

This document summarizes the topics addressed at the first seminar on the impact of organized crime on the economy of Latin America and the Caribbean, held jointly by the Economic Commission for Latin America and the Caribbean (ECLAC), the Friedrich Ebert Foundation (FEF) and the United Nations Office on Drugs and Crime (UNODC) on 23 and 25 September 2025 at ECLAC headquarters in Santiago.

The aim is for the outcomes of that multidisciplinary dialogue analysing the impact of organized crime on economic dynamics in Latin America and the Caribbean to be translated into inputs for the formulation of empirically based and comprehensive public policies. These policies would create linkages between economic instruments and other institutional, security, intelligence and technological instruments coordinated at the local, national, regional and global levels, and go beyond an approach based exclusively on criminal justice or security to address organized crime, whose activities extend beyond borders.



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