Anti-Corruption Task Team Meeting

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Development responses to Global Bads and Organised Crime (Draft)

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Development responses to Global Bads and Organised Crime

**SUMMARY** This concept paper outlines possible responses to transnational organised crime (TOC) and related *global baps* within a development framework. To date, there has been limited analysis of the development response to TOC. Current OECD work on illicit economic activity and financial flows is gradually increasing the evidence base. OECD analysis of governance and rule of law support also suggest significant scope to increase engagement within ODA eligible space.

1. Why TOC?
Illicit economic activities are among those phenomena that exploit globalisation to generate private profit and create public harm (i.e., global bads). Global bads have diverse forms, such as piracy, illicit trade, human smuggling, or illicit financial flows (including terrorist financing). All these illicit economic activities involve transnational organised crime, or result from international criminal activities. These problems go hand in hand with governance failures, weak rule of law systems, and violence. Illicit criminal activity and organised crime also directly enable and finance the activities of violent extremists. They erode legitimate governance systems, state institutions and the rule of law, diverting resources from development. One example is TOC in Central America; there, organised crime not only engages in illicit economic activity and spurs violence, but can also undermine local politics, assuming government functions in some areas.¹

While data on this issue is by nature unreliable, estimates suggest that TOC imposes immense costs on the global economy. In 2011, UNODC estimated that 3.6 percent of the global GDP are proceeds of crime. In 2013, this percentage corresponded to more than USD 2.7 trillion. Proceeds of crime account for a larger share of GDP in developing countries.¹  A 2008 analysis found that in Central America, crime was responsible for costs as high as 10.8 percent of GDP (World Bank, 2011).

Estimates by sector include:

- In 2009, gross profits from cocaine sales were USD 84 billion (UNODC, 2011).
- Between 2010 and 2012, EU member countries counted more than 30,000 victims of human trafficking and prosecuted 8,805 persons for trafficking (Eurostat, 2015).
- In 2013, authorities seized counterfeit pharmaceuticals worth more than USD 19.3 million (World Customs Organisation, 2014).

The July 2015 Addis Ababa Action Agenda highlights the need for strong governance systems to fight organised crime:

“We will strengthen regional, national and subnational institutions to [...] combat terrorism and crime [...]. We will effectively strengthen national institutions to combat money-laundering, corruption and the financing of terrorism, which have serious implications for economic development and social cohesion.” (Para. 112)
GLOBALISATION is an increased interconnectedness of economies, countries and societies. This process links even faraway places; local events in one place now affect events in a different place (Giddens, 1990; Held in Aas, 2013).

TRANSNATIONAL ORGANISED CRIME is not commonly defined. The UN Convention against Transnational Organized Crime defines an organised criminal group as:

- a group of three or more persons that was not randomly formed;
- existing for a period of time;
- acting in concert with the aim of committing at least one crime punishable by at least four years' incarceration;
- in order to obtain, directly or indirectly, a financial or other material benefit.

Cutting the homicide rate by ten percent would result in 1 percent higher GDP growth in El Salvador (World Bank, 2011).

In December 2011, 390,000 irregular migrants were estimated to be in Greece (Maroukis, 2012).

2. A Development Issue:

Traditionally, global bads have been tackled by nation states through traditional law enforcement structures, or livelihoods. While some progress has been made on whole of government approaches and integrated programmes, there has been little comprehensive lesson learning.

Efforts to curb the narcotics trade illustrate an evolution in thinking. Originally, governments focused on fighting dealers within their own borders, primarily through increased law enforcement capacities (more police officers, more investigators, more arrests, etc.) In a second phase, governments broadened the scope of their action to the original jurisdiction, such as the production site in Latin America. On a parallel track, development professionals tried to design programmes to support businesses and the economy in the same region. These activities often had only limited success.

Awareness is rising among development actors that there is a need for integrated and evidenced interventions. Development objectives will only be achieved by addressing the mechanisms that link illicit economic activity, poor governance and violence. Equally, development actors need to work effectively with their diplomatic and security counterparts. Currently, ODA expenditures on security and rule of law are low. Even in states affected by fragility, less than 4.5% of ODA is spent on security and justice initiatives (OECD 2015). In addition, lesson learning is dated with little specific evidence on approaches. The OECD developed guidance (see, for example, the OECD DAC Handbook on Security System Reform; Security System Reform and Governance in the Guidelines and Reference Series.) However, most of this guidance predates important advances in evidence and understanding (including the 2011 World Development Report on conflict, security, and development.)

The emerging Sustainable Development Goals (SDGs), and in particular goal 16, underline recognition of the role of global bads as a potential spoiler to the next phase of development. Goal 16 seems likely to include two targets relevant to global bads (rule of law and illicit financial flows). Goal 16 recognises that these are interlinked challenges – effective and inclusive institutions will only be achieved if global bads (and their associated violence) are addressed. Global bads also threaten other goals. For example, goal 14 and 15 (conservation of oceans and terrestrial ecosystems) are threatened by illegal, unreported and unregulated fishing, wildlife poaching and illegal logging. Goal 3 (health) is threatened by trade in counterfeit medication. We need a new policy framework on these issues that combines our thinking on transnational
organised crime and illicit economic activity with a broader view. How do weak rule of law and weak institutions fuel transnational organised crime and vice versa?

“In the case of drugs, just as in the case of illegal migration and terrorism, it becomes obvious that the security problems of the West are essentially questions of development for the developing world.”(Aas, 2013: pp. 132)

Making progress will require a process that leverages synergies by thinking across traditional policy areas. The OECD’s work to date has therefore aimed to create broad partnerships, building links with regional bodies and some middle-income countries. This included a 2014 symposium on technical assistance in anti-corruption efforts, which OECD organised in partnership with Brazil, UK, US, and UNODC. The organising committee is developing a follow-up event for the Conference of State Parties of the UNCAC.

3. Next Steps – Initial Outputs

OECD members increasingly recognise that effective development action on these issues requires several steps to be taken. These include a need to re-examine evidence and guidance, particularly in light of the imminent ODA clarification process and the emerging SDGs.

Development work on rule of law, anti-corruption, illicit financial flows and transnational organised crime needs to be better integrated into a coherent understanding, defining the development contribution to addressing global bads. This development space has been characterised as a spectrum stretching from rule of law/policing support through to livelihoods and community engagement. At its May 2015 Meeting, the OECD-DAC Governance Network requested the secretariat to include Global Bads within its future work-plan, managed by the Anti-Corruption Task Team which has an existing work-stream on Illicit Financial Flows.

The OECD work stream will establish evidence and provide guidance. This work will support the efforts of members to develop knowledge. Several donors, such as the United Kingdom and Norway, have organised workshops. An initial OECD contribution is an evidence report on illicit trade in West Africa. This report follows the money trail of illicit trade and the financing of criminal activity. The report explores possible development contributions beyond law enforcement. The West Africa report has involved partnership’s with bodies including the AfDB, GIABA and NEPAD.

Building on the West Africa report, the OECD is planning work on:

A) Evidence To date, there has not been systematic analysis of global bads and their effects on a) development, and b) governance systems. The need for analysis is greater than ever. An evidence report will need to identify those areas of global bads that are most susceptible to development interventions, assessing existing lessons on coherent rule of law, governance and socio-economic interventions. The initial evidencing exercise currently being undertaken by the OECD will be expanded to include a global overview and more in-depth lesson learning on development interventions.

West Africa Report: The report uses data, including proxy measures, to assess the scale of illicit economic activity and its financial mechanisms. The report, to be released in early 2016, will include case studies on:

- Terrorism Financing:
- Artisanal Mining:
- People Smuggling:
- Counterfeit Medication:
- Narcotics
Output – The OECD will produce a synthesis study aligned with both the SDG framework and the emerging clarification of ODA (see Annex A). The study will scope out existing knowledge of development activities addressing global bads, including: people trafficking, smuggling of endangered species and natural resource abuse. The case studies will illustrate the scale of illicit activity, and the nature of existing development interventions.

B) Guidance The emerging SDGs requires action on organised crime within a development framework. The clarification of ODA will provide clearer guidance for rule of law interventions on these issues. In addition, action aimed at governance and security support should align with broader development interventions. Members have identified a significant gap in guidance, particularly to facilitate coherent and effective programming. Existing guidance is out of date and not appropriate for the new multi-dimensional challenges that donors face. The current OECD work stream will build on evidencing processes to develop practical, actionable guidance for development actors wherever possible, for example on how to structure complex rule of law- or governance projects responding to TOC threats.

Output – The OECD aims at compiling an evidence-based guidance note for submission to the OECD-Development Assistance Committee. This will recommend principles and approaches for development action to address transnational organised crime and global bads. The Global Bads work-stream will also support member dialogue and knowledge sharing through meetings/workshops requested member groups.

In delivering these outputs, the OECD will work with member groups, building on its partnerships with a range of relevant institutions:

- Global Initiative against Transnational Organized Crime
- United Nations Office on Drugs and Crime (UNODC)
- Stolen Asset Recovery Initiative (StAR)
- World Bank
- African Development Bank
- Intergovernmental Action Group Against Money Laundering in West Africa (GIABA)
- And others
References
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Giddens, Anthony (1990), The Consequences of Modernity, Stanford.
Schaller, Thomas (2008), Badlands. Twentieth-century government was all about public goods. This century will be all about public bads, in: Democracy, Issue 7, Winter 2008.
World Customs Organisation (2014), Illicit Trade Report 2013, Brussels.
Annex A

Proposed OECD (ACTT) Evidencing Paper

Development and Rule of Law Approaches to Transnational Organised Crime

1. General considerations

- An OECD evidencing paper will provide a **definitive reference** on the development implications of TOC. It unpacks the various kinds of TOC and asks what their commonalities and differences are: What distinguishes people smuggling from natural resource issues and how do they differently affect governance and human welfare? In an arena where hard data is lacking and proxies are important, an evidencing paper must also establish what is really 'known' and what can be inferred.

- An evidence paper will build on the ground-breaking 2016 West Africa illicit trade report. The 2016 report will track six different areas of illicit activity, specifically assessing how financial operations are managed. New work will further extend our understanding of the space for action by donor agencies and implementers. It will help international actors – particularly those engaged with development – understand the nuances and differences in TOC, and the interactions between licit and illicit economies. Telling the deeper **stories behind TOC will help to demystify those issues usually viewed as too difficult to address, or outside the scope of development.**

- The report must prioritise data wherever possible, seeking credible information (statistics) on TOC and asking what the development impacts are. Is TOC a growing problem for development and governance? What is the scale of the international response to TOC? What evidence exists on the effectiveness of these responses? What factors seem to most significantly impact the scale and spread of TOC (either positively or negatively)? What relevant data is currently available – and what could feasibly be generated if the international community wished to increase the evidence base?

- The report will not only provide a synthesis, it will also **tell stories.** It will offer **easy-to-quote real-life / country examples** that OECD members can easily convey to their home audience (parliaments, press, etc.).

- The report will be hard hitting and original, profiling issues of policy and practice that need to adapt to be relevant to TOC in the post-2015 world. Does current context analysis capture the right levels of complexity, and is aid being used effectively to reduce TOC? Are most development programmes cognisant of the role of TOC in their contexts?

- The **audience** of ACTT evidencing papers are donors, policy makers and opinion formers within academia and civil society. The publication will be relevant to developing states and middle income countries. ACTT has strong working relationships with Regional Bodies built through its work on illicit economic activity, illicit financial flows and anti-corruption.

2. Approach

ACTT evidence papers are an initiative of the Anti-Corruption Task Team, established through the OECD-DAC Governance Network. The ACTT oversees work on **Global Bads**, including organised crime and illicit financial flows. The ACTT works closely with other DAC bodies, including the GovNet and the International Network on Conflict and Fragility (INCAF). The report is conceptualised and managed by a Governance and Rule of Law adviser specialising on TOC/Global Bads. An external contractor is also appointed to synthesise external research and undertake any original research and data collection that is needed (the 2016 West Africa Report has been undertaken through the Global Initiative on Transnational Organised Crime).

3. Timing

The evidence paper must resource the development of new guidance/practice following the conclusion of the process to clarify ODA. The paper will therefore be available by the end of the of 2016.
4. OECD EVIDENCE PAPER – STRUCTURE AND TOPICS

Q1: What is the impact of TOC on development outcomes, growth and governance?
- How are we defining TOC?
- Where is TOC most pronounced, and how does this differ from the past?
- How does TOC link to other development problems (terrorism, corruption, political instability)?
- How can we quantify TOC as a development problem – lost economic growth, tax revenue, human development and wellbeing?
- How does TOC affect governance structures and public service provision?

Q2: How should we understand trends in TOC in developing countries?
- How has globalisation impacted TOC?
- What can we say about drivers and enablers of TOC? How has TOC diversified and what similarities/differences exist between sectors (e.g., human smuggling versus ancient artefacts?)
- What is the relationship between the licit and illicit economy?
- What are the links between TOC and terrorist financing?
- Is TOC a greater or lesser threat than previously to developing country institutions, effective governance and rule of law?

Q3: How should we understand TOC as a global issue?
- How does TOC impact global stability and rule of law?
- How do certain governance structures impact TOC?
- What are the impacts in developed states?

Q4: What does this mean in practice? How does TOC impede commitments in the SDGS?
Impact re goals, including 1 (poverty), 10 (equality), 11 (cities and safety), 16 (effective and inclusive institutions). Four sector case studies illustrating this point further:
- Central America – the trade in people and human trafficking – Goal 3.5, 5, 7, 8, 10
- Middle East – ancient artefacts – Goal 11, 16
- South Asia – illicit trade in counterfeits – Goal 3.5, 7, 8
- East Asia or Africa – illicit resource extraction (such as illegal logging, oil) – Goal 7, 9, 15

Q5: What Works? Overview of International Efforts to Address TOC at local level
- Experience has been built of efforts (both aid driven and non-aid) to address TOC;
- Community, livelihoods and economic approaches to TOC
- Security, rule of law and governance approaches;
- ODA/CRS data on current related activities and fund flows.

Q6: What Works? Overview of International Efforts to Address TOC at the transnational level
- Overview of global policy instruments (e.g., NRM due diligence) and OECD country level action
- Intergovernmental opportunities and experience;

Q7: What steps are needed to implement SDG commitments in relation to TOC?
- What evidence exists of innovation and partnerships? What is the role of the private sector, civil society and community based organisations?
- How do we relate the livelihoods and the rule of law understandings of the issues?
- Have development actors engaged with wider rule of law and security in these countries?

Q8: What is the gender dimension of these issues?
- What are the distinct gender impacts of TOC? (Empowerment vs. victimisation)
- Do women and men play different roles in criminal organisations, and how do they become a part in these enterprises? (Masculinities and crime.)
- How does a gender-sensitive approach help to better address TOC?

Q9: Conclusion and Recommendations
- What are the implications for donors and their cross-government counterparts?

¹ UNODC, 2012