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The complete document is only available in PDF format.

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CONCEPT NOTE: IFF REPORT

Summary This document outlines ideas for the next edition of the OECD’s flagship report on Illicit Financial Flows (IFF). The report will illustrate how financial flows are generated by illicit trade in West Africa and follow the money trail from its origin to final destination. The OECD will present a comprehensive analysis of how financial flows from illicit trade are channelled with in the region and abroad. In addition, the report will respond to strong interest of bilateral development agencies by offering policy advice beyond numerical estimates and situational reports.

The report will address the following core questions:

1. Illicit trade generates a great volume of revenue – where does it go?
2. What channels are used and how do they go unnoticed?
3. What is the money used for?
4. What does this mean for development cooperation?

This study will be produced in partnership with the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA), the New Partnership for Africa’s Development (NEPAD), and the African Development Bank (AfDB).

1. FOLLOWING THE MONEY TRAIL OF ILLICIT TRADE IN WEST AFRICA

The OECD has a wealth of expertise in areas relevant to illicit financial flows (IFF) as a result of cross institutional collaborations. This concept note proposes to capitalise on this extensive knowledge with a report that analyses the processes enabling IFF beyond OECD countries: the next IFF report will follow the money trail of financial flows resulting from illicit trade in West Africa. This will be achieved by analysing the mechanisms used to channel capital in two directions: a) inbound flows which finance illicit trade, and b) outbound flows which result from illicit trade. In addition, the report will analyse how these activities impact development and illustrate the domestic vs. regional/international angle of the phenomenon.

This report uses the term illicit trade to refer to trade transactions of illegal goods but also to trade transactions of legal goods when they break regulations during the process of circulation. The term, as used in this report, entails a component of illegality at some stage of the trade process. The goods traded may themselves be among those which can be produced legally, or they have been produced legally and become illegal during the trade process (see chart in Annex 1). As an example, the term covers trade in stolen oil and in cocaine, even though oil is a legal good. Trading in stolen oil, however, is an illegal activity. This activity reduces revenue for the state, binds labour in illegal activities and ignores regulations that are supposed to protect citizens. Trade in cocaine is clearly illegal and the State cannot legitimately claim taxes over it. Addressing cocaine trade, however, drains resources that could have been used for other purposes. Both examples illustrate how illicit trade is linked to significant instability in several domains, in affected countries.

This topic has been discussed with DAC members interested in IFF and represents an area of concern for member agencies. As part of the broader OECD Development Cooperation Directorate (OECD-DCD) work on illicit financial flows, this report goes beyond the traditional aid agenda as previously pursued by OECD-DCD / DAC. However, this report will respond to agencies’ needs for evidence on the underlying processes and analysis of policies beyond security and rule of law needed to address
the issue. The OECD is well placed to publish this report because it has the unique capacity to combine the interdisciplinary aspects of this topic into one coherent report. Moreover, OECD-DCD has the comparative advantage of understanding how these issues can be translated into practical engagement for bilateral development agencies.

The report will be supported by publicly available data. Although no single dataset covers the issue comprehensively, the report will draw on several datasets (see Annex 2) to frame the storyline and provide evidence in support of the arguments and recommendations.

Report Highlights:

- The report will deepen the existing analysis of illicit trade by:
  - Going beyond what can be achieved with a review of formal compliance with standards;
  - Going beyond situational reports produced by other international institutions.
- The focus of this report more closely aligns with the needs of development agencies – by focusing on a developing region. This boosts agencies’ capacity to act upon findings.
- The report will offer practical advice for engaging in the area of illicit financial flows. Although some of the actions needed to advance on this agenda are to be taken by actors other than bilateral development agencies (financial sector regulatory agencies, financial intelligence units, customs authorities, etc), there is a range of practical actions that fall under the mandate of development agencies as well as other activities that they can actively support.

2. DRAFT OUTLINE

The report will feature three parts: The first will examine illicit financial flows resulting from illicit trade in the region of West Africa, how these activities are financed and how resulting funds are circulated, domestically, regionally and at the international level. These results will be substantiated by a qualitative analysis of two to three case studies, which is the objective of the second part of the report. The third part will draw conclusions and analyse the policy implications from the findings.

Part 1: Scoping the problem

This section will provide insights into the issues and resulting problems based on existing literature and data review. It will answer the following questions:

Question 1.1: How are illicit financial flows and criminal activities connected?

This introductory section will provide an overview of the main activities labelled as illicit trade affecting the region, the illicit financial flows they generate and specify the types of trade which will be the subject of attention of this report.

Question 1.2: How prevalent is illicit trade in West Africa?

Based on official statistics provided by UNODC and WCO among others, this section will illustrate the prevalence of the problem in the region. Data to be used include for example statistics on drug seizures provided by UNODC.
Question 1.3: What factors perpetuate illicit trade domestically and at the regional level?

This section will provide an analysis of domestic and regional challenges rendering West African countries vulnerable to illicit trade and resulting IFF. It will cover, for example, the difficulties faced to control porous borders, the inefficiencies of public authorities such as police and customs, the prevalence of informality in the economies of the region, and the level of integration and circulation of citizens across the region. This section will draw on datasets such as the World Economic Forum’s Global Competitiveness Indicators, the World Bank’s Doing Business Project and Global Financial Inclusion Index (Global Findex) Database, and selected data provided by INTERPOL.

Question 1.4: How does the international environment enable the financing of such activities and the circulation of its illicit revenue?

This section will focus on understanding the international components that allow these illicit activities to be financed and provide safe haven for the resulting outflows. For example, it will look at the inflow/outflow of capital in and out of the region to identify if there are financial centres considered to be tax haven/secrecy jurisdictions channelling funds from West Africa. Databases to be used include the IMF’s Coordinated Direct Investment Survey and the IMF’s Coordinated Portfolio Investment Survey.

Part 2: Case studies

A qualitative analysis of 3 case studies will substantiate the report and help answer questions that the public datasets cannot cover. A political economy analysis of selected countries and illicit trade processes will bolster the evidence from Part 1 (e.g., worthwhile case studies might be on stolen oil in Nigeria, cocaine in Guinea Bissau, or illegal, unregulated and unreported fisheries. The exact focus of the case studies will be determined after completion of Part 1). This section will:

- highlight domestic challenges of the countries in question which enable the existence of such activities;
- discuss the factors and drivers underpinning these activities and facilitating such processes domestically and abroad;
- analyse the consequences these type of activities have on the countries in question and the region;
- clarify certain misconceptions in dealing with such financial flows in this region (i.e., enforcing anti-money laundering standards on banking systems when the economy is dominated by cash transactions; focusing on the domestic dimension where regional dynamics are determinan), and
- elaborate on the options for international engagement on this issue at the level of developing and developed countries.

An important contribution brought by the qualitative analysis in Part 2 is to allow for a balanced view on the responsibilities of developed countries vis-à-vis developing countries in these processes. Statistics usually describe a bleak picture for West Africa. Therefore, it is imperative to provide a balanced view of the information to avoid reinforcing an easily accepted narrative: One in which West Africa, permeated by criminal structures, bears the full share of responsibility; exempting the foreign actors that contribute to these phenomena.
Part 3: Policy implications
This section will assess the implications of illicit trade and related financial flows to development in the region and the international ramifications of these processes. It will also consider the options to create an environment, in the region and elsewhere, less conducive to such illicit businesses.

Question 3.1: How do illicit activities impact development prospects for the region?

Fragility and instability are characteristics of this region. They drive and are driven by illicit activities. This section will focus on the implications and results of illicit trade and the impacts that financial outflows have on development (for example, implications for stability and violence, governance, poverty reduction, allocation of public resources, prospects on trade and international investments, tax collection, among others). It will look at, for example, the rate of homicides and other measures of violence vs. the performance of the region on specific MDG indicators. It will also use the datasets available in the OECD 2014 Fragile States report, as well as indicators of governance, stability, and fragility such as the Worldwide Governance Indicators.

Question 3.2: What is required to address illicit trade?

This section will discuss how the international community has addressed the problem so far, and identify the lessons learned and alternatives to bridge the gaps. These issues will be addressed through an analysis of the specific security interventions, as well as broader institution building development programmes in the target region. The latter efforts are intrinsically linked with the capacity of developing countries to tackle illicit trade and associated financial flows. It will look at efforts required from local governments to address the status quo of West African societies which currently provides no incentives for elites and ordinary citizens to refrain from engaging in these activities (for many ordinary citizens, it is a means of livelihood (Reitano and Shaw 2014)). Finally, it will remind readers of the aspect of policy coherence which needs to be considered in this context. Implementing policies solely focused on criminalisation and ignoring the need to provide alternatives (concerning employment, livelihoods, state presence and service delivery in some regions, etc.) will probably remain the easiest option but may generate insufficient long term results.

3. METHODOLOGY

The report will be produced through a series of stages in which intermediary content will be delivered to inform the next phase:

- Stage 1: Discussion and refining of the concept note in one meeting of the OECD stakeholder group;

- Stage 2: Commissioning the production of an inception report which will focus on responding to Part 1 of the outline. The datasets identified in Annex 2 should be part of the material reviewed for this phase, supported by a literature review.

- Stage 3: This inception report shall be presented at an exploratory workshop for discussion and inform the decision on the case studies (which countries and trades to focus on) as well as identify the information that cannot be collected from the existing public datasets. This exploratory workshop, to be organised by the OECD and the partners involved in this study,
will bring together a small group of OECD stakeholders as well as relevant external partners. The location of the workshop is to be determined;

- Stage 4: Commissioning and production of the case studies.

- Stage 5: Production of a final report, incorporating Part 1 and 2 and developing Part 3 (includes peer review internal and external to the OECD). The length of the final report is expected to be of around 150 pages.

<table>
<thead>
<tr>
<th>Security Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stages</strong></td>
</tr>
<tr>
<td>1: Discussion with stakeholders</td>
</tr>
<tr>
<td>2: Commission of inception report</td>
</tr>
<tr>
<td>3: Exploratory workshop</td>
</tr>
</tbody>
</table>
| 4: Case studies                  | Yes                                          | Medium - the production of case studies may require that consultants travel to the countries identified. | - Contract out to a provider with a standing network of researchers and informants on the ground.
|                                |                                               |                                              | - Restrict high-risk activities, such as interviews with high-risk informants (e.g., convicted criminals; politically exposed persons, etc.)
|                                |                                               |                                              | - Gather information from partner agencies / donors on the ground
|                                |                                               |                                              | - Orient the selection of specific case studies in light of instability or country specific risk |
| 5: Production of final report   | No                                           | Null                                         |                                                                           |

4. THE RELEVANCE OF THIS REPORT
a) Why focus on the money trail of illicit trade?

This concept note was developed based on discussions with relevant stakeholders within and outside of the OECD and a review of publicly available datasets (see annex) and relevant research. The informal discussions held with the UN Office on Drugs and Crime (UNODC), the World Customs Organisation (WCO) and Interpol pointed to policy areas that lack analysis on illicit activities.

The datasets analysed also helped to identify possible focus areas and determine the most reliable data available. This report will, however, acknowledge possible caveats such as existence of datasets which are not public and difficulties to access reliable quantitative data in a topic secretive by nature.

Previous Research

The Financial Action Task Force analysed sources of financing for terrorism activities in West Africa (FATF, 2013). The West Africa Commission on Drugs analysed threats posed by drug trafficking (Aning and Pokoo, 2013). NGOs and think tanks have focused on different parts of the problem: The non-governmental organisation Berne Declaration highlighted the role of international traders in facilitating oil theft in Nigeria (Berne Declaration, 2013). Oil theft was also the focus of a Chatham House report (Katsouris and Sayne, 2013). Others have focused on other illicit trades – such as Illegal, Unreported and Unregulated Fishing (IUUF) (Copeland, 2014; OECD, 2014; EJF, 2012; MRAG, 2010; Agnew et al, 2009). The WCO recently produced its second global Illicit Trade Report (2013). The World Economic Forum has attempted to look at enablers of illicit trade (WEF, 2012). UNODC publishes regular threat assessments for different countries and regions estimating amounts of flows in illicit goods. The literature indicated here is not comprehensive and does not cover the entire scope of illicit trade which are a feature of the region.

With the exception of one report (Berne Declaration, 2013) none have explored how the financing of these activities is organised or how its revenues are dealt with. Mostly, research has focused on understanding the underlying criminal offences. The difficulties in shedding light on this part of the problem suggest that an OECD report in this area can significantly advance knowledge. OECD’s contribution is to add the development angle of IFF. The different policy areas relevant for IFF have been technically addressed in different fora focusing on several parts of the phenomenon from perspectives other than development policy. OECD can highlight implications for development practitioners operating in different areas (for example those focusing on anti-corruption as well as those working with fragility and conflict) affected by IFF. In addition, the OECD has the capacity to make links between different policy areas not only in developing countries but also connecting domestic dynamics to the larger mechanisms abroad enabling such activities. Finally, OECD can offer policy advice beyond numerical estimates and situational reports.

b) Why focus on West Africa?

West Africa has become the fastest growing region in Africa. The relevance of aid for several countries in the region has been decreasing. Explanations for this are the dominance of extractive industries and the high returns on investment (AfDB et al., 2013; Africa Progress Panel, 2013). As a result, the activity of foreign investors and multinationals has become more important. As elsewhere, many of these actors use complex corporate structures which may include local political
elites as well as foreigners. This poses questions about beneficial ownership regulations. All these factors increase the risk of illicit financial flows.

West Africa is also home to a large informal as well as illicit economy (see the discussion on the definition of illicit trade above). The World Bank suggests that up to 60 percent of the region’s GDP may be generated through informal activities (Benjamin and Mbaye, 2012). On the side of illicit activities, the flow of cocaine alone in the region is allegedly worth more than the entire security budgets of some countries (UNODC, 2013). There are differences between informal and illicit economies: The informal economy consists of undeclared or under reported activities; the illicit economy consists of criminal activities. Both economy types intersect in West Africa, given the permeability of the formal, informal and illicit sectors. One example is cross border trade. Legitimate goods can be easily smuggled to avoid taxation or extortion by corrupt customs authorities given unpatrolled porous borders; stolen oil can be mixed with legal oil sold legally, and profits may revert to oil companies which may be partially owned by politically exposed persons. This situation is reinforced by a complex political economy of actors interested in maintaining the status quo as there are few alternatives that generate equivalent returns. This situation contributes to an environment of instability and weak rule of law in which one crime enables another.

The region is important for geopolitical and security reasons. Two regional concerns are related to Nigeria: The country is currently the world’s fifth largest exporter of oil (EIA, 2012); in addition, the issues of stolen oil and piracy in the Gulf of Guinea have implications for the entire region. Other illicit trade is a source for different concerns across the region. For example, illicit trade in drugs and tobacco, is known to feed into terrorist activities within the Sahel region (UN Security Council, 2013). Finally, the region receives 30 per cent of aid flows to Sub-Saharan Africa (USD 13.5 billion out of USD 44.6 billion going to the Sub-Saharan region in 2012 according to the OECD DAC Statistics).

4. AUDIENCE AND TIMEFRAME

This report targets the donor community (bilateral and multilateral development agencies) engaged in development activities related to security, fragility, illicit financial flows, organised crime and illicit trade. Secondary audiences include non-governmental organisations, other researchers and academics, and private sector actors.

The tentative timeframe below is envisaged for the production of this report:

| 1. Discussion and refining of the concept note with inputs from OCDE stakeholder group | By mid-September 2014 |
| 2. Contract award | By mid-November 2014 |
| 3. Delivery of Part 1 inception report for discussion in exploratory workshop | By second week January 2015 |
| 4. Organise an exploratory workshop | By end February 2015 |
| 5. Commissioning of case studies | By March 2015 |
| 6. Production and drafting of case studies | By early June 2015 |
| 5. Drafting of full report | By August 2015 |
| 6. Peer review (internal and external of OECD) | By mid-September 2015 |
| 7. Proof reading, editing and formatting | By mid-October 2015 |
REFERENCES

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EIA (2012), Top World Oil Net Exporters 2012, US Energy Information Administration,  
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Haken (2011), Transnational crime in the developing world, Global Financial Integrity,  

Katsouris and Sayne (2013), Nigeria’s Criminal Crude: International Options to Combat the Export of Stolen Oil, September,  


OECD (2014), State of play in illicit trade, 05 March, GOV/PGC/HLRF/TFCIT(2014)1

Schneider (2002), Size and Measurement of the Informal Economy in 110 Countries around the World, Paper presented at an Workshop of Australian National Tax Centre, ANU, Canberra, Australia, July 17, 2002,  

UN Security Council (2013), Report on Combating drug trafficking in the Sahel and in West Africa, S/PV.7090, Provisional,  
www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_pv_7090.pdf


www.weforum.org/reports/organized-crime-enablers
Reitano and Shaw (2014), *People’s perspectives of organised crime in West African and the Sahel*, ISS Paper,
ANNEX 1: Definition of illicit trade for this document

This concept note focuses on the activities that take place in the 3 darker quarters of the following chart:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Legal</th>
<th>Illegal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regular trade in legitimate legal goods</td>
<td>Using regular channels to trade illegal goods&lt;br&gt;Ex: selling fish products caught by an unlicensed vessel outside official fishing zones; exporting counterfeited toys</td>
</tr>
<tr>
<td></td>
<td>Using illegal channels to trade legal goods&lt;br&gt;Ex.: evading taxes when trading legal goods; smuggling oil which was produced legally to avoid taxes</td>
<td>Trade of illegal goods through irregular channels&lt;br&gt;Ex.: smuggling cocaine or counterfeits</td>
</tr>
</tbody>
</table>

ANNEX 2: Public databases reviewed for this report

Below are some examples of databases identified for this report and the arguments that can be built around them. This quantitative information is collected from public databases and will be used as proxy evidence for the existence of processes linked to illicit trade and IFF in the West African region. This data justifies the attention to the problem. However, robust data is often scarce in this area due to:
Authorities responsible for collecting these types of statistics in the region are poorly equipped and have low capacity of gathering reliable data. Countries in Africa, for example, provide the lowest level of responses to UN surveys on crime trends, featuring just ahead of Oceania (Del Frate in Heuni & UNODC, 2008).

Estimates tend to be based on goods seized as reported by local authorities. Beyond the weaknesses mentioned above, seizing operations capture only a fraction of the flows. They also generally do not provide information on the actors involved beyond those arrested during seizures.

Several relevant databases are not publicly available. Only selected pieces of data were made available to OECD (e.g. by Interpol and WCO).

Several indicators offer proxy measures (i.e., effectiveness of public institutions relevant for these policy areas, including customs authorities). This is an indirect way to indicate weaknesses of countries’ systems capacity to address illicit trade. These indicators are used in the absence of more direct statistical evidence.

Therefore, this report will also use qualitative analysis, in the form of country case studies, to supplement the quantitative data. An important contribution brought by the qualitative analysis is to allow for a balanced view on the responsibilities of developed countries vis-à-vis developing countries in these processes. Statistics usually describe a bleak picture for West Africa. Therefore, it is important to balance the information to avoid reinforcing a narrative in which West Africa, permeated by criminal structures, bears the full share of responsibility, exempting the foreign actors that contribute to these phenomena.

<table>
<thead>
<tr>
<th>Database</th>
<th>Indicators</th>
<th>Arguments</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDOC stats; WCO stats for other types of illicit goods seized</td>
<td>1. Drug seizures in the region (in tons/ in USD or EUR) 2. Seizures of other illicit goods (e.g., counterfeit and stolen oil) as an example of the size of the illicit economy vs. GDP of the country</td>
<td>High levels of illicit activity in the region linked to high informality indicate that channels other than banks are used to move illicit flows. This suggests that policies beyond anti-money laundering (AML) rules need to tackle illicit financial flows coming out of illicit trade in the region.</td>
</tr>
<tr>
<td>UNTOC and UNCAC list of signatories/UNODC Sherloc database</td>
<td>1. Number of countries which ratified UNTOC and UNCAC 2. Extent to which international agreements were translated into</td>
<td>Countries have the rules in place (sometimes patchy). The problem needs to be elsewhere: lack of capacity, corruption, other priorities ...</td>
</tr>
<tr>
<td>Source</td>
<td>Indicators</td>
<td>Notes</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Armed Conflict Location &amp; Event Data Project (ACLED); other fragility/stability indicators</td>
<td>Number of unrest/riots by political militias/rebel groups/state forces</td>
<td>Indicates level of instability in the region, which may be a cause or a consequence of the level of illicit trade activity</td>
</tr>
<tr>
<td>Interpol</td>
<td>Information provided by Interpol on the extent of collaboration they get from West Africa police authorities</td>
<td>The incapacity of these countries authorities to coordinate efforts at regional/international level to fight crime</td>
</tr>
<tr>
<td>OECD International Migration Database and WB Global Bilateral Migration Database</td>
<td>Number of migrants coming out of the region</td>
<td>Indicates the population drain these countries suffer, which is one of the consequences of the instability and lack of opportunities caused by illicit economies</td>
</tr>
<tr>
<td>Global Express customs capabilities survey</td>
<td>Customs capabilities indicators 2b, 3, 11a, 2a</td>
<td>Capacity of relevant public authorities -- we are dealing with inefficient government services, insufficient implementation of existing rules, and inconsequent law enforcement across a variety of government branches (customs, police, tax, etc).</td>
</tr>
<tr>
<td>WEF Global Competitiveness Report</td>
<td>Indicator: Burden of customs procedures</td>
<td></td>
</tr>
<tr>
<td>USAID-UEMOA Road Governance report</td>
<td>Indicates: bribery, delays and check points in West Africa monitored regularly by the USAID projects</td>
<td></td>
</tr>
<tr>
<td>WB Doing Business Project</td>
<td>Number of times firms meet with tax authorities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of times firms are expected to give gifts to a tax official</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indicator: Trading across borders</td>
<td></td>
</tr>
<tr>
<td>Annual reports of FIUs in the region</td>
<td>Number of Suspicious Transaction Reports submitted</td>
<td>AML efforts have traditionally focused on banking systems as they are more regulated. Given the importance of cash for these economies, this focus will not work for West Africa.</td>
</tr>
<tr>
<td>WEF Competitiveness</td>
<td>Availability of financial services</td>
<td></td>
</tr>
<tr>
<td>report</td>
<td>Number of banking branches per 10 000 inhabitants (to show low penetration)</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>WB Global Findex</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| SWIFT list of ‘big player’ banks according to Forbes 100 | 1. Number of large ‘big player’ banks vs. small, unknown banks  
2. Compare number of AML compliance officers in big player banks vs. small local banks (this will need to be confirmed with interviews) |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey | 1. Top 5 inward/outward FDI and portfolio investment sources/destination countries per country of the region  
2. % of the investment coming in/going out to secrecy jurisdictions as a proportion of GDP |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey | International involvement in the financing of these economies. Some of the most important investors/recipient of funds from the countries in the region are jurisdictions known as tax havens or secrecy jurisdictions |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey | Some of the countries on the top 5 inward/outward flow of funds from the region rank poorly in business disclosure. This suggests they are not responding effectively to issues such as due diligence and beneficial ownership and interests beyond legitimate business may be involved in these relationships (controlling for other explanations such as colonial links). |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey | The incapacity to collect ownership information on who owns companies is also a problem for the domestic authorities in the region. |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey |                                                                                                                                 |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey |                                                                                                                                 |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey |                                                                                                                                 |
| IMF Coordinated Direct Investment Survey and IMF Coordinated Portfolio Investment Survey |                                                                                                                                 |
The OECD-DCD Global Partnership and Policy Division published in 2013 the report ‘Illicit Financial Flows from Developing Countries: Measuring OECD responses’; programmes such as DCD/CTP Tax and Development and GOV Task Force on Charting Illicit Trade exemplify the diversity within OECD engagement in this area. These spark discussion of the topic and it is DCD’s role to ensure that the development impacts are considered, informing providers of development assistance on the issue. See http://www.oecd.org/tax/tax-global/taxanddevelopment.htm and http://www.oecd.org/gov/risk/TFCIT-flyer-2013.pdf

The definition presented here has been built based on a range of definitions in this area, including for terms such as informal economy, underground economy, informal trade, hidden economy, criminal economy, shadow economy. The term is defined to convey the core messages of this document in the most efficient way. It acknowledges the several uses and formulations that different authors have given for these terms. See Lesser and Moïse-Leeman (2009), Schneider (2002), Dixon (1999) among others.

This report does not cover corporate profit shifting or transfer pricing; transfer pricing is – unless applied in an abusive manner – not considered illegal. This report focuses on trade activities that have an element of illegality to them.

Methodological problems have been constant in this area and the lack of robust statistics especially in the case of developing countries is acknowledged. The OECD Task Force on Charting Illicit Trade is working to address the former problem, leading an effort to improve methodologies to estimate the size of illicit markets (OECD, 2014).
