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**Concept Paper**

**SUMMARY** This concept paper describes an OECD project around development responses to transnational organised crime (TOC) and related global bads. The project builds on the awareness that international security and international development are linked. The project explores avenues to translating this awareness into practical, actionable responses. It outlines specific deliverables, as well as budget estimates for deliverables over a two-year period.

I. Problem: Global bads harm development

"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."

The Sustainable Development Goals (SDGs) highlighted how good governance is essential to sustainable development by including a designated goal (goal 16). In addition, the same goal also highlights the biggest challenge of governance today. The goal mentions illicit financial flows, corruption, organised crime and similar activities as spoilers for development. As will be shown below, these phenomena share characteristics; conceptually, they can be grouped under the term “global bads”.

Global Bads are phenomena that: (a) rise in parallel with increased globalisation, and (b) exploit globalisation, creating negative effects on our societies and economies. The most relevant examples are transnational organised crime (TOC), piracy, smuggling, human smuggling, and illicit financial flows. Global bads are a potential spoiler to the post-2015 agenda / agenda 2030. Goal 16 includes several targets relevant to global bads (including rule of law, illicit financial flows and terrorism). 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?

Traditionally, global bads have been tackled by nation states through traditional law enforcement structures, measures to improve livelihoods, and on a country-by-country (domestic) level. While some progress has been made on whole of government approaches and integrated programmes, there has been little comprehensive lesson learning. Recent work suggests that global bads also contribute to the weakening of national governance structures, and problems of ‘competitive governance,’ with state structures being replaced at local level by other actors, including organised criminal groups. Addressing Global Bads as a rule of law issue (among other approaches) also requires clear and accessible guidance on approaches, including the development space.

While data on this issue is by nature unreliable, estimates suggest that TOC alone 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. A 2008 analysis found that in Central America, crime was responsible for costs as high as 10.8 percent of GDP.

Both development and security are dependent on the mitigation of global bads. Transnational organised crime groups traffic goods from developing countries to the consumer markets that are largely located in countries with higher purchasing power. The phenomenon of “home grown terrorists” exemplifies the international links of terror regimes. Vice versa, 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. 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.)

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. Currently, OECD undertakes a study on illicit trade in West Africa (see box 1) with partners including the World Bank, AfDB and GIABA. This evidence gathering work is also supported by efforts to better understand the development space, and potential contributions, to addressing global bads.

**Box 1: Global drivers in West Africa**

Commissioned by the OECD, the Global Initiative on Organised Crime (GITOC) has undertaken in-depth analysis of the facilitating factors, modus operandi and the impact of illicit trade in West Africa. *Illicit Financial Flows: The economy of illicit trade in West Africa*, OECD, forthcoming).

A key conclusion is that illicit financial flows (IFFs) seriously destabilise the fragile states in the region, and damage state legitimacy of the region’s more mature democracies and middle-income countries. Criminal economies are resourcing challengers to the central state.

IFFs resource terrorism, provide a justification for soliciting further illicit resources through criminal practice. In addition, IFF keep state capacity low. Competing security priorities prevent effective responses. Large informal economies have created shadow institutions and protection economies. They ensure that both criminal and terrorist groups can operate with little risk of detection.

Some of the region’s terrorist groups have their foundations in the sense of disenfranchisement that marginalised groups feel. Terrorists and other perpetrators of global bads have gained local legitimacy through their vocal and violent protests against state corruption and moral bankruptcy, whilst replacing the state in the provision of key services like security provision, local justice and social goods like health and education.

**II. Theory of Change: Three steps towards better responses to “global bads”**

Building on research and conversations with stakeholders, the OECD views the journey towards better responses against global bads and organised crime as a three-step process:

- **Evidencing the nature and impact** of global bads, particularly in relation to development;
- **Identifying development responses** with potential to reduce and prevent global bads;
- **Enable action** through evidence-based guidance and effective development collaboration (i.e., implementing the policies);

### Step One – evidencing the problem:

The first step is arguably close to completion: The availability of evidence on the nature and impact of global bads has increased markedly since the publication of the World Development Report in 2011 (which drew attention to the scale and implications of the problem). Table 1 summarises the evidence base currently available. For example, the Center on International Cooperation (CIC) analysed, led by Camino Kavanagh, the links between organised crime and governance. The Royal United Services Institute (RUSI) explores the topic from a military/security angle. Other actors take additional perspectives. What is lacking, however, is analysis bringing the different approaches together, deepening the research already undertaken. In addition, there is need for a consolidated account of what these finding mean for policy and practice.

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<th>Table 1: Overview of recent research</th>
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<tr>
<td>Actor</td>
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| OECD                                | Mandate to work on development responses to global bads, most notably on illicit financial flows and illicit trade, transnational responses between OECD- and partner countries Sponsor of related international conventions (e.g., Anti-Bribery Convention) | *Illicit Financial Flows from Developing Countries: Measuring OECD Responses*, 2013/14  
| Center on International Cooperation, New York University (CIC) | Several programmes related to conflict and statebuilding, most notable on organized crime and its destructive effects on various state functions and rule of law | *Kavanagh, C. (ed.), Getting Smart and Scaling Up: Responding to the Impact of Organized Crime on Governance in Developing Countries*, 2013 |
| Royal United Services Institute (RUSI) | General focus on defence and security research, pertinent research on transnational organised crime and security, as well as impact on conflict and statebuilding | *RUSI Journal*, series on Transnational Organised Crime and International Security, 2013 |
| United Nations Office on Drugs and Crime (UNODC) | Mandate to work on illicit drugs and international crime. Sponsor of several international agreements (e.g., UNCAC, UNTOC) | *The Globalisation of Crime: A Transnational Crime Threat Assessment*, 2010 |
| Brookings Institution | Research on non-traditional security threats, including insurgency, organized crime, urban violence, and illicit economies | *Felbab-Brown, V., Designing pan-Atlantic and international anti-crime cooperation*, 2015 |

The OECD has also produced a discussion note to encourage further debate and analysis of the links between different forms of global bads and their drivers. This note ‘Competing for the
Future,’ draws parallels between organised crime and extremism, building on work by academic experts and drawing on recent explorations of global policy datasets (such as POLITY IV).

The OECD has further produced a major report on illicit financial flows in 2013 – highlighting the gaps in international action to mitigate one of the major mechanisms of global bads. The report analysed the performance of OECD countries on a range of standards that are essential for blocking illicit financial flows, for example FATF’s Anti-Money Laundering rules or the provisions of the OECD Anti-Bribery Convention. The report was the first to take a comprehensive view across policy areas.

The next major OECD will be launched in early 2016, has explored the link between illicit financial flows and illicit economic activity in West Africa. This report contains five case studies to illustrate the scale and impact of global bads:

- Drug trafficking from West Africa
- Artisanal and small-scale gold mining (ASGM) in Liberia and Ghana
- Human smuggling from West Africa to Europe
- Counterfeit goods in Ghana
- Terrorism financing in the Sahel

Figure one shows estimated volumes of illicit financial flows arising from these areas.

![Figure 1: Volumes of different IFF types, current estimates, USD million](source: compilation by GITOC, 2015)

**Step Two – Evidencing actionability for development actors**

Establishing the negative development impact of global bads does not automatically mean that these problems are readily ‘actionable’ for development actors – there may not be straightforward and effective development responses. The complex nature of global bads means that poorly planned interventions may themselves create negative unintended consequences, and/or lead to wasted effort.
Some initial work on responses has begun to emerge, including from think tanks such as the Wilson Centre and from donor lesson learning (including USAID’s work in Latin America). Further mapping of experience is needed. Considering this existing research, the OECD suggests to explore the impact on global bads of interventions in the following areas:

1. Livelihoods
2. Community-based peace building
3. Rule of law
4. Domestic action in OECD countries (e.g., action against foreign bribery)

As research to-date suggests, all of these areas are levers for addressing global bads. Following the exercise to build an evidence base on development action, the OECD would seek to establish guidance through the DAC. This guidance would seek to foster development action to mitigate global bads – and promote achievement of the SDGs.

This three-step process is designed to increase development action on global bads through a method that offers real prospects for impact – and enhanced development results.

DAC members have indicated that an evidence-based approach, building the foundations for impact, is their preference. 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.

Following the development of an evidence base, the OECD will build on its existing guidance on governance and rule of law, this includes efforts to make guidance on ‘development space’ clearer and more understandable. This guidance will be evidence based, rooted in information on what works, it will explore avenues for mitigation through development co-operation in the areas of rule of law, anti-corruption and domestic action (e.g., addressing illicit financial flows) and. This guidance can be proposed to the DAC for formal recognition, emphasising that addressing transnational organised crime needs to be better integrated into a coherent understanding, defining the development contribution to addressing global bads.

**STEP 3 – Enable action**

Once evidence has been established, and actionable interventions are identified, the challenge will be to implement these new approaches and to assess the implementation.

The intention of the work-stream is to help deliver SDG16 by mitigating the risk and addressing the negative impacts of global bads – including organised crime and illicit flows. These aims can only be achieved if overall development efforts increase to address both drivers and downstream problems.

As a result the OECD will produce positive guidance encouraging development action to address global bads in the context of existing international policy commitments, particularly the SDGs and peacebuilding and statebuilding goals. This will include both evidence on potential results and development benefits and also engagement and communication.

A detailed outline will be prepared on the basis of the emerging evidence resulting from step 2.
III. Detailed deliverables
Reflecting this change process, the OECD proposes a set of products that broadly fall into three categories:

a) increasing knowledge/uncovering evidence,
b) (based on this evidence), practical policy analysis and guidance to determine how to target responses and where to build capacity,
c) facilitation of international exchange between the relevant stakeholders in this issue area, to enable smart and coordinated responses to this transnational challenge.

Table 1 summarises the proposed elements of a work stream on Global Bads.

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<tr>
<th>Objective</th>
<th>Product</th>
<th>Timeframe</th>
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<tr>
<td>Increase the knowledge / evidence base</td>
<td>Mapping of donor initiatives and programming / capacity building measures – survey</td>
<td>End 2016</td>
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<tr>
<td></td>
<td>Synthesis study</td>
<td>End 2017</td>
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<td></td>
<td>Stock-take of action to address IFF</td>
<td>Mid-2017</td>
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<tr>
<td>Analyse policies and create guidance</td>
<td>Compile guidance for how to tackle OC and global bads under the ODA rules.</td>
<td>TBD</td>
</tr>
<tr>
<td>Increase international exchange / cooperation</td>
<td>Organise an international conference / workshop bringing together relevant actors – explicitly beyond the donor community to kick-start consultation around this issue</td>
<td>Mid-2016</td>
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In detail, the OECD proposes the following activities:

1.) Increase the knowledge / evidence base
As detailed above, gathering evidence on what works is the initial step to tackling global bads. Therefore, increasing the knowledge base is the first suggested activity in this proposal. Recent progress in researching the impact of global bads on development needs to provide a basis for new work on potential mitigation. 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 (see box 1) will be expanded to include a global overview and more in-depth lesson learning on development interventions.

**Deliverable 1.A:** The OECD will *map existing development initiatives* that explicitly and implicitly tackle organised crime, terrorism, piracy, and other global bads. For doing so, the OECD will use its extensive development programming data. In addition, the OECD will conduct a desk-based review of donor evaluations and existing studies. The mapping will focus on two types of activities: A) which are the domestic/national coordinating mechanisms that exist in donor countries to tackle organised crime with a development focus? B) What types of development interventions have been put in place by development agencies, and with what result? Likewise, the mapping will include activities that *explicitly* target organised crime and *implicitly* work to improve the situation (such as broader programmes aiming at better governance systems or improved livelihoods.) In conducting this mapping, the OECD-DAC can utilize its network of members and build on an effective infrastructure for these purposes.

The mapping exercise will form the basis of an OECD *synthesis study* aligned with both the SDG framework and ODA. 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.

**Deliverable 1.B:** Global bads include different phenomena. Illicit financial flows are one aspect of particular concern. IFF finance global bads like organised crime or terrorism; IFF comprise the revenue generated by criminal activities. IFF act as the ‘oil’ in the machinery of global bads. At the same time, due to their transnational nature, IFF offer room for effective action. The OECD will produce a stock-take of action within donor countries to address illicit financial flows. The IFF report will use OECD data and information collected from member and middle income countries. Following a first report titled, “Illicit Financial Flows: Measuring OECD Responses” about the efforts of OECD to block IFF, the OECD publishes “Illicit Financial Flows: The economy of illicit trade in West Africa” in early 2016. The next iteration of this report will expand the analysis of “Measuring OECD Responses” to include high-risk jurisdictions for global bads beyond OECD countries. It will also examine one of the main levers used by criminals and terrorists to hide their activities: beneficial ownership.

2.) Analyse policies and create guidance
The emerging SDGs require action on organised crime within a development framework. 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.

**Deliverable 2:** The OECD will compile an evidence-based guidance note for submission to the OECD-Development Assistance Committee, building on the mapping exercise (deliverable 1.A). This guidance will recommend principles and approaches for development action to address transnational organised crime and global bads. The document can also serve to inform actors engaging in tackling global bads beyond development agencies on development activities. The Global Bads work-stream will also support member dialogue and knowledge sharing through meetings/workshops requested member groups.

3.) Increase international exchange and cooperation
The OECD, with its Development Assistance Committee and issue-based networks (GOVNET and ACTT), has a tradition of creating effective space for international consultations. With its unique convening power, it facilitates international coordination as well as knowledge exchange. During the discussions around development responses to organised crime and global bads, development actors agreed that better coordination across all sectors and government departments would be needed. The OECD will build on its partnerships with a range of relevant institutions to contribute to better international coordination:

- 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)

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Deliverable 3: The OECD proposes to organise an international conference or workshop to put the called-for cross-sectorial approach to organised crime into practice. The audience consists of not only representatives from OECD-DAC members (mostly development agencies, ministries of foreign affairs, etc.), but also other relevant government bodies (ministries of the interior, financial supervisory bodies, counter-terrorism units, etc.), relevant international bodies (e.g., UNODC, INTERPOL, EU, etc.) as well as civil society originations. An additional, potential group of participants could be private sector actors in this realm (risk management/forecasting firms, banks, security firms, etc.)
### V. Basic Results Framework

**Goal / long-term impact:** Improved development outcomes through the reduction of “global bads” (i.e., illicit activities that are spoilers to sustainable development)

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<tr>
<th>Objective</th>
<th>Outputs</th>
<th>Milestones / Indicators</th>
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| • Increased evidence base on effective measures to mitigate global bads | Completion of an evidence mapping of existing knowledge on how to mitigate global bads | 1. Mapping of relevant work from 29 DAC members + observer agencies  
2. Desk research conducted  
3. Follow-up interviews conducted with at least 5 DAC agencies  
4. 1 initial report with results of the mapping published |
| | Production of a synthesis paper outlining evidence, lessons learned and areas for further innovation/piloting based on the mapping; | 1. Synthesis report following inception mapping used as basis for consultation process;  
2. First draft delivered, circulated  
3. 1 Report launched in an event in Paris  
4. At least 2 media blogs posts produced by OECD staff or invited guests |
| | Stock-take report on domestic action in donor countries to address global bads, particularly illicit financial flows | 1. Research commissioned/tendered  
2. First draft delivered, circulated  
3. Final draft delivered, presented to committees  
4. 1 report launched (several activities) in an event in Paris and at least at one other external event  
5. At least 2 blog posts produced by OECD staff or invited guests |
| • Development actors have access to evidence-based and effective guidance on mitigating global bads | Production of a DAC-submitted guidance note | 1. Building on mapping results: analysis conducted  
2. First draft produced, circulated  
3. “Piloted”/tested the recommendations with at least 2 DAC member agencies  
4. Second draft delivered, presented to DAC  
5. 1 guidance note publically available |
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<th>Better international cooperation among domestic and international agencies</th>
<th>Organisation of an international conference to promote enhanced action on global bads</th>
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| 1. Conference paper commissioned / drafted  
  2. Attendance and speakers confirmed  
  3. Conference delivered in Paris  
  4. At least 2 blog posts produced by OECD staff or invited guests |

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