Foreword

People often say that criminal activity is like a balloon: if you squeeze at one end, the air will shift and pop up somewhere else. Similarly, you can try to crack down on smugglers – for example, by restricting their use of land routes – only to find they are using sea routes instead. This is why targeted interventions often have limited impact on criminal activity: they need to look at the big picture, to tell the whole story of how the air moves in the balloon.

This report tells the story of people with few livelihood options. It is a complex story, with many interconnections; at the heart of which is globalisation. While globalisation has spread a plethora of beneficial innovations around the world, it has also had many negative consequences in both rich and poor countries: in fact, security problems in the advanced nations are closely related to the development challenges faced by the rest of the world. Yet the side effects of globalisation are particularly strong in the world’s poorest countries – those least equipped to respond to these impacts.

This report looks beyond specific countries to capture illicit financial flows (IFFs) in the West African region. It zeroes in on illicit trade to illustrate the larger picture: criminal activity as a source of IFFs, its relationship to development and the challenges it poses for governance. This nexus has received little attention, yet criminal activity has a significant negative impact on development.

Why focus on West Africa? Several countries in the region post extremely low development indicators, have weak state institutions and present capacity gaps for regulation. As in many developing countries, a large share of economic activity takes place in the informal economy. Not everything informal is bad: in fact, the informal sector often provides precious livelihoods, particularly for the poor. Yet what happens informally happens outside the checks and balances of regulatory systems. As a result, illicit or criminal activities may flourish more easily, with negative implications for governance, peace, stability and development. Under these conditions, resource diversion and illegal acts affecting a country’s development can thrive, damage the integrity of institutions, and distort political governance in ways that disrupt the relationship between citizens and the state. Across the region, IFFs are known to have resourced violent and protracted conflicts; in the Sahel, they resource terrorist groups. Although it is impossible to isolate specific conditions leading directly to criminal activity, structural factors (such as high unemployment and income inequality, exposure to violence, low levels of gross domestic product and weak institutional capacities) are known to contribute to a country’s vulnerability.

This report feeds into a strategy of the OECD Development Co-operation Directorate to increase data and evidence in the area of IFFs to help address the risks they pose to development. This strategy started with the publication of Illicit Financial Flows from Development Countries: Measuring OECD Responses. Two other publications followed, Few and Far: The Hard Facts on Asset Recovery, and Tracking Anti-Corruption and...
Asset Recovery Commitments, tracing the efforts of OECD member countries to increase the investigation and repatriation of stolen assets to their countries of origin.

This new report, Illicit Financial Flows: The Economy of Illicit Trade in West Africa, builds on the first three in the series, focusing on West Africa. It is founded on extensive background research, which a large group of experts (acknowledged in a separate section) helped deliver. Institutional partners from the region – the African Development Bank, the Intergovernmental Action Group on Money Laundering in West Africa and the New Partnership for Africa’s Development – provided access to local knowledge and networks, helping to understand the issues in their context. The World Bank contributed unique expertise and knowledge on the financing of terrorism. A Reference Group helped tap into an extensive regional and international network of experts and practitioners, who contributed either as peer reviewers or key informants. To complement the research, the Reference Group helped select case studies illustrating the dynamics of illicit activities in the region.

Beyond a vast review of literature, this report also draws on extensive interviews in the region and elsewhere, as well as on a technology-enabled survey (using mobile phone services in some West African countries) and focus-group interviews with migrants landing in Europe, all to gather diverse perspectives. Contributors include West African law-enforcement officials and development practitioners, as well as decision makers and citizens. To ensure their safety, we do not name these sources here, but their contributions are at the heart of the report.

Illicit Financial Flows: The Economy of Illicit Trade in West Africa calls for a comprehensive view of the linkages between development, governance and globalisation’s dark side. We hope it will contribute to a new way of thinking about these interconnections.

The report also contributes to a new way of understanding IFFs, as reflected in the 2030 Agenda for Sustainable Development which acknowledges IFFs as inherently linked to development. The overarching message is timeless: resolving some of the world’s most pressing problems, in this instance IFFs, requires responding to development challenges, and working in countries at all levels of development to address each part of the spectrum – source, transit and destination. Tackling global challenges requires reforms to happen on all sides.

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Several authors prepared the case studies (to be published as separate working papers) and provided the background data for this report:

- Human smuggling from West Africa to Europe – Tuesday Reitano
- Illicit narcotics transiting West Africa – Mark Shaw
- Illicit trade in counterfeit and substandard goods in Ghana – Karl Lallerstedt
- The artisanal and small-scale gold-mining sector – Marcena Hunter
- Illicit financial flows and Al-Qaeda in the Islamic Maghreb – Theodore Kouts.

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