Executive summary

Africa is the world’s second fastest-growing economy after East Asia, and yet the continent is also home to the largest share of people living in extreme poverty, in countries with poor foundations for human development. Income inequality is rising, while underemployment and the lack of economic opportunities push some individuals to join criminal groups, gangs or rebel movements, reinforcing the links between inequality, criminal activity and violence.

The United Nations Economic Commission for Africa’s High Level Panel on Illicit Financial Flows has estimated that illicit financial flows (IFFs) from Africa could amount to as much as USD 50 billion (US dollars) per year. Although the figures on IFFs are heavily disputed, current analyses agree that IFFs exceed the amount of ODA provided to Africa.

Previous research has largely focused on capturing the volumes and sources of IFFs, and on identifying the commercial practices that contribute to them such as trade misinvoicing, tax evasion and avoidance, and transfer pricing.

This publication takes a different approach by seeking to build the evidence basis on criminal and illicit economies, the IFFs these economies generate, and their impact on development. The report reviews diverse forms of economies prevalent in West Africa that are usually seen as criminal or illicit, organising them through a typology according to a range of illegal activities, from natural resource crimes to illicit trade in normally legal goods.

This analysis leads to the following conclusions: criminal and illicit economies produce IFFs that undermine country capacities to finance their development; and criminal economies and IFFs are a potent negative force that contribute to the degradation of livelihoods and ecosystems, undermine institutions, reinforce clientelist politics and enable impunity, in different ways across the region’s countries.

Key findings

Criminal acts are enabled by a diverse set of actors, including criminal networks, the private sector (both domestic and international), and state officials. Criminal methods are dynamic processes, changing in response to opportunities, and to global and local market forces.

IFFs and criminality erode the fabric of the state across the region, and often cause politics, business and crime to converge, creating ambiguity around governance and rule of law. Certain criminal and illicit economies in the region carry low levels of stigma within communities, as they are an important source of livelihood, building legitimacy that enables alternative governance providers to compete with the state and create alternate sources of authority.
The licit and illicit are increasingly interwoven in West Africa. This is partly due to the size of the informal economy, which is estimated to constitute as much as 60-70% of total economic activity in the region. It is also a product of the elite protection networks connected to licit and illicit flows. Money flows to local powerbrokers, as well as armed, criminal and terrorist groups, as it would (should) flow to the state.

Low levels of financial inclusion further facilitate the environment for criminal economies and IFFs in the region. Access to the formal banking system is out of reach for many. Money transfer operators, the principal means of remittance exchange and international financial transactions in the West Africa, are prohibitively expensive. Consequently, transactions are often conducted in cash, or through informal systems of money transfer, placing significant volumes of transactions outside the reach of government, regulators and international trade measurement.

Given the scope of criminal economies in the region, and the relatively low level of capacity and resources available to address them, understanding their local livelihood contributions and setting priorities to address them is key to successfully combatting them.

Conclusions and recommendations

Criminal economies interact depending on three factors: whether the good is sourced locally or externally; who are the actors and networks involved; and how IFFs are earned and where they are invested. The analysis leads to the following broad findings:

- Informal activities generating IFFs that remain in the region cannot always be stigmatised as criminal.
- Criminal industries driven by natural resources whose IFFs are invested outside of the region present the most significant net losses.
- Transit-trade goods with a limited local market are most likely to induce high-level corruption and protection network, commensurate with their value.
- Criminal economies with a significant local market are most likely to play into local power hierarchies, potentially leading to insecurity, violence and conflict.

In this study, both regional and international law-enforcement officials highlighted that development and governance concerns seriously constrain their ability to address criminal enterprises effectively. These concerns include instability; limited state authority or presence; communities and cities with a strong dependence on smuggling as a livelihood strategy; long and porous borders that make credible border enforcement impossible; and weak institutions with limited capacity, resources or political support for sustained investigations.

According to the 2030 Agenda, addressing organised crime and IFFs is the responsibility of development actors. The responsibility is twofold: addressing criminal economies, and the socio-economic and governance conditions that produce or increase them; and mitigating the impacts of criminal economies on a country’s trajectory of development.

The close linkages between people, economies and territories in West Africa ensure that unilateral action can only have limited impact, displacing rather than reducing criminal economies and IFFs. At the same time, not all activities are strictly illegal, and not all illicit activities are stigmatised as criminal by the individuals affected.
and targeted responses are needed according to the level of harm that may result from the activity in question.

The struggle to combat IFFs is also a struggle that crosses boundaries. Although focusing its analysis on West African countries, this report recognises the joint responsibility of countries of origin, transit and destination. Accordingly, it calls on OECD and African countries to take coherent and coordinated policy action to ensure that each country entwined in the IFF economy plays its part to reduce the opportunity for criminal activity and IFFs, and protect vulnerable populations from their damaging impacts.