

# Organised Crime and Corruption in the Context of Development

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The international community has become increasingly aware of the extent to which organised crime and corruption serve as spoilers of sustainable development. This realisation has been enshrined in a number of United Nations seminal reports such as the report of the United Nations (UN) Secretary-General, “In Larger Freedom,” (2005); the 2010 “Keeping the Promise” report of the Secretary-General as well as the World Development Report (2011).

While organised crime and corruption are not new phenomena, their spread, impact and forms in the modern world are unprecedented. The effects of organised crime and corruption are being felt in developing and developed nations alike.

In fragile states and in situations of peace building and state consolidation, organised crime and corruption are increasing threats. In a number of theatres, criminal groups and illicit flows have been proven to fund conflict and perpetuate violence and insecurity.

Organised crime and related corruption have been observed reaching into the highest levels of government and the state, impacting stability, governance, development and the rule of law. Even in what are considered strong and prospering states, organised crime and corruption have serious corrosive effects.

Poverty and inequality are associated with increases in organised crime and corruption, not least in relation to human trafficking, smuggling of counterfeit goods, the production of illicit crops, and everyday extortion and bribery.

Moreover, there is a growing body of anecdotal evidence of the myriad ways organised crime negatively impacts the environment, such as by destroying biodiversity, threatening key species, or reducing the sustainability of ecosystems. In dealing with fisheries and marine ecosystems, addressing the problem of large-scale illegal fishing has become more urgent than other research priorities. In fields like sustainable forestry, a substantial proportion of development assistance is being diverted through illegal logging. Drug trafficking has also been a cause of deforestation of large sections of land.

While organised crime and corruption importance is recognised in the creation of Target 16.4 “By 2030 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organised crime“ is welcomed, what the findings of this study show is that the impact of organised crime on development is extensive and diverse. Organised crime and corruption cannot be viewed as separate development challenge to be addressed in isolation. Rather, an effective response calls for the recognition that organised crime and corruption are intrinsic elements to nearly every development challenge, and must be interwoven throughout broader development response frameworks. This is the response requirement that this paper seeks to address. The failure to account for and address fundamental aspects of organised crime and corruption will directly impede and perhaps threaten existing gains in social and economic development.

As the issues of organised crime and corruption expand beyond the sphere of justice and security into a mainstream development concern, the definition of those charged with responding to it needs to be similarly expanded. While political will, capacity building and engagement with state institutions remain essential, a range of other actors and stakeholders needs to be brought to the table. Criminal groups have shown impressive capacities to understand the value of legitimacy through economic and social means, and this needs to be matched by similar efforts by governments, civil society and the private sector.

To achieve a wider buy-in, sensitisation to organised crime and its impacts is still required for practitioners active in the development domain, as well as in related debates on conflict and fragility, human rights, health and the environment. The issue is neither well-understood nor has it become mainstream. Contributing to the limited response to date is the reality the development community lacks a rigorous framework around which to understand, analyse and respond to organised crime.

The renewal of the Sustainable Development Goals (SDG), as a universal development agenda, is a key opportunity to sensitise development actors to organised crime and corruption and ensure that it is built into the development lexicon, so that development actors are able to identify organised crime when it affects the achievement of their mandates. In addition, they should feel equipped to bring development approaches to bear to mitigate the impact of crime on human security, the environment and on development, and to address the root causes.

There are five development impact areas, illustrated in the diagram below, in which organised crime arguably does the most damage.

A second area earmarked as a priority was to focus on illicit financial flows including a target to “reduce illicit financial flows and tax evasion, and increase stolen-asset recovery by \$x.” While illicit financial flows are, by their very nature, intended to remain covert, in many ways they are the most concrete and quantifiable of the indicators of corruption and organized crime. As the objectives of corruption and organised crime are quintessentially in the realisation of profits, the ability to launder the proceeds of crime into legitimate markets is a critical part of the criminal economy chain. Illicit financial flows have been valued at up to US\$1.7 trillion a year, most of which is derived from illicit trafficking in drugs, arms or humans; the diversion of state funds (including natural resources, embezzlement, tax avoidance and corruption), and trade mispricing. The scale of illicit flows have, in some cases, been used as a proxy for the overall rate of organised crime, and are a useful indicator of the likely impact of organised crime on state capacity to deliver services. Despite the scale of illicit financial flows that have been registered, the overall global trade architecture has neither the policy framework nor the systematic protocols to engage.

## **1 Addressing Organised Crime and Corruption in Sustainable Development Goals**

In this section, each of the proposed SDGs is reviewed, as well as relevant targets under the goal. A brief introduction will highlight the direct and indirect impacts of organised crime on the potential for achievement of the goal and targets. In many cases a short case study is provided to illustrate the way in which organised crime can serve as a spoiler. Following this, a short commentary on recommended responses and modes of implementation is provided. A commentary of the implementation modalities is also provided, as it relates to mitigating the impact of criminal spoilers on development targets. When available, relevant modes of implementation provided under the Goal are specifically addressed.

## **2 Goals at Risk**

The four goals identified here – health (Goal 3), marine environment (Goal 14); terrestrial environment (Goal 15) and peace and governance (Goal 16) – have been red-flagged as the primary SDG goals that are directly impacted by organised crime and corruption. In the case of each, the overall SDG goal cannot be achieved if organised crime and corruption are not addressed.

- Goal 3:** Ensure healthy lives and promote well-being for all at all ages
- Goal 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

### **3 GOAL 3: Ensure healthy lives and promote well-being for all at all ages**

Organised crime will affect the achievement of Goal 3 in a number of direct ways, including through increased narcotic drug usage as a consequence of drug trafficking, the production and trafficking of falsified and substandard pharmaceutical products, and increased rates of tobacco usage due to illicit cigarette trafficking. Moreover, some countries have reported the infiltration of organised crime groups directly into the healthcare industry, and as perpetrators of health-care insurance fraud, which reduces the viability of the entire national health-care industry, and increases the costs of healthcare and health insurance for the general public.

In particular, the impact of narcotic drug use has exerted considerable pressure on the health systems of many countries in both the developed and the developing world, many of which are ill equipped to deal with the burden of drug prevention, treatment and care. The use of injection drugs, such as heroin, cause in an increase in the rate of transmission based diseases such as HIV/AIDS and hepatitis, among others. This is particularly acute among certain populations: low income, marginalised and poverty stricken, lesbian, gay and transgendered communities, and prison populations. Furthermore, drug addiction is frequently linked to the recruitment and perpetuation of forms of human trafficking, in particular for sexual exploitation. Healthcare systems similarly struggle under the increased burden of dealing with the victims of violent crime, which frequently results from organised crime and drug trafficking.

Beyond the direct impacts, a multitude of indirect links can also be made. Increasing levels of grand corruption related to organised crime have resulted in weakened service delivery and the diversion of funds away from government programmes, including in the health sector. Similarly, the need to increase ex-

penditure on security priorities to control organised crime, such as law enforcement and border control, can divert limited government resources away from investments in social services like health and education. Other consequences of organised crime include health worker absenteeism. Underpayment of health workers, who may already have little incentive to abide by the rules and carry out their work, can result in increased levels of absenteeism, as well as the diversion of medical supplies onto the black market. In turn, the erosion of the health sector can diminish public confidence in the government as a whole.

### **3.1 Relevant targets under goal**

- 3.3: By 2030 end the epidemics of AIDS, tuberculosis, malaria, and neglected tropical diseases and combat hepatitis, water-borne diseases, and other communicable diseases.
- 3.5: Strengthen prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
- 3.7: By 2030 ensure universal access to sexual and reproductive health care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.

### **3.2 Modes of Implementation**

The recommended response under Goal 3 is very limited, focusing only on reduction in tobacco consumption, and begs the question of why other control mechanisms – such as ratification and implementation of the Drug Conventions and Protocols – are not put forth.

It is strongly recommended the tools utilised in achieving Goal 3 are expanded to include a broader array of issues and resources. In particular, within the framework of a goal to improve health and well-being, emphasis should be given to reducing drug trafficking and human trafficking, and enhancing the capacity of groups and communities vulnerable to these pernicious threats. A wide range of tools and resources exist both at the policy and programmatic level in this regard. There is also a wide range of lessons to be learned and opportunities for capacity development through shared learning or south-south exchange should be encouraged.

In addition, it is recommended responses ought to contain strong prevention components. The UNODC estimates that for every dollar spent on prevention, at least ten can be saved in future health, social and crime costs. A prevention based approach is mandated by the three international drug conventions and their subsequent protocols: the Single Convention on Narcotic Drugs of 1961, as amended by the 1972 Protocol; the Convention on Psychotropic Substances of 1971; and the UN Convention on Illicit Trafficking in Narcotic Drugs and Psychotropic Substances of 1988. In addition, the UNODC has established International Standards on Drug Use Prevention that provides a full set of measures to achieve a reduction in vulnerability and prevalence to drug use.

When specifically examining the prevention of tobacco use, studies have shown that high taxes are one of the most effective ways to reduce tobacco use, and in many regions illicit cigarette smuggling is more a response to weak regulation and law enforcement capability than to taxation. In addition, enhanced law enforcement capacity at local levels to identify and combat the illicit tobacco trade has also seen some success: in Bangladesh, effective on-ground enforcement over the last 5 years has reduced the share of illegal cigarettes in the market from 27% to 3%. Public-private partnerships to better control branding, quality control and supply chain integrity would also be of benefit to prevent cigarette counterfeiting, and diversion of stock onto the criminal market. Awareness campaigns about the health risks and associated harms may further reduce demand. The comprehensive means of addressing the illicit trade in cigarettes are laid out in the Framework Convention on Tobacco Control, which remains yet to enter into force due to an insufficient number of States Parties.

It is also important to note that in the area of over the counter medicines and illicit cigarettes, collaboration and engagement with the relevant private sector entities will be crucial. Managing the integrity of their supply chains, including enhancing security and monitoring at key transport nodes and along specific transport, would greatly improve the integrity of products and brands. In the case of counterfeit medicines in particular, making essential life-saving medications available in greater quantities would reduce the market demand for illicit products. However, it is worthy of note that aid supplies of medication and pharmaceutical products are an established target for theft and resale by criminal groups, perpetuating criminal markets and threatening the viability of public health initiatives.

#### **4 GOAL 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development**

The global fishing industry plays an indispensable role as a supplier of essential nutrition, and is critical to food security in many vulnerable regions around the world. It is also one of the world's largest employers: the UN Food and Agriculture Organisation (FAO) estimates that nearly 180 million people are employed as fishers or in secondary industries relating to fishing activities. Consequently, conserving fish stocks and enforcing sustainable fishing practices are major contributing factors to achieving development goals. Yet, criminal practices in the fishing industry represent possibly the greatest threat to the conservation and sustainable use of the marine environment, and thus is a significant, if not the most significant, obstacle to achieving Goal 14.

In 2005, the FAO's 2005 Review of the World Marine Fishery Resources concluded that "75% of the world's fish stocks are fully exploited, overexploited, or depleted," which they attributed largely to the practice of illegal, unreported and unregulated (IUU) fishing. The practice depletes fish stocks; destroys natural habitats, leading to species becoming seriously threatened; reduces biodiversity, which in turn causes imbalances among species; and adversely affects ecosystems. Such imbalances and depletion, in addition to threatening Goal 14, may lead to a reduction of human food sources due to a scarcity of fish, hindering the achievement of Goal 2 (ending hunger and achieving food security).

Approximately 50% of fish exports are sourced from developing countries, which are most at risk from illegal fishing. IUU fishing undermines legitimate fishing competition, adversely affecting the livelihoods and economies in coastal communities, thereby impacting goals on poverty reduction, and makes fisherman more vulnerable to exploitation. Furthermore, the poaching of endangered marine life, such as abalone, has reduced stocks to endangered levels, which makes them more valuable as a commodity, thus intensifying the attraction for organised crime syndicates.

Moreover, the fishing industry has been extensively linked to other serious organised criminal activities, with human rights abuses and environmental crime often going hand in hand. The United Nations Inter-Agency Project on Human Trafficking suggests that trafficking into the long-haul fishing industry exemplifies the worst cases of labour exploitation. Incidents of crews including victims of trafficking is well documented. There is also evidence of widespread abuse of workers on fishing vessels, including accounts of seamen being thrown overboard and left to die.

## **5 GOAL 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**

There is extensive evidence that confirms that the presence of organised crime significantly increases the insecurity and harm to civilian populations. Insecurity and injustice are a daily fact of life for a large proportion of people around the world, especially the poor. There is strong evidence and wide consensus that conflict and insecurity are major barriers to development. For example, all seven of the countries that are unlikely to meet a single Millennium Development Goal by 2015 are countries that have been affected by high levels of violence. Similarly, countries that experienced high levels of violence over the two decades between 1980 and 2000 were shown to have an average poverty rate 21% higher than countries with low levels of violence. Criminalised environments and political systems have given rise to extreme levels of armed violence, destabilised states and fuelled the armed activities of insurgent, radical and terrorist groups.

The United Nations has consistently emphasised the critical importance of strengthening and consolidating security and justice in the context of the rule of law, as being a pre-cursor and necessary condition for achieving stable and peaceful societies. Ever since the UN Secretary-General firmly asserted the “inextricable link“ between security, human rights and development in 2004, the concept has now been well-entrenched in the rhetoric of international affairs. Early debates came in the context of post-conflict stabilisation and peacebuilding, and recognised the need to create “capable states“ able to provide “security, well-being and justice,“ if vicious cycles of conflict, poverty and human vulnerability were to be brought to an end.

The attainment of good governance, sustained security and access to justice is fundamental for the rule of law, and is the basis of interstate relations and the fulfilment of international obligations. They are arguably the cornerstones of effective and sustainable conflict prevention and resolution, respect for basic human rights and fundamental freedoms, and the preservation and advancement of equal social and political rights, all of which serve as foundations of the principles of sustainable development. By contrast, crime, corruption and impunity threaten the legitimacy of the social contract, undermine the rule of law and slows, and perhaps even reverses, development progress.

Recent studies have shown how good governance and democratic processes have become very vulnerable to organised crime and corruption, particularly at the point of elections. This has impacts in the context of both developing and developed states. Infiltration into states and political processes has become a key goal for criminal groups, as globalisation has raised the stakes in terms of the potential benefits associated with criminal control over state re-



sources while simultaneously providing new means of ensuring impunity for both criminals and corrupt political actors. The increasing role, power and influence of money in securing electoral success have increased the vulnerability of political processes to criminal manipulation. Criminals are, of course, not meeting the compact of electoral office in providing social goods for the citizenship, nor are they substantially trying to influence the legislative process. Instead, the goal of criminal groups is to hollow out police and judicial institutions in order to facilitate their criminal enterprises. This is a situation with wide-ranging ramifications, not just for the legitimacy of democratic politics, but also for states' capacities to provide justice and the rule of law. To make matters even more challenging for development, the alignment of crime and politics further hinders women and marginalised groups, as they are less likely to be elected or stand for office in a context where there are high security concerns.

It has therefore become an increasingly frequent understanding of organised crime as a significant “external stressor“ which undermines the capacity of key institutions and that leads to violence and conflict. Within that framework, increasing the measures to deter organised crime, arrest key criminal flows and criminal controllers, and buffer those most vulnerable from its impacts on development, governance, justice, security, human rights and the rule of law must be urgent priorities.

In recognising organised crime's impact on development, practitioners must work to understand and appreciate the pervasive and multi-faceted nature of the phenomenon. Organised crime manifests itself in a plethora of forms in theatres in nearly every corner of the globe. As such, organised crime cannot be viewed as a separate development obstacle to be addressed in isolation from other challenges and goals. Rather, an effective response calls for the recognition that organised crime is understood as an intrinsic element to nearly every development challenge, and must be interwoven throughout broader development response frameworks.

Moreover, by grouping different forms of organised crime together under single a target, the SDGs might not reflect the complexities of various forms of organised crime and illicit flows. For example, target 16.4 (By 2030 significantly reduce illicit financial and arms flows...) addresses illicit arms flows and illicit financial flows. While these illicit flows do overlap in a number of ways, the two are distinct criminal phenomena with differing root causes, actors, actions, flows, geographic foci, and impacts development, amongst other differences. In turn, to achieve target 16.4, practitioners will require an understanding and response to two different criminal threats, which can also take on very diverse forms in various regions of the world, and will certainly require a different set of responses to combat them.

Consequently, by isolating organised crime threats from other development goals and conglomerating various forms of criminal activities and flows under single targets, it is difficult to adequately explore the impact of organised crime on the goal and put forth sufficient and effective recommendations on modes of implementation.

Nonetheless, an attempt is made to fully capture the numerous obstacles organised crime poses to achieving Goal 16. Due to the diverse nature of organised criminal threats grouped under Goal 16, recommended responses are put forth under the relevant target, rather than clustered under the subcategory of Modes of Implementation, in an attempt to avoid confusion.

In the long term, a global strategy to counteract organized crime and corruption is needed, comprising a series of interlocking thematic and regional strategies. This will promote a more strategic, coordinated approach to counter organized crime and corruption by facilitating action at national, regional and international levels across a range of sectors and criminal markets. As this study demonstrates, the challenge is multi-faceted, with impacts across a range of domains – from humanitarian to developmental – yet there is currently no strategic platform that enables the kind of cross-sectoral, cross-regional debate and collaboration between the range of actors required to take forward a response.

## **5.1 Relevant targets under goal**

- 16.1: Significantly reduce all forms of violence and related death rates everywhere
- 16.2: End abuse, exploitation, trafficking and all forms of violence and torture against children
- 16.4: By 2030 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organised crime
- 16.5: Substantially reduce corruption and bribery in all its forms
- 16.6: Develop effective, accountable and transparent institutions at all levels

## **5.2 Modes of Implementation**

As stated above, an enormous range of issues and challenges has been conflated in this goal, which makes it challenging to define a meaningful programme for its implementation. Moreover, the establishment of strong institutions takes decades of work by generations of politicians and officials, particularly in the cases of states emerging from conflict. Nevertheless, recognising that organised crime is a significant external stressor on communities' and states' capacity to achieve longer-term visions of governance, security and development is a good first step.