**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

DIALOGUE ON ORGANIZED CRIME

Illicit markets in an era of connectivity

Please direct inquiries to:

The Global Initiative Against Transnational Organized Crime
WMO Building, 2nd Floor
7bis, Avenue de la Paix
CH-1211 Geneva 1
Switzerland

www.GlobalInitiative.net

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SUMMARY

This paper documents the key organized-crime themes and challenges discussed at the 10th iteration of the Development Dialogue series held in November 2019. The Dialogue examined two principal themes through panels and round-table discussions: the risks posed by organized crime to the EU's programming, including concerns regarding the expansion of global infrastructure and connectivity, and their impact on crime; urbanization; precarious environmental conditions; and the scarcity of resources, and, secondly, organized crime threats along the EU borders, including North Africa and the Sahel, in particular looking at geographies affected by Russian organized crime. After mapping the key points arising from these sessions, the paper consolidates the overarching takeaways, challenges and possible ways forward, providing a springboard for further debate. The Dialogue was held under Chatham House Rules and this paper reflects this.

A growing evidence base over the last 10 years has highlighted the mutually beneficial relationship between impactful development initiatives and effective counter-crime responses.

INTRODUCTION

Global illicit flows and organized crime operate today in an environment that is arguably more complex than ever before. Growing evidence of high-level state complicity in criminal markets, widespread impunity and criminal capture of the very institutions established to fight these phenomena are just some of the contemporary challenges posed by the organized crime environment.

Meanwhile, developments in licit markets have helped empower criminal operators. For example, the internet and sophisticated encryption methods offer vast, anonymous online operating environments; financial secrecy regimes facilitate illicit financial flows; and the growth of privacy regimes hampers law-enforcement investigation.

This paper reflects the key discussion points from the 10th iteration of the Development Dialogue series, held in Brussels in November 2019.

The latest in the series brought together journalists, academics, members of the law-enforcement community, government representatives and development practitioners to brainstorm common challenges to contemporary organized crime and identify new approaches from a fusion of disciplines.

The evolution of the Development Dialogues

The Development Dialogue series, established in 2013 by the GI-TOC to bridge the gap between actors working in silos across the security, law enforcement and development sectors, seeks to align and strengthen programmatic responses to organized crime. In the current context, where the fight against the challenges presented by organized crime appears a particularly tough one, the series remains as relevant as ever.

Since the launch of the Dialogues, organized-crime-related challenges have increasingly been recognized as part of the development agenda; Target 16.4 of the Sustainable Development Goals (SDGs) documents a specific mandate for development actors to work on organized-crime matters.

The importance of addressing organized crime as a spanner in the development agenda toolbox is recognized in 23 of the 169 SDG targets that address illicit flows. A growing evidence base over the last 10 years has highlighted the mutually beneficial relationship between impactful development initiatives and effective counter-crime responses. Organized crime has repeatedly been found to undermine development, while development interventions have proven to be crucial in the fight against organized crime. Recognizing this empowers development actors to build crime-sensitive interventions which work to reduce the enabling environment for criminality, and to mitigate its impact on the most vulnerable.

At the launch of the series, development actors lamented a lack of appropriate tools and programming frameworks to help build crime-sensitive development responses. To address this challenge, the GI-TOC has developed a number of tools as a result of the Development Dialogues, including:

- An analytical guide to SDGs;[1]
- Sample theories of change, logframes and indicators for development programming to counter organized crime and its impacts;[2] and
- A political-economy analysis tool for organized crime as a development threat.[3]

Past Dialogues have covered a combination of thematic and geographic contemporary priorities, including examining the impact of illicit financial flows on development and the role of international financial institutions; the increasingly pivotal role played by civil society; how to reduce violence associated with organized crime; addressing human smugglers as a vector in irregular migration;[4] wildlife crime and environmental markets; and drug policy – as well as issues that are specific to particular regions. The role of the Development Dialogues is to create a space for honest discussion of the key issues that impede counter-crime responses. In light of this, the meetings are held under Chatham House rules, and this meeting report reflects that rule.

The 10th iteration of the Development Dialogue

At the most recent Dialogue, the overlap between state and criminal actors, which integrates licit and illicit markets, and creates a symbiosis between legitimate and criminal governance systems, was identified as a particular cause for concern. The widespread criminal capture of political processes, visible in the increasing role played by illicit financial flows in election financing, was recognized as being damaging to democracy and as eroding the rule of law.

The two-day discussion addressed both upstream and downstream organized-crime threats, and centred on two key themes. On the first day, participants discussed risks posed by organized crime to the EU's programming, including concerns regarding the expansion of global infrastructure and connectivity, and their impact on crime; urbanization; precarious environmental conditions; and the scarcity of resources.

On the second day, discussion turned to examining organized crime threats along the EU borders, including North Africa and the Sahel, in particular looking at geographies affected by Russian organized crime.

While fast-paced infrastructure development across Africa creates significant opportunities for licit trade and brings tangible development benefits, it also creates parallel openings for illicit trade.

CONSTRUCTING CRIME: RISKS, VULNERABILITIES AND OPPORTUNITIES IN AFRICA'S INFRASTRUCTURE

While fast-paced infrastructure development across Africa creates significant opportunities for licit trade and brings tangible development benefits, it also creates parallel openings for illicit trade, which exists in the sinews of its licit counterpart. Drawing from a series of policy briefs commissioned under the EU-funded ENACT programme (Enhancing Africa's Response to Transnational Organised Crime), this session explored evidence and analysis surrounding the organized-crime risks to infrastructure development in Africa, and examined the policy implications.

Vulnerabilities of infrastructure hubs to illicit activity

Exploring the implications of infrastructure spend for illicit markets, the panellists drew attention to the fact that infrastructure hubs – for air, sea and land travel, and trade – create particular vulnerabilities to organized crime, because the criminal economy is able to exploit the enhanced connectivity facilitated by infrastructure developments to coordinate illicit flows. This creates a paradox: the SDGs cannot be achieved without infrastructure growth; however, the informal and unregulated governance system around infrastructure developments creates an opportunity for

organized-crime groups, particularly state-embedded actors, to undermine development.[5]

Across the continent, large-scale population growth and the resulting strain on infrastructure, with an identified 50% gap between infrastructure needs and projected expenditure, are catalyzing fast-paced, poorly governed infrastructure development. This phenomenon presents particular challenges for counter-crime responses in Africa.[6]

This tension between the competing needs for security on the one hand and development on the other appears weighted towards the latter, with the result that we are experiencing declining control by the authorities of flows through infrastructure hubs. At seaports, for example, the pressure to increase trade throughput, which has grown explosively over the last 25 years,[7] was recognized as having severely compromised consistent law-enforcement oversight processes. Corrupt systems, or merely a failure to screen cargo due to capacity constraints, facilitate the movement of illicit commodities through trade hubs. In light of this, participants highlighted the importance of heightened international intelligence sharing in shaping targeted interventions, noting that untargeted screening will not be sufficient given that port authorities in Africa (as in Europe) have an average capacity to physically screen less than 2% of containers moving through their ports.[8]

Mombasa was given as a good example of how lack of capacity and appropriate governance had transformed the port into a generator of organized crime and illicit trade.[9] Ownership structures were identified as empowering absent and oft corrupt elites while disempowering management. In part due to this, corruption has become endemic and systemized at the port, and this is no longer perceived as criminal, but rather as merely a legitimate cost of doing business.

The discussion explored how state collusion and corruption enable the exploitation of state-owned infrastructure hubs for illicit trade. Growing evidence of high-level corruption at aviation authorities renders airports highly vulnerable to organized crime, in cases where transnational organized-crime networks collude with state actors to smuggle natural resources out of Africa on both private and commercial aircraft.[10]

Panellists highlighted how inconsistent governance arrangements across infrastructure hubs are exploited by criminal actors. Illicit flows take circuitous cross-continental routes through borders and infrastructure points with weaker governance arrangements towards regional hubs for extra-continental shipment.[11] Unregistered runways across the continent – estimated currently to be in excess of 12 000 – were also identified as posing a particular challenge to governance efforts. Responses that are tailored to tackle the increasingly cross-commodity flows through such hubs – which combine stolen vehicles, cash shipments and counterfeit goods (such as cigarettes) with arms, illicit drugs and illicit wildlife goods – must adopt a similarly multi-commodity approach.[12]

Seeking to explore how impactful interventions can be designed to tackle the increasing criminal capture of state infrastructure hubs, the discussion examined the strengths and weaknesses of current counter-crime approaches.

A lack of gender-sensitive framing was raised by participants, in particular in light of the growing phenomenon of vulnerable female drug mules being exploited by illicit drug networks. The higher proportion of women serving prison sentences for drug-related offences, despite the fact women typically commit lower-level crimes, was highlighted as reflecting a failure of the criminal-justice system, which instead plays a role in perpetuating cycles of vulnerability.

Follow-the-money approaches were recognized as key to tracking illicit activities. However, these are presented with challenges by closed trading loops, which leverage air, sea and land transit hubs to interchange one illicit commodity for another (such as trading methamphetamines for abalone in South Africa),[13] making transactions cashless and therefore extremely difficult to trace.

Capacity constraints among law-enforcement agencies mean that identifying precursors was emphasized as an ongoing challenge to counter-narcotics responses in Africa, enabling the movement of mislabelled precursors, particularly from India, Pakistan and China, through seaports and airports. Most precursors

therefore evade detection and reach production houses in, for example, Zambia and South Africa before being distributed across the continent as illicit and counterfeit drugs.[14] Where seizures do occur, widespread inability to dispose of illicit goods safely means they often re-enter the supply chain.

Some participants suggested that appropriate responses go beyond law enforcement and require political intervention. However, this was widely recognized to be compromised by the increasing overlap between criminal and state actors not only in Africa, but internationally. One participant likened top-tier organized-crime groups to Fortune 500 company structures, targeting different continents for each business need – for example, Africa for natural resources and China for precursors.

Belt and Road Initiative: China's role in Africa's infrastructure development

The Dialogue considered the role of China as a major non-traditional finance provider for Africa, particularly in the context of Beijing's Belt and Road Initiative (BRI), the largest infrastructure project the world has ever seen, which aims to provide major infrastructure links across Asia, Africa and Europe, and across all major oceans.

Among participants, there was widespread recognition that the Sino-African relationship is built on political and diplomatic lines underpinned by financing, with China a powerful interlocutor in determining the development direction of Africa.

Despite this, there is equally widespread surprise at the sheer scale of Chinese investment in Africa. China became Africa's largest trading partner in 2012 and currently far outstrips all multilateral institutions as the continent's largest creditor. Chinese financing currently funds one in five infrastructure
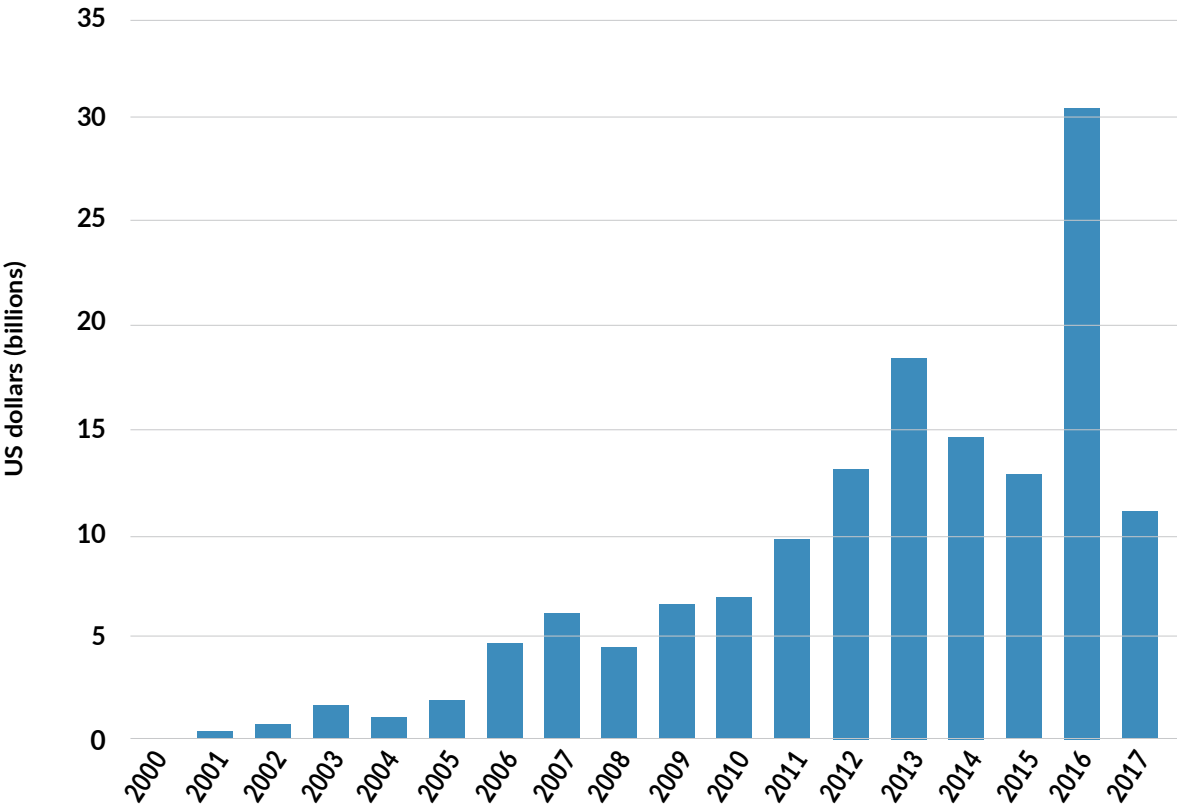
FIGURE 1: Chinese loans to African governments, 2000–2017

SOURCE: China-Africa Research Initiative

projects in Africa, with Chinese-owned companies building one in three.[15] Furthermore, China's investment is almost continent-wide: as at 2019, only two countries (Central African Republic and eSwatini) were not involved in the BRI.

The debt burden for Africa resulting from China's financing approach is an evident concern. A presentation highlighted punitive repayment structures, and resultant high risk of debt distress, together with the seizure of key state infrastructure assets as collateral for default, as particular risks in Chinese loan structures prevalent across Africa.[16] African governments' ceding control of such national infrastructure assets, potentially including the port of Mombasa,[17] which constitutes collateral under such a loan default structure, was identified as a key future risk for national and regional trade and development.

Loan structures common in Chinese project financing were recognized to have serious implications for the continent's natural resources. In Angola, debt repayment structures are tied to petroleum exports, meaning a significant proportion of Angola's petroleum production, Africa's second largest, is due to China. In the subsequent discussion, participants suggested that China's interest in Africa's natural resources would drive it to increase engagement in the fight against organized crime and terrorism in order to protect access to such resources, which could be compromised if these phenomena became too powerful.

The discussion interrogated perceptions of Chinese influence and financing within African countries, noting that continuing government engagement with Chinese lenders is accompanied by a parallel wariness among local populace and media regarding Chinese investment. Participants shared their experiences of resentment that has arisen in communities where Chinese companies were consistently out-competing local businesses in public tenders, or where projects had delivered poor-quality outputs or failed to meet key commitments regarding local employment quotas.

Growing lack of transparency in the area of infrastructure development was also identified as a key concern, with participants sharing evidence of decreased access to Chinese-funded projects by local security and international diplomats. The growth of free trade zones, both in number and size, was highlighted as a key challenge to transparency, as such zones are recognized as having the effect of reducing oversight of trade and trafficking, creating surveillance gaps.[18] Parallel financial secrecy zones, in the form of tax havens, weak or absent beneficial ownership legislation and offshore financing structures, were emphasized as playing a role in facilitating the evasion of international financial rules, representing vast sums of lost revenue to African governments.[19]

The Digital Silk Road, which seeks to enhance cross-continent connectivity through the provision of internet infrastructure, was recognized as a potential security concern. With one-third of mobile telephones sold in Africa being of Chinese manufacture, and therefore pre-loaded with Chinese-owned applications facilitating a wide range of banking and retail transactions, and Huawei supporting 5G investment in Africa (and more globally), China's influence across digital infrastructure is as expansive as it is over physical trade infrastructure.[20]

Growing cooperation as well as competition between Chinese and Russian investors in Africa was identified, with the focus of the latter on supporting African military capacity. The pivotal role of African governments in equalizing the power balance and addressing the vulnerabilities created by natural resource flight was highlighted by a number of participants. Governments have to demonstrate their commitment to integrity in governance, and in ensuring development return for their citizens.

Many participants were critical of the lack of strategic focus to date on the organized-crime challenges posed by growing Chinese financing and accelerated infrastructure development in Africa, and explored whether the widespread influence of China across Africa could be considered to be a case of 'continent capture'. Others struck a note of caution against adopting an alarmist rhetoric, instead welcoming growing Chinese participation in multilateral discussions and response frameworks regarding criminal challenges facing Africa, and identifying this as a key opportunity in tackling future threats.

CRIME-SENSITIVE DEVELOPMENT: BUILDING URBAN PEACE

Goal 11 of the SDGs calls for making cities 'safe, inclusive, resilient and sustainable' as a central pillar in the development agenda. Yet the current context of fast-paced urbanization creates conditions where the state lacks the capacity to meet growing demand for basic commodities and services through licit channels, such as water, construction sand, fuel and health services. Such utilities and sectors are then highly vulnerable to criminal capture as illicit actors step in to exploit the significant supply deficit.

Cities create an environment where conflict can ignite among varies groups, including non-state armed actors, marginalized and unemployed youth, and populations displaced from different countries or rural contexts through forced migration. This has been characterized as the 'ticking urban time bomb'. In response to this urban threat, the concept of 'urban peace', an umbrella term seeking to generate a common purpose for cities, people and policy in the face of fragmentation of expertise and policy responses, was posited during the Dialogue as a promising approach.

The panellists highlighted a growing mismatch between the complex challenge of insecurity and violence posed by urbanization and the simplistic securitized tools offered by the state as solutions. Effective responses require a breaking down of traditional professional silos between city planners, public-health professionals and development practitioners, to provide an integrated approach to the multifaceted challenges posed by cities.

The discussion explored how rapid urbanization can leave vulnerable members of society behind, and susceptible to exploitation by criminal networks. One panellist drew attention to the invisible populations of disadvantaged youth left behind by West African urbanization. In Liberia, street children are termed 'zogos', a word derived from the local term for zombies, coined because these young people are often in a highly drugged state. This case study illustrated the

overlap of state and criminal actors, with politicians exploiting zogos' drug dependency to trade drugs for votes, and use zogos as a tool to create targeted violence against opposition parties.

In this context, the discussion explored parallel and overlapping criminal and legitimate environments that are created in cities through gang territories, urban 'no go' areas where law-enforcement agents do not enter, and where and disused buildings and cemeteries are inhabited by marginalized communities that are often involved in illicit activities. In periods of rapid and under-managed urbanization, the preconditions for criminal governance are almost baked into the process.[21]

Discussion turned to gangs in Central America – another site of urban conflict and crime – exploring the myths surrounding gangs, including the widespread belief that they cannot change. Truces were identified as a key factor in mediating urban peace,[22] creating the possibility for political solutions to be found to urban violence beyond those focused on repression (which are widely accepted to be counterproductive) or prevention (whose long-term nature makes them politically unviable in isolation). The

discussion applied concepts and frameworks developed in the context of mediation in civil wars to city environments, recognizing that the nature of conflict and violence has transformed, and shifted away from inter-state conflict towards violence driven by armed groups and organized-crime networks.

However, the role of truces in the context of gang warfare and institutional capture by agents of organized crime proved contentious – with some interlocutors arguing that applying counterinsurgency theory to urban crime contexts needs to be treated warily, and that the risk of legitimizing illicit actors by fostering such dialogue must be recognized. South Africa was cited as an example where the effectiveness of truces in negotiating with gangs was under question.

Mismanaged truces were widely accepted to yield no long-term change. In particular, truces were recognized to be doomed to fail where states deploy them as a crisis-management strategy for communications problems, with the sole goal being to reduce violence, and perhaps equally importantly, the appearance of violence, principally tracked through homicide statistics.

Contextual snapshot: El Salvador

El Salvador's 2012 truce was scrutinized as one example of a truce rendering significant impacts, but also one that was characterized by mismanagement. Reducing homicide by 50% in 72 hours, the truce was later followed by an explosion in violence in 2015, in part the result of law enforcement targeting gang members, which merely served to displace gang violence to rural areas.

Concessions made to gangs during the truce, including allowing prisoners access to telephones, which gave them greater control, contributed to the subsequent growth in violence. This not only provoked a heavy law enforcement backlash, but also created greater public support for *mano dura* (heavy-handed military-style) responses.

Nevertheless, current rates of homicide in El Salvador are far lower than they were before the truce, although non-gang violence, such as sky-high femicide rates, remain problematic and under-reported in the country.

The gangs themselves are key players in maintaining current low violence levels in the country. Instances of gang members responding to violence by turning to the criminal-justice system, a phenomenon witnessed by participants, might suggest that gangs have bought into the principles of the rule of law, presenting a key opportunity for long-term change.

The discussion recognized both the opportunities and limitations of truces, identifying them as a key element of regional strategies to counter violence, despite being currently shrouded in 'taboo'. Either way, in urban contexts characterized by high levels of gang violence, successful long-term responses should recognize and leverage gangs' capacity for collective action.[23]

Participants discussed the gravitational pull of narrative in the context of urban crime and conflict, which can be fundamentally disorientating and distort real underlying causes of violence. Trends in narratives of violence were recognized to be state reinforcing – in other words, ignoring the state as complicit in crime or a perpetrator – and overly simplistic, negating more fragmented violence narratives, such as high femicide rates. Simplifying urban violence by characterizing it as a purely criminal problem was identified as a justification for criminal-justice solutions, and delegitimizes the grievances of those who join gangs or participate in other forms of urban violence.

When turning to responses, the discussion explored a number of key themes:

■ Fairness matters and responses must be undertaken within an overarching framework of human rights – a message that resonates from urban violence, to foreign policy;

■ Greater focus is required on weapons as facilitators of violence;

■ Diagnostics should focus on incident-level analysis, as national or regional data can result in ill-defined problems and consequently inappropriate solutions; and

■ It is important to recognize the vested interests of states in framing narratives around violence.

One panellist highlighted causes for optimism, identifying the power of cities to reduce violence – with many major cities outstripping their respective countries in terms of reducing violence levels.[24] Further, the investment needed to address most of the violence occurring in urban areas is minimal in relation to the scale of the harm caused.

When reviewing the different manifestations of urban violence, the discussion explored the boundaries between organized and disorganized violence. Some argued that the latter, born out of myriad socio-economic problems, is harder to address and consequently often overlooked; others suggested that truly disorganized violence is rare, and that the bulk is built upon existing intelligence and often linked to organized crime.

Criminal networks are adapting to disruption by adopting different routes and diversifying into other commodities, creating new hubs of criminal activity.

CRIMINAL ECONOMIES ON THE EU BORDERS

C riminal economies accumulate in the margins of some of the world's biggest economies, often drawn to the stability and opportunities that those markets present. The second day of the Dialogue focused on two regions along the EU borders, where illicit flows and criminal actors are causing serious challenges for development, government and security.

Illicit economies in North Africa and the Sahel

This session looked at the situation around illicit economies in the Sahel and North Africa, and explored the policy implications of the growing influence of organized-crime groups in the region.

Over the years, organized-crime groups have exploited the instability that ensued across the Maghreb-Sahel region in the wake of the downfall of Muammar Gaddafi and the Arab spring to consolidate power, undermine national governance systems and maximize income streams.

Ongoing research by the GI-TOC in the region demonstrates that organized crime has evolved through three key stages and is now at a point of consolidation. Prior to the 1960s, proto-smuggling networks leveraged cross-border mobility and exploited unreliable border customs processes to build sustainable livelihoods by smuggling licit goods. This evolved from the 1980s into the cross-border smuggling of cigarettes, hashish, cannabis resin and cocaine; meanwhile, kidnap for ransom activity began to

emerge. This can be understood as the point when organized crime emerged in the region.[25]

In 2011, the twin pressures of the Malian conflict and the Libyan revolution saw growing levels of weaponization in the region, primarily due to the spillover of stockpiles of heavy weaponry from the Libyan regime and growing power of organized-crime networks, particularly in the northern Sahel region. In Libya, organized-crime groups have undermined peace processes and predated state resources, constituting a key obstacle to peaceful progress.

Currently, the region is experiencing a new period of consolidation and diversification of the criminal economy after rapid expansion since 2011, while renewed conflict in Libya has fuelled internal demand for weapons, which continue to proliferate in the region.

Elsewhere in the region, ongoing law-enforcement efforts in Niger and Darfur aimed at countering smuggling of migrants and narcotics, and the Rapid Support Forces' enhanced border security along the Sudan–Chad–Libya border area, are shaping the dynamics of organized crime.

Together, these factors are driving change among criminal networks, which are adapting to disruption by adopting different routes and diversifying into other commodities, creating new hubs of criminal activity. Such emerging hubs include gold mines in Darfur, southern Libya, northern Chad and northern Niger, which have triggered a gold rush across the region and are increasingly used as operational bases by organized-crime groups.

Regional law-enforcement efforts have increased pressure on criminal operators, displacing activity towards borders and enhancing the overlap among criminal groups across different markets. Criminal and terrorist actors are also being driven to operate in similar economies, and the possibility of their overlap and partnership is a key concern. Nevertheless, participants emphasized that there is little evidence of such an overlap between actors involved in criminal and terrorist activities to date, and that the intersection between the two phenomena in the region is broadly exaggerated, driven in part by European government counterterrorism concerns.

The panel highlighted that ongoing diversification of criminal activities, and the disruption this causes in the region, is having an increasingly harmful impact on Sahelian communities, and driving many small-scale actors deeper into the criminal economy.

The professionalization of the smuggling industry in response to the crackdown on human smuggling in

Contextual snapshot: Algeria

Algeria's response to growing insecurity in the region, and in particular to increased terrorist threats, is illustrative of continuing investment in securitized responses. Algeria has experienced a surge in military activity, posting some 15 000 troops to its borders – a mobilization that is primarily focused on stopping the transit of weapons and the flow of illicit drugs.

This appears to have pushed organized crime predominantly beyond its national borders, with serious long-term consequences for neighbouring countries.

Algeria has also conducted mass deportations of refugees and migrants, reaching a peak in 2018 and drawing significant international criticism for breach of the non-refoulement principle.[26] Despite this, irregular migrants continue to move steadily into the country, and are clearly not the priority of the country's border control strategy. Indeed, human smuggling over Algeria's southern borders has increased over the last three years, in contrast to regional trends.

Similarly, cannabis trafficking is well established in Algeria and has not been significantly undermined by law enforcement. This reflects the commodity sensitive approach to counter-smuggling enforcement taken by the Algerian state across its borders.

Niger, Libya and Algeria was identified as an illustrative example. This has driven smuggling networks to professionalize and use increasingly diverse and remote routes, heightening security risks for migrants using their services, and increasing their vulnerability to being trafficked and to other forms of exploitation.

An additional trend identified in the discussion was the decline seen in the significant trans-Sahel cocaine trafficking route, which developed in the early 2000s; this route has been increasingly undermined by counter-narcotics law-enforcement activity, together with growing instability in Mali and Niger. Cocaine seizures and related arrests in Guinea-Bissau in March 2019, and the arrest of a Nigerien closely associated with government demonstrate ongoing Nigerien involvement and close links between traffickers and the political elite, while offshore seizures reveal how routes are becoming diversified.[27]

Participants explored local consumption patterns in the region as a key driver of harm, noting how cocaine has started to filter down to local markets, and how an epidemic of tramadol consumption across Niger, Chad, Sudan and Libya presents a serious public-health problem. Tramadol use is linked to the lack of health systems across much of the region, which drive a need to self-medicate. This should be a key priority for responses modelled on a harm-reduction approach. Participants highlighted trafficking in counterfeit pharmaceuticals across the region and the emergence of Egypt as a significant heroin consumption market as further indicators of the growing harm caused by criminal markets on local Sahelian and North African communities.[28]

Organized crime has become increasingly enmeshed with the political economy of the region, driven by endemic lack of economic opportunity, pervasive corruption, weak law enforcement and the failure of countries to coordinate a regional response. As organized-crime activities have diversified, effective responses must differentiate between high-level criminals and small-scale smugglers.

Instead, states and international organizations have supported securitized responses to the challenge posed by organized crime, and these have yielded mixed results. These approaches have been deployed in isolation, without parallel measures to drive economic development and address corruption, and therefore remain broadly inadequate.[29]

Participants highlighted that in crafting new responses, criminal economies harming local populations and undermining stability should be priority areas of focus, coupled with steps taken to fight state corruption in the region. The discussion recognized that a key element built into counter-crime responses in the region should be to empower

Contextual snapshot: Mali

Mali plays a pivotal role in the region, partly due to its geography and location. Currently, the state in Bamako controls, at most, only a quarter of the country's territory. Across the country, a network of armed groups, some jihadist or with links to jihadist networks, have formed a coalition, dubbed the 'G5 of jihadists', each with a specific sphere of influence in Mali, but sharing resources and coordinating with one another to some extent.

Cocaine trafficking has constituted a key livelihood in northern Mali, including Gao, since the early 2000s,

with the emergence of cocaine trafficking coinciding with the economic crisis. A surge in kidnappings for ransom in northern Mali is another indicator of how organized-crime groups are taking advantage of state weakness in the area.

Due to limited state control and widespread corruption, engagement of international actors should be with regional and local authorities rather than national government.

civil-society organizations that are resisting the influence of organized crime. Further, where state engagement is rendered ineffective by widespread corruption or state capture, or in cases where the state lacks control of territories, interventions should seek to strengthen dialogue and cooperation with regional and more localized actors, who are more likely to ensure financial support reaches deserving beneficiaries, and be in a position to act as impactful development partners.

Russian organized crime: Illicit financial flows and expansion to the eastern neighbourhood and the EU

Russian post-Soviet money has been laundered into European capitals on a scale that has influenced the nature of financial interactions, and in some cases called into question the credibility of states themselves. Russia is pursuing an aggressive and expansionist foreign policy, which includes the expansion of Russian and Russian-based organized crime groups into Europe. This, together with Russia's role as a source, transit and destination country for illicit financial flows, poses a significant threat to the security of the EU.

Russian organized crime globalized in the 1990s with the instability following the collapse of the Soviet empire. In order to gain access to international criminal economies, Russian organized-crime groups formed a network of overseas alliance across the Balkans, the Nordics and Western Europe, providing goods and services to underground mafias across these territories, ranging from drugs to guns, and from hackers to money launderers.

The instability of the 1990s also triggered vast capital flight from Russia, with organized-crime groups moving funds overseas. While efforts to quantify these illicit financial flows are fraught with difficulties, including the challenge of distinguishing between licit and illicit flows, the scale is clearly vast. Bloomberg estimates illicit financial outflows from Russia to have amounted to €1 trillion over the last 25 years.[30] Widespread tax evasion in Russia has institutionalized money laundering within the country, while Russian criminality has been thoroughly entrenched in European financial systems and business, laundering money through China.

Existing responses, spearheaded by Europol and Eurojust, were recognized to be under-resourced and to have proven inadequate. Russian organized crime exploits fragmented cross-border regulatory frameworks governing financial systems. Responses therefore need to support common financial standards and share best practice. The American approach of imposing hefty fines on banks engaged in money laundering was identified as one such example of best practice, and a powerful tool in the fight against financial criminality. Participants suggested that the tools for countering exploitation of global financial systems by Russian organized crime are obvious and available, but blocked by limited political will to deter the Kremlin, and poor recognition of the security dimension of Russian organized crime.

Continuing a key theme running throughout the Dialogue – the overlap between state and criminal actors – links between the Russian state, business and crime were identified as being so close that one could classify organized crime as a tool of Russian statecraft. Indeed, the concept of corruption is not fitted to the reality of Russia, or indeed Ukraine, as it applies in cases where corruption compromises elements of the state, and not, as is the case in Russia and Ukraine, its entirety.

Since 2014, the cooling of relations between the Russian state and the West has driven increasingly aggressive and instrumental use of organized crime as a political tool by the former, including in intelligence-gathering and hacking activities. Although Russian organized-crime groups should not be perceived merely as state assets (the panel estimated that most operate at the behest of the state about only 5% of the time), nonetheless, given that Russian organized crime operates with the tacit approval of the state, it generally seeks to avoid actions that may antagonize the state. There is one key exception to this: while the state seeks to repatriate finances,

organized-crime networks continue to move capital out of the country, operating in contravention of state will. Capital flight continues at pace, and Europe has become of central importance to Russian organized crime as a well-regulated jurisdiction in which to store illicit profits. It is estimated that 50–52% of Russian household wealth (attributable to 1% of Russians) is earned and held outside of Russia.

Significant interference of the Russian state and criminal groups in elections in the US and Europe is focused on protecting illicit proceeds from Western anti-money-laundering initiatives, and propelling greater fragmentation and splintering of the EU. Despite the scale of financial crime in Europe, there has been an astonishing absence of political interest in tackling this concern, which can be attributed to Russian influence on politics.

Participants identified the imminent generational transfer of wealth within the higher echelons of Russian business and organized crime as a possible harbinger of lower rates of Russian organized crime and violence. The concerns of the current elite that the next generation cannot survive in ungoverned spaces could work to align the interests of today's high-level criminal operators with the rule of law, to facilitate the survival and wealth protection of their children. Participants queried how such developments were likely to impact the dynamics in Ukraine, recognizing that although the EU had lost focus and consequently significant leverage in Ukraine, some influence remained and should be utilized. Further, despite the war in Ukraine, participants highlighted a need for the state to be held accountable for its actions in order to facilitate long-term progress.

The policy space for crime-sensitive development initiatives and holistic approaches to countering organized crime is shrinking.

CONCLUSION AND WAYS FORWARD

While the debate has moved on significantly since the launch of the Development Dialogue Series, and organized-crime challenges have been mainstreamed into development responses, the policy space for crime-sensitive development initiatives and holistic approaches to countering organized crime is shrinking. In parallel, organized crime's approach is increasingly predatory towards state institutions and actors, while leveraging technological developments to enhance its sphere of operation. New challenges are emerging on different issues and in different regions, while old challenges are not dissipating.

The discussion raised a number of cross-cutting themes and concerns, with significant implications for crime-sensitive programming. The Dialogue highlighted a number of matters requiring further exploration and consideration, which will be developed in subsequent meetings. In summary –

- Levels of violence are rising and increasingly being driven by criminal groups rather than inter-state conflict, with enormous impacts on the quality of life of ordinary people. Growing urbanization has posited cities as new conflict amplifiers and changed the rules of engagement. Gang violence is on the rise; journalists and environmental defenders are increasingly targeted by criminal organizations; and criminal groups are formed by demobilized former combatants with military skills and tactics. What does this mean for response frameworks? How should we amend or tailor violence reduction, conflict resolution, peace building and media-tion techniques created primarily for contexts of inter-state conflict for this new conflict landscape?

- Fast-paced development across Africa and elsewhere, in the form of accelerated infrastructure projects and unplanned urbanization, poses a challenge to good governance and law-enforcement oversight, while simultaneously being required to meet urgent humanitarian needs. How can programmes to meet this demand be structured to mitigate vulnerabilities to organized crime and violence? How can key players in global infrastructure development and financing be engaged in this discussion?

- A more strategic and focused conversation is needed around the role of China in the context of global financial systems, lending, infrastructure development and the use of environmental resources. From an organized-crime perspective, China's interventions are impacting on the scale, direction and nature of illicit financial flows, illicit trade and environmental crime. The nature and locus for debate are increasingly shifting, and the urgency of this conversation is significant if the international community and multilateral system are going to be in a position to address this paradigm.

- The Western narrative led by the Bretton Woods institutions is being counterbalanced, and arguably in places overturned, by the rise of the new development banks, and Chinese and Gulf country bilateral funding. This is changing the rules of engagement across regions and forcing responses to consider how to advance a governance agenda without the aid of traditional incentives tied to development financing.

- The role of the state in countering organized crime is increasingly under question. As states fail in multiple ways, either through corruption, criminal capture, or lack of focus and resources, investments in state institutions are repeatedly found to be at best ineffective, and at worst counterproductive. Against this backdrop, the role of civil society in counter-crime responses becomes increasingly important.

- Narratives of violence are often over-simplified and ignore inconveniently fragmented truths, legitimizing a purely criminal-justice response. In parallel, the criminal-justice system is consistently relying on interdiction and imprisonment as the core pillar of its interventions, and failing to apply a gender-sensitive lens to prosecution and sentencing, with widespread harm to vulnerable elements of the population. How can counter-crime responses incorporate a gender-sensitive model? How should the complexities of violence and crime be expressed and addressed?

- The breakdown of the traditional media landscape and the erosion of trust in media outlets due to the proliferation of fake news mean that investigation and research by development organizations into organized-crime dynamics are of crucial importance in ensuring that light is shone into spaces of growing opacity, and public opinion and political will are built on evidence. Civil society is hence pivotal in providing data and an independent narrative, coordinating criminal investigations, speaking truth to power, and building resilience and mitigating the harm of organized crime on local populations. How can we empower civil society to operate most effectively?

- Securitized responses to organized-crime challenges continue to dominate in the themes and regions explored, triggering diversification and increasing professionalization of criminal actors. How can the cycle of increasing investment in military and border control, and the resultant displacement and spiralling risk, be disrupted?

- Trade leverage, political leverage and multilateral legitimacy should be used to influence the behaviour of states and state actors. Development interventions must move towards trade integration, recognizing that free trade zones and preferential tax deals undermine good governance and oversight of illicit trade.

- The role of the multilateral system is under threat generally but particularly in the area of counter-crime responses. It is increasingly hard to envisage multilateral institutions as a credible forum of response given the vested interests of member states that drive the agenda, and, crucially, keep key challenges off it. For example, violence across the Americas does not reach the UN Security Council; human rights are no longer a compelling agenda; and sanctions are too often toothless,

with no real penalty for violators. In light of such concerns, and to ensure progress can still be made at other levels, it is key to explore how regional blocs and coalitions of the like-minded can further the development agenda. Engagement should increasingly include dialogue with urban leaders and municipal figures of power, and not solely federal institutions.

■ Political will in the EU and US to challenge Russian organized crime is shockingly absent, and the independence of electoral cycles is increasingly compromised. In particular, the global financial regulatory framework is failing to rise to the challenge of vast and widespread illicit financial flows. How can policymakers be sensitized to the threat posed by criminal infiltration of financial systems?

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