

# ORGANISED CRIME AND CORRUPTION IN AFRICA

- **GAIL WANNENBURG**
- **SOUTH AFRICAN INSTITUTE OF  
INTERNATIONAL AFFAIRS**

# DISCUSSION POINTS

- Link between organised crime (OC) and corruption and its impact.
- Background and nature of organised crime.
- Impact of OC - Economic, social and political.
- Traditional security vs other approaches in combating OC.
- Possible solutions- A role for youth?

# INTRODUCTION

- Global levels of corruption have not improved in the last decade (Global Competitiveness Report 2003). Performance of both developing and richer countries are mixed.
  - ★ Traditional corruption (abuse of public office)- lower on average in OECD countries but undue influence is a major problem for some OECD countries.
  - ★ Southern OECD countries have higher levels of corruption than some African countries e.g Botswana.
  - ★ Many OECD countries (e.g. USA) score worse on corporate governance than certain African countries e.g South Africa.
  - ★ OECD based multi-nationals apply different corporate standards at home and in developing countries.

# ORGANISED CRIME AND CORRUPTION

- Corruption strips countries of at least 0.5-1% of GDP per year (World Bank) or 5% (IMF).
- Risk of conflict in Africa would substantially decreased (5% probability) if it had higher economic growth and less dependence on natural resources (WB- Collier).
- Link between OC and corruption is strong.
- UN Centre for International Crime Prevention Survey of OC groups (Shaw)
  - Just less than half said corruption was essential to activities.
  - One third of these OC groups have political influence at local or regional level.
  - Majority conduct legal & illegal activity and invest in the legitimate economy.

# OC IN AFRICA

- Impact of OC is more difficult to measure (they don't like surveys). Possible Indicators:

**UN victim surveys (1998-2000) Africa-** crimes associated with organised groups (Inadequate statistics for West Africa)

**Drugs** -policing dependent- victims do not report.

- **Car thefts-** SA, Tunisia, Zim, Zambia
- **Robberies** -SA, Zim, Seychelles, Zambia, Tunisia (SA ranked 4<sup>th</sup> in world)
- **Fraud-**Seychelles, SA, Zim, Tunisia, Zambia (SA ranked 14<sup>th</sup> in world).
- Fraud costs SA alone R40 billion p.a

# MONEY LAUNDERING

- **Money laundering** (Inadequate statistics for West Africa)- Physical transfers of cash, banking transfers, sale of actual or fictitious financial instruments, casinos.
  - ◆ **Total amt laundered in 1999-** US\$18.07 billion (Eastern and Southern African MLG)
  - ◆ **South Africa- ML trends (USD millions)**
  - ◆ Internal ML: 6143.7 (60%)
  - ◆ Outgoing ML: 4095.8 (40%)
  - ◆ Incoming ML: 566 (FDI is 800)
  - ◆ Small amounts but mainly detected in formal banks.
  - ◆ 1999- Total aid to Africa is USD 50 billion. Estimated USD 100 billion returns to US and Europe illegally.

# OC -TYPES OF CRIME

- Drug trafficking (West Africans regarded as secondary distributors worldwide).
- Human trafficking (2nd most lucrative OC trade)
- Stolen commodities e.g. cell phones, vehicles
- Counterfeiting, gray products/customs fraud e.g DVD
- Gold (7% of production), diamond (4-20% world production) and oil smuggling (10% in Nigeria).
- Endangered species e.g. Abalone (R500 million in SA)
- Cattle rustling
- Arms dealing
- 419s and Kidnappings

# NATURE OF OC

- UN survey indicates OC groups are:
  - ◆ 70% active in 5 or more countries
  - ◆ 58% involved in multiple activities
  - ◆ 58% cooperate with other crime groups
  - ◆ 74% Use violence
- New forms and higher rates of crime all over Africa, increasingly violent.



# SOME TRANSNATIONAL AFRICAN OC GROUPS

- ◆ **Russian:** (arms etc)- Victor Bout -Supplied arms to 17 African countries using fleet of 60 aircraft.Registered in SA (1998), Liberia, US, CAR, UAE, Swaziland, Rwanda and Belgium. Convicted in absentia for using CAR logos
- ◆ **Chinese triads** (wildlife, Fafi, piracy)
- ◆ **Nigerian networks** (drugs- 80% of supply and 419 scams, human trafficking)
- ◆ **Pakistanis** (piracy, human trafficking). Frequently are primary or secondary distributor of supply.
- ◆ **African groups:** Frequently run legitimate companies useful for trafficking e.g transportation or aircraft companies. All grps use locals at levels in crime network in syndicates or officials to escape detection- not “outsider” phenomenon. Increasingly poly-ethnic to evade detection.

# OC- ECONOMIC IMPACT

- **Macro-economic** - Financial systems depend on trust & integrity. OC may lead to:
  - Banking instability- Volatility of capital flows and exchange rates
  - Lessen FDI (perceptions) and employment- Effect reputation e.g. Nigeria
  - Make tax collection difficult and distort allocation of resources and distribution of wealth.
  - Drug money can distort monetary policy. Moz- \$50 million drug money p.m - artificial inflation of Stock Exchange. SA could affect GDP by 1-2%.
  - Affects youth disproportionately- Street and youth at risk - estimated 150 million- 2/3 of African cities popn (UN Habitat)- OC and corruption strips revenue for basic services.

# SOCIAL IMPACT OF OC

- Direct and indirect impact on youth as perpetrators and victims.
- “Crime trap”- Barter trade in region in drugs keeps drugs artificially low. Drug use associated with violent crime (over 50% in SA-ISS study). Associated with women and child abuse.
- Drug use also associated with conflict e.g. Somalia - 75% of combatants and S Leone University of Konstanz.
- Has detrimental effects on social cohesion and development e.g. Colombian refugees in US fare worse because do not cooperate due to distrust that others are involved in illegal activities.

# POLITICAL IMPACT

- Contradictory tendencies:
- OC is compatible with status quo- profit not power.
- Long-term impact on economy may weaken democracy- worldwide trend to influence/state capture e.g. Fahrenheit 911.
- OC can trigger competing centres of power, distort market access to economic opportunities, undercut legitimate industry. Evidence that economic openness leads to > growth, more stable political systems but increased inequality (Gissinger). Inequality is associated with higher crime (UN)- intervention required.

# COMBATING OC

- Security approaches necessary but OC is economic phenomenon & calls for other approaches. Should inform socio-economic plans. Some examples:
  - ★ Political - increased democracy - more equitable distribution of wealth and opportunity.
  - ★ Economic- Trade policies must have a strategy to discourage OC. Informal economy and cross border trade must be brought into legal (not necessarily formal) economy.
  - ★ Social- Reduce demand for drugs, demilitarise youth, build alternative positive youth role models.

# CONCLUSION: ROLE FOR YOUTH?

- ◆ **Research and activism**
- ◆ More info necessary to understand direct and indirect impact of OC on youth. E.g economy of crime driven not only by profit but by social matrix of society.
- ◆ Youth associations to start programmes in community and lobby for measures to combat OC (especially violent crime).
- ◆ **Building expertise**
- ◆ Africa needs more experts in combating OC - build special police units, private and public financial and forensic investigators to combat OC and money laundering etc.

# THE ROLE OF YOUTH

- ◆ **Building networks**
- ◆ OC is transnational. Need regional and continent wide approaches.
- ◆ NB in planning for NEPAD, regional integration and relations with other countries.
- ◆ Youth networks can put this on the agenda of policy makers and planners on the continent.
- ◆ Youth are in a position to provide unique insights, experience and solutions.