

BIGMUN 2023

ECOSOC 2: Commission on Crime Prevention and Criminal Justice (CCPCJ)

Research Report

Topic 1: Issue of illicit trade in Sub-Saharan Africa



(Annatara Greenberg & Lea Bünger Torp)

Outline

Introduction.....	2
Definition of Key Terms.....	2
Background Information.....	2
Major Countries and Organisations Involved.....	3
Relevant UN Resolutions.....	4
Previous Attempts to Solve the Issue.....	4
Possible Solutions.....	5
Bibliography.....	6

Introduction

Illicit trade in sub-Saharan is an issue of great concern as it is slowing the development of countries. The mining industries in sub-Saharan Africa are vulnerable to fraud. The resources lost due to illicit trade could be greatly beneficial if recovered and used for building and strengthening infrastructure.

Definition of Key Terms

Gross domestic product (GDP): Measure of monetary worth of all final goods produced and sold in a country within a specific time period¹.

Sub-Saharan Africa: The geographic area in Africa south of Sahara. This includes west-, east-, central- and south Africa.

Illicit financial flows (IFFs): Cross border exchanges of value, monetary or otherwise, which are illegally earned, transferred or used.²

Mis-Invoicing: A practise that falsifies an aspect of a good or service during the trade process

UNCTAD (United Nations Conference on Trade and Development): The UN conference working with developing nations on global trade. Provide access to analytics and other forms of assistance.³

Background Information

Illicit outflow of money in results in less money circulating in economies and therefore stunts economic growth. Illicit trade is a cause of illicit outflow of money. This can be dure to any

¹Fernando, Jason. "Gross Domestic Product (GDP): Formula and How to Use It." *Investopedia*, Investopedia, 17 Jan. 2023, <https://www.investopedia.com/terms/g/gdp.asp>

² https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

³ "ABOUT UNCTAD." *UNCTAD*, <https://unctad.org/about>

trade involves the violation of laws within the trade process, such as in shipment, purchase, sale, or distribution of goods and services⁴. In Africa illicit trade is seen as an issue that is preventing development. The money that is lost due to illicit trade could be used in areas that provide much needed infrastructure, such as healthcare and education⁵. Furthermore, the practises caused by illicit trade often endanger citizens and fuel crime.

In Africa, the extractive sector of trade is one of the most vulnerable for IFFs. High value commodities such as gold and diamonds are often subjected to mis-invoicing. UNCTAD's 2020 report on economic development in Africa showed that stopping the illicit trade of extractive resources, particularly gold, could be instrumental in achieving the 2030 goal, for sustainable development.⁶

Major Countries and Organisations Involved Sub-Saharan Mining Industry

Countries such as Angola, Sierra Leone, Liberia, and the Democratic Republic of the Congo (DRC) are all rich in natural resources that have been the target of illicit trade. Particularly the trade of conflict diamonds, gold, and coltan have been prone to trade by illegal means.⁷ The diamond market played a significant role in the civil wars in Angola, Sierra Leone, and the DRC. Rebel groups used the money made from the sale of conflict diamonds to purchase arms.

The Kimberley Process

The Kimberley Process is an organisation that has been influential in the stopping of illegal diamond trade. The United Nations adopted a resolution that strengthened the Kimberley Process focusing on the Kimberley Process Certification Scheme (KPCS)⁸. This scheme places safeguards in the trading process that prevent diamonds being used to fuel conflicts.

⁴ "Definition: Vaccine from 26 USC § 4132(a)(2) | LII / Legal Information Institute." *Legal Information Institute*, Legal Information Institute, https://www.law.cornell.edu/definitions/uscode.php?height=800&def_id=26-USC-222761909-1963936815&term_occur=999&term_src=

⁵ "Illicit Capital Robbing Africa and Its People of Their Future: Un Trade and Development Chief | UN News." *United Nations*, United Nations, <https://news.un.org/en/story/2020/09/1074052>

⁶ "Africa Could Gain \$89 Billion Annually by Curbing Illicit Financial Flows." *UNCTAD*, 28 Sept. 2020, <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows>

⁷ Koyame, Mungbalemwe. "United Nations Resolutions and the Struggle to Curb the Illicit Trade in Conflict Diamonds in Sub-Saharan Africa." *Brill*, Brill Nijhoff, 1 Jan. 2005, https://brill.com/view/journals/ajls/1/2/article-p80_3.xml?language=en.

⁸ "What Is the KP." *KimberleyProcess*, <https://www.kimberleyprocess.com/en/what-kp>

The KPCS has been successful in its mandate and continues to be implemented as a measure against the illicit trade of diamonds that has harmed many sub-Saharan countries⁹.

Relevant UN Resolutions

[A/RES/72/207](#)

Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development¹⁰

United Nations Charter

Article 55

With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:

higher standards of living, full employment, and conditions of economic and social progress and development;

solutions of international economic, social, health, and related problems; and international cultural and educational cooperation; and

universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.

Previous Attempts to Solve the Issue

In October of 2022 there was a meeting of members of trade unions and civil society organizations that worked towards a plan for halting IFFs. This workshop focussed on the Ghanaian gold industry but understood that other countries are also subjected to IFFs. The workshop concluded that the Ghanaian government and other stakeholders in the Ghanaian gold industry should intervene and minimize the incentive for illicit trades to continue¹¹.

UNCTAD is working with developing African governments to gather data on illicit trade as a means of tackling the issue. They promote cross-border collaboration between nations. Research resources on mining and other industries and fields where IFFs are common are offered by UNCTAD through their Africa programme on curbing trade-based illicit financial flows.

⁹ “General Assembly Adopts Resolution Encouraging Strengthening of Kimberley Process, Recognizing Diamond Certification Scheme's Key Role in Peacebuilding, Development | UN Press.” *United Nations*, United Nations, <https://www.un.org/press/en/2020/ga12242.doc.htm>.

¹⁰General Assembly, UN. “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development” A/RES/72/207, 17 January 2018, <https://undocs.org/A/RES/72/207>.

¹¹ <https://www.industrialunion.org/sub-saharan-organisations-demand-end-to-illicit-financial-flows>

Possible Solutions

The UNCTAD encourages the protection of civil servants, whistle-blowers, and journalist acting against IFFs. This can be done within and outside of Africa.

Prioritizing the recovery of stolen resources and preventing money laundering could help Africa see improvement.

There is a lack of data on the IFFs in Africa. More data and research in the area, combined with action from governments could be what is needed to properly tackle the issue of illicit trade. More data allows for the action taken to have a greater impact as it can be targeted effectively.

Tax reform is a crucial factor in the halting of IFFs. The digitization of the sub-Saharan economy could be used as way of curbing tax evasion and the use of tax havens.¹²

¹² https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf

Bibliography

- Fernando, Jason. “Gross Domestic Product (GDP): Formula and How to Use It.” *Investopedia*, Investopedia, 17 Jan. 2023, <https://www.investopedia.com/terms/g/gdp.asp>
- “Africa Could Gain \$89 Billion Annually by Curbing Illicit Financial Flows.” *UNCTAD*, 28 Sept. 2020, <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows>
- *Illicit Financial Flows in Africa - Brookings Institution*. <https://www.brookings.edu/wp-content/uploads/2020/02/Illicit-financial-flows-in-Africa.pdf>
- “Illicit Capital Robbing Africa and Its People of Their Future: Un Trade and Development Chief | UN News.” *United Nations*, United Nations, <https://news.un.org/en/story/2020/09/1074052>
- *UNCTAD / Home*. https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf
- General Assembly, UN. “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development” A/RES/72/207, 17 January 2018, <https://undocs.org/A/RES/72/207>
- *A/RES/72/207*, <https://undocs.org/A/RES/72/207>
- “Definition: Vaccine from 26 USC § 4132(a)(2) | LII / Legal Information Institute.” *Legal Information Institute*, Legal Information Institute, https://www.law.cornell.edu/definitions/uscode.php?height=800&def_id=26-USC-222761909-1963936815&term_occur=999&term_src=
- Koyame, Mungbalemwe. “United Nations Resolutions and the Struggle to Curb the Illicit Trade in Conflict Diamonds in Sub-Saharan Africa.” *Brill*, Brill Nijhoff, 1 Jan. 2005, https://brill.com/view/journals/ajls/1/2/article-p80_3.xml?language=en.
- “What Is the KP.” *KimberleyProcess*, <https://www.kimberleyprocess.com/en/what-kp>
- “General Assembly Adopts Resolution Encouraging Strengthening of Kimberley Process, Recognizing Diamond Certification Scheme's Key Role in Peacebuilding, Development | UN Press.” *United Nations*, United Nations, <https://www.un.org/press/en/2020/ga12242.doc.htm>.
- “ABOUT UNCTAD.” *UNCTAD*, <https://unctad.org/about>
- “Sub Saharan Organisations Demand End to Illicit Financial Flows.” *IndustriALL*, 28 Oct. 2022, <https://www.industriall-union.org/sub-saharan-organisations-demand-end-to-illicit-financial-flows>
- https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf