Nowhere is it perhaps more crucial to consider political economy than with respect to the exploitation of natural resources as a source of sustainable revenue. In post-conflict contexts, government policy support for foreign direct investment in a country's natural resources can itself spark conflict, with Liberia being one example. Even where foreign investment is not involved, government policies on the use of income stemming from the country's natural resources or the unequal distribution of their benefits can pose a risk to peacebuilding gains. Technical support in the area of natural resources policymaking could help avoid risks of relapse, while increasing public coffers. Yet this is only truly useful where those providing the technical support are sensitive to the unique conflict dynamics in the concerned country. Transparency in government revenues, and in particular from natural resources, is a critical aspect of the strengthening of accountability and the fight against corruption or other illegal divergence of revenues.

Illicit financial outflows threat efforts to generate and manage resources

Illicit financial flows have wide-reaching economic, security and social consequences and pose serious challenges to governments and economies. For this reason, they are becoming ever more visible to watchdogs and policymakers who provide support to developing and conflict-affected countries alike. Extractive industries – including mining, oil and gas – are particularly prone to activities linked to illicit financial flows, creating great risk for countries with abundant natural resources. Illegal economic activities, such as the trade in drugs, are also heavily linked to illicit financial flows.

While there is no universal definition of illicit financial flows (IFFs), for the purposes of this paper and discussion that it is intended to generate, IFFs can be defined as the transfer of money into or out of a country that is earned, transferred or spent through illicit means. IFFs can include legally earned monies that is transferred illicitly or monies u-0]TJ 417(r)2.3678(6417(p)-) 3597(u)-0.
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There is, however, general agreement on the need for more effective mechanisms of international cooperation and coordination to make progress in curbing IFFs wherever possible, and urgently, illegal financial flows from countries emerging from conflict. There is scope for more multilateral policy to be developed around illegal financial flows, including given their potential to hold post-conflict countries back from achieving sustainable peace.

IFFs from developing countries are estimated at US$946.7 billion in 2011. As a share of GDP, Africa faced the highest estimated illicit outflows (about 6%) although the absolute levels are thought to be lower than outflows from Asia. Measuring IFFs is, however, challenging due to the lack of data, the secretive nature of cross-border activities and the lack of transparency in institutions involved in IFF transactions. Methodologies for measuring the scale and scope of the IFFs are also not uniform.

Notwithstanding the still-evolving thinking around defining and measuring IFFs, there exists a growing body of evidence of their negative impact, particularly in Africa. The UN Economic Commission for Africa (ECA) notes that IFFs out of Africa have become a matter of major concern due to the scale and negative impact of such flows on Africa’s development and governance agenda. It further notes that current evidence shows that Africa lost over US$854 billion in illicit financial flows from 1970-2008, corresponding to a yearly average of about US$22 billion. Worse, the trend has been increasing over time, especially in the last decade.

Weak capacity in many post-conflict countries makes the fight against IFFs difficult. In turn, IFFs undermine existing capacities and institutions by diverting resources and eroding the social norms and rules of the game. They can contribute to corruption; provide incentives for patronage and damage public trust.

The problem of IFFs has increasingly come onto the political agenda of the African Union, the Group of 20, the Group of 8, the UN, and the OECD. The Financial Action Task Force (FATF) issued, in 2003, a set of recommendations aimed at restricting money laundering as well as terrorist financing across signatories. Their implementation, however, remains insufficient for stemming such flows. The lack of a global regulator to strengthen governance may also inhibit a global solution.

The AfDB, FATF, International Monetary Fund, UN Office on Drugs and Crime (UNODC), and the World Bank are among the multilateral institutions that provide technical assistance to developing countries to combat illicit flows. The African Union, AfDB, Group of 20, the World Bank, and the UN have called for enhanced cooperation to implement the asset recovery provisions of the UN Convention against Corruption.

The UNODC has underscored the need for increased national coordination and enhanced regional and international cooperation. Its Executive Director, in his most recent report to the General Assembly on the subject, emphasized that if left unchecked, IFFs can erode the integrity of a country’s financial institutions and undermine national economies, trade markets and currencies. The UNODC has observed that due to the high integration of capital markets, IFFs enter global financial systems where they can undercut legitimate international trade, affect emerging markets and damage the global economy.

Policy considerations and identification of gaps

It appears that there are areas where policy work is still very much needed to close gaps in international action in order to ensure that the mobilization of monies domestically can be done more efficiently and effectively; and to help curb and mitigate the impact of IFFs (particularly illegal financial flows) on countries emerging from conflict.

There is need for effective mechanisms of international cooperation and coordination,

and sustainability of funding. The closure of Security Council-mandated missions entails a shift from UN assessed contributions, which flow through

Over time, the international community and the UN have achieved greater coherence, efficiency and accountability in the range of suppo

- How can the international community address the dro