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## Research Report

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# SWP Comment

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## Key Features of Illicit Economies in African Conflicts

Insights from the Reports of UN Panels of Experts

*Judith Vorrath and Laura Marcela Zuñiga*

There are currently a significant number of protracted armed conflicts worldwide. Illicit economies and their links to violent actors are frequently cited as reasons for their persistence. Drug cultivation, production, and trafficking in places as diverse as Afghanistan, Colombia, and Myanmar have been garnering attention recently since they can undermine peace processes and contribute toward rising levels of insecurity. Nevertheless, it is particularly difficult to grasp the situation in conflict zones and understand the networks of internal and external actors linked to illicit economies due to the limited information base. This also holds true for the violent conflicts in Mali, the Democratic Republic of Congo (DRC), and the Central African Republic (CAR) that have been going on for extended periods of time. However, since United Nations (UN) sanctions apply in all three contexts, there are extensive and regularly available sources of information provided by the reports of the UN Panels of Experts that monitor sanctions implementation. These investigative teams provide valuable insights into illicit economies in conflict zones and their links to peace and security. Looking at the reports for Mali, the DRC, and CAR from the last five years helps to identify some common patterns that defy simple solutions, but that can also show entry points for action.

The first report of a UN Panel of Experts (PoE) was released in March 2000 and covered violations of Security Council sanctions against the “National Union for the Total Independence of Angola” (UNITA). By looking into sanctions-busting in various fields, the panel investigated phenomena such as the exchange of rough diamonds for weapons by the armed group. Meanwhile, almost all UN Sanctions Committees are supported by such panels or groups of

experts, in particular by gathering, examining, and analyzing information on the implementation of sanctions measures and on individuals and entities that could be placed on a regime’s sanctions list.

As part of this mandate, PoEs also investigate illicit economies, trafficking, and criminal networks in conflict areas and their transnational links. Naturally, the reports diverge in their reach and depth due to the specific sanctions measures imposed under



each regime and the composition of the panels. More recently, these bodies have also faced increasing financial and political constraints. Thus, their findings have to be taken with a grain of salt. Overall, contexts differ significantly, and so do the mandates of the PoEs. Yet, systematically analyzing reports from several countries and different panels reveal some recurrent key features of illicit economies — and how they are embedded in the political economy of conflicts — that should be considered when engaging in these environments.

The reports by experts on the three African cases from 2015 to mid-2021 (for full dataset, see: <https://doi.org/10.7802/2421>) show that revenues flowing from illicit economies to armed groups, despite being a major concern, are only part of a more complex picture.

### **Illicit Economies Defy a Simple Conflict Logic**

There is a common assumption that crime thrives in conflict zones. Indeed, the link can be quite direct when the breakdown of state authority is accompanied by a rise in violent crimes such as kidnapping, armed robbery, and rape, or when activities that have been legal, such as the exploitation of diamonds, become illegal as non-state armed groups take control of them. In most cases, the outbreak of conflict leads to an increase in demands for arms, ammunition, and related materials. Especially where a UN arms embargo has been imposed, the trafficking of weapons into the country can be an important means of supplying conflict parties. Establishing control over certain areas and economic activities are a major concern of armed groups, as they need to generate revenues for procuring weapons and sustaining forces. At the same time, trafficking or smuggling operations that transit conflict zones can be beneficial for transnationally operating criminal networks if the country's location and instability offer certain advantages. Ultimately, it is difficult to distinguish what counts as

legal or illegal in such a context. In addition, the linkages between illicit economies and armed conflicts are far from straightforward when it comes to the actors involved.

First, as the reports show, illicit economies are usually not bound to one particular type of armed actor. Some linkages draw special attention internationally, such as those constituting the well-known organized crime — terror nexus, but they are not necessarily at the core of the wider set of actors involved. This is hardly surprising, given the increasing fragmentation among violent non-state actors in many conflict areas. In Mali, for example, there are jihadist groups designated as terrorist, a variety of armed groups that are part of the coalitions that signed the peace agreement in 2015, those that broke away from these signatory groups, as well as local militias, gangs, and others. In addition, state actors — including members of the security forces — are frequently involved in illicit economies. In CAR, for example, the 2017 panel report points to state security forces being involved in smuggling networks that purchase and smuggle arms and ammunition at various border crossings with the DRC and Sudan.

Transnational traffickers align with all types of actors in order to secure their profits, and these arrangements frequently change. Drug traffickers in Mali have apparently preferred to cooperate with signatory armed groups rather than with those designated as terrorist, as the former are less exposed. A recent PoE report on the DRC describes how dealers and an armed group paid military officers to transport gold in their trucks to avoid armed robbery. Key figures of illicit economies may try to arrange protection from various sources at the same time. For example, according to the PoE, a notorious human trafficker and smuggler in the Gao region of Mali commands a local militia, but he also has local as well as high-level connections to Malian security and defense forces. He was able to evade arrest several times thanks to his connections, but he also maintained close ties with police officers who handed over

migrants they had detained for him to exploit. As the illicit trade in natural resources such as diamonds and gold often includes attempts to conceal the true origins of the minerals, it frequently involves complicity by state actors, particularly if the exploitation and export of a resource is legal in certain areas of the country, but not others. For example, the due diligence and traceability systems for tin, tantalum, and tungsten in the DRC classify mining areas as “green” if they are free from interference by armed groups. Similarly, the Kimberley Process – a multilateral trade regime to prevent the flow of conflict diamonds, mostly through a certification scheme – started to designate diamond mining areas in CAR as compliant in 2015 based on conditions such as governmental control. Although these are important steps for enabling legal business, these settings also provide opportunities for the laundering of illicitly exploited resources from other, non-compliant areas.

Beyond the variety of actors involved, the patterns of interaction also defy a simple friend–foe scheme. In fact, the interests linked to illicit economies frequently cross conflict lines or are split between groups that are officially allied. This was observed in the war economies of the Western Balkans in the 1990s and is also evident in the PoE reports. For example in Mali, there have been tacit agreements between a signatory armed group that regulates gold mining around Kidal and processing facilities in Tessalit, and a jihadist umbrella group that exerts influence over mining areas around Tessalit. State actors may also cooperate with non-state armed groups, such as Congolese security forces that appear to have worked with members of armed militias near mining areas in North Kivu.

In CAR, former Séléka factions have competed among each other for taxes and security provisions in resource-rich areas and in border regions, where clashes have occurred due to disputes over the smuggling of arms and ammunition from Sudan. The transit of drugs, particularly hashish through Northern Mali, is seen as a threat to the imple-

mentation of the peace agreement signed in 2015 by the panel since it creates strong competition between signatory armed groups – including between those that are associated – around the major trafficking routes. There are regular fights over drug convoys, including violent clashes, usually with the goal to “confiscate” drugs from another group. The DRC reports even provide evidence of fighting between different units of the Congolese security forces after some members of the military have participated in kidnappings.

Overall, the illicit economies in CAR, the DRC, and Mali display the difficulty of ascribing labels in such contexts. In Mali, the distinction between terrorist and other armed groups is not at all clear-cut. But even state and non-state categories are blurred, for example when an armed group’s officer retains influence over the combatants integrated into the Malian army, using them to sustain his drug trafficking operations. Armed groups in CAR have also infiltrated state structures, essentially running offices such as regional directorates of mines, but leaving individual state officials in place to sign documents and maintain a legal façade. Shifting labels have also been an issue that is repeatedly mentioned in the DRC reports, such as in the case of a retired Congolese General who used to be a Mai-Mai commander in South Kivu and, after his retirement, engaged in the widespread extortion of gold, though still identifying himself as an army general.

These features underline that resolving conflicts and addressing illicit economies are two distinct issues. Since illicit economies defy a simple conflict logic, these goals do not simply converge. Most approaches come with trade-offs. Therefore, it is key to address the specific links of illicit economies and armed conflicts with clear objectives such as containing violence in an area, changing the incentives of certain conflict parties, creating pressure to join peace negotiations, and the like. This will certainly require a better understanding of sub-national orders and their legitimacy.

## Non-state Governance Revolves around Illegal Taxation

While illicit economies can have negative implications by fueling (violent) competition and conflict, the actors involved may hold some degree of legitimacy in their strongholds. The PoE reports hardly address this aspect directly, but they indirectly provide insights into how actors involved in illicit economies operate more generally. A common assumption is that criminal groups are rather opportunistic and hardly aiming at openly confronting or replacing the state. Indeed, in the three focus cases, the relationship to the state seems to be such that coexistence is possible if revenues from the illicit economies are left largely untouched. Yet, when existing arrangements are threatened due to state intervention, violent reactions can occur, as in the case of the aforementioned trafficker in Gao. He openly confronted the police after being questioned for crimes committed by his criminal group, showing that, as the PoE concludes, he is “untouchable” in the town.

But even locally powerful individuals or groups may have to rely on protection arrangements when moving goods through areas that are partially or fully under the control of armed groups. This is the main scheme reported for Mali. The violence around the control of smuggling routes is essentially about organizing and securing convoys of drugs and other goods or the movement of migrants. Payments for passage and the levying of “security fees” have also been observed in CAR and the DRC. According to the PoE reports, some armed groups there directly engage in the illicit exploitation of and trade in natural resources. For example, some anti-balaka leaders as well as former Séléka leaders in CAR have been found to be involved in the exploitation of diamonds. Yet, such operations seem to be the exception rather than the rule in all three countries. The more important and systematically used source of income for armed groups is the illegal taxation of the exploitation, production,

and trade of all kinds of goods as well as the movement of people in or through areas under their control. Here, the interests of criminal networks and armed groups can converge.

The mentioned payments may be tied to protecting arrangements such as those found with drug trafficking through Northern Mali. But there are also schemes to simply skim revenue, as in gold mining areas of Mali, mostly by collecting taxes along roads near mining sites. In the DRC and CAR, illegal taxation is often described as being more comprehensive, at times based on systems that encompass all types of economic activities, from transhumance, agriculture, and fishing to the illicit exploitation and smuggling of minerals. In the DRC, some armed groups issue tokens to the population as proof of payment of taxes, while some Mai-Mai groups in the country even operate parallel administrations in areas under their control, including customs and migration offices. Similarly, former Séléka forces in CAR occasionally have set up parallel administrative structures.

These observations seem to be in line with the assumption that armed groups – in contrast to criminal actors – aim at establishing an alternative kind of authority and pushing out the state. However, on closer examination, this is less clear cut across the PoE reports. Although the mentioned cases of setting up administrative structures by some groups could be seen as an indication of a state-building strategy, for the most part the behavior of armed groups seems to revolve around extortion. Leaders of the former Séléka in CAR have claimed that they are generating revenues to provide public services to the population, including the development of security forces. However, the main objective of setting up parallel administration structures essentially seemed to be tax collection, and the structures reported on were primarily established around mining activities, including the issuing of licenses to miners and collectors. Early on, former Séléka forces had occupied the Agricultural Tax Collection Office in Bambari and forced

state officials to return 50 percent of the tax revenue received from coffee transported to Sudan. As in other places, they frequently left useful state officials in place to secure access to legal revenues.

As to what degree such systems established by armed groups are seen as legitimate cannot be answered based on the PoE reports. There are, however, strong indications of rather predatory features of the illegal taxation schemes. Some groups in CAR have apparently provided security to cattle herders passing through their territory after collecting taxes at checkpoints. Yet, the sources of insecurity are often the armed groups themselves. In CAR's capital, Bangui, so-called self-defense groups pray on the local population and engage in violent clashes while competing for control and related revenues from the taxation of stores, vendors, buses, and motor cabs.

In some regions of the DRC, the Expert Group has reported that the population is subject to multiple tax regimes (simultaneously by different groups) and is threatened with punishment if they cannot pay. This extortion is a source of insecurity. Some gold mining companies in the DRC and CAR have complained that their employees have been kidnapped or killed by armed actors as a means of intimidation. So they are essentially forced to rely on security arrangements with these armed groups. The arrangements in Mali between traffickers and armed groups might be of a different nature, including the provision of transport or escorts along major routes, but there is no reference to other services provided by armed groups in these areas.

This contrasts with reports by other PoEs, such as the one on Somalia. This panel has noted that, even in areas it no longer physically controls, Al-Shabaab operates as a "shadow government" with a much more comprehensive tax system and the provision of some basic services, including through Islamic courts. The key features in the three core cases here seem to indicate that governance by armed groups may increasingly resemble criminal governance. This is echoed in the assessments of PoE

reports, for example when the panel on CAR refers to clashes between associated armed groups over revenues as an indication of localized criminal agendas.

Certainly, understanding such agendas and systems of governance by non-state actors would require a more detailed analysis — and so would the role of the central government. In light of the complex features discussed above, international responses need to be carefully calibrated if there are going to be attempts to address illicit economies in an environment of elusive labels and competing centers of authority. Moreover, to address these sources of income for various (sub)national actors in a more comprehensive way, a look beyond the immediate conflict zone is required.

## The Wider Transnational Reach

Violent conflicts usually have transnational dimensions. Armed groups frequently move across borders or neighboring countries and get involved in conflicts. The illicit economies, as reported by the PoEs, display a variety of other cross-border links.

First, the reach of illicit economies in the conflict areas differs significantly, but it can go far beyond the respective region. Whereas trade in hunting ammunition or the smuggling of everyday goods may only link two or three neighboring countries, illicit trade in natural resources such as minerals usually has a wider reach with links to trade hubs outside the continent. Gold, for example, enters international markets from CAR or the DRC by being smuggled to neighboring countries before it is introduced into legal supply chains and then exported to other countries outside the region. There are relevant links to trade hubs and financial centers such as the United Arab Emirates (UAE). Dubai, in particular, is mentioned as an important destination for gold and diamonds smuggled from the DRC and CAR. Sources connected to the gold trade have reported how wealthy traders in the DRC and buyers in transit countries or in Dubai finance smugglers to buy gold and

transport it to foreign markets. In the other direction, cigarette exports from the UAE that enter West Africa via the port of Cotonou have fueled smuggling flows through Mali and other countries. Generally, cigarettes without country-specific labeling — also called “illicit whites” — tend to be imported through West African ports in Benin, Togo, Ghana, and Côte d’Ivoire and are smuggled through countries such as Mali to either stay in the region or go to countries such as Algeria or even to Europe.

Second, this wider reach of illicit flows often comes with a more extensive network of actors. Beyond the actors already mentioned, companies and businesses that are registered or hold official licenses can play a role — as fronts for criminal activity, including money laundering, or by opportunistically engaging in illicit trade. In the DRC, for example, “comptoirs” are the only entities that can legally export gold, but they systematically engage in the under-declaration of exports and illegally buy gold (and other minerals) from non-compliant zones. In CAR, the PoE notes that almost 95 percent of the gold mined in the country is illegally exported. On the one hand, legal collectors and exporters play a dual role: by introducing conflict diamonds or gold from non-compliant areas into the legal supply chain, and by smuggling and fraudulently buying/selling minerals. On the other hand, individuals from far-away places — sometimes as part of international criminal networks — gain access to mining sites through local contacts, procure the minerals, and then travel to their countries of origin, taking advantage of the poor controls by airlines and customs offices. Emblematic cases reported for CAR have involved Indian, Israeli, and Chinese nationals, on whom the panel has conducted detailed case studies. In Bria, several collectors were arrested in 2016 with 550 carats of undeclared diamonds, along with an Israeli national who had already been arrested in Mali in 2004 for smuggling rough diamonds and was also suspected by the Group of Experts on Côte d’Ivoire of being involved in the export of illicit diamonds from that country.

The trans-regional dimension also appears in drug trafficking when it comes to substances such as cocaine smuggled from South America along various routes that also pass through African countries. In the three cases here, however, this is only relevant for Mali, and much less so for the conflict-ridden North. There, the flow of Moroccan-produced hashish moving through Mali and Niger on its way to Libya is reported to be the most common one, while cocaine is sometimes simply taken along by trafficking convoys. Here, trafficking is based on strong regional ties. Transportation and travel companies in Mauritania and Niger are used by Malian traffickers as fronts to smuggle cannabis resin and migrants through the region. Similarly, the panel discovered that the shell companies of a sanctioned Malian individual engaged in drug trafficking in Algeria, Mali, Morocco, and the Niger, likely for laundering drug money and financing trafficking operations.

All three Expert Panels mainly report arms trafficking from neighboring countries. For example, the PoE on CAR has identified patterns of arms smuggling by former Séléka elements into and out of the DRC. Indeed, the arrests of arms dealers in the DRC have indicated the existence of a network of arms traffickers selling weapons to groups in CAR in exchange for natural resources. The DRC Expert Group reports on seizures in 2019 and 2020 related to internal trafficking networks, sometimes with cross-border links to CAR. Similarly, authorities in Niger mentioned a seizure near Agadez of rifles destined for Mali. This is mostly in line with other kinds of reports on arms trafficking, for example in West Africa, which point to regional circulation and diversion from official stocks as relevant sources in recent times.

While arms trafficking is particularly harmful, flows with a wider geographical reach often tend to involve higher-end goods such as gold or narcotics and generate substantive profits. Thus, these links of illicit economies in conflict areas — particularly those linked to trafficking and



smuggling in transit – could be addressed in a more consistent way.

## Entry Points for Responses

The aforementioned key features of illicit economies in armed conflicts in Mali, CAR, and the DRC are posing serious challenges to any kind of external intervention. First, there is no automatic synergy between tackling illicit economies and containing or resolving conflicts. The entry point for UN sanction regimes has usually been to cut off non-state armed groups or spoilers from revenues. Although the related monitoring has generated relevant information, the listing criteria of UN sanctions regimes have barely been used to designate the individuals or entities involved. Apart from political impasses and insufficient follow-up by UN Sanctions Committees, one reason is the lack of clear objectives. In fact, sanctions could be a way to address the varying types of links to illicit economies as well as the wider transnational reach of illicit economies in conflict zones. This, however, would require strong political guidance in order to carefully calibrate the targeting of specific actors with regard to the overall goal of making and sustaining peace. Given the current state of affairs in the Security Council and its subsidiary bodies, this seems unlikely. At the very least, for any initiatives by member states or regional organizations intended to address illicit economies in these contexts, the key reference point should be that they actually contribute toward enhancing peace and security.

Second, there should be a strong focus on human security when assessing the impacts of illicit economies and the agendas of the actors involved. A key entry point so far has been the support for re-establishing and strengthening state authority in the context of ongoing peace processes. Beyond capacity-building and technical assistance, international actors such as peace operations have also provided operational support through joint patrols or even direct

enforcement. While seizures, arrests or disarmament can have a short-term containing effect, impunity is likely to prevail. Moreover, capacity-building and technical assistance for state security in conflict areas come with their own risks. Strengthening actors or agencies that themselves engage in illicit activities will hamper their role as a provider of security and hardly increase state legitimacy. The links of localized criminal agendas to the national political economy are less reported by PoEs, but they may pose serious challenges. That, however, does not automatically mean that non-state governance is legitimate. The illegal taxation and “protection” schemes involving armed groups, which are the main link to illicit economies reported by PoEs, may sometimes be symbiotic vis-à-vis state authority. But they appear as rather predatory toward the population and business actors in the three main cases considered here.

Moreover, if political and criminal motives converge, more integrated approaches may be needed. For example, to sustain improvements of the security situation in certain areas, substantial disarmament, demobilization, and reintegration (DDR) programs are key. For contexts in which criminal and armed groups are hard to distinguish, a module on DDR and Organized Crime was developed in 2021 as part of the UN Integrated Disarmament, Demobilization, and Reintegration Standards. Such guidance can help to better address situations with larger gray zones and blurred actor labels.

Third, one way to diminish the negative impacts of illicit economies in conflict zones is to address their transnational links. The findings of some PoEs, in fact, have led to engagement with governments, companies, and other actors to address their linkages to illicit economies in conflict zones, for example to prevent the import of gold smuggled out of Eastern DRC into the UAE, or the export of a brand of cigarettes by a Greek company subsequently smuggled into Mali. In order to not only have short-term and selective effects, such engagement will need follow-up beyond the UN sanc-



tions system. Based on the information provided, pressure could be increased on states outside the conflict zone to change their regulations and practices or to take up cases against specific actors in their jurisdiction.

Regional cooperation mechanisms have proven difficult to implement in the three cases discussed. There are various bilateral and trilateral agreements to address cross-border threats, for example 12 agreements alone signed by CAR and neighboring countries, including one on poaching and the illegal exploitation of forest products and wildlife. Many of these have mostly remained political rhetoric. Certification schemes such as the Regional Mineral Certification Framework by the International Conference on the Great Lakes Region have faced delays in implementation by regional states, particularly for gold exports. Usually reforms aiming at such transformation start too late into a peace process when economic interests have already become manifest. Furthermore, as the experiences with the Kimberley Process show, these mechanisms have to be designed carefully, otherwise they risk fueling black markets. The reports by PoEs provide useful lessons from experiences with the compliant or green zones in CAR and the DRC. Yet, the increasing tendencies to circumscribe their mandates and investigations have negative repercussions on the information base well beyond the UN sanctions system.

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