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Research Paper

Covid-19 and Cyclone Amphan: Understanding Overlapping Disruption, Destitution, and Social Justice in West Bengal, India

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Abstract: While the world geared up to confront the Covid-19 crisis after March 2020, the state of West Bengal in India faced the parallel blow of a super cyclonic storm called Amphan two months later in May. As a result, a pre-existing crisis viz. the Covid-19 pandemic, which had assumed the form of an extended presence, now interacted with a cyclonic storm to create a new, layered form of disruption that threatened lives and livelihoods and demanded a state response to combat these twin challenges. Taking this 'novel' juncture into account, this paper seeks to explore how justice can be conceived during such disruption(s) and to put the underlying focus on the principles and values at play. An integrative approach is adopted in two aspects: by viewing the two crises as a unified problem; and by invoking the importance of the contestations regarding what is right or just during crises. Recognising the gravity and unavoidability of the climate crisis and West Bengal's present realities, this paper argues that long-term resilience and the principles animating it need to be explored through a broad-based approach that considers state responsibility, legitimacy, and environmental concerns, among others.

Keywords:
1. Crisis
2. Justice
3. West Bengal
4. Amphan

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1. Introduction

An unfolding climate emergency, the proliferation of newer health risks, and economic headwinds in the form of inflationary pressures and sluggish growth rates have magnified the 'global risk society' that had accompanied the socio-political transformations in a globalising first decade of the 21st century (Beck, 2012). The Covid-19 pandemic marked not just a radical rupture with the past but also has had ramifications in all conceivable spheres of human life. With millions of deaths, debilitated health infrastructure and an economic downturn that still looms large via recessionary fears and soaring inflation, it pushed the world into a cul de sac from where recovery is slow and arduous. In the subnational state of West Bengal in India, the challenges of the pandemic were complicated by super cyclone Amphan that struck the state in May 2020. A fragile ecological situation in the southern part proximate to the coast, strained fiscal resources, and an already stretched administrative machinery burdened with Covid-19 entailed a novel and profound crisis. Lives were lost, agricultural crop fields were inundated, and the pre-existing health and livelihood plight of the people was magnified by damaged assets and an increase in confirmed coronavirus cases. Both disruptions, especially the pandemic, were without precedent and their interaction merits careful analysis.

Section 2 provides a description of the crisis as it unfolded in order to enable the reader to know the context, consequences and depth of the crisis. The steps taken to tackle it, by various parties involved, are also mentioned. Section 3 makes a detour from the practical sequence of events to explore the theoretical realm of crisis response, social policy, and the principles and priorities relevant to this study. Section 4 discusses the policies that might be adopted or altered to better deal with a similar disruption, keeping in mind and reflecting upon the policies adopted. Section 5 suggests long-term mechanisms that can respond to the enduring problems of climate change, overwhelmed health resources, and the gendered impact of crises, among others. Section 6 concludes by emphasising that a holistic approach across sectors of governance is needed to better prepare for future disruptions, with equal priority on short-term policy and long-term resilience.

2. Covid-19 and Amphan: A Description of the Multidimensional Damage

The Amphan cyclone, intensifying from a category 1 to a category 5 super cyclone in less than 36 hours, struck the West Bengal coast on May 20, 2020.[1] Not unexpectedly, it constituted the largest source of displacement in 2020 across India and Bangladesh.[2] It accounted for 2.4 million displacements out of which around 800,000 were pre-emptively evacuated by the government. In terms of cost, Amphan, with reported economic losses in India of approximately US$14 billion, became the costliest tropical cyclone on record for the North Indian Ocean.[3] The damage was somewhat limited by large-scale evacuations of the coastal belts in India and Bangladesh, significantly lowering the number of casualties as compared to those from previous such cyclones. A total of 129 lives were lost across both nations (World Meteorological Organization, 2021, p. 28) Occurring as it did during the Covid-19 crisis, evacuation plans and activities were jeopardised due to social distancing norms. Thankfully, social media was put to good use in disseminating pre-cyclone warnings and circulating information on post-cyclone help.

The loss of lives was just one part of the colossal damage. Vast swathes of crops including sesame, rice and mangos were damaged, and fertile soil areas were washed away or contaminated by saline seawater.[4] Confirming the fears of many, the number of confirmed Covid-19 cases climbed as safety norms were undermined amidst the dominant urgency of surviving the cyclone and administrative preoccupation with the same. This is illustrated by the caseload trajectory itself – prior to the arrival of Amphan, 19 districts out of 23 had reported Covid-19 cases and the state registered 2,825 Covid-19 cases and 172 deaths as the cumulative total. This increased to a cumulative total of 3,667 cases and 200 deaths on May 24, in the wake of the cyclone. Subsequently, the total confirmed caseload rose by over 2,100 within 10 days of the Amphan reaching West Bengal.[5] These figures, while capturing the broad direction of the

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[1] Joydeep Thakur (2022, 3 March). "Cyclone Amphan was largest source of displacement in 2020, says latest IPPC report". Hindustan Times. https://www.hindustantimes.com/india-news/cyclone-amphan-was-largest-source-of-displacement-in-2020-says-latest-ippc-report-101646315766914.html

[2] Ibid.

[3] Ibid.

[4] Laurence Hawker, Dann Mitchell & Natalie Lord (2022, 12 May). "Climate change isn't just making cyclones worse, it's making the floods they cause worse too". Phys.Org. Republished from The Conversation. https://phys.org/news/2022-05-climate-isnt-cyclones-worse.html

[5] Barkha Mathur (2020, 27 July). "Hit By A Pandemic And A Super Cyclone, Here's How West Bengal Is Tackling The Twin Challenge Of COVID-19 And Amphan". NDTV; Banega Swasth India. https://swachhindia.ndtv.com/hit-by-a-pandemic-and-a-super-cyclone-here-is-how-west-bengal-is-tackling-the-twin-challenge-of-covid-and-amphan-47475/

rise in cases, nonetheless fail to fully depict the magnitude of the spread of the disease in this time period since daily testing was affected by the disruption caused by the cyclone.

Numerous arms and agencies of the administration were activated to the full in order to carry out relief work. National Disaster Response Force (NDRF) and State Disaster Response Force (SDRF) teams swung into action for rescue and evacuation.[6] With electric supply being a primary casualty, the West Bengal State Electricity Distribution Company Limited scrambled to restore power in the affected areas of Kolkata and North and South 24 Parganas districts. The authorities often had no option other than herding people out of villages to the cyclone shelters where adherence to safety measures like social distancing was not possible. The situation was somewhat salvaged by sanitising the shelters, separating the rescued into smaller groups and mandating them to wear masks.[7] The sequential priority was clearly on taking the vulnerable to safety and then focusing on Covid compliance. For the thousands of migrants who regularly circulate to different parts of the country in search of jobs in the informal, urban sector, it was a twofold blow as they could neither travel out of their locales in search of work nor access sources of income in their native vicinity marked by wreckage and loss caused by the pandemic and cyclone.

The damage was not limited to humans and their supportive physical infrastructure. The coastal cover of mangroves has always acted as a cushion to lessen the ferocity and impact of incoming storms. Along with tidal marshes and seagrass meadows, the mangroves constitute a coastal ecosystem that sequesters and stores higher amounts of carbon than terrestrial forests.[8] An invaluable barrier against cyclone damage as well as accelerating climate change, the mangroves in Sunderbans on the southern coast of the state suffered physical loss as well as inundation for up to ten days after the passage of Amphan.

3. Crisis Mitigation and Social Justice

An analysis of the twin crises that struck West Bengal, straining the state's administrative machinery and unleashing unforeseen suffering in a variety of spheres, inevitably focuses on the policy responses that should be undertaken to better face such crises in the future. The financial feasibility and situational expediencies, like recognition of urgent demands of various sections of the affected population, are often significant pressures that shape policy responses. However, taking a step back from the operative policy prescriptions at the ground level, it would be analytically useful to study the existing literature on the values and concerns that should shape a principled and fair crisis response. To this end, in what follows the author draws on available literature on crisis response across countries and time periods.

A deeper probe into existing social justice literature reveals a preponderant focus on devising principles and mechanisms to establish a fair distribution of entitlements – special representation rights or material resources like unemployment benefits. John Rawls's scheme of liberal egalitarianism through the idea of justice as fairness, the Nozickian theory of libertarianism with its emphasis on the inviolable right to own and exchange property or even the luck egalitarians' focus on offsetting the adverse influence of undeserved/involuntary bad luck on one's life-chances, are all strands that broadly coalesce around framing a level playing field for people to exercise their life choices by nullifying or compensating for, to the extent

[6] Vijaita Singh (2020, 25 May). "Cyclone Amphan | NDRF relief disbursed to West Bengal, Odisha". The Hindu. https://www.thehindu.com/news/national/other-states/cyclone-amphan-ndrf-relief-disbursed-to-west-bengal-odisha/article31672776.ece

[7] See footnote 6 above.

[8] Mongabay (2022, 28 June). "Recording mangrove damage from cyclones in the Sundarbans." EastMojo. https://www.eastmojo.com/environment/2022/06/28/recording-mangrove-damage-from-cyclones-in-the-sundarbans/

possible, the inhibiting effect of unchosen factors including economic background, gender and race (Kymlicka, 2002, pp. 102-165). They are united in their goal of devising principles of a *broad, long-term nature* applicable in the operation of social cooperation informed by distributive justice. On the other end of the spectrum, disaster management as a policy field does enumerate numerous principles, but they are mostly in the nature of administrative operative ground rules/guidelines of mitigation, preparedness, response and recovery. What is also required to bridge these two areas of focus is an overarching structure of values and principles to shape specific state policy responses.

In what follows in this section, the focus is on dimensions where policy decisions are not straightforwardly derivable but borne out of contestations and judgements of what is just and receptive to distinct interests and conditions that interact during a crisis.

3.1 Role and Weight of Expertise

Governance during a disruption focuses on expediency, expertise, and the need to meet specific targets like lowering the death rate, rehabilitating people, and supplying food and medicine. This often leads to an implicit acceptance on the part of the leaders that a focus on end goals or consequential concerns in the entire process of governance during disruption is the right way forward. This emphasis can sideline the procedural proprieties that are to be upheld. The gravity of the situation tends to distract citizen attention from the process of making and implementing emergency policies, rules and restrictions.

While it might be tempting to think that procedural rules and norms should inevitably be jettisoned when facing an emergency, the question, on closer scrutiny, is much more complex. A government that disregards existing laws and conventions in order to respond to an emergency as quickly as possible might find itself losing the trust of the people. For example, the initial acceptance by the people of West Bengal of the drastic imposition of lockdowns and mask mandates turned into the levelling of allegations of suppression of daily death numbers and inflation of test rates. Similarly, the immediate all-out response after Amphan was marked by high hopes and faith in the administration to manage the rehabilitation process effectively. Soon enough, however, charges of irregularities in the disbursal of relief material mushroomed from different corners of the state.[9] Transparency and scrupulous adherence to the rule book, thus, are non-negotiable during an emergency response. Transparency, as evidenced in the pandemic response of the West Bengal government, also has an effect on the possible opposition the government faces from the public in ensuring compliance with its rules and regulations.

Further, in terms of expertise, its invocation should not obviate the need for scrutiny of public leaders and officials since the possibility of their personal gain in times of a crisis, when the public eye on procedure often slackens, is quite alive. Ideally, the claims of accuracy and necessity of the expert-supported measure(s) also should not completely escape the critical gaze of the people, since it is the common citizenry that forms the basis of evaluating the efficacy of the expert policies. There might well be a gap between the public understanding of the operational technicalities and the thinking of the experts, but that is not a reason for concealment or uncritical implementation but for a clearer explanation.

[9] Anshuman Phadikar (2020, 3 June). "Political bias finger in Amphan relief." The Telegraph Online. https://www.telegraphindia.com/west-bengal/cyclone-amphan-in-bengal-political-bias-finger-in-amphan-relief/cid/1778235

3.2 Unique Policy Priorities During Disruption

In terms of cushions to protect people during and after a crisis, there are ideas and policies existent in different countries in varying forms. Generally speaking, these take the forms of unemployment insurance, cash transfers, transfer of free food grains (as was the case in India), or extension of credit and relaxation of its requirements. There are underlying problems which persist with this singular reliance on social security. As Amartya Sen has shown convincingly (Sen, 2000, pp. 19-22), it leads to myriad pitfalls like additional fiscal strain, loss of current output and labour productivity, and lowering of morale amongst the unemployed and destitute, as reliance on cash transfers for daily subsistence while being involuntarily unemployed can be distressing. A scenario containing some or all of these outcomes leads to a form of social exclusion not directly captured by compensatory financial benefits from the state. It is important here to be alert to the possibility of inclusion on unfavourable terms when the dominant concern is to avoid widespread exclusion through whatever means amidst a crisis. Out of work and devoid of income, a labourer may desperately enter the first ad hoc employment opportunity that is available in the near vicinity, which would quite possibly involve exploitative terms. The fact that the agent – a labourer in this case – might be unaware of the unfavourable inclusion or might be willing to be a part of it notwithstanding the inherent injustice should not be a dissuading factor for the state to identify and remedy such context-mediated injustices.

Is there something beyond concrete components like policies and social safety nets that one can utilise to firm up the process of recovery? There is something we can glean from elements of social cohesion, or expressed more precisely, social capital and civic community. The presence of active participation of the citizens in public affairs, a dense network of civic associations and a high degree of tolerance and mutual trust fosters a civic community that, as research shows, can improve the quality of democratic governance (Putnam et al., 1994, p. 38). This causative connection is explained by having recourse to the concept of social capital. As opposed to conventional economic capital that is private in nature and associated with ideals like competition and individuality, social capital comprises mutual reciprocity, trust and interlinkages of social engagement (Coleman, 1988, pp. 97-101). It comes from collective activities and associations and is deepened with the intensification of these primary societal networks. This may indeed strengthen democratic governance and at times of emergency be the basis on which policy responses are reinforced and supplemented. This was observable in both the Covid-19 crisis and cyclone Amphan. Realising the limits to the capacity of the state and underpinned by social solidarity, individual citizens joined fast-proliferating communication networks and organisations that worked on the ground. These banked on the aggregative force of individual contributions that eschew the rules-based model of administrative response, and in some cases can provide much faster help than recourse to the state apparatus. For example, innumerable WhatsApp groups arose during the peak of the second Covid-19 wave to instantaneously share oxygen availability and helped reduce the massive shortage.

3.3 Crises as Critical Junctures

Accepting the invaluable dimension added by societal cohesion and networks in bolstering crisis response does not obviate the need for state action. Amidst the unique juncture posed by the twin crises of Covid 19 and climate change, the question inevitably arises of the receptivity and relative priority shown by the public towards policies seeking to tackle these, either in isolation or in conjunction. Bergquist et al,. (2022, pp. 5-7) shows that public experience with a crisis should increase the public's willingness to accept aggressive policy interventions, and more intriguingly, complementarity and congruence between policies for Covid 19 and climate change increase public support. Integrated policy packages, and in some cases, Covid packages which have climate adaptation components like infrastructural funding, have discernible public approval (ibid.). Though this finding is limited to Canadians and Americans, and one might argue that climate consciousness and existing climate policy are more pronounced in these countries than in India, it at least serves as an indication of the potential benefits of addressing issues such as Covid 19 and climate change together. Conversely, for the government, a crisis with the attendant traits of uncertainty and urgency presents a critical juncture that can call into question existing policies. The wide fiscal deficits needed to finance considerable stimulus packages, going up to 10% of GDP, have been dubbed emergency Keynesianism (Béland et al., 2021, p. 251), yet crises, including the pandemic, are often held as ideal opportunities for the governments to introduce drastic liberalising measures, (e.g. the Indian central government silently allowed higher scope to weapons manufacturers to invest in India, by increasing the Foreign Direct Investment ceiling in defence production to 74 per cent)[10] with a confused public and the pervasive mood of emergency. There might admittedly be a contradiction operating here - between generous stimulus packages that include cash transfers or expand existing welfare packages, and liberalising measures embodying a reduction in state involvement in the economy - but it’s to be noted that the large fiscal stimuli have been effected through greater allocations to existing programmes and the extension of welfare benefits. In India, at the national level, this was visible in the components of ‘Pradhan Mantri Garib Kalyan Yojana’, a relief package providing, among other things, 800 million poor people 5 kg wheat or rice and 1 kg of preferred pulses for free monthly for the period April-June 2020 and increasing the MGNREGA wage to Rs202 a day from Rs182.[11] A simultaneous development was the blanket relaxation of the labour laws in several states like Uttar Pradesh and Madhya Pradesh with the purported aim of increasing economic and industrial productivity.[12] The apparent contradiction can thus be explained by the fact that the fiscal generosity was mainly funnelled towards the extension and expansion of welfare schemes whereas the parallel, and more discrete, change was the deepening of neoliberal policies under the alibi of offsetting the economic downturn.

3.4 State, Markets and Climate Ethos

Do all of the above realities lead us to a repudiation of market principles and structures in crisis response, embracing a wholly state-centric response instead? Not quite, and as shall be argued briefly below, a holistic approach is practical in the case of climate adaptation and crisis response, for reasons that are similar. Even in the supposedly ideal governance situation where strict laws and regulations are enacted, the volitional and uncoerced participation of private corporations, individuals and other non-state actors is a link without which both processes of climate adaptation and crisis response would collapse. Thus, there’s a limit to which environmental governance can be effected through legislative enactments and executive fiats. Personal consumption decisions, lifestyle patterns, and the production and pollution control

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[10] Ila Patnaik & Shubho Roy (2020, July 31). “Why India has increased economic freedoms in response to Covid, unlike Europe & US.” The Print https://theprint.in/ilanomics/why-india-has-increased-economic-freedoms-in-response-to-covid-unlike-europe-us/471646/

[11] Ministry of Finance, Government of India, Press Release (2020, 26 March). https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1608345. MGNREGA is the 2005 Mahatma Gandhi National Rural Employment Guarantee Act..

[12] Aanchal Magazine (2020, 8 May). “COVID-19 Effect: Relaxation in labour laws, exemptions to cos in various states draw trade union ire.” The Indian Express. https://indianexpress.com/article/business/covid-19-effect-relaxation-in-labour-laws-exemptions-to-firms-in-various-states-draw-trade-union-ire-6399183/

mechanisms of corporations will always be important to environmental outcomes. For crisis mitigation, the participation of voluntary organisations, NGOs, and community groups is often secured by the internal impulse of these organisations to spring into action to provide relief to fellow citizens independently of calls by the government for their support. However, here as well the willingness to act remains of supreme importance in determining the range of agencies and organisations involved and the nature of the action performed by each of them. Above all, this cannot be taken for granted, since each of these agents has a different mix of manpower and funding, and different organisational mandates in respect of involvement in emergencies. Over the medium and long term, the government may evolve a recognition-reward system to encourage more organisations and individuals to step in during dire times.

3.5 Citizen Entitlement and Crisis

The conventional idea of desert-based justice holds that one deserves a good/entitlement based on some grounds – 'desert bases' – which allows one to claim deservingness (Olsaretti, 2006, p. 438). The bases may variously be IQ, quality of performance and/or amount and nature of effort expended. However, in seeking to invoke justice amidst extreme disruption, the base is externally determined – e.g., pandemic-induced loss of employment, as well as determined by an intrinsic trait or identity – e.g., greater lay-offs faced by women (gender being the concerned identity here) after the pandemic set in.

The set of different identities, when mixed with hierarchical access to opportunities and related discrimination, weakens the otherwise strong plea for impartiality in social justice. Impartiality in justice rests on what Brian Barry calls 'a fundamental commitment to the equality of all human beings' (Mendus, 2006, p. 423), but in the face of markedly differential vulnerability, access and distress, resulting from socially embedded hierarchies, social justice has to take an avowedly target-based, preferential approach. Furthermore, a just social policy entails a focus on both redistribution and recognition. This requires, besides the specifics of tangible transfers like aid and loans, symbolic yet substantive measures such as lending to vulnerable sections a greater voice in decision-making structures and remedying the power differentials endemic to inter-community relations in any modern state.

4. Possibilities of Practical Policy

Before venturing into how considerations of social justice, and lessons gleaned from actual cases, can be used to guide long-term reconstruction and resilience-building, it would be instructive to explore some policy suggestions that might be employed should such an acute crisis strike again.

4.1 Need for Devolution in Decision-Making

Operating under a democratic framework grounded in the Indian constitution, it is the legislative background that needs to be analysed at the outset. The swift declaration of lockdowns in March 2020 in India was predicated on the 2005 Disaster Management Act (DMA) and the colonial-era 1897 Epidemic Diseases Act, while social distancing guidelines were issued by the National Disaster Management Authority.[13] In this phase, constituent states had little room for deviation or local improvisation in drawing up the specifics of the lockdown measures.

[13] Vakasha Sachdev (2020, 26 March). "How the Coronavirus Lockdown Was Imposed & Why This is Important" TheQuint . https://www.thequint.com/news/india/india-coronavirus-faqs-which-law-used-to-impose-21-day-lockdown-centre-or-state-govt#read-more

The operative change needed is a rapid devolution of not just funds but also decision-making autonomy in such dire situations. Though the novel and profound nature of the Covid-19 pandemic impelled a centrally guided policy response across states and districts, its interaction with natural disasters like cyclones calls for conferring state-level flexibility in all relevant areas of rule-making, including lockdown, testing and related medical vigil.

4.2 Diversification of Channels of Communication

Conventionally, radio, newspapers and television have been the usual channels of disseminating early warnings and instructions for evacuation. These were used even more intensely to spread Covid-related awareness and guidelines. Such information transmission can be effectively supplemented by social media, due to their speed, low cost, expansive reach and the possibility of individual-level penetration through accounts and usage existing for each single person. Research shows that, though Amphan naturally led to the disruption of internet services, a significant number of people continued to receive crucial information via the internet (Poddar et al., 2022, pp. 9-12). Additionally, and crucially, social media and the internet more generally enable two-way communication between the affected and the authorities which is not possible in the traditional avenues mentioned above. Operative improvements that need to be ensured are enhancing the coverage of internet services, increasing the speed, especially in far-flung areas, and monitoring and counteracting misinformation. Policies can also be devised to conduct periodic digital literacy drives and create a specific Disaster-Relief app as a unified platform that enables two-way communication between the relief authorities and the people in all areas including preparedness, shelter and response.

4.3 Unity and Synergy in Relief Efforts

Coping with grave and overlapping crises requires a unified response that transcends political cleavages that imperil coordinated relief efforts. This is all the more necessary in an overtly politicised state like West Bengal, where fault lines based on party affiliation/support often have more salience than other variables like caste or region. Besides enabling much-needed cross-party unity, this would also generate synergy in mobilising resources and cadres in mitigation efforts. However, the non-negotiable need remains for transparency and accountability by the various parties in all stages of governmental relief measures, which should not be diluted by the broader and pressing need for a united outlook.

4.4 Imperative to Transcend Political Cleavages

The imperative to jettison political rigidity is essential in another crucial sphere. It is undisputed that the Indian Army has the expertise and resources to quickly undertake necessary steps like evacuation, clearance of crucial roadways, with a speed and efficacy better than civilian government's relief forces like municipalities and police. However, given the acrimonious relationship between the Central government (ruled by the Bharatiya Janata Party or BJP) and the incumbent state government of West Bengal (ruled by the Trinamool Congress or TMC), there was a palpable delay by the latter in calling the armed forces for help, especially to clear up the roads of Kolkata, the state's capital city.[14] Irrespective of the reason behind it – overt faith in the municipal body's resources or political arrogance – the fact remains that the decision betrayed a disregard for effectiveness and thorough coordination in the face of a grave crisis.

[14] Harshit Sabarwal (2020, May 24). "Cyclone Amphan: Bengal governor slams CM Mamata Banerjee for delay in seeking Army's help for relief work." Hindustan Times (Kolkata). https://www.hindustantimes.com/kolkata/cyclone-amphan-bengal-governor-slams-cm-mamata-banerjee-for-delay-in-seeking-army-s-help-for-relief-work/story-KJcPjk4z7XPaSxCQERatAM.html

4.5 Generation of Livelihood Avenues Amidst Crises

The intersection of the Covid-19 pandemic and the Amphan cyclone presented an unfortunate scenario for the hundreds of migrants who had trudged home to the Sundarbans – the coastal delta of West Bengal – once the lockdown came into force. In response to the devastation inflicted by the storm, with agricultural fields inundated with salt water and fisheries destroyed, the natural reaction would have been to migrate elsewhere again in search of work. However, with movement in the vicinity of their hometowns severely curbed, and trains and buses to Kolkata and beyond stopped, there was a severe crisis of employment and livelihood (Gupta et al., 2021, pp. 11-17). The Government's task in such a situation was to increase public awareness about the role of lockdowns amidst the background of an unforeseen health emergency and create some possibilities to alleviate the dangerous economic scenario and the deep sense of despair due to this mobility and livelihood trap. Multiple policy options may be explored and assessed but here are considered those that have been advocated in the wake of previous calamities:

4.5.1 Unconditional Cash Transfers

In view of the sharp economic downturn after the onset of the pandemic in India, several economists and also the Indian National Congress (INC), the principal opposition party at the national level, made a push for cash transfers to provide a minimal survival base to households deprived of income.[15] This need was strengthened by the fact that about 90% of the Indian workforce is engaged in the informal sector without a substantial cushion in times of work cessation.[16] The case for Bengal was rendered graver owing to certain special factors: the high number of migrant workers who work outside the state and had returned and were without much income; the destruction of agricultural resources like paddy fields which crippled the bulk of farmers; the twin impacts of lockdown and infrastructural damage to industries and mills, among others. The coastal belt, especially the Sunderbans, is afflicted by additional chronic problems like a high malnutrition prevalence among women and children. Cash transfers would at least help in preventing further worsening of malnutrition and poverty by enabling procurement of essential food items and medicines, and also by easing the process of damage repair.

However, the provision of cash transfers is not without pitfalls. Direct bank transfers to the beneficiaries' account are a useful distribution mechanism, but the central issue is, whether in a lockdown or a natural disaster it is feasible for people to go and withdraw the funds in areas already marked by low bank penetration? The actual distribution of relief funds in the recent West Bengal crises was also marked by instances of political bias towards supporters and/or cadre of the ruling party, which shows that cash transfers can be a risky proposition unless it can be ensured that the affected people, irrespective of political inclinations or proximity to the incumbent party's cadre, get their much-needed share of support.[17] At a macro level, the tight fiscal situation of the state, with one of the highest debt burdens in the country, gives little room for universal coverage or a substantial transfer amount.[18]

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[15] The Economic Times (2021, 27 May). "Experts suggest fiscal measures to boost demand amid pandemic." https://economictimes.indiatimes.com/news/economy/policy/experts-suggest-fiscal-measures-to-boost-demand-amid-pandemic/articleshow/83016290.cms?from=mdr

[16] See the Economic Survey of Government of India. https://www.indiabudget.gov.in/economicsurvey/ebook_es2022/files/basic-html/page398.html

[17] See footnote 10 above.

[18] The Chief Minister of West Bengal was compelled to direct government departments to reduce unnecessary expenditure. See Business Standard (2022, 6 Feb). "As Bengal's debt piles up, state govt applies brakes on spending."

4.5.2 Inclusion of the Affected in Reconstruction

On the one hand, the Amphan super cyclone destroyed homes and public infrastructures such as roads, river embankments and electricity poles. On the other hand, the cyclone, along with the lockdown, caused a severe crisis of livelihood for the distressed populace and exerted extreme pressure on the financial and administrative capacity of the state. This meant that finding the funds to repair the cyclone damage was a tall order for both the afflicted masses and the government. In this regard, it will be prudent to draw these people into the task of restoration of essential services and infrastructure, besides state-funded and managed reconstruction of their properties and fields and/or fisheries. This would serve as a doubly-beneficial policy tool – saving crucial scarce resources of the state, given the fact that the state's spending capacity is already constrained during a crisis, and providing some income to the people in return for mitigation of damage to their own habitat and environment.

4.5.3 Broadening the Base of Relief Response

The government's leading role in responding to crises should not sideline an assessment of the possible role of non-government agencies. In fact, I would argue that an approach involving both the various arms of government as well as non-government agencies is vital and preferable to direct ameliorative efforts solely by the government. To be fair, the West Bengal scenario did see the parallel participation of a variety of contributing parties – from district collectors and the SDRF to the Indian Coast Guard – within the broader umbrella of the state. However, going beyond that, several NGOs, civil society organisations, volunteer groups and individuals of their own volition assisted with fundraising and the transportation of relief material to the hard-hit areas. The Red Volunteers – a state-wide constellation of hundreds of local teams of Left activists - played a stellar role, arranging food and medicine during the first wave of Covid in 2020 (when Amphan struck), and distributing primarily oxygen and beds when the much more devastating second wave ravaged the state in 2021. Unfortunately, the state government was unenthusiastic about extending support and working in tandem with extra-governmental bodies and the Red Volunteers, which had to provide funds and personnel on their own.[19]

4.6 Constant Engagement with Experts

In an important respect the Bengal government struck the right note from the outset by drawing insights and suggestions from experts to deal with the multifaceted damage generated by the pandemic. A 'Global Advisory Board' was formed in April 2020 headed by Nobel Laureate Abhijeet Banerjee to advise on health infrastructure issues and economic recovery.[20] Out of numerous meetings held to discuss the evolving state of the pandemic, the Board suggested vital measures like paying special attention to identifying the groups whose economic situation was most adversely affected by the lockdown and providing them with state support. This assumes importance in the context of the fact that West Bengal has had a high outflow of migrant workers who, forced to return to their home state by the pandemic, found themselves trapped without work opportunities as a consequence of Covid restrictions and the aftermath of the cyclone. The Global Advisory Board also requested the state government to conduct

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https://www.business-standard.com/article/economy-policy/as-bengal-s-debt-piles-up-state-govt-applies-brakes-on-spending-122020600112_1.html

[19] To learn more about the contribution of the Red Volunteers, and the political dynamics involved, see Sandip Chakraborty (2021, 3 June). "WB: Red Volunteers get Overwhelming Support from Civil Society, Not State Govt." NewsClick. https://www.newsclick.in/WB-Red-Volunteers-Overwhelming-Support-Civil-Society-State-Govt

[20] Hindustan Times (2021, 5 August) "Bengal's advisory board, led by Abhijit Banerjee, to discuss impending 3rd wave." https://www.hindustantimes.com/cities/kolkata-news/covid-advisory-board-led-by-nobel-laureate-abhijit-banerjee-to-meet-today-101628138571884.html

aggressive drives for more vaccination and to encourage people to comply with the mask mandate.[21] To make it effective, policy additions may embrace the formation of district-level expert bodies, continuous monitoring of the evolving situation on ground, and dissemination and internalisation of the norms/rules of a crisis situation in the marginalised folk who often face difficulties due to low levels of education and unfamiliarity with government procedures.

5. Long-Term Resilience and Animating Principles

This section goes beyond the immediate and the urgent – though urgent problems undeniably prompt such reflection on long-term changes – to see what can be done to build structures, principles and mechanisms that would be better able to protect people, physical assets, and the environment. In the case of West Bengal, the proximity to the Bay of Bengal, high population density and eroding mangrove cover along the coast heightens the danger. As cyclones become more frequent and stronger over time, it is estimated that storm surge exposure in India will increase by 50-90% in a low-emission scenario and by over 200% in a high-emission scenario (Mitchell et al., 2022, p.10) Thus, both fundamental larger structural transformations and specific statistical predictions underline the need to confront the enduring and expanding crisis.

5.1 The focus needs to broaden into infrastructure and institution building from relief and rehabilitation. Accepting the recurring onslaught of natural disasters as inevitable, public assets including roads, electric transmission lines, and embankments require a greater degree of physical resilience balanced with a diminishing carbon footprint to surmount the twin challenge of physical resilience and climate change mitigation. This brings into focus the construction industry, urban planners, and above all the constant involvement of the political class to see that the goals of quality assurance, durability to disasters, and environmental sustainability are met. Some steps like shifting overhead electric transmission underground have already been commenced, but rural and coastal areas, which face the immediate impact of incoming cyclones, are yet to witness complete underground electric transmission. Here emerges a governance dilemma between a need to prioritise urban infrastructure improvement, given high and ever-rising population concentration in urban areas, and climate vulnerability-led prioritisation of high-risk areas. Given the acuteness of the climate crisis, lending greater weight to the frontline areas should be of foremost concern, both for the sake of making them safer and also of providing a stronger buffer for the urban areas. For major Indian cities located on the coastline – Mumbai, Chennai, or Vizag – this concern naturally assumes greater importance.

5.2 Human livelihoods and the supporting infrastructure have been central to our discussion. This, however, should not detract from the background concern of environmental degradation. More vitally, the intrinsic value of natural resources as an indispensable part of our ecosystem – going beyond a purely anthropocentric prism of seeing it as useful only in an instrumental way for the preservation of human life – is yet to be deeply transmitted in the public discourse. (Chakrabarty 2009, pp. 197-207) In the realm of building resilience against possible disruptions, such thinking leads to renewed and distinct attention towards our natural buffers such as lakes, tree covers, mangroves, as well as diverse fauna. A host of factors, including land erosion, hypersalinity and sediment deposition due to storms, have contributed to a steady shrinkage of

[21] Sreyashi Dey (2020, 16 July) "Advisory Board led by Nobel laureate Abhijeet Banerjee helps West Bengal fight back COVID-19" https://www.timesnownews.com/india/article/advisory-board-led-by-nobel-laureate-abhijeet-banerjee-helps-west-bengal-fight-back-covid/622377

the mangrove cover of the Sundarbans. More precisely, an increase in river salinisation due to climate change can threaten the survival of *Heritiera fomes*, the invaluable timber tree (Sundari) that constitutes the tree cover of the Sundarbans. The interaction of the government and the people with animals, especially tigers, leads to additional complexity. In the run-up to Amphan, areas like Jharkhali saw the deployment of rapid response teams armed with speed boats and tranquiliser guns to prevent tigers from straying into human settlement areas. In terms of thought and practice – of the government and people at large – the co-existence of human settlements, their assets and livelihood mechanisms and the realm of diverse plants and animal species need to be seen as a symbiotic and mutually-enhancing relationship.

5.3 Infrastructure-resilience building can and must take a two-pronged approach**.** In terms of conventional green infrastructure, the greening of urban areas, stormwater management and biodiversity protection are some key elements. On a parallel plane, blue infrastructure implies protecting water bodies like lakes, ponds and canals as well as ensuring the supply of clean water and flood prevention. West Bengal faces an intriguing paradox in this area with good average annual rainfall and plenty of canals and water bodies on the one hand and rapid urbanisation leading to the filling in of lakes and canals and increasing pressure on existing channels of water discharge on the other. The nexus between the entrenched real estate sector and construction syndicates linked to the ruling Trinamool Congress (Jha et al., 2022, pp. 8-12) make prospects worse for undertaking such long-term changes for sustainability beyond immediate political and commercial targets. To make some headway, bottom-up pressure by the local populace and political will and maturity emanating from above should be effective starting points, given the fact that mobilisation within the electorate will exert some pressure on the political representatives to act on the real estate sector

5.4 Regarding health, according to the National Health Profile, there is one government doctor per 10,411 patients in West Bengal, higher than the national average but drastically short of the WHO benchmark, while the percentage of the population attending government hospitals is higher than other states. The share of government hospitals in total hospitalisation is 74.1% in rural areas and 58.9% in urban areas, both of which are much higher than the all-India average (Mahmood & Chakraborty, 2022, p. 8). This high degree of dependence on the public health care system puts more than usual responsibility on the government to be responsive and to ensure quality health service delivery to this bulk of the population. While the technical specifics of this can be better elucidated by health policy experts, the present essay focuses on the interaction between the state as a political entity and the health sector at the centre of citizen expectation.

5.4.1 Responsibility: In a state with high dependence on government hospitals and limited capacity of the people to access private healthcare facilities, it is incumbent upon the state to provide quality healthcare service delivery that is inexpensive, accessible and expeditious. The motivation for this may be viewed in different, complementary ways by the government: (i) as a responsibility stemming from the democratic nature of the polity; (ii) as a political necessity to guard against the possibility of electoral backlash due to an inefficient health service; or (iii) as an instrument needed to ensure socio-economic development of the state propelled by a workforce that is fit and able. Besides the plausibility of these factors as drivers of a better health regime, at the most basic level a conscientious realisation and admission of the imperative of health care as a basic right of the people needs to be woven into the narrative of state responsibility. Once this gains widespread electoral appeal and achieves political consensus, it would be an expected element in the political bargain that is continually struck between the citizens and the political class.

Even if this is secured, operative decisions will continue to depend on the ambit of responsibility demarcated by the government at that particular time. For example, the districts in West Bengal with better healthcare facilities would face a conundrum in balancing local pressures and the inflow of patients from adjoining districts in dire need of treatment. Managing these competing pressures in a decisive and amicable manner is possible only with a long-term expansion of health infrastructure with a special eye on plugging regional/local deficits.

5.4.2 Legitimacy: One might argue, and rightly so, that state responsibility for healthcare is automatically expected from the incumbent government in a democratic welfare state such as the one existing in West Bengal. Yet, precisely because it is democratic in nature, nothing emanating from the state can be taken without scrutiny or question. The conduct of routine measures like polio vaccination drives is not always met with fulsome participation by the citizens, requiring the use of a certain degree of persuasion and even coercion. From the people's perspective, the relevant question is that of legitimacy – surpassing the usual boundaries of law-and-order maintenance and service delivery – of health interventions that are one-way and personal in nature. This might be a minor concern in normal times, but the emergence of a health crisis confers extraordinarily wide powers on the government, entailing steps like shop closures, lockdowns, mask mandates, and compulsory testing and inoculation that intrude on personal autonomy. Inevitably, in times of disruption, the justificatory ground for legitimacy calls for better elucidation and a clear causal connection between the mandated measures and the mitigation of the crisis.

6. Conclusion

The coincidence of the Covid-19 pandemic and Cyclone Amphan posed a uniquely difficult challenge for governance and state responsibility. It reinforced the position argued in this paper, that a unified approach is vital to grapple with such critical junctures, and that value contestations are inevitable elements of policy-making, requiring new ideas of fairness while shaping policy priorities. In the face of such conundrums, it would be unfair to pin responsibility entirely on the populace. Once noted for genuine land reforms and grassroots political empowerment, West Bengal is now marked by the stagflationary decay of its industrial and service sectors sitting uncomfortably with welfare schemes that have caused modest improvement in the agricultural and rural sectors.

This paper concludes that a reversal of the livelihood crisis, an overhauling of infrastructure capacities and the increasing acceptance of the need for climate adaptability among the people are essential requirements in the absence of which future disruptions would be similarly distressing and wide-ranging. State response, even if mediated by the noble ethos of justice and helped by the unmatchable financial capacity of the government as an economic actor, can only achieve so much. The onus lies on the political class and a conscious citizenry, both in West Bengal and other risk-prone areas around the world, to take lessons and focus on both immediate policy imperatives and long-term resilience.

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Research Paper

Terrorism Financing in Nigeria: Its Roots, Impacts, and Possible Reforms

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Abstract: The threat of terrorism financing has left a trail of violence and conflict in Africa which prevents countries like Nigeria from meeting important goals such as the United Nations Sustainable Development Goals and the African Union Agenda 2063. There is an urgent need for action to address the challenges that this threat represents to the fragile stability of Nigeria. This paper uses data from local and international journals, investigative reports, online newspapers, government publications, and conference articles, to describe the problematic and endemic nature of terrorism financing in Nigeria. The paper further evaluates the magnitudes of terrorist funding and its impacts on people's socio-economic conditions. The research indicates that weak borders – particularly in the northern region of Nigeria – along with religious bigotry, poor governance, and high unemployment and poverty rates are some of the key enablers of terrorism financing. To bring the problem under control, the paper suggests that building close collaboration with neighboring countries, overhauling security intelligence, resolving people's socio-economic crises, embracing innovations informed by research and development, and strengthening counter-terrorism policies are central to curtailing the outrage of terrorism financing in Nigeria.

Keywords:

1. Terrorism
2. Terrorism financing
3. Illicit financial flows
4. Boko Haram
5. Nigeria

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1. Introduction

In several parts of Africa, terrorism continues to flourish in the wake of Islamic fundamentalism and religious conflict. About eleven years ago (when Prophet Yusuf Mohammed – the founder of the Boko Haram terrorist organization – was captured and killed by Nigerian security forces), a wave of sectarian violence enveloped Nigerian society, particularly the Northern region. In their anger at their founder’s extrajudicial killing, Boko Haram moved into arms smuggling, drug trafficking, and illicit movement of funds to finance heinous crimes and cause interminable crises. Between 2006 and 2011, the terrorist organization secured approximately $70 million in revenue through massive extortion, illicit taxation, abductions, armed robbery, foreign donations, and political patronage – all in a bid to create an independent Islamic state.[1] For more than a decade later, these activities – which many describe as terrorism financing – continue to inhibit Nigeria's socio-economic progress. This article provides a critical analysis of terrorism financing, which Global Financial Integrity (GFI), among many international organizations, categorizes as a major component of illicit financial flows (IFFs) in Nigeria.

1.1 Boko Haram: "Beast of no Nation"

Boko Haram, which colloquially means "Western education is sin," calls itself Jama'atu Ahlussuna Lidda'wati Waljihad, (Odo, 2015). The group is an extremist Islamic sect aimed at creating an Islamic state in Nigeria based on Sharia law. The group came into being in the mid-1990s near the city of Maiduguri in the northeastern state of Borno under the leadership of Abubakar Lawan (Copeland, 2001). The sect lacked any coherent identity until it came under the leadership of an Islamic cleric known as Muhammad Yusuf, who, in 2002, led it in a direction where it espoused a conservative theology that opposed the Nigerian secular state, which it labeled corrupt and "un-Islamic" (Odo, 2012). For years, the sect wreaked havoc on parts of Nigeria, especially the North-East region, but it was the Abuja United Nations building bombing of 2011 and the abduction of over 200 schoolgirls from their dormitory in the sleepy town of Chibok in 2014 that attracted global attention.[2,3] Even today, the sect continues to terrorize several regions of the country.

1.2 Illicit Financial Flows – (IFFs)

IFFs are multidimensional and transnational. Dev Kar, an emeritus scholar at Global Financial Integrity (GFI), explains that IFFs differ from capital flight in that the former consist of capital that is exclusively illegal in nature, whereas the latter comprises a mix of both licit and illicit capital (Kar and Freitas, 2012). GFI defines IFFs as the illicit movement of funds, money or capital from one nation to another, where the funds are illegally earned and/or transferred through tax avoidance, political corruption, bribery and criminal activities such as terrorism financing and trade misinvoicing.[4] IFFs undermine economic and political progress both by denying tax revenue to governments, facilitating bribery and corruption, and financing terrorism.

According to the OECD, IFFs range from something as simple as a private individual transfer of "dirty money" into private accounts abroad (without tax charges) to highly complex schemes involving criminal affiliations that set up multi-layered, multi-jurisdictional structures to hide ownership (OECD, 2014). If the movement of funds across borders breaks a law at any point (either through trade misinvoicing or arms smuggling), such flows are termed illicit because they contravene national and international laws. In what Musseli and Bürgi Bonanomi (2020, p. 17) term the Common Denominator Definition, IFFs are transnational movements or transfers of money connected with some illegal activities.

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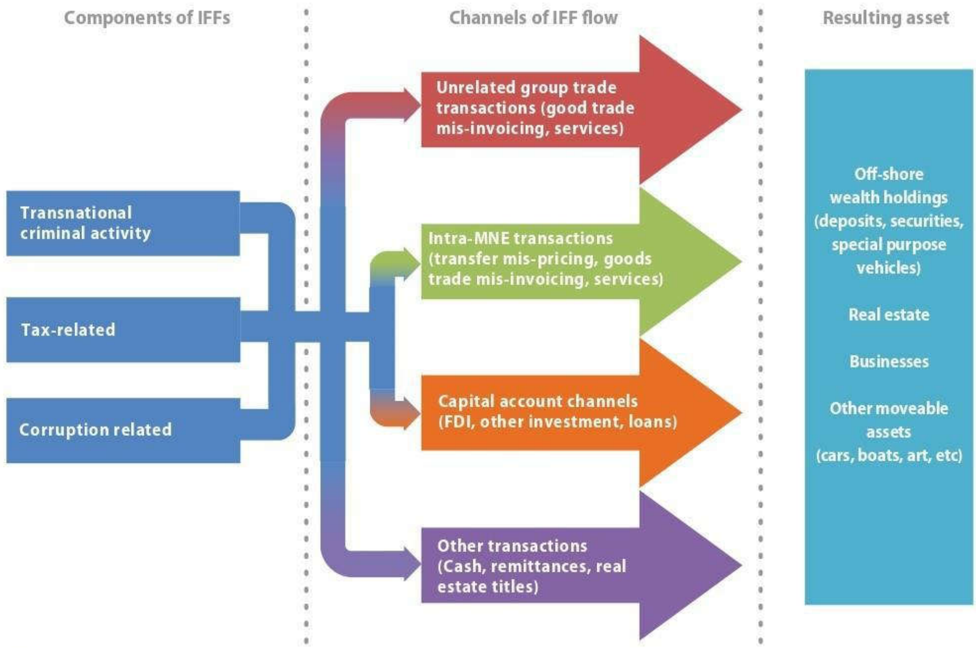
[1] Uche Igwe (2021, 3 August). "We must understand terrorist financing to defeat Boko Haram and Nigeria's insurgents." London School of Economics. https://blogs.lse.ac.uk/africaatlse/2021/08/03/terrorist-financing-economy-defeat-boko-haram-nigeria-insurgents/

[2] BBC (2011, 27 August). "Abuja attack: Car bomb hits Nigeria UN Building." https://www.bbc.com/news/world-africa-14677957

[3] John Campbell (2018, 22 February). "Latest Boko Haram kidnapping recalls Chibok in 2014." Council on Foreign Relations. https://www.cfr.org/blog/latest-boko-haram-kidnapping-recalls-chibok-2014

[4] Global Financial Integrity (No date). "Illicit financial flows." https://gfintegrity.org/issue/illicit-financial-flows/

Fig. 1. Schematic Component of Illicit Financial Flows



Source: Inter-agency Task Force on Financing for Development (2020)[5]

In addition to the elements depicted in the diagram above, there are three major components of IFFs which the African Union (AU) and the Economic Commission for Africa (AU/ECA, 2015, p. 25) succinctly explain as follows:

- Criminal Activities – the proceeds of criminal activities such as drug and human trafficking, racketeering, counterfeiting, contraband, and terrorist financing.
- Transnational Criminal Activity – proceeds of activities intended to hide wealth, avoid taxes, and circumvent customs duties and levies. They include the proceeds of tax evasion and laundered commercial activities such as abusive transfer pricing, trade mispricing, misinvoicing of services and intangibles.

Corruption – the proceeds of bribery and embezzlement of national wealth or abuse of power.

1.3 What is Terrorism Financing?

Terrorism financing occurs when a person by any means, directly or indirectly, unlawfully and willfully provides or collects funds with the intention that such funds will be used, in full or part, to carry out terrorist operations (FATF, 2016, p. 2). The Financial Transactions and Reports Analysis Centre of Canada suggests that terrorism financing includes the provision of financial support from both legitimate sources, such as personal donations and profits from businesses and charitable organizations; and from criminal sources such as human trafficking and drug peddling, illicit taxation, kidnapping, and extortion.[6] These funds are moved across borders through bank transactions, human couriers, arms smuggling, and financial digital platforms.

[5] Inter-agency Task Force on Financing for Development (No date). "Illicit financial flows." United Nations. https://developmentfinance.un.org/illicit-financial-flows

[6] FINTRAC (2022, 12 March). "Financial Transactions and Reports Analysis Centre of Canada: Mandate" https://www.fintrac-canafe.gc.ca/fintrac-canafe/definitions/terrorist-terroriste-eng

2. The Scandalous Nature of Terrorism Financing: A Case Study of Boko Haram's Funding Strategy

The extrajudicial killing of Prophet Yusuf Mohammed and his suspected financier, Alhaji Buji, in 2012 heralded a new dawn of sectarian violence and bloody uprisings in Nigeria. Boko Haram devised criminal means to expand its operations, which can be grouped into seven principal categories.

2.1 Kidnapping for Ransom

To gain wealth and invigorate its operational capacity, Boko Haram abducts women and school children residing in remote areas, predominantly in the Northern region. For example, 300 schoolboys were abducted on the night of December 2020, on the outskirts of Kankara boarding school in Kastina State. They were released after the government paid a ransom of $76,000.[7]

In February 2013, Boko Haram made a huge windfall after abducting a family of seven in the northern part of Cameroon. According to the BBC, the French family living in Yaounde was returning from a holiday in the Waza National Park in northern Cameroon when they were kidnapped by gunmen on motorbikes.[8] A ransom of $3 million was paid for their release.[9] A few years later – in March 2018 – the federal government was alleged to have paid a ransom of unknown size for the release of 110 Dapchi school girls who were abducted from the Government Girls' Science and Technical College, Yobe State. Despite several denials of this claim, the United Nations revealed that a splinter group of Boko Haram was allegedly paid a ransom.[10] With deteriorating security in Nigeria, kidnapping constitutes a major source of terrorism financing. Depending on one's profile, Boko Haram usually demands a ransom ranging from $10,000 to $1,000,000.[11]

2.2 Arms Smuggling

The proliferation of arms smuggling, which is deeply entrenched in a conflict-ridden nation with porous borders, unquestionably remains one of the critical components of terrorism financing. Nigeria is facing accelerated threats posed by weak borders, which have metamorphosed into breeding grounds for the infiltration of arms and ammunition. Border towns, particularly in north-eastern Nigeria, are epicenters for trafficking of small and light weapons.[12] In most cases, criminal organizations employ underhand techniques to move illegal weapons across borders. For instance, Boko Haram conceals small arms and light weapons "in bags filled with grain and/or cartons of goods which are often loaded on heavy-duty vehicles like trucks, trailers, and lorries."[13] The possession of high-caliber weapons continues to foster violent uprisings in many

[7] John Campbell (2021, 18 February). "Kidnapping and Ransom Payments in Nigeria." Council on Foreign Relations. https://www.cfr.org/blog/kidnapping-and-ransom-payments-nigeria

[8] BBC News (2013, 27 April). Nigeria's Boko Haram 'got $3m ransom to free hostage. https://www.bbc.com/news/world-africa-22320077

[9] Ibid.

[10] Sahara Reporters (2018, 16 August). "Lai Mohammed lied – UN Report Reveals FG Made 'Large Ransom Payment' to Boko Haram for Dapchi Girls." http://saharareporters.com/2018/08/16/lai-mohammed-lied-%E2%80%94-un-report-reveals-fg-made-%E2%80%98large-ransom-payment%E2%80%99-boko-haram-dapchi

[11] Terrorism Research and Analysis Consortium. (2016). "Boko Haram: Coffers and coffins; A pandora's box—The vast financing options for Boko Haram." https://www.trackingterrorism.org/article/boko-haram-coffers-and-coffins-pandoras-box-vast-financing-options-boko-haram

[12] Sagir Musa (2013, 20 April). "Border Security, Arms Proliferation and Terrorism in Nigeria." Sahara Reporters. http://saharareporters.com/2013/04/20/border-security-arms-proliferation-and-terrorism-nigeria-lt-col-sagir-musa

[13] Freedom Onuoha (2013, 8 September). "Porous Borders and Boko Haram's Arms Smuggling Operations in Nigeria." Aljazeera Centre for Studies. https://studies.aljazeera.net/en/reports/2013/09/201398104245877469.html

Nigerian communities. The sophistication of the weapons available to Boko Haram is demonstrated by details of weapons seized from the organization.[14]

2.3 Foreign and Local Donors/Money Laundering Schemes

Like most criminal organizations elsewhere in the world, Boko Haram receives funds from different donors. An international NGO, whose headquarters is in the Middle East, sought to open an account with one of the banks in Nigeria (FATF, 2013). While carrying out cash transactions, the bank discovered frequent transfers of funds from the NGO's account into the accounts of individuals who had no affiliation with the NGO.[15] Subsequent investigations established that the NGO was connected with another NGO known to have supported terrorist groups including Al-Qaeda, Boko Haram, and even Hamas – a foreign terrorist organization.

In 2019, six Nigerians were convicted by the Abu Dhabi Federal Court of Appeal in the United Arab Emirates (UAE) for sending funds to Boko Haram. Those convicted were involved in cash transfers of $782,000 in favor of Boko Haram.[16] One of those convicted, Alhaji Sa'idu, was said to be a Nigerian government official and senior undercover officer responsible for facilitating the transfer of $782,000 into the terrorist organization's account. According to the report, these transactions happened between 2015 and 2016. In a revelation made by the former head of the French intelligence service Direction Générale de la Sécurité Extérieure (DGSE), Alain Chouet, multinational companies in Qatar and Saudi Arabia have also participated in funding the activities of Boko Haram.[17]

2.4 Human and Drug Trafficking

Human trafficking and peddling of drugs such as cocaine, cannabis as well as tramadol and cigarettes, remain a flourishing source of terrorism financing. Soumeylou Boubèye Maïga, a former Malian Prime Minister, estimated that Boko Haram controls some of the $800 million per year cigarette smuggling routes that run through the Sahel region.[18] The United States Drug Enforcement Agency believes Boko Haram has been frequently involved in aggressive cocaine trafficking,[19] while the Inter-University Center for Terrorism Studies in 2012 claimed that Boko Haram is being financed by wealthy drug cartels from Latin America (Kingsley et al., 2015).

Human trafficking has also become common. In the aftermath of the abduction of over 200 Chibok schoolgirls in 2014, which prompted indignation all over the world, Boko Haram's current leader, Abubakar Shekau, threatened in a press release to sell the girls as slaves to Nigeria's neighboring countries. While some of the girls were forced into early marriage (with a bride price of $12), others were sold in Cameroon as cheap labor and commercial sex workers.

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[14] Ibid

[15] Ibid.

[16] Daily Trust (2020, 8 November). "6 Nigerians Convicted in UAE Over 'B/Haram funding'." https://dailytrust.com/6-nigerians-convicted-in-uae-over-b-haram-funding

[17] Federic Schneider (2014, 15 June). "Nigeria-Révélations : Boko Haram « sert les intérêts de l'OTAN" Afrik.com. https://www.afrik.com/nigeria-revelations-boko-haram-sert-les-interets-de-l-otan

[18] Action on Armed Violence (2017, 25 May). "Sources of funding (including self-funding) for the major groupings that perpetrate IED incidents – Boko Haram." https://aoav.org.uk/2017/sources-funding-including-self-funding-major-groupings-perpetrate-ied-incidents-boko-haram/

[19] Committee on Financial Services (2015, 22 April). Task Force to Investigate Terrorism Financing, Hearing "A Survey of Global Terrorism and Terrorist Financing." Washington, DC: House of Representatives. https://www.govinfo.gov/content/pkg/CHRG-114hhrg95059/html/CHRG-114hhrg95059.htm

Abducted male children are often sold for between $1,500 and $2,000, while their female counterparts are being sold for between $1,000 and $1,500.[20]

2.5 Alliances with Other Terrorist Networks

Under the leadership of Yusuf Mohammed, the Boko Haram syndicate received early seed money of $3 million from Al-Qaida after forming a global alliance in 2002.[21] Later on, a Boko Haram spokesman affirmed that: "Al-Qaeda are our elder brothers. We enjoy financial and technical support from them. Anything we want from them we ask them."[22] Reports also disclosed that Boko Haram received over $40 million from the Islamic State of Iraq and Syria (ISIS) to fund its operations across north-eastern Nigeria and the Lake Chad region (Comolli, 2015).

2.6 Corruption, Political Patronage, and Paid Election Interference and Intimidation

Political ambitions continue to fan the embers of money laundering and terrorism financing in Nigeria. Sometime in 2002, a former Borno State governor, Ali Modu Sheriff, employed members of Boko Haram and made a pledge of $116,442 in exchange for their support in his gubernatorial election.[23] After he defeated his political opponents with Boko Haram's assistance, Ali Modu went further to divert more public funds into the account of the terrorist group – in a bid to retain their loyalty and consolidate his political power in Borno state.[24]

Years later, Nigerian security operatives apprehended Ali Sanda Konduga, an infamous Boko Haram spokesman in Borno state. In a series of interrogations and investigations, Ali Sanda admitted having received orders and financial support from northern political elites under the code name al-Zawahiri, derived from al-Qaida leader Ayman al-Zawahiri.[25] Among the culprits was Senator Ali Ndume, a high-profile politician who allegedly paid the group to intimidate his political rivals in Borno State. From the pool of investigative reports, many accusing fingers have been pointed at several political officials who have financially assisted the terrorist organization in carrying out its operations.[26]

2.7 Illicit Taxation, Street Begging, Armed Robberies, and Street Muggings

The United Nations Environment Programme (UNEP) estimates that about five million persons live under Boko Haram control, with three-quarters of affected households compelled to pay taxes to Boko Haram.[27] The group imposes a tax known as Jizya – a tax on non-Muslims – in the areas it controls. Although little or nothing is known about the nature of this tax (for example

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[20] Philip Obaji (2020, 3 May). "Survivors of Nigeria's baby factories share their stories." Aljazeera. https://www.google.com/amp/s/www.aljazeera.com/amp/features/2020/5/3/survivors-of-nigerias-baby-factories-share-their-stories

[21] Terrence McCoy (2014, 6 June). "This is how Boko Haram funds its evil." The Washington Post. https://www.google.com/amp/s/www.washingtonpost.com/news/morning-mix/wp/2014/06/06/this-is-how-boko-haram-funds-its-evil

[22] Ibid.

[23] Action on Armed Violence (2017, 25 May). "Sources of funding (including self-funding) for the major groupings that perpetrate IED incidents – Boko Haram." https://aoav.org.uk/2017/sources-funding-including-self-funding-major-groupings-perpetrate-ied-incidents-boko-haram/

[24] Ibid.

[25] BBC News (2011, 22 November). "Nigeria senator Ali Ndume 'linked to Boko Haram'." https://www.google.com/amp/s/www.bbc.com/news/world-africa-15829203.amp

[26] Action on Armed Violence (2017, 25 May). "Sources of funding (including self-funding) for the major groupings that perpetrate IED incidents – Boko Haram." https://aoav.org.uk/2017/sources-funding-including-self-funding-major-groupings-perpetrate-ied-incidents-boko-haram/

[27] Ibid.

whether it is progressive or regressive), the terrorist group had on several occasions killed residents that could not pay this so-called religious tax. In 2014, for instance, twenty villagers in the North-East zone (mostly occupied by Christians) were slaughtered by Boko Haram for failing to pay the $1,500 Jizya tax.[28]

That aside, the Almajiris (usually poor Islamic students who have been hoodwinked by material gains and false doctrines) often fall prey to the enticements of the terrorist organization. According to a confession made by a Boko Haram fighter, the group employs Almajiri children to beg alms in several places to raise funds for minor operations. These beggars are positioned at strategic locations in major towns to spy on security operatives and there is no end to the sight of young children of school age roaming about local streets in a quest to secure alms for terrorists.

3. Techniques of funds movement

A British-Australian hostage negotiator, Stephen Davis, revealed that Nigeria's Central Bank maintains a valid account through which terrorists send and receive illegally obtained funds.[29] In 2013, the State Security Service (SSS) detained senior banking personnel for alleged terrorism financing believed to have been orchestrated by Aminu Suleiman Lamido, son of Alhaji Sule Lamido, former Jigawa State governor (Eme, 2016). Although there have been several denials and insufficient evidence to remove all doubt, GFI has clearly stated that Nigeria's faulty financial system drains money from where it is needed and lets in funds to those it should not – which takes the form of money laundering and terrorism financing (Fletcher, 2014).

A criminal organization like Boko Haram would typically move cash, both local and foreign currencies, through hard-to-track human couriers. Since Islamic doctrine forbids men to have physical contact with women, Boko Haram terrorists frequently use women to deliver cash and stolen items across borders. In some cases, male couriers could disguise themselves as truck drivers. This was a case of a Nigerian national who was apprehended in Yassane, Niger by security operatives. He was found to be carrying €35,000 in cash in his underpants, two USB flash drives, and letters from the Emir of Al-Qa'ida in the Lands of Islamic Maghreb (AQIM) addressed to the leader of Boko Haram, Abubakar Shekau (FATF, 2013). Upon interrogation, he admitted that the funds were stolen and to be delivered to the terrorist group in the northern part of Nigeria. These couriers passed through borders, weak checkpoints, and many remote places under false pretenses.

Online digital platforms also advance quick movement of funds. With the emergence of online gift cards and cryptocurrency, Boko Haram members can convert illicit cash into cryptocurrencies such as bitcoin. A terrorist who was detained while conducting surveillance on possible targets in Abuja in September 2012 revealed that Boko Haram funds its activities by purchasing and sending gift items/cards and/or bitcoin to its members in several locations (FATF, 2013). With the technical skills demonstrated by members of this sect, there are worries that cryptocurrency and other online payment platforms may become the new normal for terrorism financing in Nigeria.

4. Magnitude and Estimates of Terrorism Financing

[28] Ibid.

[29] Sahara Reporters (2014, 31 August). "Australian Negotiator Insists Modu Sheriff, Iherijirika Sponsor Boko Haram, exonerates Buhari, El-Rufai." http://saharareporters.com/2014/08/31/australian-negotiator-insists-modu-sheriff-ihejirika-sponsor-boko-haram-exonerates-buhari

Terrorism financing has led to heavy financial losses in Africa and Nigeria in particular. The ten years between 2007 and 2016 saw terrorism cost the African continent a minimum of US$119 billion. This figure is much higher once estimates for GDP losses, lost informal economic activity, extra security spending, and refugee/IDP costs are included (UNDP, 2019). Driven by the large economic impacts of terrorist activity in Nigeria, the four countries considered to be epicenter countries for terrorist activities and violent extremism – Nigeria, Mali, Somalia, and Libya – have accounted for 94 percent of the total economic impact of terrorism since 2007. Spill-over countries have suffered US$3.2 billion (3 percent), and at-risk countries US$2.7 billion (2.8 percent) of the total economic impact of terrorism over the ten years between 2007 and 2016 (UNDP, 2019).

Like a grown baobab tree, Boko Haram has extended its roots into neighboring countries, inflicting huge economic losses in Niger and Cameroon. According to the Cameroon media authorities, Boko Haram funding operations have interrupted trade activities along the northern border, resulting in a financial loss of $18 million in revenue.[30] In July 2014, the Cameroon government lost $600,000 in a bid to release the wife of Cameroon's deputy prime minister, along with the local leader of the town of Kolofata and his family, as well as 10 Chinese engineers who were abducted by the terrorist organization.[31]

5. Adverse Impacts/Lethal Damage

5.1 Exploitation and impoverishment of individuals and corporate organizations

A 2018 study showed that Boko Haram controls over 160 square kilometers – which harbors over five million persons – in the Northern region.[32] The sect imposes illegal taxes in areas they dominate. While livestock farmers and herders are taxed 2,500 naira ($5.65) per cow and 1,500 naira ($3.39) for smaller animals, Christians are required to pay Jiyza (a tax for non-Muslims) with strict compliance.[33] The vast extent of this exploitation usually results in economic hardship, especially in situations whereby the taxpayer is unable to pay the illegal tax.

Additionally, armed robberies have forced wealthy traders and corporate organizations into bankruptcy. The Postikum cattle market – the largest cattle market in Nigeria – was shut down in 2016 due to a Boko Haram attack. The sprawling market had been the main source of livelihood and job creation for the populated regions of Maiduguri, until it was raided in early March of 2016, leading to inflation of cattle prices, job losses, and high poverty rates.[34]

5.2 Substantial Loss of National Revenues

In a research study, titled: "Illicit Financial Flows from Africa: Hidden Resource for Development," Global Financial Integrity (GFI) documented that Nigeria lost $165 billion, nearly 19 percent of the total $854 billion outflows from Africa to the developed market-economy countries. The research study also highlighted that Nigeria was 7th out of the 20 largest exporters of illicit funds worldwide, with a total figure $129 billion from 2001 to 2010 – a large

[30] Mbom Sixtus (2017, 11 August). "Young guns: Cameroon's Boko Haram problem." The New Humanitarian. https://www.thenewhumanitarian.org/analysis/2017/08/11/young-guns-cameroon-s-boko-haram-problem

[31] BBC (2014, 27 July). "'Boko Haram' abducts Cameroon politician's wife." https://www.bbc.com/news/world-africa-28509530

[32] Samuel Ogundipe (2018, April 30). "Boko Haram now collecting taxes from Nigerians in Borno, Yobe – Report." *Premium Times Newspaper*. https://www.premiumtimesng.com/news/headlines/266636-boko-haram-now-collecting-taxes-from-nigerians-in-borno-yobe-report.html

[33] Ibid.

[34] Ulf Laessing (March, 15 2016). "Herders suffer as Nigeria army shuts cattle trade to fight Boko Haram." Reuters. https://www.google.com/amp/s/mobile.reuters.com/article/amp/idUSKCN0WH0KN

portion of these accruable revenue losses was attributed to money laundering (ML) and terrorism financing (TF), among other factors, (Dev and Devon, 2010). The sad reality is that government takes out a lot of funds (from public coffers) to fight terrorism, while some govt officials steal from the same public coffers to finance terrorism, which leads to revenue shortage or increased public spending. Between 2010 and 2017, Nigeria spent over $15.2 billion (about ₦6.7 trillion naira) on counter-terrorism operations.[35] This excludes the $21 million approved for the Multinational Joint Task Force in June 2015.[36] This drastic revenue reduction plunged the nation into economic recession in 2016, with a drop in real GDP, employment, income, and manufacturing.

5.3 Increased National Debt

Nigeria's total debt currently stands at $85.9 billion (approximately 31 trillion naira), according to the 2020 Debt Management Office's Report.[37] Ever since the evolution of terrorism and violent extremism in Nigeria, the nation has been beset by financial crises due to severe security challenges, among many other things. In 2014, for instance, the Jonathan presidential administration took a debt of $1 billion from the country's excess oil account to the government to upgrade military equipment and curtail terrorist activities.[38] Subsequently, the Buhari administration took another $2.1 billion loan from the World Bank to rebuild the North-East zone and repair the aftermath of insurgency financed through the illicit activities described above.[39] It is clear that Nigeria relies heavily on loans to finance her enormous counter-terrorism spending.

5.4 Impacts on Intra-African Trade Policy

Owing to the opportunistic nature of terrorism financing, Nigeria has, on several occasions, violated the African Union's free trade policy by shutting down its borders in a bid to restrain arms smuggling and drug trafficking. This runs counter to the objectives of the African Continental Free Trade Agreement Policy.

5.5 Sexually Transmitted Infections

Boko Haram commanders/fighters subject female captives to repeated instances of unprotected sex, exposing the victims to sexually transmitted infections such as gonorrhea, syphilis, and HIV/AIDS. The UN confirmed that the Chibok girls who were repeatedly raped by the Boko Haram militias were left with a legacy of sexually transmitted diseases.[40]

5.6 Psychological Disorders and Untimely Death

Abubakar Alhassen, the head teacher of Islamiyya School in Niger State, narrated his ordeal on the day he lost 200 students to Boko Haram kidnappers. Speaking on the Arise television

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[35] Maurice Ogbonnaya (2020, 4 February). "Has counterterrorism become a profitable business in Nigeria?" Institute for Security Studies. https://issafrica.org/iss-today/has-counter-terrorism-become-a-profitable-business-in-nigeria

[36] Premium Times (2014, 25 September). "Jonathan gets approval to borrow $1 billion to fight Boko Haram." https://www.premiumtimesng.com/news/168645-jonathan-gets-approval-to-borrow-1billion-to-fight-boko-haram.html

[37] Emma Ujah (2020, 9 September). "Nigeria's debt rises 8.3% to N31trn in 3 months – DMO." Vanguard. https://www.vanguardngr.com/2020/09/breaking-nigerias-debt-rises-8-3-to-n31trn-in-3-months/amp/

[38] Ibanga Isine. (2015, 21 July). "Boko Haram: Nigeria borrows $2.1bn from World Bank to rebuild North-East." Premium Times. https://www.premiumtimesng.com/news/headlines/187051-boko-haram-nigeria-borrows-2-1-bn-from-world-bank-to-rebuild-north-east.html

[39] Ibid.

[40] UN (2015, 27 May). "Condemning use of sexual violence, UN envoy warns Boko Haram aims to destroy family structures." UN News. https://news.un.org/en/story/2015/05/499942

program, Abubakar reported that two parents of the abducted students lost their lives to cardiac arrest due to the unfortunate event.[41] According to him:

> I have witnessed the funeral prayer of one of the parents, very close to the school. She died. She has one child in school. She was not around when the incident happened. When she came back, they told her that this was what happened and within 10 to 30 minutes, she fainted and that is the end of her.[42]

In some instances, the victims may end up living with dire stigmatization and unrelieved depression. This was the case of 14-year-old Fatima, who was held captive for 18 months before she escaped and was reunited with her family. She retreated into silence for days, only to lash out explosively at any slightest provocation.[43] Her mother, Fatsuma, complained that since her return Fatima was “different", "hard-hearted" and even scary, especially in the middle of the night.[44] With a lack of data in Nigeria, it is impossible to estimate the number of children who have been psychologically affected just like Fatima, but we are certain that young children often die of starvation, lack of clean water, and harsh treatment while in captivity.

5.7 Dent to National Pride

Nigeria has been the subject of negative reactions from many developed nations. In 2022, the United States embassy warned its citizens of the risks of traveling to Nigeria, recommending that U.S. citizens avoid Adamawa, Bauchi, Borno, Gombe, Kano, Rivers, and Yobe due to the risk of kidnapping, armed robbery, and exploitation by terrorists and bandits.[45]

6. Key Enablers of Terrorism Financing

6.1 Weak Borders

Boko Haram takes advantage of Nigeria's fragile borders to traffic hard drugs, weapons and even condoms in large commercial quantities. The UN Office on Drugs and Crime (UNODC, 2017) found that border porosity contributes to 87% of pharmaceutical opioids smuggled by the sect across Lake Chad and Cameroon. As of today, many border communities have been neglected by government authorities, which prompted the former Minister of the Interior, Patrick Abba Moro, to state that Nigeria has identified approximately 1,500 illegal entry routes which permit aggressive infiltration of arms and ammunition.[46] Nigeria’s 1600-kilometer border with Niger, for example, stretches along four northern states including Sokoto, Katsina, Jigawa, and Yobe.[47] This serves as a dire threat to Nigeria, given the relative ease with which terrorists can move in and out of the country.

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[41] Punch Newspaper (2021, 4 June). “How two parents of abducted students died of heart attack – Niger teacher.” https://punchng.com/how-two-parents-of-abducted-students-died-of-heart-attack-niger-teacher/

[42] Ibid.

[43] Aryn Baker (2017, 27 June). “Boko Haram's other victims.” TIME. https://time.com/boko-harams-other-victims/

[44] Ibid.

[45] U.S. Embassy and Consulate in Nigeria (2022, 22 April)). Nigeria Travel Advisory. https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/nigeria-travel-advisory.html

[46] Vanguard Newspaper (2013, 19 June). Nigeria has over 1499 illegal entry routes – Interior Minister. https://www.vanguardngr.com/2013/06/nigeria-has-over-1499-illegal-entry-routes-interior-minister/amp/

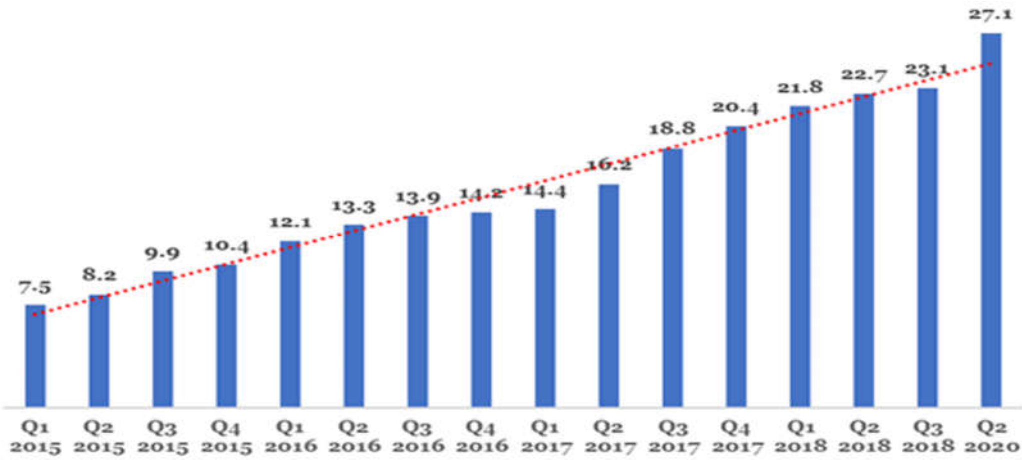
[47] Institute of Security Studies (2021, 28 May). Uyo. The Nigerian militant Islamic movement, Boko Haram, poses a threat beyond Nigeria's borders. At greatest risk are Cameroon and Niger. https://issafrica.org/iss-today/border-porosity-and-boko-haram-as-a-regional-threat

Nigeria's porous borders are often compounded by undisciplined and an acute shortage of well-trained immigration/customs officials. An investigation by Al Jazeera found that immigration officers are poorly trained and paid, which results in weak efforts to scrutinize cross-border activities.[48]

6.2 High Unemployment and Poverty Rates

With an estimated 90 million persons (almost half the population) living below the extreme-poverty line, Nigeria has more poor people than any other country.[49] By 2030, the percentage of Nigeria's population living in extreme poverty is projected to increase further, from 44.2% to 45.5%.[50] Currently, unemployment stands at 27.1%,[51] which means that about 21.7 million young Nigerians are willing to work but unable to find a job.

Fig. 2. Unemployment rates (2014-2020)



Source: Proshare Research (2020)[52]

With the struggle to make ends meet, poor masses become susceptible to social crimes. In an interview, Idi, a 34-year-old Cameroonian and IT specialist revealed that Boko Haram members usually attract unemployed youths with financial promises and salaries worth $600-$800 per month.[53] Similarly, Moustapha Alidu, who fled his home after declining Boko Haram's offer, told the Integrated Regional Information Network (IRIN) that since 2015 Boko Haram offers monetary benefits about ten times Nigeria's minimum wage (which is about $72) to

[48] Freedom Onuoha (2013, 16 April). "Porous Borders and Boko Haram's Arms Smuggling Operations in Nigeria." Aljazeera. https://studies.aljazeera.net/ar/node/1323

[49] World Economic Forum (2019, 21 March). "Three things Nigerians must do to end extreme poverty." https://www.weforum.org/agenda/2019/03/90-million-nigerians-live-in-extreme-poverty-here-are-3-ways-to-bring-them-out/

[50] Ibid.

[51] Samuel Oyekanmi (2020). "Nigeria's unemployment rate jumps to 27.1% as at 2020 Q2." Nairametrics. https://www.google.com/amp/s/nairametrics.com/2020/08/14/breaking-nigeria-unemployment-rate-jumps-to-27-1/%3famp

[52] Proshare (2020, 14 August). "Nigeria's Unemployment Rate Grows By 27.1% As Economy Stutters." https://www.proshareng.com/news/Nigeria%20Economy/Nigeria-s-Unemployment-Rate-Grows-By-27.1Percent-As-Economy-Stutters/52786

[53] The New Humanitarian (2015, 5 March). "No shortage of recruits for Boko Haram in Cameroon's Far North." https://www.thenewhumanitarian.org/feature/2015/03/05/no-shortage-recruits-boko-haram-cameroon-s-far-north

anyone who agrees to join the group.[54] The sect also pays unemployed youths to steal expensive cars and sell them to international businessmen and government officials.[55]

6.3 Bad Leadership

Grand corruption (in the form of political patronage), greed and lack of accountability are problems that define Nigeria's leadership. Anton Du Plessis, the Managing Director of the Institute for Security Studies, stresses that bad leadership doesn't just undermine development, but also drives violence.[56] This is to say that bad leadership arguably increases the risk factors for a permissive terrorism financing environment. The 2019 Transparency International report shows that Nigeria ranks 146th out of 180 countries in the Corruption Perception Index (Transparency International, 2020). At the same time, the nation is the 14th most vulnerable on the Anti-Money Laundering Index.[57] In 2015, a retired Nigerian army officer and ex-national security official to President Jonathan's administration, Dasuki Sambo, was apprehended for embezzling the sum of $2.1 billion from the security budget, which was designed to combat terrorism operations in Nigeria.[58]

6.4 Impunity

Boko Haram can be likened to what the African Nobel Laureate, Professor Wole Soyinka, described as a fowl hatched from the egg of impunity[59] – and this egg of impunity emanates from Nigeria's ineffective judicial system. As it is today, members of the terrorist organization who have been found guilty of severe crimes such as drug trafficking, murder, gang rape and armed robbery typically get minimal or no punishment in the courts of law. In fact, there is an ongoing legislative bill titled "National Agency for Education, Rehabilitation, De-Radicalization and Integration of Repentant Insurgents in Nigeria 2020, SB, 340,"[60] the objective of which is to ensure that Boko Haram felons enjoy the prerogatives/benefits of presidential pardons and financial advantages that may likely come with them. Prominent Nigerians like Alhaji Abubakar (then Sultan of Sokoto), Nuhu Ribadu (a former ranking official in the Nigeria's Anti-corruption Agency) and Human Rights Activist Shehu Sani, had earlier advised the president to declare a presidential amnesty for Boko Haram combatants, claiming that the Niger-Delta militants had enjoyed such privilege during the Yar'Adua Presidential Regime.[61]

This level of impunity is highly likely to lure more people into perpetrating more heinous crimes. As Fr. Atta Barkindo, a research fellow at Florida University, has noted, rewarding Boko

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[54] Ibid

[55] Jacob Zenn (2013, 16 April). "Boko Haram Recruitment Strategies." Council on Foreign Relations. Blog post. https://www.cfr.org/blog/boko-haram-recruitment-strategies

[56] Anton Du Plessis (2015, 5 June). "The most important driver of underdevelopment, violence and conflict in Africa today is weak and unconsolidated governance." Institute for Security Studies. First published by Business Day, 4 June 2015. https://issafrica.org/iss-today/poor-governance-a-greater-threat-than-terror

[57] Ibid.

[58] BBC News (2015, 1 December). "Nigeria's Dasuki 'arrested over $2bn arms fraud'." https://www.google.com/amp/s/www.bbc.com/news/world-africa-34973872.amp

[59] Wole Soyinka (2014, 8 October). "Hatched from the egg of impunity: A FOWL CALLED BOKO HARAM." Watson Institute for International and Public Affairs. YouTube video. https://youtu.be/bT5_k9bnpF4

[60] Henry Umoru (2020, 20 February). "Senate moves to establish national agency for ex-Boko Haram members." Vanguard. https://www.vanguardngr.com/2020/02/senate-moves-to-establish-national-agency-for-ex-boko-haram-insurgents/amp/

[61] Fr. Atta Barkindo (2013, 2 October). "Could offering an amnesty to Boko Haram stop violence in Nigeria?" Peace Insight. https://www.peaceinsight.org/en/articles/amnesty-boko-haram-nigeria/?location=nigeria&theme=human-rights

Haram for surrendering their arms is most likely to attract other young people to the sect which will in turn inflame terrorism in Nigeria.[62]

6.5 Poor Military Capacity

Between 2019 and 2020, Nigeria's military budget increased from $1,860 million to $2,403 million,[63] but the key question (which has bedeviled many research policy analysts) is: has the recent defense expenditure increase improved the deplorable state of Nigeria's security forces? Tales of Nigerian soldiers running away from Boko Haram militants as a result of low ammunition and substandard armed vehicles have been documented by the BBC.[64] Moreover, there are cases of money laundering and mass embezzlement of military funds which lead to a shortage of arms and ammunition. A report from Transparency International asserts that military officers, politicians, and dubious elites usually enrich themselves by diverting military funds meant to fight terrorism.[65]

6.6 Widespread Illiteracy

An idle mind, they say, is the devil's workshop, but a mind that is both idle and empty (devoid of learning and human empathy) is the devil's headquarters. And “such a mind will soon be filled with religious stereotypes, hatred, tribalism and one dogma or the other.”[66] Some time ago, the former Permanent Secretary of the Federal Ministry of Education, Adamu Hussaini, disclosed that Nigeria has the highest number of school drop-outs in the world; according to him, the number is 10.5 million out of the cumulative 20 million school children.[67] Of the 10.5 million children out of school, about 60% come from the northern region.[68] Given that the north-east has far poorer educational outcomes than the south, according to Afzal (2020, p.15), the conventional wisdom that poverty and a lack of education explain terrorism is a popular Nigerian explanation for the rise of Boko Haram.

6.7 Other challenges may include:

- Insufficient funds to advance counter-terrorism operations;
- Poor implementation of policies on Combating Terrorism Financing (CTF);
- Absence of strong collaboration between political actors and government security agencies;
- Poor intelligence and information sharing; and
- Poor tech innovation and lack of attention to Research and Development (R&D).

7. Efforts made so far

At the national level, the Nigerian government has introduced numerous administrative and legislative measures to regulate, monitor, and combat terrorism. The passage of the National Assembly 2011 Act is a good example. The Act includes a component known as the Nigeria

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[62] Ibid.

[63] Trading economics (2021). “Nigeria Military Expenditure.” https://tradingeconomics.com/nigeria/military-expenditure

[64] Will Ross (2015, 22 January). “The soldiers without enough weapons to fight Jihadists.” BBC News. https://www.bbc.com/news/magazine-30930767

[65] Transparency International (2014, 21 May). “Nigeria: Corruption and Insecurity.” https://www.transparency.org/en/news/nigeria-corruption-and-insecurity

[66] F. A Adekunle (2017). "Stemming the surge of security challenges in Nigeria: Need for Collective effort." First Prize Essay. Chartered Institute of Personnel Management Nigeria (CIPMN). Unpublished Essay.

[67] BBC News. (2017, 25 July). “Nigeria has ‘largest number of children out-of-school’ in the world.” https://www.bbc.com/news/world-africa-40715305

[68] Ibid.

Financial Intelligence Unit (NFIU), which was established by the Financial Action Task Force (FATF – a global watchdog against money laundering and terrorism financing) to avoid Nigeria being blacklisted and to help FATF to invigorate her legal and regulatory framework against money laundering and the financing of terrorism.[69] As posited by the Economic and Financial Crimes Commission (EFCC – a law agency that scrutinizes financial crimes like fee fraud and drug trafficking in Nigeria) in March 2022:

> Apart from being the coordinating entity for the receipt and analysis of financial disclosure of Currency Transaction Reports and Suspicious Transaction Reports in line with Nigeria's anti-money laundering and combating the financing terrorism (AML/CFT) regime, NFIU also disseminates intelligence gathered thus to competent authorities.[70]

Under the NFIU Act of 2018, Nigerian financial institutions are to report local transactions exceeding $10,000 and $20,000 for private accounts and corporate accounts respectively.[71] These laws are in line with global best practices to eliminate money laundering and terrorism financing.

Further, the government has charged the EFCC and the NFIU to monitor and investigate the activities of NGOs to ensure full compliance. As a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), a body established by the Economic Community of West African States, Nigeria shows strong commitment as one of the key compliant states in monitoring, detecting, reporting, and sharing key information regarding the sponsorship of terrorism finance activities and illicit movement of funds across African borders.[72]

The Nigerian government has shown relentless efforts in apprehending grand patrons of terrorism financing in the country. The arrest and subsequent trials of prominent Nigerians like Mallam Saidu Pindar (Ambassador to Sao Tome and Principe), Alhaji Buji Foi and Alhaji Bunu Wakil (who were suspected of sharing ties with terrorists) not only affected the operational capacity of Boko Haram, but also deterred prominent individuals from abetting similar criminal organizations.[73]

At the regional level, the African Union (AU) continues to support Nigeria in the fight against Boko Haram financing through several counterterrorism initiatives such as the AU Plan of Action on the Prevention and Combating of Terrorism, which was enacted in 2002 and amended in 2010 with the overall aim of fostering regional cooperation and eliminating the enormous challenges presented by terrorist organizations.

In addition, Nigeria is also part of several counterterrorism initiatives such as the Global Counterterrorism Forum and the Trans-Sahara Counterterrorism Partnership. It is undeniable that Nigeria and other African nations have benefited from these initiatives in terms of training

[69]Nigerian Financial Intelligence Unit Act (2018). https://www.nfiu.gov.ng/images/Downloads/downloads/Nigerian-Financial-Intelligence-Unit-Act-2018.pdf

[70] Ibid.

[71] Ibid.

[72] This Day (2018, 18 September). "FG, GIABA Call for Enhanced Collaboration to Combat Terrorism Financing." https://www.thisdaylive.com/index.php/2018/09/18/fg-giaba-call-for-enhanced-collaboration-to-combat-terrorism-financing/

[73] Judit Barna (2014, July). "Insecurity in context: The rise of Boko Haram in Nigeria." Directorate-General for External Policies: European Parliament. https://www.europarl.europa.eu/RegData/etudes/IDAN/2014/536393/EXPO-AFET_NT(2014)536393_EN.pdf

programs and integrating effective cross-border synergy with other neighboring countries to curtail illicit financial flows (Maza et al., 2020). Despite these efforts, however, the financing of terrorism has been on the increase.

8. Policy Recommendations

8.1 Investigating Bank Transactions

Financial institutions should partner with international banks in Europe and Asia to scrutinize the large-scale movement of funds across nations. Funds that may have been moved to unknown destinations or accounts should be frozen until further investigations are made. Financial institutions should work hand in hand with anti-corruption agencies such as the EFCC and the Independent Corrupt Practices and Other Related Offences Commission (ICPC) in tracking money laundering.

8.2 Regional Collaboration and Effective Implementation of Counter-terrorism Policies

The African Union must play a key role in ensuring that Member States pool resources – including financial and human resources and intelligence – to bolster effective implementation of existing policies against terrorism financing. There should be effective monitoring and strict monthly or at least annual reviews to ensure that national efforts align with regional efforts in terms of policy making and legislative reforms on terrorist financing to prevent possible loopholes. Any new policy should be broad enough to mitigate the outflow of terrorist funds, while reviews and amendments of existing policies should be carefully considered to prevent the enormous waste of funds that may be incurred in such processes.

8.3 Overhauling Nigerian Security Situation

To behead the monster that is “terrorism financing” we first need to sharpen the edge of our sword. The Nigerian security forces must find a way to use high-tech innovations, such as artificial intelligence, machine learning, and video surveillance, to monitor, detect, and investigate terrorism financing. This can be achieved by intensive training and retraining of security personnel in forensic crime-related technology. Further, to reinvigorate counter-terrorism operations the Nigerian government should create an advanced counter-terrorism unit that would work closely with investigative journalists to gather credible data on crime-related issues such as money laundering and terrorism funding to head off terrorism operations. The unit should have at its disposal sufficient weapons to enable it to confront terrorist organizations should the need arise.

8.4 Research and Development

Substantial resources must go into Research and Development (R&D) institutions to enable policy analysts to carry out new research on the nature and techniques of terrorism financing. Public policy analysts should liaise with telecom research innovators and research institutions in monitoring and detecting the new techniques and tactics of funds movement. High-quality R&D in these areas has the potential to achieve important results in a cost-effective way.

Nigeria also needs to zero in on the challenges that confront the nation's R&D institutions, which range from deteriorating infrastructure to paucity of funds. Nigeria's Guardian newspaper documented that the country’s R&D institutions received just 0.75% of the proposed 2019 national budget.[74] The government should allocate a substantial budget to the part of the R&D sector that deals with the financing of terrorism Regular grants should be awarded to researchers who have shown proficiency in offering unique insights into the system of terrorism financing. Nigeria should take a lesson from Academics Stand Against Poverty, an international community that awards cash prizes to insightful research work on IFFs and poverty alleviation.

8.5 Intensive Ethical Reorientation

Fighting terrorism will not translate to enduring success without a total recalibration of Nigeria's value system. The National Orientation Agency (an agency responsible for value reorientation in Nigeria) should collaborate with Islamic scholars and clergy to strengthen the campaign on the need for religious tolerance and peaceful co-existence in the northern states. To be effective, colleges and institutions must impart the principles of conflict and peace management, with more concern given to Islamic students. This would help prevent protracted social crises that can arise from sheer ignorance and religious intolerance.

8.6 Whistle-Blowing Techniques

Nigerian investigative journalists and young citizens must act as whistle blowers against suspicious criminal cases. The whistle-blowing mechanism should be well institutionalized so that people can effectively report unlawful cases without fear of retaliation. The government must combine efforts with security operatives to ensure that whistle blowers are guaranteed not just their right to freedom of speech, but their right to freedom after speech.

8.7 Addressing Crime and Youth Unemployment

With the emergence of Nigeria as the world's "poverty capital" and the recent increase in the youth unemployment rates, the country's youth, confronted by the struggle to make ends meet, become susceptible to criminal tendencies. Against this background, different stakeholders such as the National Directorate of Employment (NDE), the Federal Ministry of Youth Development, State Ministries and Local Government Departments in charge of Youth Affairs, and Small and Medium Scale Enterprises Development Agency in Nigeria (SMEDAN) should give much more attention to employment generation and expansion strategies directed towards self-employment while addressing the "inherent" business challenges (such as high transaction costs, protracted and cumbersome administrative procedures, multiple taxations, administrative bottlenecks, and poor physical and financial infrastructure) that frustrate youth entrepreneurship and employment creation.

8.8 Strict Enforcement of International Terrorist Financing Laws

It is the judiciary's responsibility to ensure that perpetrators of crime are brought to book, no matter who they are and whose interests are at stake. Punishment must be swift and effective, and must follow international best practices on crime and corruption. The Nigerian judiciary should critically review the "International Convention for the Suppression of the Financing of Terrorism" (adopted 9 December 1999) when dealing with cases of terrorist financing.[75] This Convention, in summary:

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[74] Chukwuma Muanya (2019, 28 February). "Poor budgetary allocation, redundant agencies kill science, technology development in Nigeria." The Guardian. https://m.guardian.ng/features/poor-budgetary-allocation-redundant-agencies-kill-science-technology-development-in-nigeria/amp/

[75] https://www.un.org/law/cod/finterr.htm

> …entails reviews of domestic legislation to ensure proper criminalization of offenses related to the financing of terrorism and legislative drafting, developing the capacity of criminal justice and law enforcement officials to investigate, prosecute and adjudicate terrorist financing through the provision of specialized training on issues related to special investigation techniques, freezing, seizing and confiscating terrorist assets, and strengthening regional and international cooperation against the financing of terrorism.[76]

To implement this Convention in the most effective manner, Nigeria's criminal justice system must be freed from its common weaknesses and challenges including political interference, delays in hearings, widespread corruption, and lack of independence.[77]

8.9 Strong Political Will

Nigeria needs sincere and pragmatic leadership that can close the gap between policy formulation and effective implementation. This involves strengthening political institutions and ensuring that funds channeled towards anti-terrorism programs are utilized most effectively. Public officials must operate with high levels of integrity and accountability and show respect for the rule of law. To achieve this, the government should embrace regulatory technology developments, including automating and digitalizing Anti-Money Laundering (AML) rules which aim to reduce illegally obtained income. The Nigerian government can use this technology to track IFFs, monitor financing projects, and oversee spending in its political institutions.

8.10 Strengthening Border Security

The federal government must develop strategic action plans to combat arms smuggling, trafficking of persons, and the movement of illicitly earned funds. A good take-off point is to embark on extensive training and retraining of border security officials, including immigration and custom service officials, to improve intelligence gathering and analysis, internal security, and policing. Border officials should cooperate with the Multinational Joint Task Force (from military units from Nigeria, Chad, Niger, and Cameroon) and local soldiers to tighten security levels. With the help of government, border officials can use disruptive tech infrastructure (such as artificial intelligence, facial recognition, drones, and humanoid robotics) to improve security.

9. Concluding remarks

In the words of the UN Secretary-General, Antonio Guterres, terrorism financing is a substantial threat that undermines global security, peace, and sustainable development.[78] Large-scale financing of terrorism not only undermines peace and security, but also threatens the fragile socio-economic system of many developing nations. In developing countries like Nigeria, a criminal organization such as Boko Haram often finances itself illegally (through human and drug trafficking, inter alia), acquiring great wealth and causing enormous suffering. Owing to Nigeria's destabilized borders, poor governance, and high unemployment rates (among other key

[76] UNODC (no date). "Combating Terrorist Financing." United Nations Office on Drugs and Crime. https://www.unodc.org/unodc/en/terrorism/expertise/combating-terrorist-financing.html
[77] Oludara Akanmidu (2018, 6 July). "Op-Ed: Here's why Nigeria's justice system isn't working." CNBC Africa. https://www.cnbcafrica.com/2018/op-ed-heres-why-nigerias-justice-system-isnt-working/
[78] Antonio Guterres (2021, 23 March). UN Secretary-General. "Vision statement: Restoring trust and inspiring hope: The next five years for the United Nations." https://www.un.org/pga/75/wp-content/uploads/sites/100/2021/03/Letter-PGA-VS.pdf

enablers), tackling terrorism financing requires strategic and robust action plans. This essay has presented recommendations for necessary actions to address the problem. The onus lies on all Nigerians, citizens and civil society as well as governments, to act.

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Research Paper

China's Role in Myanmar's Bloody Jade Industry: Poison or Panacea

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Abstract: Corruption, cronyism, and jade smuggling in Myanmar's jade industry have fueled racial and regional conflicts in northern Myanmar for decades. Myanmar's military plays an integral role in this process. They act above the law and commit genocidal atrocities to maintain control over the jade industry through financial resources such as jade smuggling, crony companies' jade revenue, and bribes paid by miners, jade merchants and mining companies. Ninety percent of Myanmar's jade travels to China. Chinese culture, corruption, and capital outflows in renminbi drive demand for Myanmar's jade. Such demand sustains the vicious cycle between jade and armed conflict in Myanmar's jade business, aggravating human rights violations and environmental destruction in the Kachin State and Mandalay Region, jade-rich areas in Myanmar. However, current international sanctions and recommendations that aim to curtail the illicit financial flows in Myanmar's jade business overlook the significant role the government of China can play to fundamentally remove cyclical violence from Myanmar's jade industries. China's demand for Myanmar's jade undermined Chinese President Xi Jinping's 2012 "Anti-Corruption Campaign" and the policy of capital control. These political goals have caused the demand for Myanmar's jade to plummet since 2014 and can continue suppressing demand in the future. In conclusion, to cut off the jade funds flowing to the Myanmar military, the international community needs to boycott all jade from Myanmar and jade products that are made in China but originate from Myanmar. The central government of China must continue its Anti-Corruption Campaign and capital control policy.

Keywords:

1. Myanmar
2. China
3. Jade
4. Illicit Financial Flows
5. Armed Conflict

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1. Introduction

The revenue derived from natural resources provides financial support for the Myanmar military (called the Tatmadaw in Burmese; I use this term in the following) to operate without civilian oversight and to function as a totalitarian regime. The Tatmadaw has led a kleptocratic and murderous reign in Myanmar for decades. One of the most lucrative resources that has been stolen from the people and the democratic government of Myanmar is jade.

Statistics of Myanmar's extractive sector show that the jade trade comprises 6% of Myanmar's GDP, 24% of government revenue and 38% of exports,[1] and among the extractive industries jade is the main revenue-generating commodity (Shortell, 2019, p. 11). Unfortunately, every year, tens of billions in jade revenue is being used as a slush fund by the Tatmadaw, with less than 2% of the jade revenue being taxed to fill the coffers of this poorest country in Asia (Global Witness, 2015, p. 27).

The Tatmadaw has made Myanmar's jade economy a mutually reinforcing vicious cycle of jade trade and armed conflict. On the one hand, to monopolize jade, the Tatmadaw has committed genocide against the Rohingya.[2] In jade-rich regions of Myanmar, such as Kachine State and the Mandalay Region, the Tatmadaw has also committed, against Christian Kachin and other ethnic minorities, crimes against humanity and war crimes that challenge the limits of the human conscience (IIFFMM, 2019a, p. 3). The scale of torture, rape, sexual slavery, enslavement, persecution and massacre is such that the UN Human Rights Chief regarded the Tatmadaw's clearance operation to displace ethnic minorities as a "textbook example of ethnic cleansing".[3] On the other hand, the Tatmadaw's revenues from the jade business will refinance more clearance operations against ethnic minorities, incentivize its atrocities, and buttress its financial independence (UNHRC, 2021, p. 12).

Illicit financial flows from bribery, corruption, and smuggling have defined the Tatmadaw's control over jade mining regions in Myanmar for more than two decades. Since the Tatmadaw's 1994 ceasefire agreement with the non-state armed force, the Kachin Independence Army (hereinafter KIA),[4] the Tatmadaw has made billions of dollars annually through bribes paid for jade concessions, extortions at checkpoints on the jade-smuggling routes, and, most significantly, money generated by jade smuggling to China.[5]

China's culture, corruption, and capital flight sustain Chinese demand for Myanmar's jade. The Chinese involvement in Myanmar's jade business enriches the Tatmadaw with additional illicit financial flows.[6] Chinese jade merchants pay bribes to the Tatmadaw in exchange for tons of smuggled jade stones. Allying with the Tatmadaw-held companies or cronies, Chinese mining companies swarm the town of Hpakant to slice up the largest jade pie in Myanmar. The heavy machinery introduced by Chinese mining companies takes away jobs from traditional jade hand pickers (Global Witness, 2021, p. 56), and the churnings of drill machines make jade mountains more susceptible to erosion and landslides (Global Witness, 2015, p. 38). While Tatmadaw's elites

[1] World Bank (2016, 28 April). "Myanmar Launches First Report on Extractive Industries Revenue." https://www.worldbank.org/en/news/feature/2016/04/28/myanmar-launches-first-report-on-extractive-industries-revenue.

[2] U.S. Department of State (2022, 21 March). "Secretary Antony J. Blinken on the Genocide and Crimes Against Humanity in Burma" https://www.state.gov/secretary-antony-j-blinken-at-the-united-states-holocaust-memorial-museum/.

[3] United Nations News (2017, 11 September). "UN Human Rights Chief Points to 'textbook example of ethnic cleansing' in Myanmar". https://news.un.org/en/story/2017/09/564622-un-human-rights-chief-points-textbook-example-ethnic-cleansing-myanmar.

[4] Tom O'Connell (2018, 29 June). "Kachin Conflict: Myanmar's 'Forgotten War'." Globe. https://southeastasiaglobe.com/myanmars-forgotten-war-kachin-state-forces-battle-over-resources/.

[5] Daniel Combs (2018, 1 June). "Myanmar Jade-Fueled War." The Diplomat. https://thediplomat.com/2018/06/myanmars-jade-fueled-war/.

6 Hannah Beech (last accessed: 2022, 21 May). "Battling for Blood Jade." Time Magazine. https://time.com/battling-for-blood-jade/.

pile up dirty jade money with Chinese jade business persons, locals and miners suffer from armed conflict and environmental destruction.

To sum up, the vicious cycle between armed conflict and jade stems from the illicit financial flows from bribery, crony capitalism, and jade smuggling that empower the Tatmadaw to transcend the rule of law as well as any system of accountability. The illicit financial flows in Myanmar jade business not only impoverish locals and devastate the environment but also undermine the interests of the people of Myanmar and hinder Myanmar's transition to a consolidated democracy. Therefore, it is crucial to understand the mechanisms in Myanmar's jade industry which sustain the Tatmadaw's kleptocratic and murderous dictatorship.

In addition, it is also critical to understand why the current efforts to curtail illicit financial flows are likely to be futile. U.S. president Joe Biden has announced that the U.S. will block properties of and forbid transactions with two of Myanmar's state-owned and Tatmadaw-controlled companies in an attempt to deprive the Tatmadaw of a considerable part of the jade funds.[7] Since the demand for Myanmar's jade supply mainly comes from China, lack of support for the sanctions by the government of China means that their impact will be limited.

This paper contributes to elucidating the illicit money flows from bribery, corruption, and smuggling that are persistent in the Tatmadaw's control over Myanmar's jade industry (Part 2). It also sheds light on the little-noticed enabling factor in the vicious cycle of Myanmar's jade industry—Chinese demand for Myanmar's jade (Part 3). Part 4 contains an evaluation of the adverse effects of armed conflict and environmental destruction caused by the Tatmadaw's bribery, crony capitalism, and jade smuggling. Part 5 discusses the failure of current efforts to curtail the illicit financial flows in Myanmar's jade industry. Part 6 proposes recommendations for the international community and the government of China. The paper concludes that the international community should ban the importation of all jade products from Myanmar as well as China and should cooperate with the government of China to break the vicious cycle between armed conflict and Myanmar's jade industry.

2. Illicit Financial Flows in Myanmar's Jade Industries

The Tatmadaw has driven the mutually reinforcing vicious cycles of jade and armed conflict for decades in the jade-rich and war-torn areas of Myanmar. In Kachin State, the Tatmadaw's military strategy aims to monopolize the economic exploitation of jade and other natural resources. Countless armed conflicts and grave human rights violations are committed to shore up the Tatmadaw's sole control over jade (IIFFMM, 2019a, p. 29).

Myanmar is globally famous for its valuable jade deposits. Billions of dollars worth of jade is mined from its mountainous northern mining regions in Kachin State every year. However, as some Kachin locals put it: "[the] tree is in our garden, but we are not allowed to eat the fruit" (Global Witness, 2015, p. 14). Locals in Kachin neither share revenue from mined jade nor does the civilian government tax it. Revenues from jade mines in Myanmar finance the Tatmadaw's slush funds.

The Tatmadaw's omnipresent control over Myanmar's jade industry has turned the revenues from jade into a source of illicit financial flows. More than two-thirds of all the country's jade production circumvents civilian government taxation and enriches the Tatmadaw (Shortell, 2019, p. 1). Myanmar's jade revenue provides the Tatmadaw with off-budget finance and supports their atrocities against civilians and ethnic minorities without political constraint. Following the coup in

[7] Presidential Documents Executive Order (E.O.) 14014 (2021, February 12). "Blocking Property With Respect to The Situation in Burma." *Federal Register* Vol. 86, No. 28. https://home.treasury.gov/system/files/126/14014.pdf.

2021, it has become harder to reverse the vicious cycle between armed conflict and Myanmar's jade trade. The Tatmadaw's control of the jade industry is detrimental not only to fiscal soundness but also to the consolidation of democracy in Myanmar for it strengthens the Tatmadaw's financial independence from the civilian government.

This part will present three key factors that enable the Tatmadaw to profit on an enormous scale from Myanmar's jade: the bribery for jade concessions, crony capitalism in Myanmar's jade business, and jade smuggling to China.

2.1 Bribery for Jade Concessions

While there is no transparent standard to determine who should win the bid for a jade concession (MEITI, 2019, p. 44), nepotism and bribery can predict how jade concessions are awarded. A jade merchant has revealed a typical scenario on how a company wins a jade concession: the company must approach the Tatmadaw Northern Commander, the Kachin State Chief Minister, or the officials in Nay Pyi Taw, and say: "I really want this area in Hpakant to mine jade." If the company pays a handsome bribe or promises to share a satisfying amount of jade profits in the future, "the military will ensure that the company gets a concession in return". One jade businessman concluded: "When you go to see high-ranking officials, you don't go empty handed" (Global Witness, 2015, p. 34).

However, bribery and nepotism are not on an equal footing. The more valuable a jade mine is, the closer the connections with the Tatmadaw needs to be for a concession to be awarded. The value of jade deposits varies greatly among the 35,000 acres (now reduced to 29,000 acres) of the jade mining area in Hpakant (Global Witness, 2015, p. 30). Less than 1% of jade outputs are imperial or commercial grade jadeite, but these outputs account for over 70% of the value of Myanmar's jade business (Dapice and Nguyen, 2013, p. 28). Today, most concessions of the high-quality jade deposits, such as Maw Sizar, Kwang San, Kayin Chaung, Nam Maw, belong to companies or cronies closely tied to high-ranking figures in the Tatmadaw, while concessions of lower quality jade deposits go to less-connected companies. The significance of nepotism in the jade concession is backed up by a jade businessman, who pointed out: "Even if you have the money you cannot get into Hpakant without connection" (Global Witness, 2015, p. 33).

To strengthen the nepotism with the Tatmadaw, a joint venture with a military-held company, such as Myanmar Economic Holding Limited, is considered the only effective business strategy to win a precious jade concession in Myanmar. The law provides three forms to legitimately hold a jade concession. A joint venture with a military company is one option. The second option is a solely privately-owned concession, for which close connections with or handsome bribes to the Tatmadaw are required, and the last one is Kyo Thu, whereby private companies have a profit-sharing arrangement with Myanmar Gemstone Enterprise (hereinafter MGE) owned by the Ministry of Mines (Global Witness, 2015, pp. 28-30).

However, the Tatmadaw has its share in all of these practices. If mining companies obtain a jade concession through a joint venture with Tatmadaw-controlled companies or crony companies, the Tatmadaw will share the jade profits as a partner. If companies obtain jade concessions in the form of Kyo Thu, MGE will share the post-taxed proceeds of jade. The major shareholders and managers of MGE are all serving or retired military officers, who authorize MGE to operate with autonomy without the supervision of the Ministry of Mines (Bauer et al., 2018, p. 76). Bribery and nepotism are preconditions for starting a jade business in Myanmar.

2.2 Crony Capitalism in Myanmar's Jade Industries

Crony capitalism has defined Myanmar's jade business for decades in two ways, one by the Tatmadaw's crony companies, and the other through the direct control of a jade business by top military leaders in the Tatmadaw. Among the Tatmadaw-controlled companies that are critical figures in Myanmar's jade business, Myanmar Economic Holdings Limited (hereinafter MEHL) has been the most notorious crony company that connects jade with armed conflict (IIFFMM, 2019a, p. 18).[8] The U.S. and the U.K. have sanctioned MEHL since the coup in 2021 due to the Tatmadaw's management role, its dominant shareholding, and the jade revenue allocation of MEHL, which can directly enrich officials of the Tatmadaw (IIFFMM, 2019a, Annex II).

According to Amnesty International, MEHL has a total of 381,638 individual shareholders, who are all serving or retired military personnel, and 1,801 "institutional" shareholders, including the regional command and its subordinate battalions, divisions, platoons, squadrons, and border troops. MEHL shareholders received more than 107 billion kyats in dividends between 1990 and 2011, close to 18 billion U.S. dollars at international exchange rates. MEHL transferred 95 billion kyats – nearly 16 billion U.S. dollars – to units and regiments of the military (Amnesty International, 2020, p. 5).

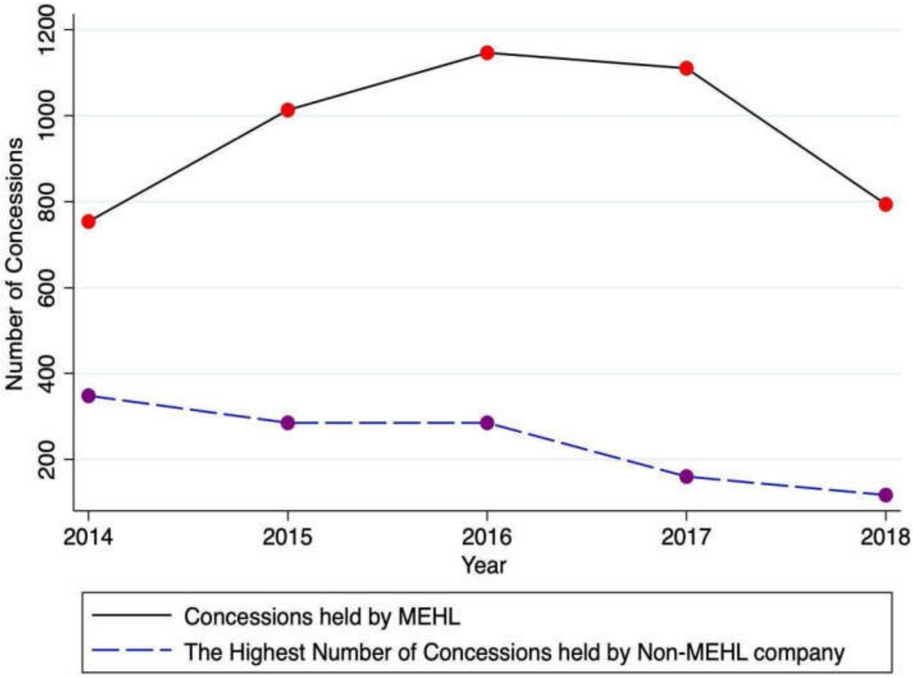
MEHL's shareholders include military units and senior military officers directly involved in genocidal atrocities against Rohingya Muslims in Rakhine State. For example, Min Aung Hlaing, the commander-in-chief of Myanmar, who ordered the clearance operation against Rohingya Muslims and was singled out by the U.N. for investigation for genocide, crimes against humanity, and war crimes, owned 5000 shares of MEHL and received approximately 1.5 million kyats (USD250,000) in dividends between 2010 and 2011 (Amnesty International, 2020, p. 7). The Western Command, whose units and regiments were responsible for the clearance operation in Rakhine State in 2017, held more than 4.3 million MEHL shares and received more than 1.25 billion kyats (208 million U.S. dollars) between 2010 and 2011. The Tatmadaw and other military personnel hold all of MEHL's shares.

MEHL has a versatile business portfolio, spanning the fields of mining, telecommunications, textiles, tourism, finance, and construction. Jade mining is one of its most profitable businesses (IIFFMM, 2019a, p. 21). MEHL took over mining sites in Hpakant, the largest mining region in Kachin, and started its jade business in 1995 when the Tatmadaw signed a ceasefire agreement with the KIA to temporarily end the racial and regional conflicts between the Myanmar and Kachin people (Global Witness, 2015, p. 50).

MEHL and its 23 subsidiaries have received many more jade concessions than companies without military connections, as shown in Figure 1 below. In 2018, MEHL held at least 794 jade concessions (IIFFMM, 2019a, Annex III), and some subsidiaries of MEHL control the most valuable jade mines that contain jadeite, the most precious grade of jade, in Hpakant (MEITI, 2019, p. 73). The available mining areas in Myanmar have been shrinking due to the government's policy of gradually suspending jade concessions. In 2018, there were around 29,000 acres of jade mining land in Myanmar, and MEHL and its joint venture companies still legitimately control 6,624 acres of the mining area (Lin et al., 2019, p. 17).

[8] The UN Independent International Fact-Finding Mission on Myanmar (IIFFMM) has identified several Tatmadaw controlled companies that are significant figures in Myanmar's jade industries, including Myanmar Economic Holding Limited (MEHL), Myanmar Economic Corporation (MEC), Shwe Innwa Gems, and Polaris Gems (or Northern Star Gems).

Fig. 1. MEHL and its 23 subsidiaries



Data Source: 2th-5th Myanmar Extractive Industries Transparency Initiative Report

To the local and small mining companies, the MEHL is a greedy scoundrel that loots lands and displaces locals by wielding emergency powers which, according to Section 144 of Criminal Procedure of Myanmar, can only be issued by a District Magistrate, a Sub-divisional Magistrate, or any other Magistrate.[9]

With Tatmadaw's endorsement, MEHL has been above the law of Myanmar since before the coup. MEHL seizes precious jade mines by invoking Section 144. In doing so, MEHL declares the targeted mine area an area under emergency power by which it prohibits anyone from entering

[9] Section 144 of the Criminal Procedure of Myanmar: "(1) In cases where, in the opinion of a District Magistrate, a Sub-divisional Magistrate, or of any other Magistrate (not being a Magistrate of the third class) specially empowered by the President of the Union or the District Magistrate to act under this section, there is sufficient ground for proceeding under this section and immediate prevention or speedy remedy is desirable, such Magistrate may, by a written order stating the material facts of the case and served in manner provided by section 124, direct any person to abstain from a certain act or to take certain order with certain property in his possession or under his management, if such Magistrate considers that such direction is likely to prevent, or tends to prevent, obstruction, annoyance or injury, or risk of obstruction, annoyance or injury, to any person lawfully employed, or danger to human life, health or safety, or a disturbance of the public tranquility, or a riot, or an affray.
(2) An order under this section may, in cases of emergency or in cases where the circumstances do not admit of the serving in due time of a notice upon the person against whom the order is directed, be passed *ex-parte*.
(3) An order under this section may be directed to a particular individual, or to the public generally...
(4) Any Magistrate may, either on his own motion or on the application of any person aggrieved, rescind or alter any order made under this section by himself or any Magistrate subordinate to him, or by his predecessor in office.
(5) Where such an application is received, the Magistrate shall afford to the applicant an early opportunity of appearing before him either in person or by pleader and showing cause against the order: and, if the Magistrate rejects the application wholly or in part, he shall record in writing his reasons for so doing.
(6) No order under this section shall remain in force for more than two months from the making thereof, unless, in cases of danger to human life, health or safety, or a likelihood of a riot or an affray, the President of the Union, by notification in the Gazette, otherwise directs."

without permission. MEHL's patrolling soldiers will directly shoot and kill anyone entering without permission. Residents said: "Everyone is afraid of Section 144, even children. If we go there, they will shoot us. As long as MEHL can invoke Section 144, they can do whatever they want" (Global Witness, 2015, p. 27).

As the Tatmadaw's intimate crony, looting and occupying jade mining lands are the MEHL's main tasks, while excavation and mining of jade are not. MEHL either subcontracts the mining work to other mining companies or authorizes companies to have a joint venture with it or its subsidiaries to mine jade and enjoy a share in the jade output.[10]

MEHL is the best example of crony capitalism in Myanmar's jade industry because it is the Tatmadaw's de-facto agent in the industry. While the Tatmadaw uses violence to strengthen MEHL's control over jade mines, and MEHL rewarded the Tatmadaw with handsome shareholders' dividends from the jade industry, residents were displaced and impoverished. The mining wealth of the region did not fund better development but left most of the local population living in displacement and fear (Global Witness, 2015, p. 41).

The other essential figures that forge the crony capitalism of Myanmar's jade industry are the godfather-like top military leaders, such as the current dictator Senior General Min Aung Hlaing and retired Senior General Than Shwe, both of whom control key jade mining companies through their family members and loyalists. The personal wealth extracted from the jade industry could be greater than the jade revenue that goes to MEHL, and more detrimental to Myanmar's meaningful political transformation than institutional crony capitalism. The money that flows into the military units could be less than the wealth siphoned off into the personal coffers of a handful of top generals.

From 1992 to 2011, now-retired General Than Shwe led Myanmar as a dictator during the darkest period of the nation. His family members own four key jade companies, whose pre-tax jade sales in total exceeded USD220 million in 2014 – the National Jade Emporium; Myanmar Naing Group Gems; Kywe Wa Sone Gems (Richest Gem); and Kyaing International Gems, which is named after Than Shwe's wife, Daw Kyaing Kyaing (Global Witness, 2015, p. 42). Than Shwe's three sons are directors of Myanmar Naing Group Gems and Kyaing International Gems respectively, and the director in chief of Kywe Wa Sone Gems is also a director of both former companies. None of the companies secure jade mine concessions by undergoing required bidding procedure, and all of their mines are heavily mechanized and could easily trigger landslides. These companies pay little regard to the rule of law and the well-being of local people. Than Shwe's family's control over jade demonstrates the military leaders' ability to abuse their military and political power to accumulate personal wealth in a mutually reinforcing and violent cycle (Global Witness, 2015, p. 41).

Than Shwe's family also controls a wide range of industries in Myanmar in various sectors from natural gas to textiles and even including bakeries. If someone wants to do business, they must negotiate with a member of Than Shwe's family first.

The shadow executive behind MEHL is Myanmar's incumbent Senior General and one of the major conspirators behind the 2021 coup, Min Aung Hlaing. According to the 2018 official report of MEHL to the Union Minister Office Ministry of Planning and Finance Nay Pyi Taw, MEHL not only holds the largest number of concessions over the most lucrative mining sites, but they also lease some of the mining sites to the crony group controlled by Min Aung Hlaing's family members, such as the KBZ group. In the 2015-16 fiscal year, MEHL re-leased the mining licenses it had secured from the government to the subsidiaries of KBZ to extract 24,230 kg of jade, with

[10] Interviews conducted by Global Witness have shown that MEHL enjoys 20%-40% of the split share of jade products (Global Witness, 2015, p. 51).

only the minimum royalties paid to the local government (MEHL, 2018). Min Aung Hlaing's son, Aung Pyae Sone, is also accused of controlling large amounts of dynamite imports, crucial to the current mechanized jade extraction processes, to Hpakant, the center of Myanmar's jade industry. Moreover, he has been indicted for paying bribes for permission to transport these explosive materials. As a result, Aung Pyae Sone and his sister Khin Thiri Thet Mon have both been placed on the U.S. sanctions list.[11]

The tremendous jade revenues that Than Shwe's family and Min Aung Hlaing have received means that these dictators have much to lose from meaningful political reform. So far, Myanmar's undemocratic constitution still guarantees the Tatmadaw 25% of the seats in Parliament (a *de facto* veto power to constitutional reform) and control over the Ministries of Home Affairs, Border Affairs, and Defense. Both Than Shwe and Min Aung Hlaing built up their personal wealth by exploiting their dominant political power, and, because the tremendous wealth of top military leaders' is at stake, every attempt by the National League for Democracy (NLD) to reform the Constitution has failed.[12]

2.3 Jade Smuggling to China

The Tatmadaw makes a great fortune from jade smuggling to China, which is the biggest market for Myanmar's jade. While 50%-80% of the outputs of Myanmar's jade industry circumvents the taxation of the governments of Myanmar and China through smuggling (Global Witness, 2015, p. 102), the Tatmadaw maintains its handsome share in the smuggling of jade on the Sino-Myanmar border.

The Myanmar Gemstone Law (1995)[13] requires jade businesses to pay various fees, royalties, and taxes to the government, including permit, license and administrative fees, commercial tax, and a 20% value-based tax imposed on the jade outputs and mine sites.[14] They must then transport mined jade to Nay Pyi Taw to be sold at the government-run Myanmar Gems Emporium with another 10% tax, after which the jade can be transported freely out of Myanmar.[15] In practice, local jade mining companies bribe the mine-site inspectors or buy back the jadestone they just sold at a very low price as a way of avoiding official taxation in the National Emporium.

By contrast, payment of 'taxes' to the Tatmadaw is inevitable. The Tatmadaw deploys heavily armed forces in mine sites to check and evaluate the real value of jade output and controls the jade-carrying routes to China by means of numerous checkpoints. The following paragraphs will

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[11] Ted Regencia (2021, June 29). "Myanmar Army 'Tightens Grip' on Multibillion Dollar Jade Trade: Report. " Al Jazeera. https://www.aljazeera.com/news/2021/6/29/global-witness-report-jade-in-myanmar.

[12] Justice for Myanmar (2021, January 30, updated 2021, March 16). "Who Profits from A Coup? The Power and Greed of Senior General Min Aung Hlaing." https://www.justiceformyanmar.org/stories/who-profits-from-a-coup-the-power-and-greed-of-senior-general-min-aung-hlaing.

[13] Replaced by Pyidaungsu Hluttaw Law No. 4/2019 - Myanmar Gemstone Law.

[14] According to the Myanmar Gemstone Law, Chapter 1, Article 2, a royalty is imposed on the sale of jade, an extraction royalty is imposed on the extraction of jade, the Emporium Service Fee is imposed on sales in the national jade emporium, a permit fee is paid to bid for the operation of jade extraction, and a license fee is paid to bid to operate a jade business. https://www.burmalibrary.org/sites/burmalibrary.org/files/obl/docs21/1995-09-29-Myanmar_Gemstone_Law.pdf.

[15] Myanmar Gemstone Law 1995 Section 17: "If it has completed registration of the raw gemstone produced and payment of royalty a company or society holding a permit: (a) has the right to cut and polish the said raw gemstone, and make finished gemstone and manufacture jewellery; (b) has, in respect of the said raw gemstone, or cut and polished finished gemstone or jewellery; (1) the right to carry freely the same within the country in accordance with the stipulations; (2) the right to sell freely in Myanmar currency to Myanmar citizens; (3) the right to sell in foreign currency to persons who are entitled to hold foreign currency; (4) the right to export and sell abroad in foreign currency; (5) the right to sell at the Gem Emporium sponsored and conducted by the Government, at the Gem Markets opened by those concerned and at the shops and places permitted under the licence; (6) the right to sell to gem merchants from abroad in accordance with prescribed conditions by inviting them on its own arrangement."

demonstrate how mining companies evade official taxation of jade and elucidate how the Tatmadaw guards its lion's share of jade smuggling to China.

2.3.1 Bribing Inspectors

At the mine sites, the most common way to evade tax is to bribe the government officials who come to inspect the value of crude jade stones and calculate jade tax. Bribed officials might either not record any mined jade, making mined jade invisible and untraceable from the beginning, or underestimate both the quantity and quality of jade. Hence jade tax is completely avoided or considerably reduced.

2.3.2 Jade Stones Buybacks

At the official emporium, the use of jade stone buybacks is a common trick to avoid tax by deflating the sale price. Sellers initially cut windows on the lowest quality side of the jadestone, misleading the officials who come to the emporium to set the jade tax. Based on the misinformation given by sellers, the duped officials designate a jade tax that is much lower than it should be. Once the tax is officially imposed, the sellers ensure their proxies or agents buy back the undervalued jadestone and legally transport it to China, mainly to jade markets in Yunnan Province, where the stones will be cut again, this time with the window open on the side that displays the true value of the jade stones to enhance the price. The price spread of jade between the official emporium in Myanmar and the jade market in China could be hundreds of dollars per kilo, which is so lucrative that it makes the legal jade trade unattractive.

Estimates show that over 80% of big mining companies and 60% of individual jade vendors conduct jadestone buybacks. This implies that the official data of the 2015 National Emporium, which recorded only 2 pieces of imperial jade in 8,000 sale lots, are very likely to understate the real percentage of higher-grade jade (Global Witness, 2015, pp. 35-36).

2.3.3 Tatmadaw's Profits in Jade Smuggling

The Tatmadaw is a mafia in both Myanmar's jade mines and on the jade-smuggling routes to China. The mining regions in Kachin State are heavily militarized and smuggling routes to China are covered with Tatmadaw checkpoints (Global Witness, 2021, p. 30). All jade mining companies are required to pay the Tatmadaw's soldiers in exchange for protection in the mine-sites and to facilitate jade smuggling.

Larger jade mining companies pay a lump sum of USD5,000-10,000 in advance to the Tatmadaw's commander in Hpakant and additional bribes to the Tatmadaw every month in exchange for the protection of their mining sites. Normally, trucks of a larger jade mining company used for smuggling can pass directly through the checkpoint without stopping. Large companies that have better connections with the Tatmadaw even carry soldiers on the smuggling trucks to protect their jade stones.

Medium-sized companies are not as lucky as their larger counterparts. In the mine-sites, everyone from the battalion commander to police wants to benefit from the jade trade.[16] The Tatmadaw's officers and local policemen inspect every one of these companies' jade mines, and they extort at least 20% of the jade value (Global Witness, 2021, pp. 89-91). If good-quality jade is found, companies must pay more. On the smuggling routes to China, medium-sized mining

[16] Emily Fishbein, Hkun Lat, and Aung Lamung (2020, August 19). "In Myanmar's Largest Jade Mining Town, the Semi-Precious Stone Prized by Chinese Costs More Than Money." Pulitzer Center. https://pulitzercenter.org/stories/myanmars-largest-jade-mining-town-semi-precious-stone-prized-chinese-costs-more-money.

companies will pay in advance so that, identified by their license plates, Tatmadaw soldiers will let them pass through the checkpoints.

Small mining companies and free-lance miners are the most vulnerable due to their lack of connection with the Tatmadaw. The Tatmadaw's soldiers conduct a body search of workers of these companies or miners at the checkpoints and extort from them an amount of money greater than the value of jade they are trying to smuggle. To avoid such extortion, these companies and miners usually hide their jade from the Tatmadaw's inspection, but in doing so they risk being beaten, locked up for several years or even killed by the soldiers (IIFFMM, 2018, p. 58).

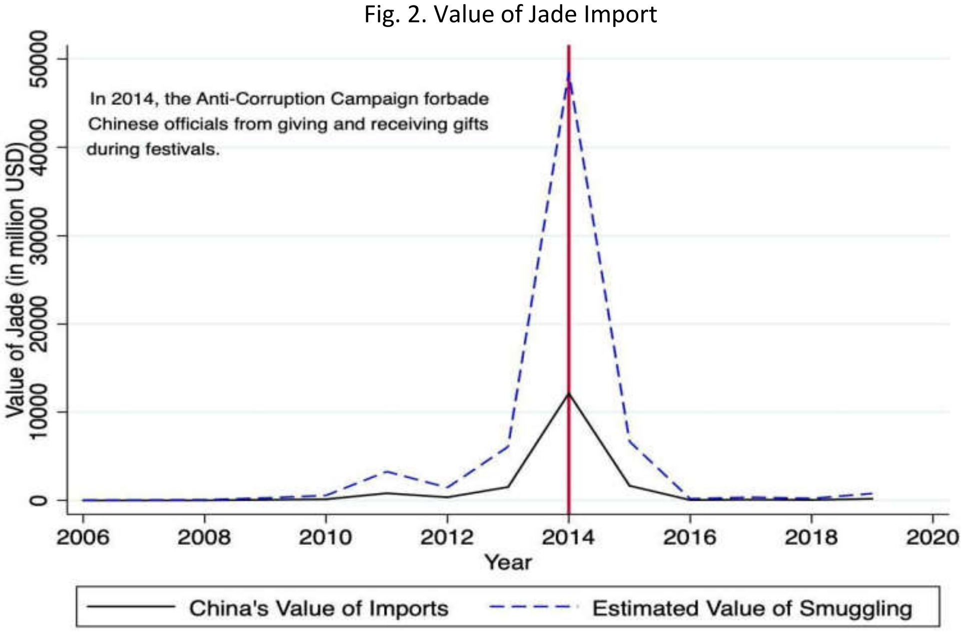
2.4 The Magnitude of the Illicit Financial Flows

While it is difficult to estimate how many bribes the Tatmadaw receives as a result of its control over Myanmar's jade industry, the value of Myanmar's jade smuggling to China can be estimated based on China's customs statistics.

One estimate has suggested that the value of annual jade production in Myanmar may be close to USD31 billion on average, close to half of Myanmar's annual average GDP (Global Witness, 2015, p. 6). This estimate may substantially understate the real jade production of Myanmar because, as mentioned above, a large amount of jade is never officially recorded after it is mined.

This paper presents another plausible approach to calculating the annual value of smuggled jade from Myanmar, namely to multiply by a number between two to five China's jade import data because the nearly 50%-80% of smuggled jade to China means that China's import data only account for approximately 20%-50% of total jade imports. In Figure 2 below, the solid black line illustrates China's imported value each year. The dotted blue line represents the estimated value of smuggled trade each year – four times larger than China's official value of imports.

Fig. 2. Value of Jade Import



Data Source of China's Value of Jade Import: UN Comtrade[17]

Note: According to the UN Comtrade Database, the values of official Chinese imports of jade from Myanmar from 2006 to 2019 are, respectively (in USD): 10.1 million, 12.2 million, 18.9 million, 71.4 million, 142 million, 817.6 million, 364.4 million, 1,522 million, 12.1 million, 1.7 million, 48.5 million, 91.7 million, 57.5 million, and 196.4 million.

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[17]UN Comtrade Database: https://comtrade.un.org/.

Bribery for jade concessions, crony capitalism in Myanmar's jade business, and jade smuggling to China are three key factors that allow the Tatmadaw to make large profits from Myanmar's jade. However, the world's biggest jade market is China. The Tatmadaw cannot make a great fortune out of Myanmar's jade business without the huge demand from the Chinese market. The following Part of this paper will address this enabling factor that finances the Tatmadaw through jade transactions.

3. The Enabling Factor: China's Role in Myanmar's Jade Industry

China's culture and corruption support the country's high demand for Myanmar's jade. Chinese also capitalize on the underground remittance system in Myanmar's jade market to facilitate capital outflows in renminbi (hereinafter RMB) from China. The Chinese have historically coveted jade much more than people of other cultures. In the *Analects*, the canon of Confucianism, Confucius lauded jade for its hardness and transparency, which are the virtues shared with the ancient superior man in Confucianism. Since then, jade has been more precious than gold in China.

Nowadays, jade is more than a symbol of an ancient superior man. Jade is a popular gift among the Chinese, often used to bribe Chinese public officials. China's demand for Myanmar's jade has stimulated the development of the underground remittance system in Myanmar's jade market, which Chinese buyers use to circumvent legitimate banking systems and avoid their financial flows being tracked. Not only are Chinese the major buyers of Myanmar's jade, they are also the hidden operators and beneficiaries of the underground banking system in Myanmar's jade market. China's dominant role influences the demand for Myanmar's jade and the influx of illicit financial flows into Myanmar.

3.1 The Jade-Loving Chinese Culture

The obsession of Chinese culture with jade makes China the largest jade processing and trading market globally. In Confucius's words, jade is precious because "Anciently, superior men found the likeness of all excellent qualities in jade. Soft, smooth, and glossy, it appeared to them like benevolence. Fine, compact, and strong—like intelligence. Angular, but not sharp and cutting—like righteousness…" (*The Analects*, Liji, Pin Yi, at para 12).

The use of Myanmar's jade by the Chinese may have begun during the third to eighth centuries, but the large-scale excavation of Myanmar's jade did not begin until the Second Anglo-Burmese War.[18] As early as the 19th century, a close commercial network developed at the Sino-Myanmar border (Li & Zhang, 2013, p. 2). Since then, the rarity, better translucency, and brighter yet green hue of Myanmar's jade has remained popular in the Chinese jade market, only declining from the Chinese Civil War to the eve of Chinese economic reform and rapidly reviving after China reopened its economy (Zhou Jinglun,1992). The cross-border production chain of jade starts from shipping Myanmar's jade stones to Yunnan, where they are purchased by merchants from Guangdong and then re-shipped to the coast of China for further processing and sale (Xu Xi, 2021).

In the 1990s, when the jade trade to China substantially increased with the economic development of the country, the fighting between the Tatmadaw and the Kachin rebels intensified (USIP, 2018, pp. 17-25). In 1994, the Tatmadaw repelled the KIA to expand its control over most of the lucrative jade mines in Hpakant and Myitkiyna. These newly controlled jade mines were

[18] In 1862, when Arthur Purves Phayre, the first British Myanmar commissioner, visited Upper Myanmar, he reached an agreement with King Min Tong. According to the agreement, goods imported from China to British Myanmar would only be subject to a 1% import tax, while goods imported from British Myanmar to China would all be tax-free. Such preferential taxation attracted a large number of merchants to engage in the Myanmar-China trade.

first handed over to the Tatmadaw's generals and then to their relatives and cronies (Global Witness, 2021, p. 11).

Since the 1990s, Chinese mining companies and jade merchants have swarmed the Sino-Myanmar border to ally with the Tatmadaw to share a slice of the lucrative pie of Myanmar's jade boom. They pay the Tatmadaw for protection when they transport jade from disputed territories back to China. Chinese involvement in Myanmar's jade business has buttressed the Tatmadaw's kleptocratic control over Myanmar's jade mining.

Even though Myanmar's Gemstone Law forbids foreign ownership in jade excavation,[19] Chinese jade merchants are critical figures in Myanmar's jade business. On the one hand, the Tatmadaw cannot earn billions of dollars annually from the Chinese jade market in Yunnan and Guangzhou without Chinese jade merchants as couriers and middle persons to sell Myanmar's jade legally or illegally. On the other hand, Chinese jade merchants bribe the Tatmadaw in exchange for permits to conduct their jade business through Myanmar-registered "front companies" or ethnic Chinese who have citizenship in Myanmar (Global Witness, 2021, p. 56).

3.2 Myanmar's Jade: A Token of Corruption in China

Jade bribery forms part of the "elegant bribery" (*Ya Hui* in Chinese) that is rampant in the bureaucracy of the Chinese government (Chinese Communist Party, 2014, Nov.). Myanmar's jade is a popular source of jade bribery to Chinese public officials due to its value and texture. According to Chinese Communist Party's reports from the Central Commission for Discipline Inspection, Ni Fake, the former deputy governor of Anhui, loves Myanmar's jade to the point of madness. He kept collecting jade bribes from mining bosses, real estate bosses, and others, with a total value of USD1.88 million, accounting for 80% of the total bribes he received. At the end of February 2021, Ni Fake was sentenced to 17 years in prison for his corruption (Chinese Communist Party, 2014).

Another corrupt jade-loving Chinese top official is Xu Caihou, the former vice-chairman of the CCP's military commission who decorated his mansion with massive jade carvings that are made out of the jade he collected in bribes. When a prosecutor ransacked Xu's mansion due to allegations of corruption, the prosecutor found 200 kilograms of jade, antiques, and a jade-made TV wall worth USD3 million.[20]

Partially driven by the need to pay bribes to public officials in China, Myanmar's jade is now a token of corruption among the bureaucracy in China.

3.3 Chinese-run Underground Banking System in Myanmar's Jade Market

China's capital flight through the black market and underground banking system (*di tan yin hang* in Chinese) is worth at least USD1.2 billion per year.[21] The jade market in northern Myanmar is not only a jade bazaar but also one of the various destinations for the capital outflows in RMB. While the Chinese are the major buyers of Myanmar's jade, the jade trades that occur in national

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[19] The Myanmar Gemstone Law (The State Law and Order Restoration Council Law NO. 8/95), 29 Sept. 1995, Section 2(h): "Company means a company formed as a Myanmar company under the Myanmar Companies Act or a company formed solely with Myanmar citizens under the Special Company Act, 1950".

[20] *Phoenix Weekly* Hong Kong (2015, March 16). "The Seizure of Xu Cai Hou: Over 1 Ton of Cash and Piles of Jade in the Mansion." (xiang gang feng huang zhou kan xu cai hou bei cha chao nei mu ： hao zhai zhong cang 1dun duo xian jin cheng dui yu shi).
https://finance.ifeng.com/a/20150316/13554851_0.shtml.

[21] Issaku Harada & Kazuya Manabe (2019, June 23). "Quiet Capital Flight Dents China's Sway as $1.2tn 'Disappears'." *Nikkei Asia*. https://asia.nikkei.com/Spotlight/Datawatch/Quiet-capital-flight-dents-China-s-sway-as-1.2tn-disappears.

emporiums in Naypyidaw, Myanmar are carried out in euros.[22] The huge demand to exchange RMB for euros and other foreign currencies to purchase jade has spawned the development of an underground banking system in Myanmar's jade market. In the jade market between Yunnan, China and Mandalay, Myanmar, people can exchange millions or even tens of millions of RMB into any currency.

Run mostly by Chinese jade merchants as a vertical integration with jade retail businesses, the underground banks in Myanmar's jade market are the critical factors that drive Chinese demand for Myanmar's jade and facilitate jade payments due to China's stringent policy on capital control. The central government of China has imposed a USD50,000 cap for foreign currency exchange per person per year to stabilize demands for RMB, and thus those Chinese who need more foreign currencies than USD50,000 are required by the People's Bank of China to make special applications, in which the purposes of the transactions must be stated.

However, the USD50,000 cap is a low ceiling for Chinese jade merchants, far less than adequate to purchase the highest quality jade, valued at around USD872,000 per kilogram.[23] In addition, as previously mentioned in this piece, around 50-80% of Myanmar's jade is smuggled to China. Most of the Chinese jade merchants who run their business in secret to avoid tax from the governments of China and Myanmar prefer not to regularly exchange their RMB into foreign currencies, which would risk exposing their commercial activities and entail fines and investigations. Based on the above concerns, most Chinese jade buyers prefer to change their RMB into foreign currencies in the underground banks in Myanmar's jade market.

In addition to jade trades, capital outflows in RMB also contribute to the development of the underground banking system in Myanmar's jade market. The underground banks in Myanmar's jade market help customers by, on the one hand, using the jade trade as camouflage, and on the other hand, connecting to an offshore account to move their assets in RMB out of China. Jade trades are common reasons for the rich to bring multi-million amounts of RMB to the Sino-Myanmar border. When the underground banks in Myanmar have collected RMB from customers, they calculate the exchange rate and commission, add around 1%-5% handling fee, then notify the partners abroad to transfer the corresponding foreign currency to the overseas account designated by the customer.[24]

The mechanism of the underground banking system in Myanmar's jade market not only facilitates illicit financial flows between China and Myanmar but also connects to the traditional British Raj informal financial network, the Hundi system, to transfer money all the way from China to countries that used to be part of British India (Thompson, 2019, pp. 339-349).

4. Adverse Effects

The vast sum of illicit financial flows behind Myanmar's jade business has inflamed continued armed conflict between the Tatmadaw and other non-state armed forces in Kachin State and benefitted the Tatmadaw at the significant human rights cost of armed conflict and environmental destruction.

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[22] Mu Xuequan (2019, March 20). "Over 500 mln USD Jade, Gems, Jewelry Lots Sold at Myanmar's Annual Gems Emporium." *Xinhua Asia and Pacific*. http://www.xinhuanet.com/english/2019-03/20/c_137910649.htm.

[23] Yan Naung Oak (last visited Dec 10, 2021). "Even with New Data, Valuing Myanmar's Jade Industry Remains a Challenge." Natural Resource Governance Institute. https://openjadedata.org/stories/how_much_jade_worth.html.

[24] Wu Rui Da (2014, August 16). "China's Black Market for Money Laundering Exceeds RMB 200 Billion a Year." *China Times*. (wu rui da lu hei shi xi qian nian yu 2qian yi ren min bi zhong guo shi bao) https://www.chinatimes.com/newspapers/20140816000098-260203?chdtv.

4.1 Armed Conflict

Since the 1960s the people of Kachin State have suffered from massacres, displacement, sexual violence and environmental destruction due to Kachin's deposit of jade, the richest in the world. The Tatmadaw took on clearance operations in Kachin to "cut off" the KIA's access to the jade. The Tatmadaw's scorched earth campaign set fires to massive areas of land, eradicated entire villages, and caused grave human rights violations in Kachin's mining region to monopolize the jade trade (IIFFMM, 2018, p. 27).

4.1.1 Massacre and Displacement

Hundreds of thousands of Kachin people have been killed and forced to leave Kachin due to the internal conflicts over natural resources between the Tatmadaw and the KIA. The KIA, established in 1961, has since resisted the control of the Tatmadaw and fought for greater autonomy by controlling jade mines in Kachin State and centralizing jade taxes to finance its own independent army (Møller, 2017), with some payments made in the form of armaments.[25] In 1994, with the ceasefire agreement between the Tatamadaw and the KIA, the Tatmadaw ultimately occupied most of the mine sites in Kachin.

However, although the Tatmadaw and the KIA have engaged in intense armed conflict against each other for decades, during the ceasefire period they cooperated to maximize the extraction of jade in Kachin State, which has increased after the civil government announced the suspension of the issuance of new mining licenses in 2016. Both the Tatmadaw and the KIA tried their best to drain jade mines in Hpakant for all their worth and finance their own troops and battalions through the China-Burma jade trade. Even when the conflicts between the two militaries escalated in northern regions of Myanmar, some locals witnessed that both sides' soldiers in Hpakant "go out to karaoke together and then pretend to fight" (Global Witness, 2021, p. 14).

In 2011, the contest for the profits of jade and other natural resources shattered the 17-year ceasefire agreement between the KIA and the Tatmadaw and re-ignited intense armed conflict in Hpakant Township, Kachin (Global Witness, 2021, pp. 34-35; Jaquet, 2015, pp. 50-51). As big as a civil war, this ongoing clash has killed thousands of civilians, displaced more than 100,000 people, and forced 106,500 people to live in 169 camps in Kachin and Shan States (IIFFMM, 2019b, p. 27).

4.1.2 Sexual Violence against Women and Men

In various attacks on Tanai Township, Kachin, from June 2017 to November 2018, Tatmadaw soldiers committed rape, gang rape, attempted rape, forced nudity, and sexual humiliation of women. One witness reported seeing 20 soldiers of the Tatmadaw gang-raping two Kachin girls, both between 15 and 16 years old. The witnesses fled the scene out of fear and later learned that the villagers had found the bodies of the two girls (IIFFMM, 2019b, p. 29).

Besides rape and gang rape, the Tatmadaw's soldiers committed other forms of sexual violence that sought to sexually humiliate Kachin women. One Kachin survivor recounted that Tatmadaw's soldiers forced her to undress before her family. Other victims reported being called "Kachin bitch", "children of the fuckers", being threatened that "we will fuck you Kachin witches until you die", or being spat on during rapes.

Men were not immune from the Tatmadaw's use of sexual violence to defeat the KIA in the jade battles. In 2012, armed conflict escalated between the KIA and the Tatmadaw in Myitkyina, the capital of Kachin and the home of the most precious jadeites in Myanmar. The Tatmadaw, allying with the police and Myanmar's intelligence service, subjected Kachin's men during

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[25] Sara Kulic (updated 2021, August 11). "How Jade Trade Between Myanmar and China Funds Violence." The Counterterrorism Group. https://www.counterterrorismgroup.com/post/how-jade-trade-between-myanmar-and-china-funds-violence.

detention and interrogation to rape and sexual torture that sometimes led to death. Such sexual violence was an attempt to win the control of jade and other natural resources in Myitkyina.

Two Kachin men who survived the sexual violence of Myanmar's intelligence service recounted that they were forced to rape each other during an interrogation. The agent forced them to undress and to penetrate each other with their penis anally. One agent of the intelligence watched the process of sexual torture and teased them, saying "Are you enjoying yourselves?". They begged the agent to stop the rape, but the agent forced them to continue. Another Kachin man reported that one agent forced him during interrogation to rub his penis until the skin was peeled and bleeding.

One Kachin man who was previous forcibly recruited into the Tatmadaw's para-military reported that a Tatmadaw commander coerced him to perform fellatio on two occasions at the military base, and each time the commander threatened the survivor, "if you tell anyone I will kill you" (IIFFMM, 2019b, p41-43).

The sexual violence against women and men of Kachin serves Tatmadaw's ambition to control the profits of jade and other natural resources in Kachin.

4.2 Environmental Destruction

The Tatmadaw's corruption in allocating jade concessions has led to a vulnerable environment in Hpakant. Before its control over Hpakant in the 1960s, jade mining by individual hand pickers with simple hoes and pickaxes used to be small-scale. After the Tatmadaw replaced KIA to control these mining sites, it allocated mine zones to its crony companies or awarded jade concessions of only 3-5 year durations to mining companies who paid a substantial bribe (Global Witness, 2015, p. 38).

Due to the short duration of jade concessions and the costly initial outlay to secure jade mines, concession holders brought in heavy mining machinery to accelerate the extraction. Mining companies started mining much faster than before. Noting this difference, a jade businessman reported: "Now jade mountains disappear in just a few days" (Global Witness, 2015, p. 6).

Chinese jade merchants' engagement in Myanmar's jade industries aggravates the deteriorating environmental conditions in jade-rich states of Myanmar. The Chinese companies introduce modern equipment to expand the scale of excavation, including excavators several stories high, bulldozers and mobile cranes, hustling and bustling around jade mines, churning the earth in search of precious greenstones (Global Witness, 2021, p. 56).

As the excavation progressed, the landscape of Hpakant became broken with oozing groundwater and piles of mine waste. Decades of large-scale jade mining have transformed the jade mountain regions in Kachin State into a moonscape, denuded of trees with towers of easily-collapsible mine waste and rubble. Workers extract jade and gems at the cost of lost lives in recurring landslides in these regions.[26]

5. The Failure of Current Efforts

Current efforts to reform Myanmar's jade industries are failing to make significant changes. Before the 2021 coup, some recommendations proposed that the civilian government should sign

[26] BBC News (2020, July 2). "Myanmar Jade Mine Landslide Kills 160." https://www.bbc.com/news/world-asia-53260834; BBC News (2015, November 22). "Myanmar Landslide: 90 Dead at Kachin Jade Mine." https://www.bbc.com/news/world-asia-34892888 On July 2, 2020, after teeming rainfall, the deadliest mining accident occurred in Hpakant area in which the tsunami-like landslide engulfed 160 workers in one minute while they were picking and sifting through rubble to find jadestones. A similar accident happened in 2015, claiming the lives of 90 itinerant jade miners.

the Extractive Industries Transparency Action Plan (EITI), to bring in transparency in jade mining data and equitable shares of the profits of jade with locals (Global Witness, 2015, pp. 15-21). After the coup, U.S. President Joe Biden issued an Executive Order to sanction Tatmadaw's properties and vowed to cut off its funds.[27] The U.S. Department of the Treasury is freezing all assets of Myanmar Gems Enterprise and prohibiting any transactions with the company.[28] Governments of the U.K. and E.U. subsequently took similar actions.[29,30]

Unfortunately, none of these sanctions have seen any positive response from the Tatmadaw. These efforts cannot cut the Tatmadaw off from the funds generated by Myanmar's jade because they overlook the demand side of the country's jade market.

China is the biggest market for Myanmar's jade and the origin of the Tatmadaw's jade finance (Global Witness, 2015, p. 37). It would be impossible to break up the vicious cycle of jade and armed conflict in the Myanmar jade industry without China's intervention. Before the coup, the Chinese were already the biggest buyers of Myanmar's jade and the crucial business partners with the Tatmadaw in Myanmar's jade industry. After the coup, the current sanctions imposed by the international society on the Tatmadaw mean that Chinese influence in the Tatmadaw's jade business is more crucial than ever.

5.1 China's Incentive to Curb the Demand for Myanmar Jade

Contrary to conventional wisdom, China has an incentive to sanction domestic demand for Myanmar's jade because the voracious consumption of jade in China is not consistent with China's President Xi Jinping's recent policies.

Myanmar's jade has become more than a symbol of an ideal Superior Man of Confucianism to Chinese. As mentioned in Part 3, Myanmar's jade is now commonly used for bribes and to camouflage RMB capital flight from China. These practices violate Xi's targeted policies of capital control and his Anti-Corruption Campaign.[31]

First, nothing has ever suppressed Chinese demand for Myanmar's jade more than President Xi's Anti-Corruption Campaign, which began in 2012. The price of Myanmar jade fell by 30% to 35% in 2012 because those targeted top officials in China were indeed the consumers of

[27] Presidential Documents Executive Order (E.O.) 14014 (2021, Febuary 12). "Blocking Property With Respect to The Situation in Burma." *Federal Register* Vol. 86, No. 28. https://home.treasury.gov/system/files/126/14014.pdf.

[28] U.S. Department of the Treasury. (2021, April 8). "Treasury Sanctions Key Gems Enterprise in Burma." https://home.treasury.gov/news/press-releases/jy0115.

[29] Foreign, Commonwealth & Development Office (2021, May 17). "UK Announces Sanctions on Gemstone Company Linked to the Military Regime in Myanmar." Press release. https://www.gov.uk/government/news/uk-announces-sanctions-on-gemstone-company-linked-to-the-military-regime-in-myanmar.

[30] European Council (2021, June 21). "Myanmar/Burma: Third Round of EU Sanctions Over the Military Coup and Subsequent Repression." Press release. https://www.consilium.europa.eu/en/press/press-releases/2021/06/21/myanmar-burma-third-round-of-eu-sanctions-over-the-military-coup-and-subsequent-repression/.

[31] The Anti-Corruption Campaign was a conclusion of the 18th National Congress of the Communist Party of China. The Campaign vowed to crack down on tigers and flies, i.e. on high to local level public officials. The first session of the Central Committee of the Communist Party of China expressed its determination to punish political corruption. The Central Commission for Discipline Inspection of the Communist Party of China began with a continuous review and investigation of a number of high-level government leaders, generals of the People's Liberation Army, and heads of state-owned enterprises and institutions. Up to now more than four million people have been found guilty and punished due to the Anti-Corruption Campaign.

In 2013, the Central Commission for Discipline Inspection released "The Eight Regulations to Stop Corruption through Festival Gifts Giving", to forbid public officials from receiving and giving gifts as a way to deter bribery. See The Central People's Government of the People's Republic of China (2013, September 3). "The Eight Regulations to Stop Corruption through Festival Gifts Giving" (zhong hua ren min gong he guo zhong yang ren min zheng fu luo shi ba xiang gui ding jian jue cha zhu zhong qiu guo qing gong kuan song li deng bu zheng zhi feng). http://www.gov.cn/jrzg/2013-09/03/content_2480677.htm.

Myanmar's jade. The Anti-Corruption Campaign that forbade Chinese officials from giving and receiving gifts during festivals in August 2014 caused the consumption of Myanmar's jade (see Figure 2, p. 12 above), and the Chinese jade market witnessed its first negative growth in 2014.[32] A jade merchant in Myanmar revealed during an interview that "the victory of the National League Democracy in the national election in 2006 impacted the jade consumption way less than the Chinese government's Anti-Corruption Campaign."[33]

Secondly, a huge loophole in China's currency control policy lies in the jade transactions at the Sino-Myanmar border. As mentioned in Part 3, the underground banking systems have prospered for decades on the Sino-Myanmar border by satisfying the need for massive foreign currency transactions related to jade trades. This loophole is manipulated to circumvent China's capital control regulations (see Part 3.3.). To shore up China's currency control policy and trade advantage, the central government of China has an incentive to regulate their domestic demand for Myanmar's jade as well.

After the 2021 coup, it is unlikely that the civilian government of Myanmar will start an institutional reform of Myanmar's jade industry. Sanctions from the international community and supervision from the EITI have contributed little so far. The remaining plausible approach to cut off Tatmadaw's financial resources from Myanmar's jade is to suppress the demand in the Chinese and other markets.

6. Recommendations

The following recommendations are addressed not only to the international community but also to the government of China to provide a plausible and comprehensive approach to curtail the illicit financial flows of jade that fund the Tatmadaw.

6.1 Recommendation for the International Community

As long as the Tatmadaw still controls the government of Myanmar, it is almost impossible for the civilian government to reform Myanmar's jade industry. Therefore, the goal of the international community should be to force the Tatmadaw to step down and curtail global demand for Myanmar's jade. For this purpose, the international community can do the following:

1. All countries, international organizations, multilateral organizations or regional institutions should refuse to recognize the military State Administration Council (SAC) as the legitimate government of Myanmar and should deny their accreditation and representation in all instances.

2. The international society should demand that the Tatmadaw immediately stop suppressing demonstrators and immediately release Aung San Suu Kyi and other pro-democracy activists who were illegally detained.

3. The UN General Assembly and the Security Council should resolve to designate the Tatmadaw as a major threat to peace, security and democracy in Asia. The Security Council and the UN General Assembly should also demand that the Tatmadaw quickly restore the rule of the democratically elected government.

4. Most importantly, according to the analysis of this paper, all countries should recognize that jade mines are the Tatmadaw's economic lifelines, pumping huge illicit financial flows from

[32] China Times (2014, October 4). "Price of Jadeite Surged as High as Hundred Times, But Anti-Corruption Campaign Suppress the Sales by 80%." (zhong guo shi bao fei cui zhang bai bei fan fu xiao liang die 8cheng). https://www.chinatimes.com/newspapers/20141007000997-260303?chdtv.

[33] Epoch Times (2015, November 17). "Affected by China's Anti-Corruption Campaign, Myanmar Jade Price Drops by 35%." (da ji yuan shou da lu fan fu ying xiang mian dian yu shi die jia 35%) https://www.epochtimes.com/b5/15/11/17/n4575343.htm.

China's jade markets, and that the Tatmadaw's control over Myanmar jade industries is omnipresent. Therefore, to cut off the Tatmadaw's jade revenue, the international community should not only ban jade products from the Tatmadaw-controlled Myanmar Gemstone Enterprise and Myanmar Economic Holding Limited, but all jade products originating from Myanmar and China.

6.2 Recommendations for the Government of China

In today's China, Myanmar's jade has become a symbol of corruption, a vehicle for capital flight from China, and ultimately an impediment to President Xi's Anti-Corruption Campaign and capital control policy. Even though the central government of China maintains friendly diplomatic relations with the Tatmadaw, it should not compromise its main policy goals to cater to the junta. To improve its targeted policy of anti-corruption and capital control, the government of China can take up the following measures:

1. The government of China should strengthen its Anti-Corruption Campaign, and continue forbidding public officials from accepting jade as a gift or purchasing jade, especially precious jadeite from Myanmar. The government of China should recognize that jade is no longer just a symbol of an ancient superior man in Chinese culture; on the contrary, jade is now a popular gift used for bribery, as in the cases of Ni Fake and Xu Caihou mentioned in Part 3.

2. China's Central Commission for Discipline Inspection should investigate corruption in the customs service at the Sino-Myanmar Border. The fact that 50%-80% of Myanmar's jade is smuggled to China implies that there could be rampant corruption in the customs administration on the Sino-Myanmar Border which opens the door to such a vast amount of jade being smuggled to China.

3. The government of China should mandate banks to track any transactions of Myanmar's jade that are valued at more than USD50,000, the cap of currency exchange per person per year in China, and require banks to report the transactions to the People's Bank of China – similar to the requirement that banks in Hebei province report cash transactions of more than USD14,000 to the People's Bank of China[34] – to reduce the risk of people using jade transactions to camouflage outflows of RMB.

4. Strengthen the "Know Your Customer" (KYC) process in jewelry stores and emporiums in Yunnan, Guangdong, and Shanghai, where most of Myanmar's jade is sold in China. The government of China should require these stores or relevant institutions to collect information about their customers and verify their identities. The KYC process would help to understand the risks of capital flight associated with every customer.

7. Conclusion

The vicious cycle between armed conflict and Myanmar's jade industry has intensified regional conflicts, jeopardized Myanmar's democracy, violated the fundamental rights of the people of Myanmar, and led to catastrophic environmental destruction for decades.

Bribery for jade concessions, crony capitalism in Myanmar's jade business, and jade smuggling to China are three key factors that enable the Tatmadaw to build up massive jade profits in Myanmar. As the largest jade processing and trading market globally, China's culture, corruption, and capital flight support the high demand for Myanmar's jade. After the 2021 coup, the sanctions imposed by the international society make Chinese influence in the Tatmadaw's jade business

[34] Issaku Harada (2020, June 27). "China Watches Big Cash Transactions to Stem Capital Flight." *Nikkei Asia*. https://asia.nikkei.com/Business/Markets/Currencies/China-watches-big-cash-transactions-to-stem-capital-flight.

even more critical than ever. It is harder to reverse the vicious cycle between armed conflict and Myanmar's jade business without China's intervention.

This paper concludes that the solidarity of the international community and the intervention of the government of China are two essentials to suppress global demand for Myanmar's jade. The international community should strive to remove the Tatmadaw's control of both the government of Myanmar and Myanmar's jade mines. The government of China should continue its targeted Anti-Corruption Campaign and capital control policy, which represent the most effective means of giving the demand side of the armed-conflict tainted Mynamar jade industry a damaging blow.

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Research Paper

The Gendered Impacts of Illicit Financial Flows in Developing Countries

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Abstract: Illicit financial flows (IFFs) are widely seen to be a major impediment to development in developing countries. IFFs have long been investigated but have only recently become a leading subject of debate, advocacy and concern for development institutions and practitioners. The Washington-based think tank Global Financial Integrity (GFI), which focuses on IFFs, estimates that between 2006 and 2015 developing countries lost 20% of the value of their trade with developed countries through IFFs. However, an aspect of IFFs which has been hardly investigated is their impact on gender equity. IFFs result in a lack of resources for projects which can help attain gender equity. IFFs affect women through lack of funding for public goods and services such as education and sexual and reproductive health services, which are mostly utilized by women. This has perpetuated and exacerbated the cycle of poverty among women, resulting in the feminization of poverty. IFFs have resulted in high unemployment and poor working conditions for women. In developing countries IFFs, and the decline in government revenues that they cause, have led to increases in consumption taxes on goods and services that women are especially reliant on; these taxes are thereby detrimental to gender justice. Not much work has been done on how IFFs affect gender equality and there is a need for more investigation and advocacy on this matter.

Keywords:

1. Illicit Financial Flows (IFFs)
2. Gendered impacts of IFFs
3. Feminization of poverty
4. IFFs and women's unemployment
5. IFFs and women's poverty

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1. Background and Introduction

This paper will analyze the impact of IFFs in developing countries through the lens of gender. This comprehensive approach will look at the link between IFFs and gender justice, and ask the question: what are the impacts of IFFs on gender equality? GFI defines the flow of illicit funds as the ''the illegal movements of money or capital from one country to another''. The capital is considered illicit when the ''funds are illegally earned, transferred and/or utilized'' (quoted in

AMwA, 2020, p.2). IFFs consist of activities such as criminal acts, corruption, tax avoidance and tax evasion (Collin, 2020).[1]

This paper concentrates on the link between gender equity and IFFs. It is recognized by different development stakeholders that over the last decade IFFs have been one of the leading challenges to global development, although it is only recently that IFFs have become a leading subject of debate, advocacy and concern for development institutions and practitioners (FEMNET, 2017). According to Merkle (2019), IFFs have become one of the biggest and greatest challenges to global development. GFI estimates that between 2006 and 2015 roughly 20 percent of developing country trade with advanced economies was misinvoiced, resulting in massive IFFs (GFI, 2019).[2] The High-Level Panel on Illicit Financial Flows from Africa has estimated that Africa is losing more than US$50 billion a year to IFFs (Merkle, 2019, p.2). GFI argues that Sub-Saharan African countries in 2015 lost $84 billion in illicit flows due to trade misinvoicing (GFI, 2019, p.1). The significant difference between these estimates may be due to the use of different methodologies.

1.1 How do IFFs affect developing countries?

IFFs weaken the financial system and economic potential of the economies from which they are derived, reducing the resources needed to fund public services such as health, education, justice and security (OECD, 2014). Developing countries are the most susceptible to IFFs, given that their fragile institutions are unable to combat these flows and that the resultant lack of funds perpetuates the weaknesses in the country‘s institutions (OECD, 2018, p. 18). This makes curbing IFFs a major global concern, as reflected in the 2030 Agenda for Sustainable Development Goals (Goal 16, Target 16.4) (Merkle, 2019, p.2).

1.2 IFFs and Gender equality

Government-funded programs are key tools in addressing economic and gender inequality. However, Transparency International notes that the loss of much-needed government resources through IFFs, particularly tax evasion, undermines the ability of governments to provide high quality public services which perpetuates and exacerbates gender inequalities (Merkle, 2019, p.5). There are two areas in which IFFs affect women and gender equality. Firstly, the capability to close the financing gap for gender equity and women’s rights is compromised. Secondly, IFFs have negative effects on the vertical equity (whereby those who have the ability to pay more taxes do in fact pay more) and the progressiveness of tax systems (whereby the tax rate increases as income increases) and these negative effects disproportionately affect women (Grondona et al., 2016).

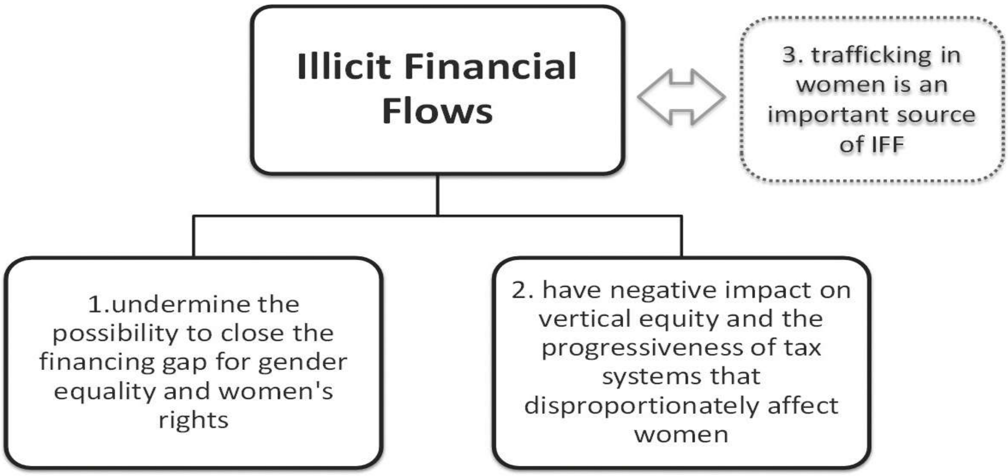
1.3 Justification of the Link between IFFs and gender equality

The three links between IFFs and gender inequality were shown in Figure 1.

[1] A much broader definition defines ”illicit” as including not only what is illegal but also the ”socially unpalatable such as multinational corporation tax avoidance” (Waris, 2019). For the purpose of this paper we will focus on the illegal part of illicit financial flows of multinational corporations.

[2] Trade misinvoicing is accomplished by misstating the value or volume of an export or import on a customs invoice. Trade misinvoicing is a form of trade-based money laundering made possible by the fact that trading partners write their own trade documents, or arrange to have the documents prepared in a third country (typically a tax haven) – a method known as re-invoicing.

Fig. 1. IFFs and gender inequality



Source: (Grondona et al. 2016, p.3)

Merkle (2019) observes that attention in international political economy analysis is focused on gendered aspects of development, but that the literature lacks focus and does not explore the extent to which women are affected by and participate in IFFs. She further notes that the links between gender and IFFs can be investigated from three comprehensive perspectives: (i) how IFFs specifically affect women; (ii) the roles women play in the generation of IFFs; and (iii) how women can help curb IFFs (Merkle, 2019). Therefore, our objectives in this paper are:
General objective:

- To investigate the relationship between IFFs and gender inequality in developing countries.

Specific objectives:

- To identify the link between IFFs and the feminization of poverty in developing countries.
- To identify the link between IFFs and the provision of public goods to women in developing countries.
- To identify the link between IFFs and women‘s equality in developing countries.

1.4 Theoretical perspectives on IFFs (The World-System Approach)
According to Cocks (1980), the World Systems Approach scrutinizes the totality of the capitalist system in contrast to earlier methods of analysis of large empires, which were dominated by examinations of a single political structure composed of nation-states having no control over the global market. The World System categorizes nations into three categories: (i) the Core which is comprised of the world‘s great economic powers, especially the globe's hegemonic countries; (ii) the Periphery, which consists of weak and poor countries; and (iii) the Semi-Periphery, which consists of wealthier nations of the developing world. Unlike Dependency Theory whose unit of analysis is the nation state, the World Systems Approach views the entire world as an indivisible reality (ibid).

According to Martinez-Vela (2001), the world economy is integrated through markets rather than through a political center. This has resulted in the interdependence of two or more regions in terms of necessities such as food, fuel and protection. In the Worlds System there is a power hierarchy with powerful and wealthy ''core'' societies exploiting and dominating weak and poor ''peripheral" economies (ibid).

Martinez- Vela (2001) argues that developed countries are the core and developing countries are the periphery. There is an unequal exchange with a systematic transfer of surpluses from the semi-proletarian sectors in the developing/periphery economies to the high-technology, industrialized developed/core economies. The result is a process of capital accumulation which involves the appropriation and transformation of peripheral surpluses at a global scale.

One of the mechanisms used to transfer resources from periphery to core countries is through offshore tax havens. Beginning in the 1930s and exploding across the world since, offshore tax havens undermine the capitalist system (GFI, 2019). Illicit flows, financial secrecy, and tax evasion have forestalled equitable economic participation by all. At the center of this most unfortunate development sit the offshore centers facilitating criminal, corrupt, tax evading financial flows, having their most damaging impact on the poor of the world. While tax havens may play some role in legitimate dealings, this does not justify their far more damaging role in intermediating IFFs, which are the main drivers of Net Resource Transfers from developing countries (ibid).

2. How IFFs affect women in developing countries

The several ways that IFFs affect women can be categorized into two groups: (i) short- to medium-term effects of IFFs; and (ii) long-term effects.

2.1 Short- to Medium-Term Effects of IFFs on women

2.1.1 Lack of funding for public goods and services

According to a research paper by the African Women's Development and Communication Network (FEMNET), IFFs result in governments having insufficient funds to support key public services such as education, sexual and reproductive health, maternal care and social protection (FEMNET, 2017). According to Waris (2017), insufficient funds leads developing country governments to prioritize certain sectors of the economy when allocating and distributing resources, such as security, over the provision of social services, and this creates a further gap in services offered. Literature has shown that failure by governments to fund public services results in highly-gendered effects (Merkle, 2019; Warris, 2017; FEMNET, 2017).

Merkle (2019) argues that women's dependence on public services for their survival is high, as shown by the fact that the majority of the 1.5 billion people living on US$1 or less a day are women. The gendered effects of IFFs on the provision of key public services such as health and education are highlighted below.

2.1.2 Health

Ortega et al. (2020) find that there is a relationship between IFFs and a lack of health care, especially for women and children. Out of a sample of 72 countries considered in their study, the authors found that at least 3.9 million women and 190,000 children may not receive basic health care interventions as a consequence of a 1 percentage point increase in the ratio of IFFs to total trade. A 1 percentage point increase in the ratio of IFFs would be associated with an average 0.46 percentage point decrease in the level of family planning coverage rates and an average 0.312 percentage point decrease in antenatal care coverage rates. It was also found that IFFs are an obstacle to attaining the 2030 SDGs in the sampled countries. For instance, family planning, reproductive health and child immunization are important components of health and long-term development in poor countries. A set of health coverage indicators was selected to represent the overall coverage of essential health services at the country level.

In the same study it was also found that an increase in IFFs results in a decrease in average infant vaccination rates. Results showed that in the case of an increase in the magnitude of IFFs, an increase in cases of diseases such as measles and polio due to lack of vaccinations will result (Ortega, 2020, p.13). The decrease in vaccination for infants and children due to IFFs results into diseases for children directly affects stressing mothers (Ortega, 2020, p.13).

Another study by the same authors which investigated the social costs of IFFs in low and middle income economies also found that an increase in IFFs will negatively affect the delivery of health services, particularly for women and children. This was also a cross-country study which used a sample from 72 low and middle-income countries during the period 2008-2013 using a panel regression which involves observation of multi-dimensional data that are measured repeatedly over time. Ortega (2020) argues that, ‘’given that there was an estimated annual average of 65 million infants in countries in the sample, this suggests that around 190,000 children may not receive these basic healthcare interventions as long-run effects of this increase in IFFT” (Ortega et al., 2020, p. 13). Provision of basic health care to infants and children will directly benefit mothers, who are the primary care givers for their children. Therefore, an increase in IFFs will negatively affect the provision of basic health care eventually affecting children and mothers directly.

2.1.3 IFFs and women‘s education

Research on the gendered dimensions of IFFs has shown that an increase in IFFs makes it nearly impossible to provide quality public education, especially gender-equitable education (FEMNET, 2017, p.31). In the same study it was found that official development assistance supplemented education funding in Africa. The data showed that even through there was a 47 percent increase in aid to Sub-Saharan Africa during the period 2002-2004, aid had fallen by 31 percent by 2012. It was found that the percentage ratio of IFFs to public spending on education is staggering. In Liberia, for example, it is 1,649 percent, while it is 1,314 percent in Zambia and 147 percent in Rwanda. It was found that IFFs impede education, especially gender–equitable education (ibid, 2017, p.31).

In the same study it is noted that the Executive Director of UN Women observed that two-thirds of African women are classified as functionally illiterate (FEMNET, 2017, p.32). It was also found that according to 2012 data, 36 percent of adolescent girls and 31 percent of adolescent boys in Sub-Saharan Africa were out of school. But in some African countries, e.g. Angola, Ethiopia, Guinea and Mali, the difference between the out-of-school rate for girls and boys was larger than 15 percent. Often this implies that girls face the challenge of early marriage and early pregnancy (ibid).

Mabugu and Rakabe (2019, p.27) shows that an increase in expenditure on education in Zambia from 2 percent of GDP in the period 2005-2007 to 6 percent in the period 2015-2017. One of the reasons for this is that might be because revenue collection had increased. In Zambia the mining sector has the largest presence in the economy; its contribution to revenue improved over the period 2010-2015. The World Bank in 2018 argued that this increase in spending in the education sector in Zambia has resulted in the attainment of the Millennium Development Goals (MDGS) on education, which include universal primary education and elimination of gender disparity in primary education. This means provision of more equitable education. However, concerns remain about illicit transfers in the mining sector in Zambia (Mabugu & Rakabe, 2019, p.8).

2.1.4 Feminization of Poverty

Developing countries are faced with insufficient revenue to fund key public services. The failure to provide quality public services has increased poverty especially among women, resulting in the feminization of poverty. The revenue lost through IFFs could have been used to fund basic public services. According to Waris (2017), the feminization of poverty refers to a persistent phenomenon in which women are the majority among the poor, being characterized by low-paid and poor-quality jobs. She argues that women do unpaid care work due to unequal gendered power relations and the cultural stereotypes which define women‘s duties. This perpetuates their impoverishment and makes them more dependent on government provision of social services (ibid, p.17).

A complimentary perspective argues that this feminization of poverty in some cases results in the violation of women‘s rights through human trafficking (Grondona et al., 2016).. The argument is that women’s limited accessibility to key resources (economic opportunities, social networks, information and knowledge) and the high demand for cheap labor in “feminized” economic sectors, such as health care services and small-scale enterprises, are a major cause of women´s vulnerability to trafficking. The combination of women being primary income providers, being seen as a source of cheap labor and having job opportunities often limited to domestic work, in many cases completes a vicious circle of precarious livelihoods and economic profits for those who exploit them (ibid, p.8).

According to Waris (2017), an ineffective tax system also has a direct impact on a country’s budget deficit, which subsequently impacts the delivery of social services. She finds that IFFs starve the budget, resulting in a reduction in funding of key areas (e.g. education and health care) that has a direct impact on women and female-headed households, making them more vulnerable to national budget constraints. In the same study, Waris finds that the feminization of poverty is a persistent phenomenon in which women are over-represented amongst the poorest, with low-paid and poor-quality jobs.

According to a desk study submitted to the Committee on the Elimination of Discrimination against Women regarding the Ebola crisis in West Africa 2014-2015, women are severely affected by budget shortfalls exacerbated by tax abuse (Alliance Sud et al., 2016, p. 5). In the same paper the authors found that up to 75 percent of the 11,000 Ebola victims in West Africa were women. They found that, in Liberia, this was due to the traditional caregiving roles women are assigned and the serious financial constraint on public services during the outbreak. It is reasonable to conclude that a reduction in IFFs would have increased the funds potentially available to fight ebola, which if well used would have seen a reduction in the number of female victims.

Additionally, before the beginning of the Ebola crisis, research presented to CEDAW showed that the lack of adequately-funded health systems in Sierra Leone and Guinea resulted in a reduction in the number of healthcare providers (Alliance Sud et al., 2016). The research reveals that the combined health sector spending in these countries amounted to US$140 million annually before the Ebola outbreak, while during the same period IFFs amounted to US$1.37 billion annually. Reducing IFFs in these countries would have put them in a much better position to meet the needs of their health sectors (Alliance Sud et al., 2016).

2.1.5 Lack of funding for promoting gender equality

A study by the United Nations Conference on Trade and Development (UNCTAD, 2020) found that IFFs have resulted in reductions in government budgets, which cause a lack of funding to specific institutions and programs that promote gender equality and women‘s empowerment. However, the study also found that an increase in budget funding does not necessarily result in greater support for gendered-related programs. This simply means that, while reductions in government budgets usually mean disproportionate cuts to programs that promote gender equity, increases in government budgets do not necessarily mean more funding for gender equity. Usually, the study showed, funding is cut to such programs in times of economic downturn and decreasing budgets. In the same study it was found that reductions in government funding of public services result in women filling the gaps in caregiving, education and family support with unpaid labor.

2.1.6 Female unemployment and underinvestment in the economy

Research has also shown that there is a strong correlation between an increase in IFFs and an increase in female unemployment (Merkle, 2019, Waris, 2017). IFFs lead to high levels of unemployment as resources are lost which affects the economic development of a country and job creation. Since women's participation in the labor force is already limited they are the most vulnerable and at risk of unemployment; they have to accept poor working conditions and poor quality jobs (Merkle, 2019).

2.1.7 Regressive fiscal policies

Domestic resource mobilization is a key strategy to raise funds to reach the 2030 SDGs, especially those addressing inequality. Taxation is important in addressing gender and economic inequality (Merkel, 2019). The key question is: how have IFFs affected gender equality? An important component of IFFs is tax evasion, which means that an investigation of the relationship between the latter and gender equity is required (FEMNET, 2017). Several studies have shown the economic, social and political consequences of IFFs ranging from loss of revenue, entrenching inequalities and weakening governance. All these severely constrain progress towards gender equality (ibid).

An analysis of IFFs with a gender dimension requires giving attention to gender biases in tax policies (FEMNET, 2017).The gendered analysis of taxation has shown that tax structures are not neutral and are biased against the interests of women (Joshi, 2017). Studies on IFFs have provided important insights into the governance and developmental impact of IFFs, but with little focus on the gender-specific impact of these constraints (FEMNET, 2017).

In developing countries with high levels of IFFs, taxation becomes a disproportionate burden on women (Waris, 2017). To make up for the revenues lost through IFFs, developing countries tend to have regressive tax policies. This means that the budget deficit which developing countries are facing tends to be covered by an increase in consumption taxes rather than increasing taxes on wealthy individuals. The neoliberal assumption that high taxation of wealthy individuals would result in these individuals pulling out their private investment and further damaging the economy holds sway, so many developing countries refrain from increasing taxes on the wealthy . This neoliberal reasoning makes governments which do increase taxes on the wealthy more susceptible to IFFs (FEMNET, 2017, p.18). However, the question remains: where can governments find revenue if not from increasing taxes on the wealthy?

According to Ritter (2015), if a government does not raise enough revenue and cannot curtail IFFs, its only option is to burden compliant taxpayers with higher taxes. Grondona, et al. (2016) argue that, due to a government's failure to handle tax evasion, tax systems in such countries will benefit wealthy individuals at the expense of the poor. Picciotto (2012) notes that the whole system facilitating IFFs includes international tax evasion, tax havens and the offshore secrecy system, giving corporations that make use of these avoidance opportunities a competitive advantage over national firms.

According to Grondona et al. (2016), the gender dimension of IFFs in part relates to the fact that women are more involved in small to medium-sized enterprises, where opportunities to reduce taxes are fewer than elsewhere in the economy. The fact that women are also at the bottom of the income ladder makes them more vulnerable to government cost-cutting or revenue-increasing activities. An increase in IFFs results in an increase in taxation which negatively affects small and medium enterprises which are mostly run by women. Further, a report of the UN Special Rapporteur on Extreme Poverty and Human Rights acknowledges that women tend to use larger portions of their income on basic goods because of gender norms that assign the responsibility for the care of dependents to them. As a result they are especially vulnerable to any rises in consumption taxes that governments might introduce to mitigate the impact on revenue of IFFs (FEMNET, 2017).

Transparency International argues that consumption taxes negatively affect women in several ways. Firstly, they sustain poverty in poor households which have to spend a higher percentage of their earnings on consumption taxes. Secondly, women tend to spend a large portion of their incomes on goods that are highly taxed (Merkle, 2019).

Taking a comprehensive perspective, after more than three decades of economic globalization and increasing corporate power, there is little taxation of capital assets and tax incentives schemes are unbalanced (Golder and Gutpa, 2017). These authors also note that international trade and investment agreements have limited the capacity of governments to consider tax breaks for the poor and implement progressive tax reforms. The argument is that by trying to win investors, developing country governments give added advantages and favorable tax treatment to multinational companies. In trying to gain a competitive advantage over other developing countries, these governments forgo considerable revenue in the hope of attracting more foreign investment. The result is that the equity principle, by which persons with equal capacity to pay should pay the same amount in taxes (horizontal equity) and that those with greater capacity should pay a proportionally larger amount (vertical equity) is violated. By some estimates, the tax burden for national businesses is twice the burden borne by multinational companies (ibid, p.5).

Waris notes that ''an example of how tax abuse in developing countries negatively affects gender justice is given is the SAB Miller Case in Ghana where Martha, a woman who sells beer at a small stall outside the SAB Miller factory in Accra, was paying more tax than the factory right next to her informal stand'' (Waris, 2017, p.19). This kind of tax injustice could be either because SAB was evading taxes or because the tax system is unfair by not taxing wealthier individual or businesses, in this case SAB Miller, more heavily. This type of situation discourages informal workers from registering as formal workers, since this would further increase their tax burden. As a result, they choose not to be compliant in paying their taxes. This creates a chain reaction, in which informal workers do not qualify to receive social services like health and pension benefits. Yet corporations and large businesses with huge profits are not required to contribute to building and sustaining the infrastructure for these same basic services (ibid, p.19). According to Capraro, (2014), a study of Vietnam found that sectors in which women were business owners had consumption taxes higher than sectors where the majority of businesses were run by men.

Another example of how IFFs and tax havens negatively affect women's rights and gender equality is seen in Switzerland's opaque financial legislation, which was highlighted in a 2016 report (Alliance Sud et al., 2016, p.15) to the UN's Committee on the Elimination of Discrimination against Women (CEDAW). An example of this was the case of India, which ranked 16th out of 200 countries in terms of the amount of offshore wealth held by residents, including both past and present politicians, in HSBC's branch in Geneva. Bearing in mind the opaque nature of IFFs, which makes it difficult to have precision in ascertaining and quantifying the exact magnitude of IFFs in India, estimations show that between 2016-2017 the Indian government lost between US$492 million and US$1.2 billion in direct tax revenue that could have been collected on the funds held in just this one branch of this one bank in Switzerland. This sum was equivalent to 44 percent of the expenditure allocated to women's rights and 6 percent of the total national social sector budget for 2016-2017 (ibid, p.15).

At a global level, it can be argued that the present international tax system provides the necessary conditions to allow multinational corporations (MNCs) to move their capital around the globe in order to pay the lowest possible tax (Merkle, 2019). Piccioto (2012) argues that MNCs are treated as if they were loose collections of separate entities operating in different countries rather than a single integrated entity. According to Merkle (2019, p. 16), Piccioto argues that there is currently only weak coordination between tax authorities, and this "separate entity" approach gives MNCs tremendous scope to shift profits around the globe to suit their tax affairs. This is characteristic of a globalized capitalist system, but what is important to know is how this problem can be solved. Piccioto proposes a unitary taxation system where MNCs would be taxed not according to the legal forms that their tax advisers create for them, but according to the genuine economic substance of what they do and where they do it (Piccioto, 2012).

2.2 Long term effects on women

Resources lost through IFFs result in development losses, especially for provision of key public services for women. Some of these gendered impacts are as follows:

2.2.1 Gendered impacts of IFFs on women's development

One of the gendered impacts of IFFs is underdevelopment in developing countries. AMwA (2020) argues that it is undeniable that IFFs play a huge role in obstructing development. Simply put, funds are needed by developing countries to facilitate development, but a large portion of these funds are lost through IFFs. Tax revenue is lost because IFFs are not taxed, and as a result a high tax burden is placed on legitimate economic activities to fill this financing gap. It is not always correct to assume that these lost funds would have been used to fund development programs. There are two key assumptions for the argument: first, that the government would have used those untaxed funds for development purpose, and second, that the untaxed funds do not or cannot benefit the economy. Ideally, curbing IFFs will increase revenue to be used to fund public services, but in some cases due to corruption this money would not be used to fund public services.

According to AMwA (2020, p.5), IFFs result in revenue losses needed to fund key public services. It maintains that it is reasonable to assume that the revenue which is lost through IFFs results in development losses which spill over to welfare losses for women, because there are fewer resources to commit to gender equity initiatives. AMwA acknowledges that this assumes that if the revenue lost through IFFs had stayed in the economy, it would have been spent on such initiatives.

It is widely argued that the lost tax revenue makes it impossible for developing country governments to provide essential public services like healthcare, education, justice, and environmental protection (Merkle, 2019; OECD, 2014; Waris, 2017).

Capraro (2014) describes access to public services as "virtual income" and claims that this makes up a larger proportion of income for the poor than the non-poor. Revenue lost through IFFs could be invested in the provision of free education which would enhance gender equity. For instance, the introduction of free primary education across Sub-Saharan Africa (SSA) countries was followed by higher enrolment numbers, especially for girls. It has been observed that in most countries, education funding has not been at par with enrolment and population growth. Therefore, the provision of free primary education is one of the leading actions to promote gender-equitable education and address gender inequality (AMwA, 2020, p. 5).

In trying to make explicit the link between IFFs, gender equality and development, Waris (2012) notes that women are the most vulnerable to national budget constraints. This results in women feeling the effects of poorly funded services more acutely, which widens existing gender inequality gaps. This is due to the following: (i) women are more dependent than men on major public services like healthcare, both as users and providers: lower investments in health care have resulted in less job creation in a sector which primarily employs women, thereby increasing their risk of unemployment, while poorer quality health services decrease women’s access to maternity and reproductive services (UNECA, 2015; DAWN, 2018); (ii) reduced government investment in public services results in gaps in care-giving that are filled for the most part by women (Merkle, 2019; Waris, 2017; FEMNET, 2017); and (iii) in a bid to make up for the public funding gap governments often levy higher consumption taxes that hit poorer households, which are disproportionately led by women, particularly hard (FEMNET, 2017; Merkle, 2019). Efforts to improve domestic revenue mobilization have also more recently targeted sectors dominated by women like micro, small and medium businesses and the informal economy. Women are thus affected both as consumers and producers (AMwA, 2020).

2.2.2. The gendered impact of IFFs on peace and security

According to Cobham (2016), IFFs flourish in situations of conflict and insecurity and exacerbate both. Cobham argues that the link between IFFs and insecurity is a vicious cycle. In countries which have low levels of institutional authority large amounts of money are allocated to win the patronage of those in power. In such contexts, governments and their opponents are likely to resort to violence to maintain and challenge current power structures. Conflict and insecurity facilitate the flow of IFFs, and IFFs undermine institutional authority, facilitating conflict and insecurity.

If public goods and services are not provided due to missing revenue the relationship between the citizen and the state will be damaged, which undermines state legitimacy and public trust in institutions and can lead to social unrest and increased violence (Cobham 2016). But we are interested in knowing whether IFFs have the same effect on men and women. Those worst affected by insecurity are women who comprise a majority of refugees and displaced persons although men are at higher risk of death during conflict. Strachan and Haider (2015) argue that during times of conflict, women also face changes in their economic roles and are more likely to face gender-based and sexual violence. Across the African continent, IFFs have been linked to resource conflicts and terrorist groups (OECD, 2018).The profits of illicit trade often benefit groups that are involved in conflict and act as a driver for conflict (ibid).

In terms of causes and effects, IFFs negatively impact gender equity. An increase in IFFs has leads to reduction in Government revenue. This has resulted in: (i) a reduction in quality public services provision, which tends to affect women more than men; (ii) an increase in charges such as consumption taxes, which also negatively affect women more than men (FEMNET, 2017); or (iii) a combination of both. Reduction in public services can also result in an increase in social conflicts, which often impact women more than men (Cobham, 2016).

3. Remedial measures: What has been done to curb IFFs?

To promote gender equality, it is important to curb IFFs. But this requires cooperation at the global level (Signé et al., 2020). The recent past has seen increased efforts from the global community to reduce IFFs. These global efforts range from creating initiatives to curb money laundering to improving the sharing of tax information across countries. One of the first legal instruments created to combat illicit outflows of capital was the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, also known as the Vienna Convention. This instrument includes rules against money laundering and urges parties to work together to allow for the identification, tracing, and seizure of illicitly acquired financial proceeds. Other notable initiatives that aim to combat illicit outflows are (AMwA, 2020, p.11):

- <u>Extractive Industry Transparency Initiative (EITI):</u>

This looks to promote open and accountable management of natural resources (founded in 2003).

- <u>Financial Action Task Force (FATF):</u>

This is responsible for setting the standards for international action against money laundering and terrorist financing (created in 1998).

- <u>Global Forum on Transparency and Exchange of Information for Tax Purposes:</u>

This sets the standards for the automatic exchange of information with the aim of revealing the real owners of anonymous legal structures (created in 2009).

- <u>Platform for Collaboration on Tax:</u>

Aims to provide developing countries with the tools and guidance to address various tax issues including toolkits on BEPS (see next point) and related international tax matters (created in 2016).

- <u>The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS):</u>

This brings together over 135 countries and jurisdictions to collaborate on the implementation of the BEPS Package, which looks to equip governments with the domestic and international instruments needed to tackle IFFs (created in 2016).

Miller (2014) argues that BEPS is one of the leading global policy initiatives to combat tax avoidance. It aims at having an international tax framework in which profits are taxed in the jurisdiction/ state where economic activity and value creation occur. Over 135 countries agreed to the implementation of this initiative in October 2021. Although BEPS is inclusive of developing countries, the key drive for its development came as a result of outrage in OECD countries over how little corporation tax some companies were paying compared to their sales and profits. This means that BEPS was brought in purely to curb the use of aggressive tax avoidance strategies by multinationals. Together with other initiatives, BEPS sole purpose is to form an international tax system that is more responsive to a trade environment in which up to 60 per cent of world trade occurs within companies. While the focus of BEPS is tax avoidance, it covers aggressive tax avoidance activities that are legal but inconsistent with the spirit of the law. For this reason it is relevant to the fight against IFFs (ibid.).

4. More Research needed on the gender dimension of IFFs

According to Eriksson (2017) political economy analysis, which focuses on the interrelationship between politics and the economy, becomes important when trying to view IFFs through the gender lens. He stresses that usually the gendered dimension of IFFs is rarely analyzed.

The persistence of secret jurisdictions makes it difficult to create better accountability and transparency in international taxation (Valadão, 2019). The challenge of international taxation and how to regulate it is bound only to grow with the increased digitization and mobility of services and assets (Damgaard et al., 2018). Since the 1990s the question of how best to regulate the digital economy has been left unanswered as most of the OECD countries, from which many high-tech companies originate, have been reluctant to address the issue, even within the framework of BEPS (Valadão, 2019). In that time the digital economy has evolved to create virtually stored and concealed wealth with cryptocurrencies. The agenda for addressing IFFs is primarily set by OECD countries, which also want to preserve their tax bases in accordance with their interests (ibid).

Valadao (2019) proposes that we look at the structure of the contemporary world economy from the perspective of developing countries, through what he calls a critical approach. This will enhance our understanding of how the national and regional tax systems interact with the international tax system and the types of trade practices it encourages.

Eriksson (2017) notes that there are a lot of policy gaps in both the coverage and enforcement of anti-IFF laws and regulations, with one of the most important gaps being the absence of women- and gender-sensitive policies. He further notes that the resolution of systemic or complex problems requires a variety of agents and actors from different sectors. The gender dimension is fundamental if we are to solve the problem urgently and efficiently (AMwA, 2020). Recent literature and research on IFFs include:

- What IFFs are;
- How they occur;
- Why they occur;
- How they can be addressed;
- What is their estimated economic impact (ibid).

However, what is missing in this analysis is who is impacted, and the extent to which they are impacted. Some literature and research has tried to identify who is impacted, with more recent consideration given to the groups that are disproportionately impacted (AMwA, 2020). According to Merkle (2019), despite the noted capacity of IFFs to engender inequality and perpetuate conditions that increase inequality, corruption and conflict, there are very few studies exploring the extent to which women are affected by and involved in IFFs. This means that more research is needed on the gender dimension of IFFs, especially in developing countries.

A further justification of the need to analyze IFFs from the gender perspective is that we cannot deny the fact that less developed economies in particular are structured by gender, with women doing most of the low paid and poor quality jobs. To the extent that taxation is a core component of fiscal policy it plays a huge role in the redistribution of resources, either to the advantage or disadvantages of women (AMwA, 2017, p.12). It can also be argued that economies continue to be heavily subsidized by the ''care economy'' which is work usually undertaken by women, making it important to have more gender disaggregated data and analysis to show the extent of the gender bias in tax systems (AMwA, 2017, p.12). Capraro (2014) argues that, in terms of advocacy and awareness, gender consciousness is needed in the formulation of fiscal policy. DAWN (2018, p. 159) also calls for the "enlargement of the political space to implement progressive taxation on income and wealth, while avoiding explicit and implicit gender bias in taxation...". IFFs mean reduced funding for key public services resulting in provision of low quality public services, thereby disadvantaging women.

How can women be involved in curbing IFFs? Little research has so far been done on the role women can potentially play in curbing IFFs (Merkle, 2019). However, an analogy may be seen in the role women play in curbing corruption. It has been shown that higher levels of female participation in politics in some countries have resulted in lower levels of corruption. It is interesting to note that there is no clarity on the linkage between women's participation in politics and corruption as causality cannot be assumed. Regardless, given that women are the most adversely affected by the corrosive impact of IFFs, their participation is critical to finding a solution (ibid, 2019).

5. Conclusion

A strong link exists between IFFs and gender inequity. An increase in IFFs results in: (i) insufficient revenue for gender equity programs; (ii) higher than necessary taxation burdens on small and medium enterprises, which are owned in large numbers by women; and (iii) the poor provision of public services, which in areas such as education and health has a particularly deleterious impact on women.

For these reasons there is a need for advocacy and research to be focused on the gendered aspects of IFFs, especially in developing countries. If the sustainable development goals (SDGs) are to be achieved through domestic resource mobilization the feminization of poverty must be addressed.

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Research Paper

Turning the Tide: A Proposal to Tackle Child Poverty in Germany

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Abstract: Even though Germany is one of the world's most powerful economies, (relative) child poverty is a longstanding issue. Over the last couple of decades, the German government has introduced various measures to tackle it. However, one in five children in Germany is still considered poor. In this paper, I will look at the numbers of children and adolescents that are affected by poverty and explain what it means to grow up poor in Germany. I'll then make the case for a new proposal that aims to ensure that all children and adolescents have a socially inclusive standard of living. The proposal, developed jointly by the project 'Family and Education: Creating Child-Centered Policies' of the Bertelsmann Stiftung, an expert advisory panel and a Young Expert Team, aims at drastically reducing the number of children, adolescents and their families in Germany who are affected by poverty.

Keywords:
1. Child poverty
2. Inclusive universal child benefit
3. Needs survey
4. Children's rights
5. Child participation

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1. Introduction

Germany is one of the richest countries in the world. In 2020, it's GDP amounted to 3.846 trillion US-dollars, making it the fourth largest economy in the world.[1] In the same year Germany's GDP per capita was 46,252 (current US-dollars).[2] Nevertheless, child poverty is a long-standing issue (Bertelsmann Stiftung, 2020), as are income and wealth inequalities.[3] Besides describing the impact of poverty in one of the world's most powerful economies, this paper sketches a proposal for how to drastically reduce child (and family) poverty in Germany. The idea laid out here has been developed jointly by the project 'Family and Education: Creating Child-Centered

[1] This figure is in current US-dollars. See The World Bank. Data. https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true&locations=DE (last accessed May 10, 2022).
[2] The World Bank. Data. https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=DE&name_desc=false (last accessed May 10, 2022).
[3] See World Inequality Database. https://wid.world/country/germany/ (last accessed March 19, 2021)

Policies' at the Bertelsmann Stiftung, together with an expert advisory panel and a Young Expert Team.[4]

After a short introduction (1), the main part of the paper has two sections. In Section 2, I describe the *status quo* of child poverty in Germany and lay out the dire multidimensional consequences growing up in poverty has for children in Germany. Section 3 is concerned with the proposal the Bertelsmann Stiftung has developed to address the problem, titled 'A Plan for Ensuring that Children and Adolescents Have a Socially Inclusive Standard of Living' (*Konzept für eine Teilhabe gewährleistende Existenzsicherung*). The three pillars the plan rests upon are also described in this section. Some brief concluding remarks (Section 4) round off the paper.

2. Status Quo: What Does it Mean to Grow Up Poor in Germany?

In Germany, more than one child in five (21.3 %) is affected by poverty. This means that 2.83 million children under 18 years are considered poor (Bertelsmann Stiftung, 2020, p. 2). This number is derived from two scientifically accepted definitions for poverty in Germany. One is the poverty line defined by the receipt of social benefits, i.e. a child is considered poor if he or she lives in a household that receives social assistance under (or pursuant to) the second book of the German Social Security Code (*SGB II* or *Hartz IV* benefits). These households are unable to earn an adequate living on their own and are entitled to help from the state to secure a minimum subsistence level (Seils & Meyer, 2012, p.2).

The second definition is relative income poverty. In general, relative poverty is defined "in comparison to other people's standing in the economy" (Eskelinen, 2011, p. 942). In Germany, the basic needs of someone living in relative income poverty are generally met, but they cannot access or purchase other things that are considered 'normal' in their society.[5] Following the above-mentioned definition, children are at risk of poverty if they grow up in households that only have a certain percentage of the median of the equivalized disposable income, i.e. the total income (including social transfers) of a household after tax and deductions.[6]

There are two major conventions used to define relative income poverty. The German Government and the statistical offices in Germany use 60 percent of the median as their threshold for identifying those at risk of relative income poverty (German Government, 2021, p. XIII). So does the European Union's statistical office Eurostat.[7] By contrast, the OECD uses a

[4] The expert advisory panel brings together eight high-profile experts with a wide range of expertise ranging from law, economics and sociology to childhood and adolescence research. The Young Expert Team initially consisted of 17 young people between the ages of 18 and 25 from North Rhine–Westphalia. The team advised the project between fall 2017 and fall 2021.

[5] Let me note that I am well aware that poverty in Germany cannot be compared to poverty in countries in which not even the most basic rights are met for millions of human beings. As Thomas Pogge rightly argues, severe poverty is a massive human rights violation that our current global institutional rules preserve (Pogge, 2002). Without doubt we need to work towards broad institutional reforms to overcome these unjust (and unjustifiable) institutional arrangements.

[6] To compare income data of households that differ in size and composition, equivalences scales are considered a 'standard tool' (Garbuszus et al., 2021, p. 855). A widely used (but contested) scale is the (modified) OECD-scale that 'assigns a value of 1 to the household head, of 0.5 to each additional adult member [at the age of 14 or older, TL] and of 0.3 to each child'. *OECD Project on Income Distribution and Poverty.* https://www.oecd.org/els/soc/OECD-Note-EquivalenceScales.pdf (last accessed June 1, 2022). For further information on why the OECD-scale is contested, see Garbuszus et al. (2021).

[7] Eurostat considers poor 'the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers'. *Eurostat. Statistics Explained. At-risk-of-poverty rate.* https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At-risk-of-poverty_rate (last accessed June 1, 2022).

50 percent threshold.[8] An explanation for the use of this threshold can be found in Förster (1994). It was originally introduced by Fuchs (1967), who developed it for the U.S., where it is still standard.

The reasons for the use of the two different thresholds do not seem to be clear cut. Garbuszus et al. (2018, p. 79, footnote 73) write that the 60 percent threshold was developed by European researchers to provide a safety margin to the 50 percent figure in view of uncertainties surrounding this threshold. The reasons why these researchers believed the 50 percent threshold was too low remain unclear.

Both definitions share the advantage of not setting an absolute poverty line but instead linking the poverty threshold to the economic performance of a given country and its income distribution. Since this text deals with poverty in Germany, I make use of the 60 percent threshold for reasons of comparability with official German and European data.

As mentioned above, the basic needs of children suffering relative income poverty in Germany are generally met. However, relative poverty hinders children and adolescents from meaningfully participating in society (see the next section for more details). Recent calculations by German economist Holger Bonin show that to close the relative (child) poverty gap (*Armutslücke*) in Germany, the relatively poor would need to have approximately 26 billion Euros more in annual income.[9] To ensure that this investment has a positive impact on the life of children and adolescents, their needs must be properly understood (hence the demand for a *Needs Survey* in Section 3).

The threshold for being considered poor in Germany was 14,109 euros per year for one-person households in 2019 and 29,628 euros for a household with two adults and two children under 14 years.[10] These amounts include social benefits like unemployment benefits or child allowance because they count as household income. Taxes and social contributions are subtracted.[11]

The family types that are affected most by poverty in Germany are single-parent households and families with three or more children. For example, in 2019, 42.7% of single-parent families experienced relative income poverty (Lenze et al., 2021, p. 6), making it the group with the highest poverty risk. When comparing SGB II quotas (as explained above, SGB II refers to the people receiving social assistance under, or pursuant to, the second book of the German Social Security Code), one will find that in 2020 33.5% of single parents and 18.4% of families with three or more children received social assistance compared to 8.7% of the general population who receive social benefits (Lenze et al., 2021, p. 7). One can assume that due to the Covid-19 pandemic these numbers will gradually increase.

Poverty is a longstanding issue for two thirds of all affected children and adolescents in Germany. That means that they live in poverty for at least five years or experience it recurrently (Tophoven et al., 2017). In regard to the experiences of young people growing up poor, at least

[8] The OECD classifies people as poor '(…) when their equivalised disposable household income is less than 50% of the median prevailing in each country'. OECDiLibrary: Poverty. https://www.oecd-ilibrary.org/sites/8483c82f-en/index.html?itemId=/content/component/8483c82f-en (last accessed May 18, 2021).

[9] In a presentation held at a digital expert workshop on June 29, 2021, Holger Bonin mentioned this number. A copy of the presentation is held by the author.

[10] See Statistisches Bundesamt. Armutsgefährdungsschwelle und Armutsgefährdung (monetäre Armut) in Deutschland.https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Einkommen-Konsum-Lebensbedingungen/Lebensbedingungen-Armutsgefaehrdung/Tabellen/armutsschwelle-gefaehrdung-silc.html (last accessed June 1, 2022).

[11] See Eurostat. Statistics Explained. Equivalised disposable income. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Equivalised_disposable_income (last accessed June 2, 2022) for further information on the calculation of the equivalized disposable income.

four dimensions have been identified in a literature review: (i) material; (ii) social; (iii) cultural; and (iv) health-related (Laubstein et al., 2016, p. 12). In this paper, I will focus on the material and social dimensions and briefly summarize the cultural one. The proposal that I will sketch does not yet directly name the health dimension.[12] We are currently planning to explore this dimension in more detail and will probably revise the proposal afterwards. The ideas put forward in this paper reflect the current state of development.

Note that besides the dimensions I outline in more detail below, other factors such as gender, migration or educational background also influence how somebody is affected by poverty (poverty in general, not only child poverty). According to the so-called *Mikrozensus* (a small census that is conducted with a smaller sample and in shorter intervals than the large census in Germany), for all age groups, the share of females in poverty is higher than the share of males in poverty (16.6 percent to 15.2 percent in 2019) (Bäcker & Kistler, 2021). Regarding educational background, the numbers are even further apart. The share of people in poverty whose qualification level is considered 'low' was 32.9 percent compared to 6.2 percent for people with a 'high' qualification level (Bäcker & Kistler, 2021) (differentiated by the qualification level of the main income earner). In addition, migration still has a huge influence on the risk of poverty. While in 2019 the share of people in poverty without a migration background in Germany was around 11.7 percent, the share of those with a migration background was around 27.8 percent.[13]

2.1 The Material Dimension of Poverty

The material dimension is concerned with material endowments as well as the possibility of participating in age-related consumption. Housing is a crucial indicator in this dimension (Laubstein et al., 2016, pp. 44-5).

For example, children who grow up in a poor household less often have their own room or a quiet place for themselves where they can relax and/or study for school (ibid.). Especially during the Covid-19 pandemic, when remote learning became a necessity and thus a quiet place was crucial, this aspect took on increased significance.[14] If one compares children between the ages of 6 to 14 who grow up in a financially deprived family to children of the same age group who live in a family that is financially secure, one will find that only 0.7% of the latter do not have their own place to study and do their homework, while 13% of children who grow up in a poor family lack such a place (Lietzmann & Wenzig, 2020, p. 20). Nutrition and clothing are two other aspects where poor children experience material deprivation (Laubstein et al., 2016, p. 46). Regarding nutrition, the authors' meta-analysis finds that poor families reduce the quality of food (i.e. choosing cheaper products) to secure a sufficient quantity (ibid.).

As mentioned above, the material dimension of poverty also includes the aspect of participating in age-related consumption. This can be illustrated by the fact that poor children less frequently get pocket money from their parents than their peers in financially secure families. Lietzmann & Wenzig (2020, p. 20) write that 20% of the children between the ages of 6 and 14 who grow up in poor families do not get pocket money on a regular basis, compared to 1.1 % of children in the same age group from non-poor families. The lack of pocket money limits the possibility of relatively poor children and adolescents spending money on things often

[12] In their meta-analysis Laubstein et al. devote a whole sub-chapter to poverty-related health issues, ranging from a higher risk of obesity to a less healthy lifestyle with regards to issues such as smoking or diet (2016, pp. 66, 68).

[13] These numbers come from *Armutsrisikoquoten nach Staatsangehörigkeit und Migrationshintergrund 2005 bis 2019*, a presentation by the *Institut Arbeit und Qualifikation der Universität Duisburg-Essen*. https://www.sozialpolitik-aktuell.de/files/sozialpolitik-aktuell/_Politikfelder/Einkommen-Armut/Datensammlung/PDF-Dateien/abbIII28.pdf (p. 1) (last accessed April 28, 2022).

[14] For more on preliminary effects of the Covid-19 pandemic on students see Grewenig et al. (2020).

considered discretionary, such as computer games, fashionable clothes, or going to the movies with friends. Furthermore, they cannot save for the future. These examples already point us towards the social dimension of poverty.

2.2 The Social Dimension of Poverty

Following Laubstein et al. (2016, p. 49), the social dimension of poverty focuses on the basic need to interact with other people. Poverty can sometimes have an influence on social integration and interaction with peers. All studies considered by the authors find that poverty itself cannot be seen as a single explanation for the kind of relationships young people who grow up poor have (ibid.).

One consequence of growing up in poverty can be a difficulty in establishing secure friendships. One cause for this is the lack of reciprocity that is considered a basis for friendship. Due to monetary restrictions, poor children might be unable to return favors like presents or invitations. Another cause might be that parents limit the contact children have with their friends due to the family's bad housing situation (ibid., p. 50f).

The above-mentioned aspects have an influence not only on the social situation of poor children but also on the relationship between them and their parents (ibid., p. 51). For example, from an early age, poor children might be required to take on responsibilities, such as caring for younger siblings, that their parents might be unable to discharge because of illness or long working hours. This role reversal can result in mental overload for the children (ibid.). Moreover, children are sensitive to their parents' financial situation, which burdens their everyday family life (Andresen & Galic, 2015). The last aspect points towards another dire consequence of growing up poor. Young people who worry about the financial situation of their families, experience bullying more often than their financially-secure peers, as the following passage indicates.

> Worries about the family's financial situation also have a significant influence in terms of children experiencing exclusion or violence at school. Of those children who never worry about their family's financial situation, 69.8 percent said they had experienced no type of attack in the previous month (…) This contrasts with the experiences of children and adolescents who constantly worry about their family's financial situation. Among this group, only 45.3 percent said that they experienced no form of abuse in the previous month, a difference of 24.6 percentage points (Andresen et al., p. 38).

Although it is not clear cut whether poverty is the sole cause for an increased risk of bullying, the authors' finding highlights that growing up in poverty burdens young people with multiple challenges (ibid., p. 39).

2.3 The Cultural Dimension of Poverty

The previous sections have explored in detail how material and social factors influence a child's upbringing. The cultural dimension of poverty is concerned with the participation in education and the educational opportunities of poor children. Given the limited space available to me in this paper and the variety of studies that have been conducted in this field, I will only briefly summarize the following aspects: According to a German study *AWO-ISS*[15] (see Holz et al. 2012

[15] The AWO-ISS study is a longitudinal study that has been conducted in Germany since 1997 in four phases, beginning with 893 children at the age of 6 that went to pre-Kindergarden of the German Workers' Welfare Association

for an overview in German), poverty affects the whole educational biography of a child. For example, poor children are less likely (e.g. due to developmental delays) to have a regular start into school life, often starting school at a later age than their peers (Laubstein et al., 2016, p. 55; Bertelsmann Stiftung, 2020, p. 7). Moreover, they must repeat classes in primary school more often, especially if they come from single-parent families or families that live in long-term poverty (Laubstein et al., 2016, p. 55). Except for sports classes, their grades are lower than those of their peers and they less often receive a recommendation for college-preparatory schools (*Gymnasium*, the highest form of secondary school education in Germany), even if they come from a poor family where parents have a relatively high level of formal education (ibid.). According to Laubstein et al., this last aspect can be seen as proof of an independent poverty effect. Of course, this claim should be handled with care, since correlation does not automatically prove causation. More work to exclude other possible explanations is needed.

Besides formal education, that is any form of education linked to the federal education system from primary school to university, non-formal education is also influenced by the disposable income of families. For example, children who grow up in poverty are less often members of clubs and have fewer opportunities to participate in leisure activities (Tophoven et al., 2018, p. 17ff).

3. A Proposal to Eradicate Child Poverty in Germany[16]

After having outlined the significance of relative poverty in Germany as well as the dimensions that are affected by it, this section of the paper focuses on one possible solution to child poverty in Germany.

As shown above, poverty comes with a lot of disadvantages and setbacks for those who suffer from it and has multidimensional consequences that range from housing to health. Although the German government has introduced various measures over the last decades to support children and their families financially, the overall number of those who live in poverty consistently remains at a relatively high level for one of the world's most powerful economies. In response, the project 'Family and Education: Creating Child-Centered Policies' has developed a proposal for ensuring for all children and adolescents a socially inclusive standard of living that rests on three pillars: (i) a new form of financial support; (ii) a Needs Survey; and (iii) effective on-site support. This chapter is devoted to explaining these pillars in more detail. It is the aim of our proposal to put the perspective of children and adolescents on their own lives front and center. Please note that the proposal is a 'work in progress', which means that some ideas are presented in more detail than others, and the final proposal may differ from what is presented here. As the statistical foundation for the determination of a new form of financial support (i) is provided by the Needs Survey, I will outline the second pillar first.

3.1 A Needs Survey

Data on the requirements, desires, concerns and interests of children, adolescents and their families in Germany are sparse. Neither official statistics nor information in social-welfare

(Arbeiterwohlfahrt or AWO; ISS stands for *Institut für Sozialarbeit und Sozialpädagogik* [Institute for Social Work and Social Pedagogy]). The study is concerned with the life situation of (poor) children and the effect of poverty on their lives.

[16] This chapter builds upon texts that have been written jointly by the 'Family and Education' project team, Antje Funcke, Sarah Menne, Mirjam Stierle and me, for our English website. Bertelsmann Stiftung. Familie und Bildung: Politik vom Kind aus denken. https://www.bertelsmann-stiftung.de/en/our-projects/family-and-education-creating-child-centered-policies (last accessed June 2, 2022). The text has been adapted and revised for the purposes of this paper.

reports give us a sufficient overview to draw meaningful conclusions about the needs or consumption patterns of these groups. Thus, a new, regular and representative survey of young people is required: a Needs Survey (*Bedarfserhebung*) for and with children and adolescents.

By exploring what makes a ‘good’ or ‘average’ childhood in Germany with regard to issues such as mobility, leisure-time activities, clothing, non-formal education, digital media, and pocket money, the Needs Survey would provide valuable information. Its design must include different formats for collecting data and involving participants. While its foundation should be a regular and representative quantitative poll, more in-depth qualitative studies must also be included. These qualitative probes could be based on interviews, group discussions, children’s conferences, peer-to-peer research and the like.

The basis for the Needs Survey are so-called ‘needs dimensions’ (*Bedarfsdimensionen*). These dimensions depict a normative framework that gives a (preliminary) answer to the question what children and adolescents require to grow and develop as they should. Currently, seven dimensions have been identified: (i) Education for Life; (ii) A Healthy Environment; (iii) Access to Quality, Needs-Based Education (which includes measures to protect children and adolescents from violence and bullying in school: see The Social Dimension of Poverty above); (iv) Time, Attention and Care; (v) Securing Financial Needs; (vi) Rights, Participation and Quality Interactions; and (vii) Adults’ Attitudes (Bertelsmann Stiftung, 2018).[17] In addition to all the information that could be gathered via qualitative and quantitative approaches in the Needs Survey, further information must be collected on the requirements specific to families and parents of younger children.

A regular and representative Needs Survey, combined with available data from other sources such as official statistics, could provide us with a statistical foundation that helps determine how high the More Inclusive Universal Child Benefit (explained below) should be and what would be needed to enable meaningful participation in society. Moreover, it could be used to gather information on how education, family and community policies that actually put the focus on children and adolescents should be designed. Such a project requires politicians, academia and other players to work together and to think in broad terms. The main goal should always be to actively involve and consult children and adolescents in the process to develop policies that are designed in alliance with, or at least under consideration of, their views.

3.2 New Financial Support: A More Inclusive Universal Child Benefit for Children and Adolescents

There are various government measures in Germany meant to support children and their families financially. In general, families must apply for them – often to different government agencies, depending on the support they seek. The actual amount of support often depends on the parents’ income and the circumstances in which the children and their families live. In most cases, the given financial support is not sufficient to ensure that lower-income children and families have a fair chance of participating in society. Thus, in our view, children and their families in Germany need a new form of financial support: the More Inclusive Universal Child Benefit (*das Teilhabegeld*).

The idea is that this financial payment would combine and replace a number of government support mechanisms that families can currently apply for. These are: (i) the child benefit; (ii) the statutory allowances for children’s needs granted under Germany’s social insurance laws; (iii) the supplementary allowance for low-income families; and (iv) the lump-sum benefits from the

[17] For a more detailed explanation of some of the above-mentioned needs dimensions and a first attempt to evaluate a survey against this backdrop, see Andresen et al. (2020).

country's education and participation package. The More Inclusive Universal Child Benefit would be reduced as household income rises so that support goes especially to the neediest children. What is new in our proposal is that children and adolescents themselves would be the recipients of the benefit.[18] The way in which this would best work in practice is still up for debate.

Funding of the new benefit would be the responsibility of the federal government. Alongside the pooling of the various government measures, other criteria for the new financial support should be: transparency, low levels of bureaucracy and an easy application process that could be conducted through digital means.

In our view, proposals for the exact amount of the More Inclusive Universal Child Benefit must reflect age-appropriate needs of children and adolescents and would be developed by an interdisciplinary expert commission in collaboration with young people. The amount of money should be based on what can be considered a 'good' or 'average' childhood in Germany. Children and adolescents know best what growing-up well means for them, which is why their viewpoints (in addition to those of their families, educators or else) must be considered when the amount for the More Inclusive Universal Child Benefit is set. This should be done on the basis of the newly proposed Needs Survey discussed in the previous section. The above-mentioned process for setting the level of the new child benefit should of course be legitimized democratically, and it should leave open the possibility of revising the amount of the benefit when circumstances change. In addition to the basic amount of the More Inclusive Universal Child Benefit that is tied to a household's income, factors like the needs of young people who are ill or disabled, and children and adolescents in single-parent households or whose parents share custody, should be considered *additionally*. That means that these children and adolescents would receive additional money to the basic amount of the More Inclusive Universal Child Benefit. Moreover, as explained above, besides single-parent households, those with three or more children have a much higher risk of being exposed to poverty. In order to be able to cover their extra needs to reduce the high poverty rates experienced by these families, it is important to ascertain these additional needs empirically and provide additional financial support.[19]

3.3 Effective on-site support

Children and adolescents spend a considerable amount of their time in early childhood education and care (ECEC) centers and schools. These organizations have always been an important part of young people's lives, but over recent decades they have become even more important, due to the expansion of ECEC centers and the extension of school hours through the introduction of all-day schools, previously uncommon in Germany.

Hence, children and adolescents are dependent on reliable, high-quality ECEC centers and schools that make them feel comfortable and boost their self-confidence through the possibility to participate and to feel valued as individuals. In order to ensure this, pupils need educators whom they trust and who support them.

As mentioned before, in Germany the social background of students and their educational achievements are still closely intertwined. To reduce this linkage, Germany must invest broadly in the quality of its educational institutions. As the country is organized in a federal system this task must be fulfilled jointly by the country's states, municipalities and school boards. A high-

[18] According to Kingreen (2017), this would mean that the benefit would not be linked under European law to the employment status of the parents. Therefore, in contrast to the current child allowance, there would be no obligation to provide the new benefit to children and young people who do not reside in Germany.

[19] See Lenze (2021) for more detailed thoughts regarding single-parent/shared-custody households.

quality school system naturally needs to ensure that inclusion, digitalization and all-day schools are fostered. Moreover, investments in the infrastructure of schools (buildings and equipment), and, above all, in well-qualified educational professionals, school social workers and school psychologists must be a given. Besides investing in education, however, money must be spent to reduce and prevent poverty. There must be no ‘either or’.

Besides places that afford children attractive leisure-time opportunities, effective on-site support for families should also include contact points in all municipal districts or schools or family centers where children, adolescents and their families can get information on benefits (e.g. the More Inclusive Universal Child Benefit or housing benefits) that they might be entitled to. These contact points should provide easy and unbureaucratic support and help those who seek assistance. Studies show that families in need of such assistance due to various burdens (such as missing support networks, poverty, psychological problems) are harder to reach than those who are less affected by these burdens. Researchers call this a ‘prevention dilemma’. So as to overcome this dilemma, different approaches on various levels must be taken. As it is not the focal point of this paper to discuss this in more detail, only two points will be made here: (1) It is important to find systematic and comprehensive access to the respective families, which can be achieved through so-called ‘door-openers’, which could be educators, teachers or pediatricians; and (2) the offers made to these families should fit their needs and approach them directly where they live, which means that the focus should lie on work on the ground in the respective communities.[20]

4. Concluding Remarks

Every child has the right to grow up well and participate effectively in society. The United Nations Convention on the Rights of Children not only guarantees development rights such as the right to education, access to information or leisure but also, inter alia, participation rights that include freedom of expression and the right to be consulted in matters that affect their own lives. These rights apply to every child in the world. Barriers that hinder children from exercising their rights ought to be removed.

In this paper, I have outlined how child poverty in Germany makes meaningful social participation harder for over one-fifth of children by setting higher hurdles in many different situations (see part 2 above). The aim of the proposal presented in the paper for a socially inclusive standard of living is to overcome these barriers.

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[20] These approaches are discussed in more detail in a presentation by Paul (2019).

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