



A PACT FOR
T.R.U.S.T.
& FINANCIAL INTEGRITY

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How Big is the IFFs Problem

ENDING ANOTHER PANDEMIC

Unofficial Estimates

2.3 percent of global GDP

\$23 billion in Illicit wildlife trade annually

5 percent of global GDP money laundered

\$7.6 trillion held in untaxed offshore wealth

\$600 billion in corporate revenues lost to profit shifting

\$182 billion lost annually to household tax evasion

\$83 billion in annual losses in Africa

\$66 billion in the Arab region

\$8.9 billion in public revenue due to corporate tax evasion



IFFs do more harm than the **SUMS** lost to each of its conduits

Multiple Hazards and Threat Multipliers

1
Drain
Public
Resources



- Deprive States of public revenues and reduce fiscal space preventing the delivery of public services and the realization of the social contract.
- Undermine support to SDG-centred recovery and resilience.
- Contribute to the build-up of debt.

2
Undermine
Rule of Law



- Encourage corruption, bribery, anonymity, and misuse of public funds.
- Add another layer of frailty impairing public spending efficiency and public financial management.

3
Prompt
quick-fix
regressive
policies



- Erode public resource mobilization efforts and lead to quick-fix tax policies to make up for the lost revenues.
- Prompt austerity impacting social spending (poor and vulnerable).
- Feed the vicious cycle of deficits, debt and underdevelopment.

4
Exacerbate
Instability

- Thrive on instability as much as they fuel it.
- Obstruct the realization of human rights obligations.
- Prevent States from fostering security, social cohesion, and climate action.

IFFs consistently creating

Systemic Gaps and New Enablers

Mosaic of Instruments Plurilateral-Unilateral



Gaps and Overlaps

- Different instruments developed organically over time to address distinct types of IFFs within and beyond the confines of the UN.
- The mosaic leaves questions about inclusion, scope, and the effectiveness of these configurations.

The question of Fragmentation



Weaknesses

- Overlapping instruments developed in silos unable to address the conduits and enablers holistically.
- Fragmentation raises barriers to coherent and coordinated multilateral solutions.

Estimates and their purpose



Granularity & Guidelines

- Estimates provide insights on IFF schemes and the legal instruments to combat them.
- States capacities hampered by their inability to identify and estimate IFFs information and access international tax information.

New Actors and Enablers



Threats

- Not all designated nonfinancial businesses and professions are subject to anti-money laundering rules.
- Enforcement remains weak as reflected by UNCAC reviews and FATF mutual evaluations.

Digitization



Evolving Conduits

- Digitization offers opportunities for IFFs to constantly mutate bypassing established mechanisms.
- The current system of global governance does not adequately address the challenges of digitization. No global or multilateral rules on crypto assets.

Domains Calling for Action

OECD-G20 Inclusive framework on BEPS:

Questions on suitability for developing countries, limitations imposed to members and enforcement



Taxation

- Profit shifting, irregular transfer pricing, relocation of debt, assets, and/or IP to low tax jurisdictions.
- Tax treaty shopping creates scope for “tax treaty abuse”.
- New business models allow remote sales without the need for physical presence.



Trade

- Insufficient detection of trade-based money laundering.
- IFFs not fully factored into the rule-based multilateral trading system
- Implications of new global tax reforms for GATT, GATS, TRIPs, international investment agreements and tax disputes.



Environment

- Climate action can be undermined by environmental crimes, also facilitating IFFs.
- Environmental crimes remain “low risk, high reward.”
- Inconsistent action by States to identify, investigate and prosecute money laundering from environmental crimes.



Corruption

- Lack of comprehensive legal frameworks to criminalize corruption / weak enforcement.
- Bank secrecy and lack of transparency in beneficial ownership of companies.
- Need for strong mutual legal assistance.



Financing terrorism and illegal markets

- Limited international cooperation hinders the tracing of complex criminal networks
- Rise of cryptocurrencies creates avenues for anonymous unregulated transactions
- Inadequate transparency in ownership structures impedes accountability efforts
- Unregulated informal financial networks

Re-building T.R.U.S.T. & Financial Integrity

Transparency at all levels

National and Regional Levels

- Develop integrated national strategies to combat IFFs; Publish tax incentives and expenditures including pandemic-related public procurement contracts.
- Adopt risk-based approaches to IFFs by developing guidelines consistently compile and publish national IFF estimates (Operationalize the Conceptual Framework for the Statistical measurement of IFFs)

Multilateral Level

- Universal Voluntary Review Process for IFFs - ECOSOC Special Sessions
- Establish multilateral standards and develop centralized registries to disclose **beneficial ownership**
- **Create public registries for Country-by-Country Reporting of MNCs profits**
- Enhanced mechanisms for cross-border information exchange and evaluation

Responsive and Responsible Regulation

Short and Medium Term

- Include environmental crimes as part of conduits and types of IFFs
- UN Tax Committee to host intergovernmental discussions on taxing automated digital services
- Factor digitalization-induced changes in tax treaties
- Develop Global framework and asset recovery platform

Universal Systemic Reform

National-Multilateral Short and Medium Terms

- Establish a new joint structure centered around the UN to combat tax abuse and combat IFFs
- Biennial summit between UN and G20 to follow on OCA commitments related to fighting tax evasion/avoidance



Reinforce Capacities of Developing Countries





Shared Prosperity Dignified Life



Thank you

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