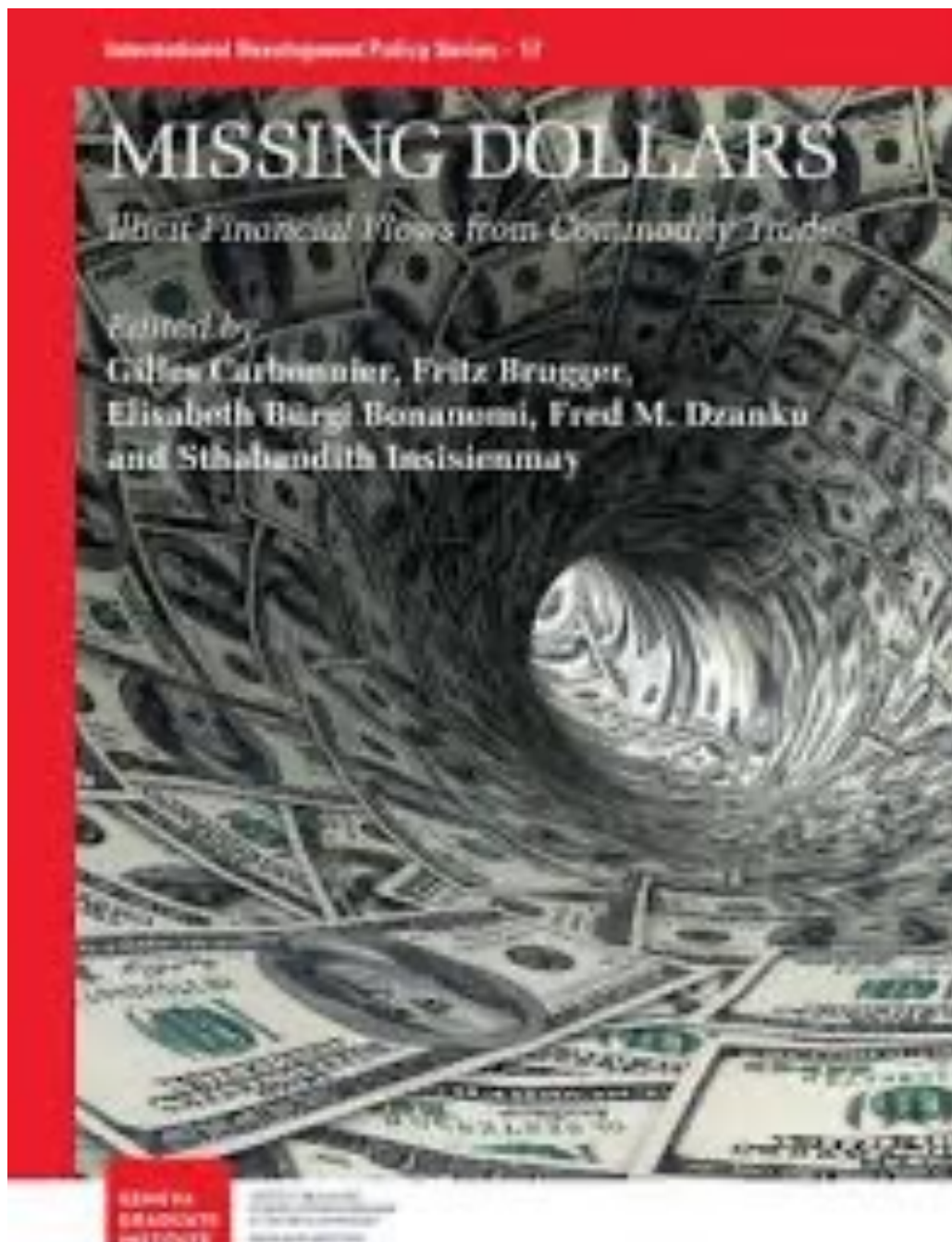


# **Missing Dollars IFF from Commodity Trade**

**Measurement Workshop  
Policy Expert Group  
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The Geneva Graduate Institute**



**SDG 16.4:** Curb illicit financial flows

**SDG 17.1:** Mobilize domestic resources

### **National and regional goals**

- 'Beyond aid' agenda
- Policy coherence for development

*Available as a book (Brill) and open access:*

<https://journals.openedition.org/poldev/6067>

# Setting the scene

## IFFs matter more than ever

Mobilizing greater domestic revenues to finance

- The SDGs
- Climate mitigation and adaptation
- Energy transition, digital transformation

... in the context of

- Rising debts (\$406bn interests paid in 2023) and budget deficits
- Declining ODA (\$223bn in 2023)
- Energy transition → renewed resource boom (or curse?)

Domestic resource mobilization set as a priority ahead of the 4th International Conference on Financing for Development

Work/debate on a new Tax Convention under the UN

# IFFs result in tax losses

## Undeclared private wealth has declined

- HNWIs keep owning the equivalent of 10% of the world's GDP offshore
  - Share of undeclared wealth may have dropped from 90% in 2013 to 27% by 2022 (*EU Tax Observatory 2024*)
- Automatic exchange of bank information has had an impact

## Less progress on corporate tax

- MNE shifting \$1.42 trillion profits to tax havens annually, causing **\$348bn losses in tax revenue** (*Tax Justice Network 2025*)
  - \$1 trillion continues to be shifted to tax havens in 2022 (over 1/3 of total corporate profits generated by MNEs). **Revenue losses may amount to 10% of global corporate tax revenues** (*EU Tax Observatory 2024*)
- Impact of the OECD/BEPS initiative remains limited (+ US presidential decree)



# Challenges in identifying and measuring trade-related IFFs

Initial estimates hinted to IFFs amounting to

- 4% of the World's GDP, up to 6% of Africa's GDP
- **Over  $\frac{3}{4}$  accruing from trade mispricing and abusive transfer pricing** (see GFI, 2013-14)

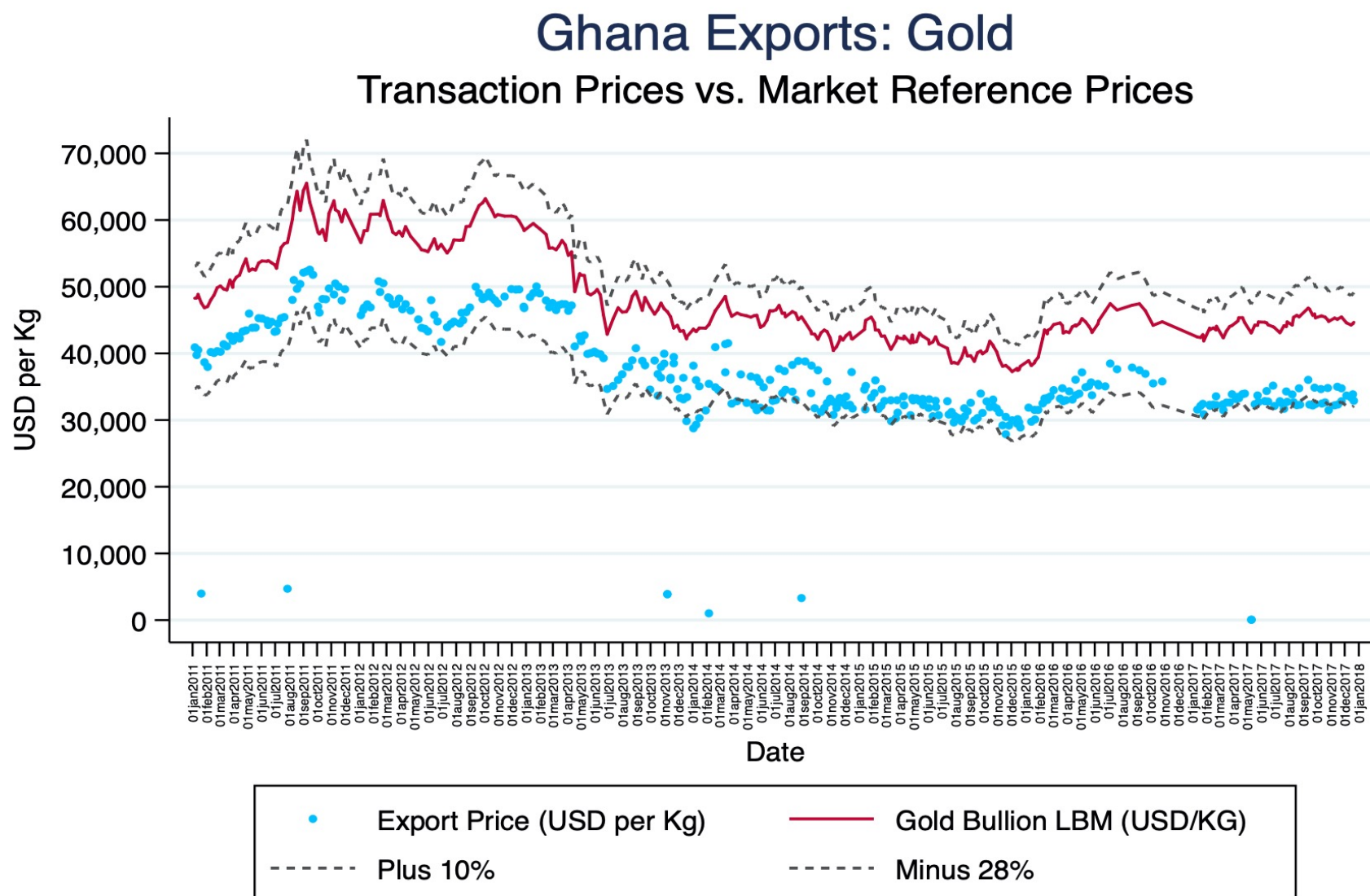
Such 'guesstimates' contested by business and states

- Poor/missing data and weak methods
- Issues with mirror-trade or partner-trade statistics

→ Need to devise to alternative methods

- E.g. price-filter analysis at the trade transaction level

# Example: gold doré exports from Ghana Tend to be (abnormally) underpriced



N = 365; Data Sources: Thomson Reuters Datastream/LBMA, Ghana Revenue Authority (GRA) - Customs Division

# Findings for gold exports from Ghana (2011-17)

Ghana Customs recorded total **exports of unwrought gold doré of \$8.9 billion to Switzerland**

- Using **mine-level information on gold-silver purity**, we estimate abnormally undervalued exports to **\$307M** (3.4% of total exports)

Exports to **India** equal \$5.9bn. **1.8bn** appears abnormally undervalued (31%)

Exports to **UAE** equal \$8.4bn. **426M** appears abnormally undervalued (5%)

Exports to **South Africa** equal \$11.3bn. **587M** appears abnormally undervalued (5%)

Estimation of Ghana's lost tax revenue

- Options: e.g. create additional HS tariff lines to account for gold contents. Strengthen Ghana's assaying capacity (PMMC).

See [www.curbing-iffs.org](http://www.curbing-iffs.org)

# IFF Challenges

## 2) Policy responses

Options for host and home states to address IFF push and pull factors

- Unilateral measures vs. need for regional and global frameworks
- Policy space for context-specific responses

Q-Study to uncover policy preferences of key stakeholders

- Some support for short-term, technical fixes such as improving transparency and data generation/sharing
- Less support for mid-term solutions such as adjusting legal instruments and enhancing coordination
- Reluctance to engage in structural reforms

*See Brugger et al. 2024*

# Policy responses by host states

## Quick/technical fixes

- E-seals, smart containers equipped with sensors, scanners, etc.
- Improved valuation, buyers paying for pre-shipment inspection
- Automated data matching (export vs. import document or income tax returns filed by buyers).

## Prescriptive approaches to taxation, simplified transfer pricing methods

- 6<sup>th</sup> method using publicly quoted benchmarks
- Administered pricing by trusted expert committee
- Referencing in contracts, using reference prices/formulas, or applying fixed profit margins and markups
- Restricting deductible taxpayer costs (interest and royalties paid by mining firms to offshore entities)

→ Breach of international investment trade and tax rules?

See Museilli & Mariottini de Oliveira (2024)

# Policy response by HOME states

## Short/medium term

- Extending AML regulation to non-financial service providers (tax lawyers, fiduciaries, notaries, etc). Corporate criminal offence regulation and penalties for enabling tax evasion/avoidance
- Providing trade data at the transaction level, accounting for product heterogeneity
- Information flows between tax, customs and other administrative units, e.g. exchange information for tax and customs purpose



# Long-term solution requiring new international/regional frameworks

International cooperation and structural changes required

- Under a UN Tax Convention? Role of regional Arrangements?
- E.g. unitary taxation with formulary apportionment
- E.g. global minimum corporate tax rates and addressing loopholes, such as via tax expenditure (see *Lucas Millan et al. 2024 in the case of SEZ, patent boxes and bilateral tax treaties*)

Reviewing bilateral investment treaties as well as double-taxation agreements to preserve the policy space required for host states to adopt context-specific solutions

# Conclusion

Establishing a fair, transparent and equitable tax framework is of the essence to

- Finance the SDGs and preserve global public goods
- Address poverty and redress inequality
- Restore trust in multilateralism

Averting yet another resource curse related to the energy and digital transition

- Diversifying the economy
- Moving up the value-added ladder