

Informal Review Session on Chapter I of the Monterrey Consensus “Mobilizing domestic financial resources for development”

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The Monterrey Consensus, in calling for developing countries to mobilize domestic resources, explicitly urged a reduction of capital flight. Also, the 2005 United Nations World Summit explicitly resolved to support efforts to **reduce capital flight** and to support measures to limit other illicit transfers of funds.

Capital flight and other illicit transfers of funds result in tax evasion and reduction in government revenue in developing countries.

The United Nations Office of Drugs and Crimes and the World Bank, in their Stolen Assets Recovery (StAR) Report of June 2007, estimate that the cross-border flow of illicit funds from corruption, criminal activity and tax evasion is between US\$1.0 trillion and US\$1.6 trillion annually, about one-half from developing countries.

Capital flight and other illicit transfers of funds can be combated by several measures, including:

- (1) first, the **automatic exchange of tax information** between governments;
- (2) second, enforcement of the United Nations **Convention Against Corruption**;
- (3) and third, treating cross-border tax evasion **as a suspicious activity** which must be reported to the relevant government authorities, and as a money laundering offense which must also be reported to the relevant government authorities.
- (4) Also, the **United Nations Tax Committee should be strengthened and converted into an intergovernmental entity**. The agenda of the UN Tax Committee should consider measures to combat capital flight and the resulting tax evasion in developing countries, and also measures to assist developing countries to improve their tax administrations.