



HIGH-LEVEL MEETING ON “INTERNATIONAL COOPERATION TO COMBAT ILLICIT FINANCIAL FLOWS AND STRENGTHEN GOOD PRACTICES ON ASSET RETURN”

Concept Note

UNITED NATIONS HEADQUARTERS, NEW YORK
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Background

The United Nations General Assembly, in its resolution A/RES/72/207 entitled “*Promotion of international cooperation to combat illicit financial flows and strengthen good practices on asset returns to foster sustainable development*”, invited the President of the General Assembly to convene, in coordination with all stakeholders, a high-level meeting on international cooperation to combat illicit financial flows and strengthen good practices on asset return to foster sustainable development. The General Assembly reiterated this call on the President of the Assembly in its resolution A/RES/73/222.

Illicit financial flows and sustainable development

There is international recognition that current public and private initiatives to finance the 2030 Agenda are insufficient. While estimates of the current financing gap vary, almost all cite trillions rather than billions per year. UNCTAD, for example, suggests that, at current levels of investment in core SDG-related sectors, developing countries face an annual financing gap of \$2.5 trillion.¹

Domestic resource mobilization is one of the core pillars identified in the Addis Ababa Action Agenda and the 2030 Agenda to help close this gap, with particular emphasis given to improving domestic capacities for tax and other revenue collection², as well as to combatting economic crime and strengthening institutions to respond to illicit financial flows (IFFs). IFFs pose a significant threat to this objective, as well as to related wider security, rule of law, and developmental concerns, such as building strong and resilient institutions to support structural transformation.

Smaller and poorer developing countries are disproportionately affected by the negative developmental consequences of IFFs; compounded by already weak governance structures that

¹ UNCTAD (WIR). Investing in the SDGs: An Action Plan: xxvi, 154.

² Sustainable Development Goal 17.1 (Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection); AAAA § 22.



are necessary to prevent and counter IFFs, as well as low tax revenues that can be particularly severe in developing countries dependent on natural resource extraction. Strengthening intervention to combat IFFs arguably is one of the most cost-effective strategies to be pursued by the international community to facilitate the timely implementation of the 2030 Agenda and support vulnerable developing countries in this regard.

In recognition of the threat posed by IFFs, the 2030 Agenda includes the reduction of IFFs as one of the targets of Sustainable Development Goal 16 (Peace, Justice and Strong Institutions). The AAAA **similarly states that** “measures to combat corruption and curb illicit financial flows will be **integral to our efforts**” (§18), **calls upon member States to “redouble efforts to substantially reduce illicit financial flows by 2030”** (§23), and **commits to “work to strengthen regulatory frameworks at all levels to further increase transparency and accountability of financial institutions and the corporate sector, as well as public administrations”** (§25).

Main achievements and remaining challenges

Since the drain on development emanating from IFFs first caught the attention of wider audiences in governments, civil society and multilateral fora, considerable progress has been made in tackling such flows through a multitude of initiatives at national and international levels.

This includes the United Nations Convention against Corruption³ and the United Nations Convention against Transnational Organized Crime⁴ that provide the most comprehensive and universal instruments to-date to reduce IFFs originating from corruption and organized crime. Important steps forward are being taken to advance the recovery and **return of ‘stolen assets’** (or the proceeds of corruption that have been transferred abroad) including through the joint World Bank/UNODC Stolen Asset Recovery (StAR) Initiative, its Asset Recovery Watch database, and the Global Forum on Asset Recovery (GFAR). UNODC has also assisted Member States to establish Asset Recovery Inter-Agency Networks globally.⁵

Similarly, the United Nations Tax Committee, **the Financial Action Task Force, the OECD’s Global Forum for Transparency and Exchange of Information for Tax Purposes, its Multilateral Convention on Mutual Cooperation in Tax Matters and its Base Erosion and Profit Shifting Project** (in cooperation with the Group of 20) have all contributed to debates on and the implementation of measures to increase tax administration, tax transparency and cross-border information **exchange mechanism, alongside numerous national initiatives. The World Bank’s IFFs Risk**

³ United Nations, *Treaty Series*, Vol. 2349, no. 42146.

⁴ United Nations, *Treaty Series*, Vol. 2225, no. 39574.

⁵ Currently seven networks exist, namely: the Asset Recovery Inter-Agency Network of Asia/Pacific (ARIN-AP), the Asset Recovery Inter-Agency Network of Eastern Africa (ARINEA), the Asset Recovery Inter-Agency Network of the Caribbean (ARIN-CARIB), the Asset Recovery Inter-Agency Network of Latin America (RRAG⁵), the Asset Recovery Inter-Agency Network of Southern Africa (ARINSA), the Asset Recovery Inter-Agency Network of West Africa (ARINWA), and the Asset Recovery Inter-Agency Network of West and Central Asia (ARIN-WCA). The networks have varying degrees of success, due to a number of factors, such as maturity and resources. The most successful is ARINSA where the value of assets frozen, seized and confiscated in 2018 exceeded more than USD 500 million.



Assessment Framework will also help countries to enhance their capacities to develop economic and other policies to address IFFs more effectively.

Yet, important challenges remain:

- [Definitional challenge](#): There remains no universally agreed-on definition of what constitutes IFFs, though there are some parameters for identifying IFFs. IFFs are often defined as constituting money that is illegally earned, transferred or used and that crosses borders. Second, there are generally three categories of IFFs, although these are not mutually exclusive or comprehensive: IFFs originating from transnational criminal activity; corruption-related IFFs; and tax-related IFFs.
- [Measurement](#): The deliberately hidden nature of IFFs poses formidable problems for the reliable measurement of these flows. Existing estimates provide a partial picture, by regions and types of flows, and underlying statistical methods to estimate the volume of IFFs as well as conceptual frameworks for a comprehensive definition of the components of IFFs remain contentious. UNODC and UNCTAD, as co-custodians of SDG indicator 16.4. to reduce IFFs, are engaged, in cooperation with UNECLAC and UNECA, with testing and developing common statistical methods to measure IFFs and to provide data for the aggregate scale indicator under SDG target 16.4. Similarly, while certain mutual accountability frameworks do exist at the global level for preventing and countering IFFs – such as the UNCAC Implementation Review Mechanism and the FATF monitoring process – few quantitative tools and standards exist to objectively measure IFFs and international efforts to combat IFFs and ensure returns.
- [Technology](#): The fast-growing role of information and communication technologies also requires close attention in the context of IFFs. Criminals – including transnational organized crime groups – can increasingly use digital avenues to facilitate cross-border trade and associated financial flows, for example through the criminal misuse of so-called ‘cryptocurrencies’. **At the same time, big data analytics, machine learning and neural network** programming also provide an array of tools and methods to better predict illicit behavior and measure IFFs more accurately.
- [Participation](#): For a variety of reasons, the participation of developing countries in multilateral initiatives to enhance tax transparency, such as the Automatic Exchange of Information initiative of the OECD, the G20 and the G7, remains limited. While there is a range of regional initiatives in developing countries, such as the Asset Recovery Inter-Agency Network of Southern Africa, the African Legal Support Facility and similar organizations in Latin America and Asia, these require closer interaction and integration with advanced-country led initiatives. There also is a need, more generally, for capacity-building support to combat IFFs in developing countries.



The United Nations, international cooperation on financial transparency and best practice on asset recovery and repatriation

The underlying problems of financial secrecy, without which IFFs would be on a much lower scale, are global and systemic. Countries can and should take powerful domestic steps, such as implementing requirements of publication of country-by-country reporting under the new standard of the OECD and taking forward country-level capacities to ensure best practice in asset recovery and repatriation, consistent with international agreements and established norms and taking into account multilateral initiatives to promote global regulatory frameworks in this regard. Yet there is an inherent need for global and inclusive debate, that takes on board the interests of all countries, to achieve meaningful progress in combating IFFs of all kinds.

The United Nations System is a natural forum for such debate. As mentioned above, it has already played a pivotal role in promoting inclusive debate as well as global regulatory frameworks to combat IFFs, for example through the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime, ongoing efforts to provide a transparent and comprehensive statistical framework to measure IFFs and substantive progress in promoting best practices on asset recovery and repatriation. But further progress is urgently required to further advance the promotion and comprehensive implementation of existing initiatives and frameworks, as well as to address remaining challenges and consider new and additional initiatives to support these efforts. Collaboration between the United Nations System and other international organizations and frameworks is also essential in supporting this action, including the area of anti-money laundering and countering terrorist financing.

Objective

This high-level meeting is being organized to take stock of progress made and ways to address remaining challenges to reduce IFFs and promote best practices in asset recovery and repatriation, as an important means to support the timely implementation of the 2030 Agenda, in cooperation with all relevant stakeholders. The main objectives of the meeting are to:

- facilitate ongoing exchange of experiences with the implementation of existing multilateral, regional and national initiatives in this regard, as well as views on how best to achieve further progress to address remaining challenges
- explore and highlight the focused efforts, including through improved coordination, that the United Nations Development System, the international financial institutions, regional organizations and other stakeholders can engage to promote global action to strengthen financial transparency and best practices,
- ensure comprehensive participation by all relevant countries, in existing and future initiatives, and to enhance technical and capacity-building support to developing countries in these areas.
- develop solid and concrete proposals and recommendations for future action.



Participants

The meeting is open to Member States, Observers of the General Assembly and the United Nations system.

Outcome

The President of the General Assembly will prepare a summary of the discussion, which will inform the forthcoming Secretary-General's report on the implementation of resolutions A/RES/72/207 and A/RES/73/222, respectively.

Key Questions

Participants may wish to consider the following questions to guide their interactions in the panels:

- What are the major gaps and challenges facing effective global action on stemming increasing IFFs and on promoting timely and effective recovery and repatriation of stolen assets?
- What are the most important components of IFFs? How can statistical expertise capture the magnitude and impact of IFFs, as well as governmental efforts to prevent and counter them? How can data analysis and collection on IFFs help improve developmental outcomes, at national, regional and international levels?
- What do you consider the most appropriate/efficient measure to prevent and combat IFF and strengthen recovery and return of stolen assets? How have countries worked together to return confiscated stolen assets in an effective way?
- How does the rise of digital services affect the use of financial secrecy to facilitate IFFs as well as the ability of governments to monitor IFFs and enforce adequate administrative and legal action?
- How can we promote more effective global implementation of existing instruments, like the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime, and address the need of new instruments, including the promotion of financial transparency.
- How can we harness the richness and multiplicity of current national, regional and multilateral initiatives to combat IFFs by enhancing the voice and participation of developing countries?



Illicit Financial Flows: Key Estimates

- UNODC has estimated that, in 2009, illicit flows stemming from criminal proceeds amounted to some 3.6 per cent of global GDP, equivalent to about US\$ 2.1 trillion, with illicit drugs generating the largest share of income from transnational organized crime. As a share of GDP, all crime proceeds tend to be higher in developing countries and to be laundered more frequently abroad.⁶
- The 2015 Report of the AU/UNECA High-Level Panel on Illicit Financial Flows from Africa suggests that, at a conservative estimate, IFFs from the continent amount to between US\$ 30 and 60 billion per year and have increased rapidly over the past decade. Related studies suggest that IFFs from Africa exceeded amounts required to **cover the continent's external debt in 2008 and may have been equivalent to** all of official development assistance received by Africa between 1970-2008.⁷
- The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that IFFs reached a total of \$765 billion for the period from 2004 to 2013, equivalent to 1.8 per cent of regional GDP on average throughout this period.⁸
- The most recent (2017) estimates of global losses due to corporate profit-shifting and tax avoidance range from US\$ 150-500 billion annually.⁹
- One estimate suggests that, if the profits of multinational enterprises were accounted for in the areas where their economic activity occurs, these businesses would pay a combined US\$ 500-650 billions more in annual corporate taxes. Approximately US\$ 200 billion of this amount would go to developing countries, significantly more than current official development aid estimated at just above US\$ 140 billions.¹⁰

Format

The high-level meeting, which will take place from 10 a.m. to 1 p.m. and 3 to 6 p.m., consists of an opening segment, two interactive panel discussions, a plenary segment for general discussion, and a closing segment.

⁶ UNODC (2014). Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes. *Research Report*. Vienna, October.

⁷ AU/UNECA Conference of Ministers of Finance, Planning and Economic Development (2015). Report of the High-Level Panels on Illicit Financial Flows from Africa, pp. 33 and 91.

⁸ ECLAC. (2017). Flujos financieros ilícitos en América Latina y el Caribe. *ECLAC Publication*, Santiago de Chile, p. 25.

⁹ Report of the Inter-agency Task Force on Financing for Development (2018). *Financing for Development: Progress and Prospects*. United Nations publication. New York, p.44.

¹⁰ Garcia-Bernando, J., E. Heemskerk, F. Takes and J. Fichtner. 2017. These five countries are conduits for the world's biggest tax havens. *Businesslive articles*, 26 July.



PROGRAMME

10:00 - 10:40	OPENING SEGMENT <ul style="list-style-type: none">• Ms. Maria Fernanda Espinosa Garcés, President of the General Assembly of the United Nations• Ms. Inga Rhonda King, President of the Economic and Social Council, ECOSOC• Yury Fedotov, Secretary-General to the position of Executive Director of the United Nations Office on Drugs and Crime, UNODC (Video message)
10:40 - 12:00	INTERACTIVE PANEL 1 Taking stock on achievements of contemporary efforts to combat IFF and moving on The significantly negative impacts of IFFs on development outcomes have been known for some time, if only by order of magnitudes and general trends. The panel, representing a mix of academic, country and multilateral expertise and experiences with the design and promotion of existing initiatives to reduce IFFs and implement asset recovery and repatriation, will generate discussion on lessons learnt and core challenges yet to address. Taking stock on achievements of contemporary efforts to combat illicit financial flows. Moderator: Ms. Chantal Line Carpentier, <i>Chief of the UNCTAD New York Office of the Secretary General</i> <u>Panelists:</u> <ul style="list-style-type: none">• Mr. Víctor Martínez, Minister of Finance of Guatemala• Mr. Jens Frolich Holte, Deputy Foreign Minister of Norway• Ms. Mary Butler, Criminal Division of the United States, Department of Justice• Mr. Emmanuel Roux, Special Representative of Interpol to the United Nations• Mr. Alvin Mosioma, Head of Tax Justice Network - Africa
12:00 - 13:00	PLENARY SEGMENT
15:00 - 16:20	INTERACTIVE PANEL 2 A global architecture to combat IFFs and strengthen recovery and return of illicit assets The United Nations' role in facilitating multilateral cooperation to combat IFFs is an important stepping stone to the implementation of the 2030 Agenda. This panel is expected to generate discussion on how best the United Nations System, in cooperation with all relevant stakeholders, can



accelerate efforts to ensure an inclusive and effective global architecture to stem IFFs effectively and thereby help to meet commitments to the 2030 Agenda.

Moderator: Mr. Emile van der Does de Willebois, Lead Financial Sector Specialist and role of Global Lead for Financial Markets Integrity of World Bank

Panelists:

- **Professor Bolaji Olufunmileyi Owasanoye**, Chairman, Independent Corrupt Practices and Other Related Offences Commission of Nigeria
- **Dr. Alex Cobham**, Executive Director of Tax Justice Network
- **Ms. Irene Ovonji-Odida**, Independent Commission for the Reform of International Corporate Taxation Commissioner
- **Ms. Elsa Gopala Krishnan**, STAR stolen asset recovery Initiative of UNODC
- **Ms. Pooja Rangaprasad**, Society for International Development, Civil Society Coordinator

16:20 - 17:30 **PLENARY SEGMENT**

17:00 - 17:30 **CLOSING REMARKS**

H.E. Maria Fernanda Espinosa Garcés, President of the General Assembly of the United Nations