



THE PRESIDENT  
OF THE  
GENERAL ASSEMBLY

9 July 2019

Excellency,

It is my honour to submit the Summary of the High-level meeting on “International Cooperation to Combat Illicit Financial Flows and Strengthen Good Practices on Asset Returns” which was convened on Thursday, 16 May 2019 in the Trusteeship Council Chamber. The meeting was held pursuant to General Assembly resolutions 72/207 and 73/222, entitled “Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development”. The resolutions invite the President of the General Assembly to convene a high-level meeting in coordination with all relevant stakeholders to discuss “international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development”.

The enclosed Summary acknowledges the progress made thus far and highlights the conclusions, recommendations and commitments reached by stakeholders to address the remaining challenges surrounding illicit financial flows.

Please accept, Excellency, the assurances of my highest consideration.

A stylized, handwritten signature in blue ink that reads "MFESPINOSA".

María Fernanda Espinosa Garcés

All Permanent Representatives and  
Permanent Observers to the United Nations  
New York

## HIGH-LEVEL MEETING ON INTERNATIONAL COOPERATION TO COMBAT ILLCIT FINANCIAL FLOWS AND STRENGTHEN GOOD PRACTICES ON ASSET RETURN TO FOSTER SUSTAINABLE DEVELOPMENT

### SUMMARY

UNITED NATIONS HEADQUARTERS, NEW YORK  
16 May 2019, 10:00-18:00

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 in coordination with all relevant stakeholders, to convene 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 in its resolution A/RES/73/222.

On 16 May 2019, H.E. María Fernanda Espinosa Garcés, President of the 73<sup>rd</sup> Session of the General Assembly, in collaboration with the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Office of Drugs and Crime (UNODC) convened the High-Level Meeting on International Cooperation to Combat Illicit Financial Flows and Strengthen Good Practices on Asset Return.

The Meeting included an opening segment and two interactive panels followed by plenary segments (See Annex 1: Programme).

#### Key messages

- Highlight the need for focus on the issues of tax evasion and tax avoidance, which are currently not covered under the United Nations Convention against Corruption (UNCAC) and the United Nations Convention against Transnational Organized Crime (UNTOC);
- Finalization of the indicator related SDG Target 16.4.1 by UNODC and UNCTAD;

- Curbing IFFs, which threaten the capacities of countries in financing their development and the achievement of the SDGs as emphasized in the Addis Ababa Action Agenda on Financing for Development;
- Scaled-up co-operation necessary among countries for the recovery and return of stolen assets, and the facilitation of exchange of information, intelligence and data;
- Urgent need to step up the capacity building of developing countries in financial investigation, ceasing assets, collecting information and reporting
- Several initiatives undertaken by the OECD and G20 to tackle the international tax system issue and their limited applicability for developing countries;
- A more explicit definition of Illicit Financial Flows is required, recognizing its three components as corruption, transnational organized crime and tax related issues (tax evasion and tax avoidance).

## Summary

### Opening Segment

**H.E. Ms. María Fernanda Espinosa Garcés, President of the UN General Assembly (PGA)** highlighted that illicit financial flows (IFF) undermine government efforts and divert resources from education, health, infrastructure and housing, impacting millions of individuals. The PGA also noted that IFF directly disrupt financing for development, interfering in the mobilization of domestic resources. The PGA stressed that political will is needed to combat the sources of the IFF which are the outcome of criminal activities. Tax evasion and tax avoidance are incalculable and jeopardize the development of entire generations. Strengthening international tax cooperation to develop effective tax policies will help in mobilizing more resources. It is also essential to adopt policies to combat corruption at all levels and to make better use of international conventions, including against corruption. Combating IFF requires a full examination of where the money goes, and to take steps to deter and prevent these flows. Special attention had to be paid to approaches which complement existing norms and standards in view of the cross-border nature of those flows and the different legal frameworks. She underscored the importance of the exchange of tax information and the challenge of the effective return assets to the countries of origin, particularly in relation to the differences in the legal systems. The PGA encouraged participants to share their views on the establishment of a global structure to combat IFF, focusing on the role of the UN.

**H. E. Ms. Inga Rhonda King, President of the Economic and Social Council** noted that the international community expressed its deep concerns on IFFs caused by tax evasion, corruption and transnational organized crime and on its effects on the economic, social and political stability. She highlighted that without a change in the current economic system, the achievement of the 2030



Agenda would be jeopardized. Ambassador King further underlined that the international community will need to mobilize all types of financial flows, public and private, domestic and international, to finance the 2030 Agenda for Sustainable Development. Financial integrity is one of the foremost areas where changes are needed, including IFFs related to tax, corruption and transnational criminal activities. African countries have taken the lead in combatting IFFs through the High-level panel on IFFs. Member States are taking action through the 2<sup>nd</sup> cycle of peer reviews being now conducted under the UN Convention against corruption (UNCAC) and the international tax cooperation. The international community must ensure that developing countries are not excluded from the discussion on norms-setting and cooperation in the tax sphere.

Ambassador King underscored the importance of political leadership and bold vision to transform the way to addressing the issue. The implementation of the principle contained in the Addis Ababa Action Agenda (AAAA) that multinational firms should be taxed where their economic activity occurs, and their value is created, has been challenging because of divergent opinions on what this means in practice. Effective, accountable and transparent institutions need to be built to counter corruption as well as to speed up the return of assets that have been stolen. The UN must be used to develop concrete mechanisms of international cooperation, strengthened legal frameworks to combat IFF and return stolen assets. The development of the political will to combat illicit practices has to be revolutionary. She observed that ECOSOC convened a special meeting on international cooperation in tax matters at the Financing for Development Forum in April. The Forum tasked the IATF to provide data on assets return and to devote specific attention in its 2020 report to estimate the volume of IFFs. The Committee of Experts on international cooperation in tax matters is contributing to the discussion on reforming international tax norms and preventing tax evasion.

**Mr. Yuri Fedotov, Executive Director of the United Nations Office on Drugs and Crime**, declared that it was high time to reinforce global action to counter the risks posed by economic crime, money laundering, the financing of terrorism and transnational organized crime. UNODC through the Stolen Asset Recovery (StAR) initiative with the World Bank, is helping in capacity building to implement the UN Conventions against Corruption and Transnational Organized Crime. It is also supporting national efforts to collect data and inform development strategies and policies. This includes the collaboration with UNCTAD on defining the SDG 16 indicator on measuring IFF. Mr. Fedotov urged Member States to make full use of the resources available to promote the rule of law, combat IFFs stemming from corruption and transnational organized crime and strengthen recovery of stolen assets. Technology and the financial sector can serve as forces for good, promoting innovation, empowering people and enabling growth, opportunity and well-being.

#### 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 represented 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, and the discussion generated discussion on lessons learnt and core challenges.

**Ms. Chantal Line Carpentier, Chief of the UNCTAD New York Office**, as moderator for the panel outlined the absence of a common definition of IFF which inhibits experts to effectively quantify IFF and provide consistent figures across countries. She highlighted the collaboration of UNCTAD and UNODC as co-custodians of SDG 16.4.1 to measure IFF and monitor progress in reaching the target. Although figures of IFF are inconsistent, it is commonly agreed that IFFs are big and draining the fiscal revenues of countries, particularly developing countries, limiting their ability to finance their development. Several consultations have already taken place among countries and UN agencies, as well as with a task force including the IMF, the OECD and EUROSTAT, on how to reconcile and incorporate IFFs into the UN system of national accounts and balance of payments. In addition, the UN development account is financing three activities related to IFF: i) the indicator measuring IFFs; ii) the mis-invoicing; and iii) building a statistical framework on measuring IFFs, in which UNDESA and UNCTAD are working with Senegal, Nigeria, the Republic of Congo, Tanzania, Mozambique, Zambia, Zimbabwe and South-Africa, with Egypt and Uganda joining soon.

**H.E. Mr. Victor Martinez, Minister of Finance of Guatemala**, presented his country's experience of strong economic stability owing to a viable financial system and a strong currency based on the following elements:

- Empowerment of the Central Bank of Guatemala to regulate the financial system
- Growth of GDP as a result of economic stability
- Strong measures taken to repatriate its stolen assets
- Legislative and regulatory frameworks against money laundering; laws on recovery stolen assets and using those assets to finance the justice system.
- In partnership with IMF in 2018, establishing a special recovery asset unit, looking not only to recover nationally but also internationally (GAFI-LAC).
- Promulgation of new laws to tackle money laundering.
- Implementation of anti-corruption and assets recovery laws since 2011.

**Mr. Jens Frolich Holte, Deputy Foreign Minister of Norway** recalled that the G7, the G20, the EU, the OECD, the World Bank, the IMF, the African Union and the UN GA all agree that there is a need to step up international cooperation to prevent corruption, stop organized crime and curtail IFFs. However, international solutions may take some time and he acknowledged that national governments may be reluctant to tackle IFFs for fear of failure or because embarking on the mission could be costly in the short run. Furthermore, he noted that reforming tax systems could be challenging because it requires the highest levels of integrity and tax reforms are difficult to pass



through parliament. Capacity at the national level is of vital importance and finding expertise in IFFs is a challenge. The Minister also shared that tackling IFFs will require the following 3 components:

- An accelerated cooperation – there is a need for an international organization to develop norms and close loopholes;
- Far-reaching transparency – countries should be willing to share tax information automatically; and
- An unflinching justice – international crime must be met with unflinching justice (closer international cooperation). Litigation should be prioritized and there should be intelligence sharing across borders.

The Minister announced that Norway will double its support to capacity building in developing countries by 2020, fulfilling its commitment and called on other signatories of the AAAA to do the same.

**Ms. Mary Butler, Criminal Division of the United States Department of Justice**, explained the main focus of the United States law enforcement in repatriating stolen funds while ensuring that entities that engage in money laundering are brought to book. She highlighted the following in her presentation:

- The US is making progress in investigating cases of IFFs through cooperation with foreign partners
- Every year, the US prosecutes about 3,300 persons for money laundering related offences
- the US recovers assets worth about \$2 billion annually, from illegal proceed of crime, foreign corruption crime and tax crime.

To improve its effectiveness, the Department of Justice is i) procuring enhanced resources for the specialized unit of prosecutors working on IFFs, and ii) leveraging US anti-money laundering laws to tackle foreign corruption (especially for financial transactions linked to the US financial system). Ms Butler outlined some recommendations that can aid the repatriation of IFFs:

- Countries of destination need to have legal systems that will help the Department of Justice enforce US confiscation and forfeiture orders;
- Non-conviction-based forfeiture authorities need to be established in countries, which will enable charges to be brought against assets without having jurisdiction over their owners; and
- Using non-conviction-based forfeiture (focusing on assets) will help ensure progress in seizing assets and preventing the exploitation of loopholes in the financial system.

**Mr. Emmanuel Roux, Special Representative of Interpol to the United Nations**, highlighted some of the work Interpol is doing to disrupt the activities of money launderers and facilitate the return of stolen assets. He noted that the actors involved in IFFs include individuals, organized crime groups

as well as terrorist organizations. He also noted that criminal organizations also use funding from IFFs to fund other ventures like trafficking in harmful drugs. In 2018, Interpol carried out operations in 115 countries resulting in the seizure of 22,000 tons of illicit substances worth \$139 million. He shared that Interpol facilitates cooperation between national law enforcement bodies and intelligence agencies. Mr. Roux added that Interpol is collaborating with UNDP and the World Bank to facilitate the return of stolen assets to their countries of origin. He underlined that IFFs remain a key impediment to the attainment of the 2030 Agenda.

**Mr. Alvin Mosioma, Head of Tax Justice Network – Africa**, explained that a consortium has been established in Africa for the purpose of tackling IFFs. This consortium is pushing for tax reforms and helping build the capacity of relevant institutions. He stressed that at the regional level, there is increased collaboration amongst African states (with UNECA playing a key role) and that some countries, such as Ghana, have passed legislation to address IFFs. South Africa, Kenya and Tanzania have also begun legislative processes towards passing laws that will help combat IFFs.

He recommended Important steps to be taken towards combating IFFs:

- *Need to review governance structures:* Some developed countries make rules for all others to adopt. The International tax systems should be co-created by all countries (under the auspices of the UN).
- The definition of IFFs should be reviewed to include tax avoidance. Currently the definition is limited to money laundering.

#### Panel 2: A global architecture to combat IFFs and strengthen recovery and return illicit assets

The United Nations' role in facilitating multilateral cooperation to combat IFFs is an important steppingstone to the implementation of the 2030 Agenda. The panel focused on the role of the United Nations System, in cooperation with all relevant stakeholders, in accelerating efforts to ensure an inclusive and effective global architecture to stem IFFs effectively and thereby help to meet commitments to the 2030 Agenda.

**Ms. Emile van der Does de Willebois, Coordinator StAR Initiative**, moderated Panel 2 and flagged that many countries are having difficulties in implementing chapter 5 of the UNCAC, which relates to the recovery of proceeds from corruption. The StAR initiative supports capacity building on financial investigation and publishing statistics of stolen assets which are effectively recovered. These statistics illustrate that very little has been recovered. The discussion panel will hence focus on how to strengthen the practices to lead to more recovery of stolen assets.



**Mr. William Babatunde Fowler, Executive Chairman of the Federal Inland Revenue Service of Nigeria and Chairman Joint Tax Board**, noted the lack of attention to tax revenue, which contributes greatly to IFFs produced by not taxing profit or income. Nigeria, for example, has a zero-tolerance policy towards corruption, and has specific agencies to fight corruption and other economic crimes. Another issue is that IFFs are often looked at solely when they cross borders, overlooking those which occur within borders. He identified the lack of capacity in revenue offices in Africa as an obvious constraint to combatting IFFs. He added that many countries cannot meet the requirements to be part of the agreement to benefit from the exchange of information. In Nigeria, tax revenues increased from NGN 3.3 trillion in 2016 to NGN 5.3 trillion in 2018 (54% of which is from non-oil activities), showing that adequate taxes and diversification of the economy can enable a country to be in a position to build its own revenue base.

**Mr. Alex Cobham, Executive Director of Tax Justice Network** stressed the need for new instruments in combatting IFFs, which is twofold:

- In the 1990s, corruption was seen as a problem of low-income countries that had challenges in using donors' aid. This perception shifted in the 2000s to a view where corruption is largely driven by high income countries and their Transnational Companies. The revenue losses from undeclared offshore assets due to tax evasion from transnational companies are estimated to be around \$200 billion each year and the tax avoidance of those same companies are in the region of \$500 billion a year. The main share of these losses is borne by OECD countries; however, the losses are disproportionately high as a share of tax revenue for lower income countries. The failure in properly collecting tax does not only hinder the capacity of low-income countries to finance their development, it also damages the representativity and effectiveness of a State and its institutions for its citizens.
- Current global measures, such as the UNCAC, are partially effective because they fail to address the problem of IFFs and focus only on the "old" understanding of corruption. Other global mechanisms, such as the OECD automatic exchange of tax information, fail to represent all countries since only 1 Least Developed Country is able to be part of this OECD mechanism.

The Director added that a UN tax convention is needed to deliver a set of transparency measures for countries of all income levels and to deliver a change in the tax rules that benefits all countries. There are only a small number of jurisdictions benefiting from the current situation at the expense of the vast majority of countries, including the EU and the US. The UN is the only place to foster collaboration among countries to change at the international level transparency measures and tax rules.

**Ms. Ms. Irene Ovonji-Odida, Independent Commission for the Reform of International Corporate Taxation Commissioner** noted that since 2011, IFF has been an issue recognized by States. She recalled key findings of the Mbeki Panel, (i) IFFs are a technical and political issue; (ii) they are mainly perceived as corruption, while data indicated that IFF was essentially linked to trade fraud (65% of



IFF was commercial flow, 30% was criminal activity flow and 5% was corruption flow). She added that the current international architecture focuses only on one third of the problem, the corruption and the criminal activities. She stressed that there is thus a need for the UN to create a multilateral space to discuss the issue of trade fraud, international taxation system, the offshore system, banking secrecy and corporate secrecy. She highlighted the need for focus on new policies including multilateral treaties and new principles, such as the creation of a new formula to tax multinational companies in proportion of their economic activity in each country. M. Ovonji-Odida emphasized that only the UN can bring together all governments to find a common solution.

**Ms. Elsa Gopala Krishnan, Officer at UNODC**, focused on asset recovery and asset return in the context of Chapter 5 of the United Nations Convention Against Corruption (UNCAC). She noted that one specificity of the UNCAC is its mandatory monitoring mechanism for all parties. Out of the 194 states, there have been 45 country reviews and 21 countries have completed their executive summaries. The reviews show that there is a lack of practitioners in recovery expertise and a lack of direct enforcement of confiscation of assets. She stressed that the reviews also showed a big gap between assets which are frozen or confiscated and the low level of assets which are returned. She added that the workstream called the Addis process, led by Ethiopia and Switzerland, is a good example of identifying good practices in implementing the UNCAC on asset return. Three topics of importance were identified by the workstream: i) build capacity of practitioners on seizing assets; ii) good practices on the use of the returned assets to fulfil the countries obligations in financing sustainable development; and iii) good modalities for asset return to increase the statistics of asset returns revealed by the reviews. The outcome of the workstream will inform the UNCAC process.

**Ms. Pooja Rangaprasad, Society for International Development, Policy and Advocacy Director** noted that there is consensus on the three components of the IFF: corruption, transnational crime and tax related flows. She recalled that the UN architecture addresses IFFs with a UNCAC and a UN Convention against Transitional Crime, but that the UN has not negotiated on tax evasion and tax avoidance. She further highlighted that there is a global commitment to address IFF in the 2030 Agenda, however the component which is still contested is the tax avoidance by multinational corporations. She underlined that in 2015, developing countries called for a global negotiation in the UN on an international tax system. Developed countries thus launched the Base Erosion and Profit Shifting project (BEPS) led by the OECD and the Group of 20. She noted that after four years, the OECD and the G20 are proposing to launch BEPS 2.2 because the first project did not fix the fundamental issue which needed to be addressed in the international tax system. Ms. Rangaprasad underlined that there is no short cut to a global consensus with all countries at the negotiation table because the outcome of the negotiation will impact all countries. As a concrete step, she recommended a quick start of the negotiation process on a UN Convention on an international tax system and on dismantling secrecy which is at the heart of the current financial system.

## Conclusions

Panelists and country representatives highlighted several policies with respect to combating IFFs and strengthening good practices on asset return:

1. Improving measurement and statistics of IFFs and asset return.
  - Build consistent data and precise statistics on IFFs. The absence of such data hinders the ability of national governments and the international community to comprehend the potential impacts of IFFs and the progress made in curbing IFFs.
  - Establish the indicator of SDG target 16.4.1 by UNCTAD and UNODC to measure progress made in reducing IFFs.
  - Reinforce the capacity of national institutions through the StAR initiative to record and report on progress made in asset recovery and asset return.
2. Improving co-operation among countries towards more effective, easier and faster asset return.
  - Establish non-conviction-based forfeiture authorities in countries. With these authorities in place, charges could be brought against assets without having jurisdiction of the owners of those assets.
  - Facilitate the exchange of information, intelligence and data among countries.
  - Set up legal systems that facilitate the enforcement of foreign court orders as well as confiscation and forfeiture orders in destination countries for IFFs.
3. Uplifting the debate and the instruments tackling tax evasion and tax avoidance at the UN level.
  - Upgrade the UN Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body with the ability to tackle IFFs.
  - Establish an international convention addressing tax avoidance-related IFFs (as this is not covered by UNCAC and UNTOC).
  - Create a Secretariat to serve the negotiation of a new Convention and its implementation.
4. Strengthening national capacities.
  - Develop national legal systems and processes that combat IFFs.
  - Create and maintain public registries in which multinational corporations should declare all their financial information and where mis-invoicing should be illegal and highly punishable by law.



- Create awareness programmes that sensitize citizens on IFFs.
- Help developing countries build their capacities and facilitate repatriation of recovered IFFs to developing countries.
- Support countries in addressing the challenges in taxing the digital economy.
- Support countries in efficiently managing recovered assets by sharing best practices.

## Annex 1

### PROGRAMME

10:00 - 10:40	<p><b>OPENING SEGMENT</b></p> <ul style="list-style-type: none"> <li>Ms. Maria Fernanda Espinosa Garcés, <i>President of the General Assembly of the United Nations</i></li> <li>Ms. Inga Rhonda King, <i>President of the Economic and Social Council</i></li> <li>Mr. Yury Fedotov, <i>Executive Director of the United Nations Office on Drugs and Crime</i> (Video message)</li> </ul>
10:40 - 12:00	<p><b>INTERACTIVE PANEL I</b></p> <p><b>Taking stock on achievements of contemporary efforts to combat IFF and moving on</b></p> <p><b>Moderator:</b> Chantal Line Carpentier, <i>Chief of the UNCTAD New York Office of the Secretary General</i></p> <p><b>Panelists:</b></p> <ul style="list-style-type: none"> <li>Mr. Víctor Martínez, <i>Minister of Finance of Guatemala</i></li> <li>Mr. Jens Frolich Holte, <i>Deputy Foreign Minister of Norway</i></li> <li>Ms. Mary Butler, <i>Criminal Division of the United States, Department of Justice</i></li> <li>Mr. Emmanuel Roux, <i>Special Representative of Interpol to the United Nations</i></li> <li>Mr. Alvin Mosioma, <i>Head of Tax Justice Network - Africa</i></li> </ul>
12:00 - 13:00	<b>PLENARY SEGMENT</b>
15:00 - 16:20	<p><b>INTERACTIVE PANEL II</b></p> <p><b>A global architecture to combat IFFs and strengthen recovery and return of illicit assets</b></p> <p><b>Moderator:</b> Ms. Emile van der Does de Willebois, <i>Coordinator StAR initiative</i></p> <p><b>Panelists:</b> Professor Bolaji Olufunmileyi Owasanoye, <i>Chairman, Independent Corrupt Practices and Other Related Offences Commission of Nigeria</i> Dr. Alex Cobham, <i>Executive Director of Tax Justice Network</i> Ms. Irene Ovonji-Odida, <i>Independent Commission for the Reform of International Corporate Taxation Commissioner</i> Ms. Elsa Gopala Krishnan, <i>Officer of UNODC</i> Ms. Pooja Rangaprasad, <i>Society for International Development, Policy Director</i></p>
16:20 - 17:30	<b>PLENARY SEGMENT</b>
17:30 - 18:00	<p><b>CLOSING REMARKS</b></p> <p>Ms. Maria Fernanda Espinosa Garcés, <i>President of the General Assembly of the United Nations</i></p>