
High -Level Event on Financing for Development in the Era of COVID-19 and Beyond

Convened by Canada, Jamaica and the Secretary- General
May 28, 2020 – 8AM – 12 PM

Discussion Notes

1. Global Liquidity and Financial Stability
2. Debt Vulnerabilities
3. Private Sector Creditors Engagement
4. External Finance and Inclusive Growth
- 5. Illicit Financial Flows**
6. Recovering better for Sustainability

Discussion Note

Illicit Financial Flows

1. Background

As entire economies have shut down to help stop the COVID-19 pandemic, tax bases have shrunk almost overnight, hitting public revenues hard at a time when increased spendings most needed to tackle both the immediate health crisis and the economic and social consequences. Developing countries will be particularly hard hit by this crisis. They tend to have lower tax-to-GDP ratios and high levels of tax avoidance and evasion.

While the debt relief initiatives of the G20 and others are crucial to provide much needed fiscal space to developing countries in the short-run, effective domestic resource mobilisation remains crucial for recovering better and financing the achievement of the SDGs in coming years. Safeguarding domestic resource mobilisation and the economy from economic crimes, including tax crimes, money laundering and corruption, together with improved governance and enabling business environments will be imperative.

The international community has made significant practical advances in tackling tax avoidance and tax crimes over the last decade. Illicit financial flows related to the proceeds of crime, however, continue to result in

In addition to existing frameworks and in line with the sustainable development agenda imperative to engage in new, multisectoral partnerships, greater collaboration should be sought with large financial institutions to ensure robust anti money laundering measures are in place to support financial stability and financial inclusion. Other global initiatives to tackle illicit financial flows, such as the international tax transparency standards which are being implemented by over 160 countries and the work of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) could help strengthen these frameworks. The international community needs to ensure developing countries can also benefit fully from these global initiatives

Challenges on the national level include the following

- Uneven and ineffective implementation of global instruments and standards, particularly the Financial Action Task Force Recommendations and the United Nations convention against Corruption
- Insufficient fiscal transparency
- Inefficient and wasteful tax incentives, particularly in the extractives sector
- Misalignment of natural resource taxation with environmental sustainability considerations
- Lack of accessibility, incomplete tracking and transparency of beneficial ownership information.
- A dearth of financial investigation capacity
- Uncoordinated approaches across ministries and agencies tackling tax crimes and other financial crimes

Challenges in International cooperation include:

- Insufficient tax coordination, especially

Actions can be taken in the short, medium and long term. First step is to ensure integrity in deployment of urgently needed COVID resources enhancing their effectiveness. In the medium term, as part of building back better, governments would invest in boosting capacity to combat illicit financial flows and economic crime including money laundering and corruption. The international community would need to accelerate assistance to Member States in the international frameworks for combatting illicit financial flows.

4. Possible areas of action

- Enabling a more coordinated approach among governments to tackle tax avoidance, tax crimes and other financial crimes, including by strengthening legal capacity of different governmental bodies to share information with each other
- Increase fiscal transparency, including the publication of public contracts and information on tax and employment incentive measures and their use by businesses, and the strengthening, empowerment of supreme audit institutions to audit spending and tracing and feedback on utilization, particularly for the extra-budgetary resources for emergencies (such for COVID)

C. By mid -December 2020

- Stocktaking and placing progress in the context of our ~~commitment~~ ambition to deliver the 2030 promise—by mobilizing together around the