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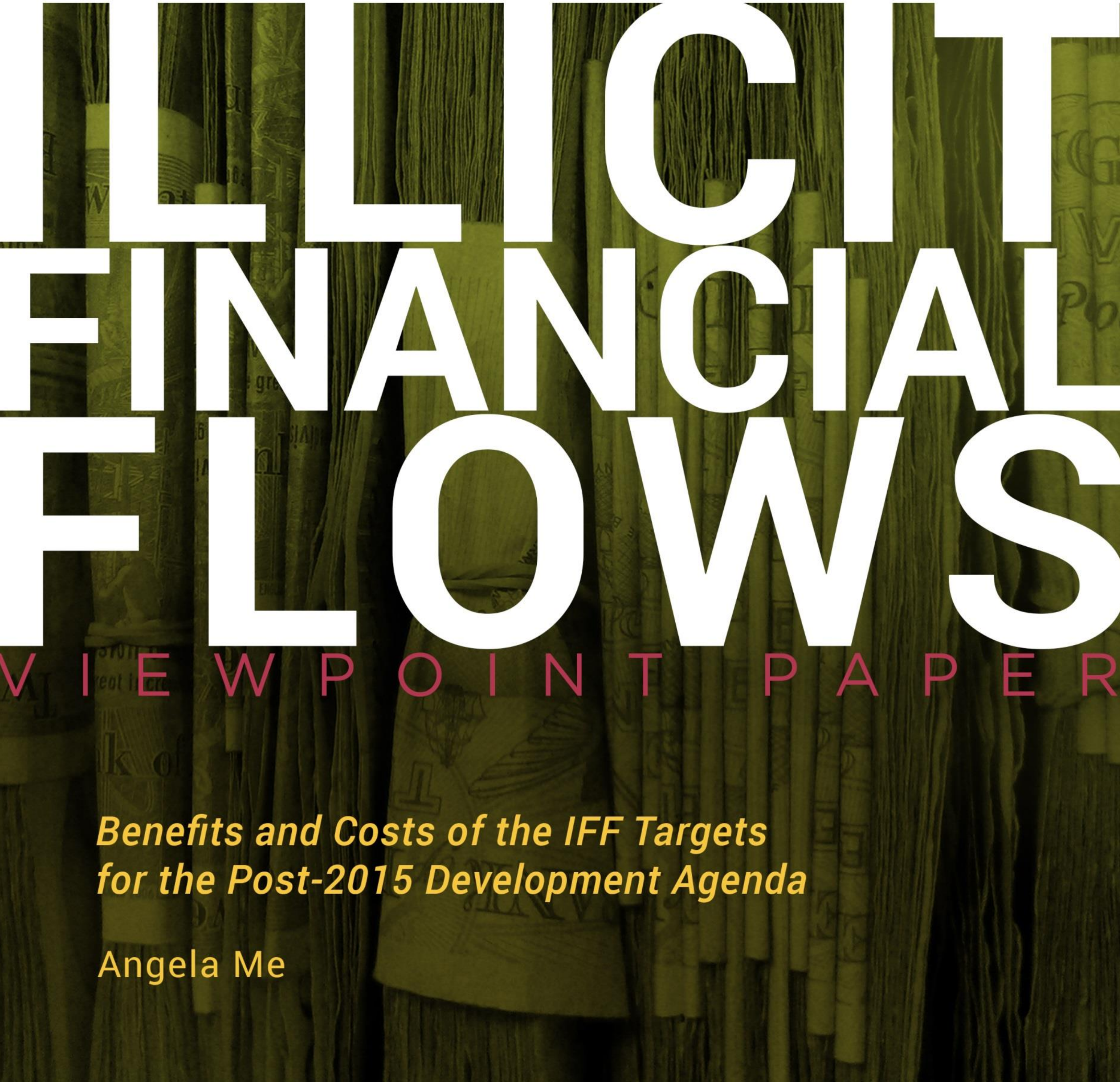

# ILLICIT FINANCIAL FLOWS

VIEWPOINT PAPER

***Benefits and Costs of the IFF Targets for the Post-2015 Development Agenda***

Angela Me

# Benefits and Costs of the IFF Targets for the Post-2015 Development Agenda

## Post-2015 Consensus

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## Introduction[1]

The paper contains arguments on the need to address tax evasion and financial transparency as fundamental elements of development policies and makes a useful appeal for the development and monitoring of indicators which could measure the effectiveness of policies and interventions. While the paper is written in the context of illicit financial flows it does not discuss the normative framework for anti-money laundering and countering the financing of terrorism, nor does it comprehensively discuss the flows themselves nor flows of illicit goods and services. The focus is on tax evasion which does have several direct impacts on development outcomes. [2]

The author correctly mentions the prioritization of "illicit financial flows" on the post 2015 as highlighted by the UN Secretary General's High Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP). The author highlights the transnational dimension of illicit financial flows requiring an approach rooted on international cooperation differently from goals which have a national dimension. [3] He also undertakes a cost-benefit analysis of the targets he suggests. The author correctly argues that indicators on illicit financial flows and their predicate crimes will need to be addressed in its widest concept and beyond a focus on the proceedings of crime. He also points to the value of improving data on beneficial ownership as something which could help prevent and mitigate money laundering and which is also measurable and achievable at the national level.

## Comments

The main focus of the paper is to suggest three elements to include in the post-2015 agenda which could be used as targets or indicators. These elements provide a contribution to the on-going debate of the Open Working Group in the context of goals 16 and 17 (OWG June 2014 document)[4] , since they provide some concrete input on how to realistically measure (and target) the implementation of an effective anti-money laundering and countering the financing of terrorism framework which could ultimately prevent, mitigate and reduce illicit financial flows. However, these three proposed elements do not comprehensively address illicit financial flows as they only partially cover money laundering or illicit financial flow risk. The paper argues that the target proposed by the High Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP) "Reduce illicit flows and tax evasion and increase stolen-asset recovery by $x" has problems related to "technical accuracy, measurability and accountability", but the paper takes a very narrow view on this

[1] This paper is not an official document of the United Nations and the views expressed by the author do not necessarily reflect those of the United Nations.

[2] Which could also be considered within the designated category of offense "tax crimes (related to direct and indirect taxes)"under the International Standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation" 12 February 2012.

[3] Although the author brings the example of health as a dimension which is strictly national one could argue that aspects of health policy are also fundamentally international (for example transmission of communicable diseases or access to medications).

[4] Goal 16: "Achieve peaceful and inclusive societies, rule of law, effective and capable institutions", Goal 17: "Strengthen and enhance the means of implementation and global partnership for sustainable development".

target, focusing only on tax evasion without providing a credible alternative. While addressing tax evasion is certainly fundamental to a development agenda, there are other risks for illicit (financial) flows and many other places (for example money laundering and the international standard's designated categories of offenses) where these risks could become determinants to economic growth and governance and thus, to development.

## Conclusion

The HLP speaks about "illicit flows" and not only financial flows, so the scope is much broader than the one covered by the paper, as it has also been recognized by the OWG. [5] As tax evasion diverts development resources, transnational organized criminal activities such as the illicit flows of natural resources and trafficking in persons deplete countries of the same resources, in addition to the associated financial translations. Further even when looking only at illicit financial flows, the paper has a narrow approach. While it acknowledges that illicit financial flows are a result of a number of un-regulated or illicit activities: corruption, proceeding of crime, tax evasion and abuse of market or political regulatory frameworks, the suggested targets focus only on the last two types of interventions The list in itself is dubious and could be more effectively portrayed/argued in the context of the international normative framework. More importantly, comprehensively tackling illicit financial flows related to the proceeds of crime requires a broader framework – and as this framework is based on the UN conventions first and foremost, and as the paper refers to the post 2015 development agenda, which is in part an effort of the members and the UN common system this paper could be much improved by a solid grounding in that conceptual framework.

[5] The OWG in the latest June 2014 document included the following target: "by 2030 reduce illicit financial flows by x% and reduce money laundering and all forms of organized crime including human trafficking and illicit trade in arms, drugs and wildlife".

This paper was written by Angela Me, Chief of Statistics and Surveys Section at the UNODC. The project brings together more than 50 top economists, NGOs, international agencies and businesses to identify the goals with the greatest benefit-to-cost ratio for the next set of UN development goals.

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