

OVERVIEW OF EXISTING FRAMEWORKS AND UNDERSTANDING PRIORITIES

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FACTI ISSUES NOTE

INTRODUCTION

Mobilizing sufficient financing for implementing the 2030 Agenda for Sustainable Development remains a major challenge. This challenge will be exacerbated by the expected economic downturn and financial turmoil due to the COVID-19 pandemic. This helps stress the importance of strong, resilient domestic financial systems, which are stable, facilitate inclusive economies, and provide for public goods such as universal health systems. Effective public resource generation is of critical importance to financing the kind of systems that are better able to weather COVID-19 and similar shocks.

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda contain many pledges of Member States related to financial accountability, transparency and integrity. However, insufficient progress has been made on these commitments, eroding the ability of States to raise resources and undermining efforts to successfully achieve the SDGs. Hidden, secret, fraudulent and misleading transactions prevent States from enforcing the law, collecting their fair share of taxes, and ensuring equity and inclusiveness in our economies.

Against this background, the FACTI Panel is exploring what further action is needed by governments and financial institutions. A [background paper](#) provided an initial review of some relevant institutions, frameworks, challenges, trends, and proposals. Aside from reviews of policy areas identified in the Panel's terms of reference, the paper expounds on 11 cross-cutting challenges, as described below. In its first video conference, held on 31 March 2020, the Panel Members [agreed](#) to split up further work into three clusters: (1) improving cooperation in tax matters; (2) accountability, public reporting and anti-corruption measures, and; (3) cooperation and settling disputes. The Panel also agreed to meet with stakeholders, and this document sets out key questions for those meetings.

CROSS-CUTTING ISSUES

Across different financial-integrity-related topics and institutions, there are recurring

themes. The initial background paper identified these important thematic issues which may guide the Panel's future work:

Measurement issues

Measuring and tracking illicit flows is a challenging endeavour, though there are ongoing processes as part of the SDG indicator development.

Secrecy vs. transparency

The tension between the right to privacy and the public right to information is an area of constant negotiation, including disclosure for politically exposed persons. Moving from secrecy to transparency can improve accountability, but different countries and societies have different accepted transparency norms.

Information exchange requirements

In the context of cross-border activity, exchanging or sharing of information is crucial to effective enforcement of laws, rules, and regulations of all types. This requires government and technical capacity and appropriate legal structures.

Strengthening peer review

Peer reviews are often effective mutual accountability frameworks and can help assess gaps and vulnerabilities and thus prioritize interventions and help allocate resources efficiently. Peer review frameworks are challenged by capacity/frequency and consistency.

Role of external stakeholders

There are many questions about the role of civil society organizations and the private sector related to financial transparency, accountability and integrity, including their role in international discussions, national enforcement and peer review frameworks.

Non-compliance by States

Mechanisms to address non-compliance with international norms typically extend from inducement or encouragements (positive reinforcement) for better compliance, to sanctions and penalties for non-compliance (negative reinforcement). Non-compliance or non-implementation in can also be selective, but rarely are their mechanisms for recourse.



Bilateral vs. multilateral enforcement

States can cooperate internationally through direct government-to-government approaches, or through multilateral approaches and international institutions. Multilateral instruments may require countries to cede sovereignty.

Inter-agency cooperation

Inter-agency cooperation at national level can bolster effectiveness of integrity frameworks, however, policy coherence among authorities with different priorities remains weak in many countries. Particularly important are joined up approaches with regulators of non-financial businesses and professions. Coherent collaboration could also be strengthened through regional interagency collaboration, which is currently underdeveloped.

Implementation capacity building

Political will shapes the structural determinants of implementation capacity at the national level. Yet, in low-income countries, capacity can be limited by the scarcity of resources, across areas like money-laundering, tax administration, and large scale corruption investigation. Lack of necessary knowledge and skills is a major impediment and there is a need for technical assistance.

Impact of digitalization

New technologies are altering the landscape, with potential positive and negative implications. The growth of crypto-assets and digital business models can disrupt different fiscal systems and enable anonymous transactions. But, technology can also enable better enforcement.

Provision of data and statistics

Collecting and publishing data on aspects of the agenda will be important to taking forward policymaking and ensuring faithful implementation of international commitments. However, there are significant unresolved issues in measurement that may hinder data collection.

FUTURE WORK

The FACTI Panel members agreed to consolidate their work in three clusters:

Improve cooperation in tax matters:

fostering universal participation in international legal instruments on tax matters; further work on tax avoidance and evasion; preparing consistent and reliable global data on taxation.

Accountability, public reporting and anti-corruption measures:

promoting accountability in contexts where it is currently lacking such as beneficial ownership; anti-corruption measures; improving tracking of asset ownership and use of this information including through the establishment of a global asset registry.

Cooperation and settling disputes:

improving cooperation and standardization on bribery investigation and prosecution; examining options to strengthen peer review processes; exploring options to improve capacity; improving international cooperation on asset recovery and return.

The Panel will hold several consultations, which will be held virtually due to COVID-19, to solicit comments and suggestions from interested stakeholders. Together, these deliberations and inputs will feed into an interim report of findings to be presented in September 2020.

The Panel would like to hear from all stakeholders what they view as the priority actions for promoting financial accountability, transparency and integrity for achieving the 2030 Agenda. It would also like to hear about the political will and ambition of the international community in the three clusters mentioned above. The Panel will also engage directly with international institutions and is open to meeting directly with Member States and stakeholders.

Further details on the consultations can be found on the Panel website:

WWW.FACTIPANEL.ORG.

