

# IN-DEPTH BACKGROUND PAPERS BEING PREPARED BY THE SECRETARIAT

16 JUNE 2020

FACTI INFORMATION NOTE

---

[WWW.FACTIPANEL.ORG](http://WWW.FACTIPANEL.ORG)



## BACKGROUND

The FACTI Panel is expected to contribute to the overall efforts undertaken by Member States to implement the ambitious and transformational vision of the 2030 Agenda. In pursuing its work autonomously, the panel has started its review of existing international institutional and legal frameworks related to financial accountability, transparency and integrity, with a view to identify any gaps, impediments and vulnerabilities in their design and/or implementation. It will make evidence-based recommendations on how to make the systems for financial accountability, transparency and integrity more comprehensive, robust, effective, and universal in approach. These may include: (i) strengthening the implementation of existing mechanisms, standards and commitments; (ii) improving existing international frameworks related to financial accountability, transparency and integrity, where possible; (iii) exploring the need for, and feasibility of, establishing additional international instruments or frameworks, where warranted; and (iv) governance arrangements to match the challenges.

## PROGRESS AND WORK TO DATE

The FACTI Panel held its first virtual meeting on 31 March 2020. The Panel's secretariat produced the first background paper, drawing on the work of the Inter-agency Task Force on Financing for Development, and additional inputs from the UN System as well as regional material such as the Report of the African Union-Economic Commission for Africa (AU-ECA) High Level Panel on Illicit Financial Flows. The Secretariat also consulted the Organization for Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF) on the paper. It provided an overview of existing international frameworks related to financial integrity, analysis of cross-cutting issues, and recommendations of topics for possible future consideration by the Panel.

At its first meeting, the Panel considered the recommendations and agreed to cluster its work in three areas: (i) improving cooperation

in tax matters, (ii) accountability, public reporting and anti-corruption, and (iii) international cooperation and capacity building. The Panel Members agreed to the Secretariat preparing in-depth papers to inform the work within each cluster. Subsequently, the Panel engaged, through virtual meetings and written inputs, with Member States, civil society, private sector, academics, experts and international institutions to solicit inputs and get feedback on the key priority issues and challenges in the area of financial accountability, transparency and integrity. These inputs helped the Panel further refine the topics chosen for the papers. This note provides detailed information on the seven topics chosen for these in-depth papers.

## IN-DEPTH BACKGROUND PAPERS

In light of this background, the FACTI Secretariat is commissioning additional background papers to build on the first background paper and support the FACTI Panel's deliberations. The secretariat is working with expert consultants to prepare these in-depth background papers. The background papers will focus on the following specific topics of interest to the Panel and will be used as inputs to the preparation of the Panel's interim and final reports. The topics for the future background papers are:

No.	Topic
2	Tax information production, sharing, use and publication
3	Appropriateness of international tax norms to developing country contexts
4	Transparency of asset and beneficial ownership information
5	Anti-corruption measures
6	Foreign bribery investigations and prosecutions
7	Enhancing asset recovery and return
8	Peer review in financial integrity matters

Detailed information on the topics covered in each paper is provided below.



# DETAILS ON PAPER COVERAGE

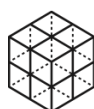
The consultants will work under the supervision of the Chief of the FACTI Secretariat. The papers are expected to address the following substantive points.

## **Background paper 2: Tax information production, sharing, use and publication**

- Review of trends in tax information production, sharing and exchange over a five-ten-year horizon;
- Review of the existing methods to exchange information, as well as an assessment of the gaps and vulnerabilities in the current system that may contribute to a lack of financial accountability, transparency and integrity;
- Review of impediments to effective implementation of existing systems for exchange of information, as well as impediments to effective use of information;
- Review of current and future planned public data and information availability;
- Estimates and discussion of the implications of the gaps, vulnerabilities and impediments, particularly with regard to financing sustainable development;
- Proposals to address these weaknesses with respect of existing instruments as well as possible creative or broader alternatives, with a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

## **Background paper 3: Appropriateness of international tax norms to developing country contexts**

- Brief review of trends in international tax norm development over a five-ten-year horizon, with a primary focus on direct taxation;
- Review of existing international tax norms and their suitability for countries in different socio-economic contexts, particularly specifying for least developed countries, and countries reliant on specific sectors such as tourism and extractive industries;
- Assessment how well the norms match the needs and capacities of developing countries;
- Review of major proposals in international tax norm development;
  - Review of tax norm proposals' compatibility with different developing country contexts, focusing on complexity, administrability, and the capacity of developing countries;
- Estimates and discussion of the implications of any mismatches between norms and capacities;
  - Provide any estimates of lost revenue raising opportunities and potential impact on financing sustainable development;
- Discussion of the relationship among capacity gaps, political attention to taxation, and successful implementation of tax norms;
- Proposals to address any mismatches and enhance revenue through tax policy and international norm development;
  - Any proposals mentioned should be accompanied by a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility;
- Proposals to address any mismatches and enhance revenue through tax administration reforms and implementation improvements;
  - Any proposals mentioned should be accompanied by a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.



#### **Background paper 4: Transparency of asset and beneficial ownership information**

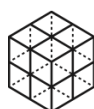
- Review of trends in asset and beneficial ownership information production, sharing and exchange over a five-ten-year horizon;
- Review of the existing methods to keep, access and exchange information, as well as an assessment of the gaps and vulnerabilities in the current system that may contribute to a lack of financial accountability, transparency and integrity;
- Review of impediments to effective implementation of existing systems/standards for asset and beneficial ownership, as well as impediments to effective use of information;
- Review of current and future planned public data and information availability;
- Estimates and discussion of the implications of the gaps, vulnerabilities and impediments, particularly with regard to addressing tax avoidance and tax evasion and financing sustainable development;
- Proposals to address these weaknesses in respect of existing instruments as well as possible creative or broader alternatives, with a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

#### **Background paper 5: Anti-corruption measures**

- Review trends in implementation of corruption prevention measures in both countries experiencing corruption and countries which are used as havens for corrupt assets, including implementation of commitments undertaken as a signatory of the United Nations Convention against Corruption (UNCAC);
- Review of the existing partnerships, initiatives and instruments in strengthening public financial management and boosting fiscal transparency, as well as an assessment of the gaps and vulnerabilities in the current system that may contribute to a lack of incentives for corruption prevention;
- Review of impediments to effective implementation of existing systems and standards for facilitators and other professional service providers, with particular focus on haven countries;
- Specific review of the implementation of anti-corruption initiatives and standards among financial institutions, incentives for compliance, and the gap between reporting of suspicious transaction and investigations;
- Proposals to address weaknesses identified with respect of existing instruments as well as possible creative or broader alternatives, with a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

#### **Background paper 6: Foreign bribery investigations and prosecutions**

- Review of trends, data and statistics in the global fight against foreign bribery and the use of non-trial resolutions and settlements;
- Review of the existing methods of international cooperation on investigation, prosecution, resolution of cases, and settlements, as well as an assessment of the gaps and vulnerabilities in the current system that may contribute to a lack of financial accountability, transparency and integrity;
- Review of impediments to effective implementation of existing systems for bribery investigation, prosecution and settlements, as well as impediments to effective prosecution;
- Review of the allocation of monies recovered in settlement and the issue of victims' rights/compensation;
- Review of the recidivism, its frequency, and the incentives to combat it;



- Estimates and discussion of the implications of the gaps, vulnerabilities and impediments, particularly with regard to impact on financing sustainable development;
- Proposals to address these weaknesses, including in relation to implementation, of existing instruments as well as possible creative or broader alternatives, including the idea to create international standards, with a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

#### **Background paper 7: Enhancing asset recovery and return**

- Review of trends and statistics in asset recovery and return;
- Review of current and future planned public data on asset return;
- Review of the existing methods to request mutual legal assistance, exchange information, recover assets, the management of frozen assets, and return and ultimate disposal of assets, as well as an assessment of the gaps and vulnerabilities in the current system that may contribute to a lack of financial accountability, transparency and integrity;
- Review of impediments to effective implementation of existing systems for asset recovery and return, as well as impediments to mutual legal assistance;
- Estimates and discussion of the implications of the gaps, vulnerabilities and impediments in asset return frameworks, particularly with regard to financing sustainable development;
- Proposals to address these weaknesses of existing instruments, including their implementation, as well as possible creative or broader alternatives, with a brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

#### **Background paper 8: Peer review in financial integrity matters**

- Review of means of conducting implementation assessment of the major instruments related to international financial accountability, transparency and integrity;
- An assessment of the good practices in peer reviews being conducted in different fields and for different instruments;
- Presentation of gaps and vulnerabilities in the current peer review systems that may contribute to non-implementation, and ultimately a lack of financial accountability, transparency and integrity;
- Discussion of the implications of the gaps, vulnerabilities and impediments, particularly with regard to potential impact on financing sustainable development;
- Proposals to address the weaknesses in peer review in respect of existing instruments, as well as possible creative or broader alternatives based on experience in other field of international relations. Mention of any proposals should include brief evaluation of the likely advantages and disadvantages of each option, including their technical and political feasibility.

#### **Cross-cutting requirements**

All papers are expected to mainstream issues of gender data and analysis, considering the differential impact of the topics on men and women. They are also expected to provide analysis on global governance dimensions of the topic, particularly how current global structures impact the topics being addressed and how changes to global governance structures might change outcomes.

All papers should provide recommendations classified according to whether the consultants considers them to be: short term (reforms that can be put in place immediately); medium term (will require some more time to formulate the right response); or long term (reforms which may be needed, but require a long-term time horizon to agree/implement).

