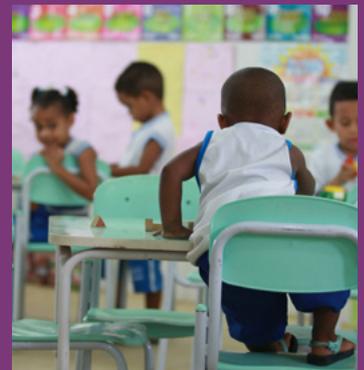
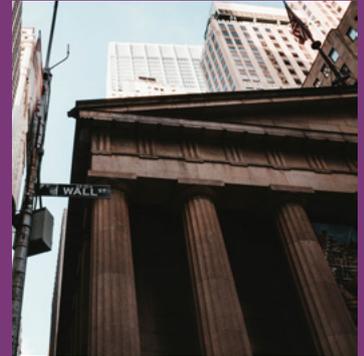


FINANCIAL INTEGRITY FOR SUSTAINABLE DEVELOPMENT

Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda



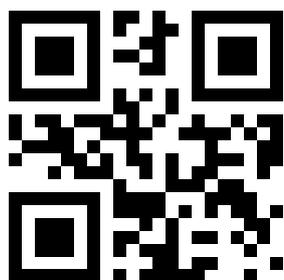
ABOUT THE FACTI PANEL

The High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) was convened by the 74th President of United Nations General Assembly and the 75th President of the Economic and Social Council on 2 March 2020.

The objective of the FACTI Panel is to contribute to the overall efforts undertaken by Member States to implement the ambitious and transformational vision of the 2030 Agenda for Sustainable Development. It is mandated to review current challenges and trends related to financial accountability, transparency and integrity, and to make evidence-based recommendations to close remaining gaps in the international system.

The Panel is co-chaired by H.E. Ibrahim Assane Mayaki, former prime minister of Niger, and H.E. Dalia Grybauskaitė, former president of Lithuania. The members include Annet Wanyana Oguttu, Benedicte Schilbred Fasmer, Bolaji Owasanoye, Heidemarie Wiczorek-Zeul, Irene Ovonji-Odida, José Antonio Ocampo, Karim Daher, Magdalena Sepúlveda, Manorma Soeknandan, Shahid Hafiz Kardar, Susan Rose-Ackerman, Tarisa Watanagase, Thomas Stelzer, Yu Yongding and Yury Fedotov. The Panel members have participated in a personal capacity and are not expressing endorsements or commitments on behalf of any institution with which they have a relationship.

The High-Level Panel on Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda came together as a diverse group of individuals from different backgrounds, experiences and national and regional contexts. Even if members of the High-Level Panel did not agree on every detail of the final report, consensus was reached on the vast majority of recommendations. And most importantly, the Panel is unanimous on the need to act to promote financial accountability, transparency and integrity for achieving the 2030 Agenda.



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ACKNOWLEDGEMENTS

The Panel is supported by an independent secretariat, hosted by the United Nations Department of Economic and Social Affairs, Financing for Sustainable Development Office led by its Director, Navid Hanif. Gamal Ibrahim is the chief of the secretariat. Staff of the secretariat included Peter Chowla, Maud Perdriel-Vaissière, Benda Gu, Shruti Ravindran, Antonina Poliakova and Sarah Maria Rosaria Aguirre-Degidon. The secretariat has also been assisted by consultants Andrea Davis, Kate Donovan, Alex Marshall, Patrick Nicholson and Antonio Saade. Design services were provided by Jennifer Esther Garcia, Maria de la Guardia, Claire Lukacs, Michelle Ng, and David Rosenberg. Secretariat interns included Ujjaini Rao Desirazu, Julian Christopher Atanassow, Sebastian Andres Uchida Chavez, Anna Pomortseva and Qi Shuai.

The Panel would like to thank the members of the UN Core Group supporting the Panel, including colleagues at UNODC, UNCTAD, UNDP and the UN regional commissions. The Panel has drawn on extensive engagement with UN Member States and regional groups, international organizations, experts, civil society organisations and the private sector; for further detail please see Annex 3. The Panel would also like to thank all the authors who participated in drafting background papers.

The Government of Norway has provided funding to support the work of the FACTI Panel. The Trust Fund of the 74th President of the General Assembly provided services in kind to the Panel.

FURTHER INFORMATION

Information about the FACTI Panel and downloads of this report, as well as background papers and more information about the process can be accessed at <https://www.factipanel.org/>.

FOREWORD

Global finance is currently skewed, as gaps, loopholes and shortcomings in rules, and their implementation, allow tax abuses, corruption, and money laundering to flourish. These illicit financial flows represent a double theft: an expropriation of funds that also robs billions of a better future.

This situation undermines trust in public ethics, drains resources, pushes people into poverty and hamstrings efforts to tackle global challenges, including COVID-19 and the climate crisis.

It is to address this situation, which prevailed long before the COVID-19 pandemic and economic crisis, that the 74th President of the United Nations General Assembly and the 75th President of the United Nations Economic and Social Council jointly appointed us to chair the High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel).

As the pandemic continues, wreaking havoc on our health and economies, and exacerbating inequality, we see ever more clearly the need for greater public resources to invest in recovery. We also realise the urgent need to restore trust in national and international governance.

By strengthening integrity within global finance, the FACTI Panel believes that all countries can better deliver peace and prosperity for people and the planet now and into the future.

Building on decades of work, the Panel has developed a blueprint to free the global economy from illicit financial practices and ultimately enable sustainable development for all, everywhere. Our approach is driven by a unified aim: to foster a system of “financial integrity for sustainable development”.

The FACTI Panel has conceived of the phrase “financial integrity for sustainable development” as an aspirational call-to-arms, to describe the world we want. Creating financial integrity for sustainable development, and using the resources generated to finance the Sustainable Development Goals, will constitute a double win.

Resources, instead of vanishing into an offshore maze,



Ibrahim Assane Mayaki



Dalia Grybauskaitė

will be used to benefit the people and places from which they were generated. Trust will regrow as States are better able to fulfil their human rights obligations.

Achieving these ambitious aims requires a set of values, policies, and institutions. Together they create a financial integrity for sustainable development ecosystem. The FACTI Panel has developed 14 recommendations to chart out the way. They represent an ambitious set of measures to reform, redesign and revitalise the global architecture, so it can effectively foster financial integrity for sustainable development.

Recommendations are not enough. All people must contribute through their actions. This is not a job for each government acting on its own. Political leadership is needed, both at the national and international levels. Governments must come together to agree on new solutions for financial integrity. The private sector must meet higher standards. Civil society and the media have to help hold the powerful accountable.

We remain confident that by working diligently and in concert, Member States can succeed in building peaceful and inclusive societies, with access to justice for all, and accountable and inclusive institutions at all levels. Strengthening coordination and global governance related to financial integrity is an essential component of the common agenda for the common future of present and coming generations.

Ibrahim Mayaki

Dalia Grybauskaitė

EXECUTIVE SUMMARY

LACK OF RESOURCES HAMPERING GLOBAL PROGRESS

The 2030 Agenda for Sustainable Development envisioned extensive global transformation to end poverty and shift the world onto a sustainable and resilient path. The Addis Ababa Action Agenda on Financing for Development provided the framework for aligning all financing for the implementation of the Sustainable Development Goals (SDGs) and targets. However, six years after these agreements in 2015, the world has fallen short in achieving transformative change.

The COVID-19 pandemic has introduced a series of formidable stumbling blocks on top of pre-existing systemic challenges. It has compounded the inability of all States to generate domestic resources for vital investments for sustainable development. The impacts are also deeply gendered, with grave implications for advancing progress towards gender equality and the empowerment of all women and girls. However, even before the present crisis, the international financial system was not conducive to directing investment of resources into sustainable development.

Illicit financial flows (IFFs) — from tax abuse, cross-border corruption, and transnational financial crime — drain resources from sustainable development. They worsen inequalities, fuel instability, undermine governance, and damage public trust. Ultimately, they contribute to States not being able to fulfil their human rights obligations.

The FACTI Panel's mandate was to assess the limitations of current systems, their impact on financing the SDGs, and recommend ways to address the challenges. Given the magnitude of illicit outflows, these resources, if recovered or retained, have immense transformative potential.

- » **States need robust financing to revitalise transformative action to eradicate poverty, reduce inequalities, strengthen human rights, build back better from the pandemic and invest in sustainability.**
- » **Mobilisation of public resources, internationally and domestically, can be enhanced, through curbing illicit financial flows.**

A SYSTEMIC PROBLEM, REQUIRING A SYSTEMIC SOLUTION

IFFs are a systemic problem requiring a systemic solution. A web of existing international instruments and institutions has grown organically over time, responding to a wide variety of interests in the fields of tax cooperation, anti-money-laundering, and anti-corruption. Yet, they leave gaps around inclusion, implementation and enforcement. Moreover, there is no single body tasked with global coordination, allowing incoherence and duplication. An entire ecosystem approach is needed to address the shortcomings of the present patchwork of structures and adapt them to ever-evolving risks. It should have a unified aim: to foster integrity for sustainable development. This will require three types of actions: reinforcing values for integrity, strengthening policy frameworks and redesigning institutions.

- » **The world needs to envision a system of financial integrity for sustainable development.**
- » **Achieving this vision would require concrete actions to ensure that all economic and financial activities conform to rules and standards that are compatible with and contribute to sustainable development.**

A GLOBAL PACT FOR FINANCIAL INTEGRITY FOR SUSTAINABLE DEVELOPMENT

Substantial resources can be released by taking action to strengthen financial integrity. The Panel begins where previous efforts concluded. Beyond tracking IFFs, stopping them, and returning assets, the Panel adds, "and use them to finance the SDGs".

- » **The Panel proposes a Global Pact for Financial Integrity for Sustainable Development based on countries' priorities.**
- » **Given the magnitude of resources that could be unlocked with financial integrity, the Global Pact could have a substantial impact on the well-being of people and planet in developing and developed countries.**
- » **It would also constitute a major contribution to improving multilateral and national governance.**

VALUES FOR INTEGRITY: ACCOUNTABILITY, TRANSPARENCY, LEGITIMACY AND FAIRNESS

Values that undergird an approach towards financial integrity for sustainable development can be incorporated into a coherent set of principles endorsed by Member States.

Laws must strengthen accountability, prevent malfeasance and tackle impunity on all sides of every transaction. Businesses should hold accountable those who foster illicit financial flows or turn a blind eye to them. Countries should ensure that all perpetrators and enablers are adequately sanctioned.

The international community must ensure that the norms they develop have broad legitimacy by making sure that they are framed and negotiated in an inclusive manner. That has not been the case for international tax norms. A UN Tax Convention with universal participation should be initiated.

Countries have varying standards of financial transparency, with some States' policies allowing secrecy to flourish. Progress towards transparency is needed on beneficial ownership information, multinational corporate accounting, and public procurement and contracting.

There must be greater fairness, especially in tax cooperation and in the recovery of stolen assets of States. All taxpayers should pay their fair share, including a minimum global corporate income tax rate on profits. Fair and impartial mechanisms should be ensured to adjudicate disputes. A multilateral mediation mechanism can help resolve difficulties in asset recovery and return.

- » **The global financial system must be reformed, redesigned and revitalised so that it conforms to four values - accountability, legitimacy, transparency, and fairness.**
- » **These values can lay the foundations for concrete actions by States, businesses and others towards financial integrity for sustainable development.**

STRENGTHENED POLICY FRAMEWORKS TO PROMOTE FINANCIAL INTEGRITY

Aside from values, policies are needed to promote financial integrity.

Those financial institutions, lawyers and accountants that enable illicit financial flows to course through the international financial system must be held accountable on an equivalent basis as those that commit the abuses. Civil society and the media play a critical role in building the support for financial integrity.

To address the lack of cooperation presently hampering efforts against cross-border corruption and tax abuse, governments must adopt unified approaches at the national level built

on shared information. States must also facilitate the global exchange of financial information to strengthen enforcement.

International rules and standards to promote financial integrity must adjust to changing behaviour and technologies. Capacity building must be strengthened to implement this agenda and respond to new risks and context-specific challenges.

- » **Policies shaping the global financial system and furthering financial integrity must be redesigned to adhere to the values of accountability, legitimacy, transparency and fairness.**
- » **Enablers should be held accountable to agreed standards; the media should be protected; and civil society should be included in policy-making.**
- » **International cooperation should increase information sharing, enable dynamic responses to new risks, and provide capacity building to ensure that no country is left behind.**

REDESIGNING INSTITUTIONS TO FURTHER FINANCIAL INTEGRITY

Values and policies need to be implemented through a coherent ecosystem of institutions, nationally, regionally and internationally. Global coordination needs to be strengthened.

States must commit to consistent data collection to monitor compliance nationally and internationally, including gender-disaggregated data. All implementation review mechanisms related to financial integrity need to be updated to improve their comprehensiveness and monitoring mechanisms should be updated to avoid duplication. Countries should publicly report on their progress, and the utilisation of additional resources in accordance with the Global Pact.

Global governance needs improvement, with fully inclusive bodies for tax and the fight against money-laundering to match the one that exists for combatting corruption. While there is much room for regional progress, the United Nations can bring together technical, legal and political consideration in a single overarching global forum for coordination.

- » **International institutions should be updated or created to match the systemic nature of the challenge, and address the need for systemic solutions.**
- » **The creation of financial integrity for sustainable development requires nothing less than a transformation of the global financial system**

RECOMMENDATIONS BY THE FACTI PANEL

RECOMMENDATION 1: ACCOUNTABILITY

1A: All countries should enact legislation providing for the widest possible range of legal tools to pursue cross-border financial crimes.

1B: The international community should develop and agree on common international standards for settlements in cross-border corruption cases.

1C: Businesses should hold accountable all executives, staff and board members who foster or tolerate illicit financial flows in the name of their businesses.

RECOMMENDATION 2: LEGITIMACY

International tax norms, particularly tax-transparency standards, should be established through an open and inclusive legal instrument with universal participation; to that end, the international community should initiate a process for a UN Tax Convention.

RECOMMENDATION 3: TRANSPARENCY

3A: International anti-money-laundering standards should require that all countries create a centralised registry for holding beneficial ownership information on all legal vehicles. The standards should encourage countries to make the information public.

3B: Improve tax transparency by having all private multinational entities publish accounting and financial information on a country-by-country basis.

3C: Building on existing voluntary efforts, all countries should strengthen public procurement and contracting transparency, including transparency of emergency measures taken to respond to COVID-19.

RECOMMENDATION 4: FAIRNESS

4A: Taxpayers, especially multinational corporations, should pay their fair share of taxes. The UN Tax Convention should provide for effective capital gains taxation. Taxation must be equitably applied on services delivered digitally. This requires taxing multinational corporations based on group global profit.

4B: Create fairer rules and stronger incentives to combat tax competition, tax avoidance and tax evasion, starting with an agreement on a global minimum corporate tax.

4C: Create an impartial and fair mechanism to resolve international tax disputes, under the UN Tax Convention.

RECOMMENDATION 5: FAIRNESS

5A: Create a multilateral mediation mechanism to fairly assist countries in resolving difficulties on international asset recovery and return, and to strengthen compensation.

5B: Escrow accounts, managed by regional development banks, should be used to manage frozen/seized assets until they can be legally returned.

RECOMMENDATION 6: ENABLERS

6A: Governments should develop and agree global standards/guidelines for financial, legal, accounting and other relevant professionals, with input of the international community.

6B: Governments should adapt global standards for professionals into appropriate national regulation and supervision frameworks.

RECOMMENDATION 7: NON-STATE ACTORS

7A: The international community should develop minimum standards of protection for human right defenders, anti-corruption advocates, investigative journalists and whistle-blowers. States should consider incorporating these standards in a legally binding international instrument.

7B: Civil society should be included in international policy making forums in an effective and efficient manner.

RECOMMENDATION 8: INTERNATIONAL COOPERATION

8A: End information sharing asymmetries in relation to information shared for tax purposes, so that all countries can receive information.

8B: Enable free exchange of information at the national level as standard practice to combat all varieties of illicit flows.

8C: Promote exchange of information internationally among law enforcement, customs and other authorities.

RECOMMENDATION 9: DYNAMISM

9A: International organizations must provide timely advice related to IFFs, so that procedures, norms and policies can be updated regularly.

9B: Governments must dynamically adjust their national and international systems in response to new risks.

RECOMMENDATION 10: CAPACITY BUILDING

10A: Create an International Compact on Implementing Financial Integrity for Sustainable Development to coordinate capacity building. Extend existing capacity building that tackles tax abuse, corruption, money-laundering, financial crime and asset recovery.

10B: The international community should finance the creation and maintenance of public goods that can lessen the cost of implementing financial integrity commitments.

10C: Strengthen the capacity of United Nations Office on Drugs and Crime (UNODC) to do research on anti-corruption, including in collaboration with other international organizations, with the strategic aim of improving the effectiveness of capacity building and technical assistance.

RECOMMENDATION 11: DATA

11A: Establish a Centre for Monitoring Taxing Rights to collect and disseminate national aggregate and detailed data about taxation and tax cooperation on a global basis.

11B: Designate an entity to collect and disseminate data about mutual legal assistance and asset recovery efforts.

11C: Designate an entity to collect and disseminate data on enforcement of money-laundering standards, including beneficial ownership information.

RECOMMENDATION 12: IMPLEMENTATION REVIEW

12A: Update the United Nations Convention against Corruption (UNCAC) implementation review mechanism to improve comprehensiveness, inclusiveness, impartiality, transparency and especially monitoring.

12B: Update UNCAC and other peer review mechanisms to reduce duplication and increase efficiency.

RECOMMENDATION 13: NATIONAL GOVERNANCE

Governments should create robust and coordinated national governance mechanisms that efficiently reinforce financial integrity for sustainable development and publish national reviews evaluating their own performance.

RECOMMENDATION 14: GLOBAL GOVERNANCE

14A: Establish an inclusive and legitimate global coordination mechanism at United Nations Economic and Social Council (ECOSOC) to address financial integrity on a systemic level.

14B: Building up on existing structures, create an inclusive intergovernmental body on tax matters under the United Nations.

14C: Starting with the existing FATF Plenary, create the legal foundation for an inclusive intergovernmental body on money-laundering.

14D: Design a mechanism to integrate the UNCAC COSP into the coordination body under the auspices of ECOSOC.