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Promotion of International Cooperation to Combat Illicit Financial Flows in order to Foster Sustainable Development

Report of the FEMUN Secretary-General

Summary

The report summarizes main aspects regarding the agenda of the eradication of illicit financial flows. Paired with the gradual growth of the world economy, the scope of criminal activities is increasing as well. Proliferation of illicit financial flows (IFFs), which represent the illegal transfer of money between several destinations without any documentation and, as a result, taxation is considered to be one among sharpest problems in the sphere of finance. IFFs have a negative impact on improvements in social spheres, human rights protection and economic development of every government. As the leading international organization, which conquers resolution of this topic, the decisions, which are made under the auspices of the United Nations, are presented together with all its diverse committees and agencies such as ECOSOC, UNODC and Human Rights Council. The report introduces regional and international frameworks of this agenda item, particularly, recent agreements and documents along with currently acting initiatives. With an explanation of the main forms of IFFs, it contains an outline of current concerns and unresolved issues. In the context of international cooperation, the report illustrates actors in this area as well existing partnerships. Document also provides an overview on related topics such as corruption, money laundering, drug trafficking and etc. Consequently, connections with the Financing for Development concept (FfD) and Sustainable Development Goals are made; they respectively show the great need for every institution to contribute to the eradication of IFFs and to create a more resilient and stable future in every dimension of human life.

I. Content and context

1. The first official stance and recognition by the United Nations General Assembly (UN GA) regarding harmful consequences that may cause illicit financial flows (IFFs) dates back to the year of 1975 and the adoption of Resolution A/RES/3514 which promotes the idea of non-recognition of such forms of economic crime and strengthened international cooperation towards its elimination. Later this idea was further expanded by the expansion of involved UN bodies' number such as the Commission on Crime Prevention and Criminal Justice, the UN Conference on Trade and Development (UNCTAD) and presented in Resolutions A/RES/51/191 of 1996, A/RES/53/176 of 1999 and A/RES/54/205 of 2000. All aforementioned documents condemn any kind of illicit transactions as well as corruption and bribery and encourage every UN-related body and Member State to act in combating this issue.¹

2. "IFFs are generated by methods, practices and crimes aiming to transfer financial capital out of a country in contravention of national or international laws" as it is stated in the report "Illicit financial flows from developing countries: measuring OECD responses" (2014) of the Organization for Economic Co-operation and Development (OECD). International community due to the inability to reach inter-governmental agreement still has not elaborated any universal definition of this phenomenon in order to classify it. It is noteworthy to mention that OECD remains a close partner of the UN since both organizations follow similar principles of transparency and accountability, as well as economic development. Together with the UN, the OECD is developing sub-national policies and recommendations on improving national legislation, foster economic development and provide effective analysis.²

3. There are three tightly-connected negative processes evolving together with IFFs. World Bank points out that money laundering, bribery and tax evasion are inseparable from illicit financial flows. All of these actions pose a significant threat to the stability of societies and their financial security. For example, illicit financial flows may be used for terrorist purposes with no further ability of governments to investigate crimes. Moreover, since these assets are not controlled by governments and are not covered by taxes, this also causes a shortage of public funds and decreased financing of the social sector as a result.³

4. IFFs may be represented in one more direction, which is a money laundering. It is serious concern of all countries and regions worldwide, since it ruins the system of money turnover and allows individuals and enterprises to hide their revenues with decreases in tax payments. The international institution designed to combat this issue is a Financial Action Task Force (FATF) that works under the auspices of G7 Member Countries. FATF belongs to the group of UN's partners, especially in the implementation of the UN Security Council resolutions on tackling terrorist financing. For these purposes, the Task Force elaborated a list of recommendations for

¹ UN GA Resolution A/RES/3514(XXX)

[http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/3514\(XXX\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/3514(XXX))

² Report of the Inter-agency Task Force on Financing for Development 2017

https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF-2017.pdf

³ World Bank Brief: Illicit Financial Flows (IFFs)

<http://www.worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs>

countries on anti-money laundering; the latest version was published in 2012.⁴ At the same time, as a measure to ensure constant improvements in the fields of FATF's competence, the Task Force conducted regular upgrades of the abovementioned recommendations, which may be witnessed in the FATF Annual Report 2015-2016.⁵

5. IFFs may be divided into three classes which are "funds transferred with the violation of tax rules, money gained and transferred illegally and illegal transactions with the purpose to finance criminal activities as terrorism or drugs. In turn, channels to transfer IFFs can be connected with "smuggled cash, smuggled goods, electronic and alternative transfer mechanisms." Such way of division was proposed during an expert consultation between UNCTAD and UN Office on Drugs and Crime (UNODC) on the SDG Indicator on Illicit financial flows.⁶

6. Method that may be used in order to generate IFFs is trade misinvoicing and trade mispricing in accordance with the UNCTAD Annual Report 2016. The document states that these processes turn into one big system of money laundering and tax evasion that is only growing and thus decreasing opportunities of developing states to receive financing to ensure the realization of SDGs and improvement of all sectors of life where they experience problems.⁷

7. The UN GA plays a leading role in the international arena concerning IFF eradication. Via its Resolution A/RES/58/4 of 2003, the international community has agreed on adopting the United Nations Convention against Corruption (UNCAC), a universal legal instrument on fighting against corruption and any illegal activities that come as a consequence. UNCAC urges every relevant stakeholder to tackle illicit enrichment and by any means prevent the transition of money and property. As for the year of 2017, 140 countries are parties to the Convention, and they are advised to make sure of the compliance of their legislation adheres to the articles of the Convention in order to avoid discrepancies and have a well-designed system of prosecution of corrupt activities. This resolution also brought a new sense to the issue via the establishment of the International Anti-Corruption Day celebrated on 9 December annually. In 2017 the topic was "United against corruption for development, peace and security" made with respect to the Sustainable Development Goals (SDGs).⁸

8. With the beginning of the 21st century the attention to IFFs and corruption has risen in the UN GA Resolutions A/RES/56/186 of 2001; A/RES/58/205 of 2003, A/RES/60/207 of 2005 which have proclaimed the breakthrough caused by the United Nations Convention against Corruption. Their main sense is to follow all international norms and standards, facilitate the creation of decent conditions in a national arena and to move all advancements of technical

⁴ Financial Action Task Force 2012 Recommendations

<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

⁵FATF Annual Report 2015-2016

<http://www.fatf-gafi.org/media/fatf/documents/reports/FATF-annual-report-2015-2016.pdf>

⁶ UNODC-UNCTAD Expert Consultation on the SDG Indicator on Illicit financial flows

http://www.unodc.org/documents/data-and-analysis/statistics/IFF/Concept_Note_UNODC_UNCTAD_IFF.pdf

⁷ United Nations Conference on Trade and Development Annual Report 2016

http://unctad.org/en/PublicationsLibrary/dom2017_en.pdf

⁸ United Nations General Assembly resolution A/RES/58/4

<http://www.un-documents.net/a58r4.htm>

progress in order to control and eradicate IFFs and corruption.⁹ The Resolution A/RES/71/213 of 2016 illustrates measures which the UN and relevant institutions need to undertake in order to combat IFFs. Main pillars outlined are put as a part of the problem within the Financing for Development (FfD) agenda, provision of any kind of aid by developed countries and ensuring that every country receives enough support in terms of this question. These ideas are still promoted and supported by a number of UN GA Resolutions devoted to the eradication of IFFs, namely: A/RES/71/208 of 2016 and A/RES/72/207 of 2017.¹⁰

9. One of the paramount UN priorities is providing stable legislation for coherent international actions. The crucial phenomenon which is currently widespread is tax havens which means “jurisdictions with economies almost entirely dedicated to offshore financial activities” and serves as a facilitator of the proliferation of tax evasion and tax avoidance. Many illicit financial operations are carried out in tax havens and are not reported by any means. The UN is on course to undertake concrete measures and cover the work of tax havens along with their complete elimination.¹¹

10. Ensuring equal opportunities for all, providing decent life conditions, fighting with mortal diseases – these are all ideas of the SDGs which were adopted by UN GA Resolution A/RES/70/1 of 2015 which sets up 17 Global Goals for the world to achieve by the year of 2030. The main Goals within this framework which are aimed at combating IFFs are Goals 16 and 17 and their respective targets: 16.1, 16.5, 16.6, 17.1, 17.13, 17.14, and 17.15. All of them are focused on economic development along with the elimination of all forms of money laundering, corruption and bribery by means of stakeholders’ collaboration.¹²

11. The year of 2015 introduced the world to the new opportunities for progress and the area of taxation was not an exception. This year, newly emerged danger of a huge amount of illegally transferred assets became tightly connected with implementing the FfD mainly described by the Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing for Development held in 2017. The 23rd paragraph of the document presents the aspiration to eliminate tax avoidance, curtail tax evasion and corruption by building and strengthening both national policies of states and current international initiatives aimed at this agenda¹³. Furthermore, under the leadership of signatories to the AAAA, Addis Tax Initiative was established, with a main aim of bringing significant improvements and ensuring cooperation of states in the field of Domestic Resource Mobilization and taxation. The Initiative’s plans include that:

⁹ International Anti-Corruption Day

<http://www.anticorruptionday.org/actagainstcorruption/en/about-the-campaign/index.html>

¹⁰ United Nations General Assembly resolution A/RES/71/213

<https://undocs.org/A/RES/71/213>

¹¹ UN News Centre: UN experts urge States to take action against corporate tax fraud

<https://news.un.org/en/story/2017/11/570402-wake-paradise-papers-leak-un-experts-urge-states-take-action-against-corporate>

¹² United Nations General Assembly Resolution 70/1 “Transforming our world: the 2030 Agenda for Sustainable Development”

http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

¹³ Addis Ababa Action Agenda of the Third International Conference on Financing for Development

http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

- “countries will double their technical cooperation in the area of domestic revenue mobilization / taxation by 2020;
- step up domestic revenue mobilization as a key means of implementation for attaining the SDGs; ensure Policy Coherence for Development”.

31 Member State along with 13 regional and international organizations are taking part in the initiative and by joint efforts strive to reach sustainable economic growth of the respective states.¹⁴

12. Gaps in ensuring regulation of taxes may also be conducive to the appearance of new IFFs. Thus in 2000, the OECD along with a strong collaboration with the UN as an international observer set up a Global Forum on Transparency and Exchange of Information for Tax Purposes in order to maintain proper payment of taxes collaboration between countries in the international arena. For the current moment, the forum hosts 148 member countries with equal representation and 15 international organizations acting as observers. The 2017 progress report highlights the usage of the system of Automatic Exchange of Information (AEOI) elaborated by the forum’s Member States. In 2017, 50 countries became a part of this system, with 53 governments expected to join the initiative in September 2018. The forum strives to move application of AEOIs closer to transparency and international cooperation on a global level.¹⁵

13. Numerous UN bodies are having a strong position in terms of this agenda item. For example, Economic and Social Council (ECOSOC) as a subsidiary body of the UN is playing one of leading roles. The latest dialogue between ECOSOC, UN GA including main experts on world economy from Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, was held on 22-25 May, 2017 in New York. It is important to underline that within the program of the meeting, stakeholders discussed the issue of harmful consequences of IFFs to global prosperity and called for regional and inter-regional cooperation. They outlined the inability of international organizations to respond to huge numbers of criminal activities, power of corporations which leads to corporate lobbying and incoherent work towards tackling tax evasion as key reasons of this process.¹⁶

14. UN Office on Drugs and Crime (UNODC) is actively contributing to tackling illicit activities, particularly drug-related crimes. It establishes cooperation programs, provides technical support to countries and investigates cases under its mandate with the main purpose to complete IFFs worldwide. The office analyzes this issue from the perspective of money laundering and impacts on drug production and financing. The key initiative is the Global Programme against Money-Laundering under which the UNODC provides governments with

¹⁴ Addis Tax Initiative

<http://www.un.org/esa/ffd/ffd3/commitments/commitment/addis-tax-initiative.html>

¹⁵ Report on Progress: Global forum on transparency

<http://www.oecd.org/tax/transparency/global-forum-annual-report-2017.pdf>

¹⁶ United Nations General Assembly. Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development.

<https://undocs.org/A/72/114>

support in the sphere of education, legislation improvement and financial analysis on situations regarding this issue and ways of its eradication¹⁷

15. According to the data provided by the UNODC, 2 - 5% of the world's GDP, or around \$2 trillion US dollars, is being spent and lost as a result of money laundering. The UNODC's 2017 World Drug Report states that nearly 30% of cocaine proceeds contribute to illicit financial flows. Moreover, there is a concern that it is hardly possible to keep track on funds of illicit origin transferred out of a country's borders, and that's why the actions of the international community are limited due to the lack of decent data. Another statistic presents that approximately 44% of gross profit from cocaine was used for money laundering purposes.¹⁸

16. Unacceptable actions against freedom and wellbeing are inevitable consequences of IFFs. In this regard, the Human Rights Council (HRC) has also been involved in analyzing this issue. In 2016, the Council presented its "Final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development of the HRC Independent Expert". Here it notes that tax evasion and avoidance are causing severe violations of human rights, such as gender inequality, economic gap between groups of populations, poverty as a result of lack of funding and many other aspects. The expert pays tribute to the ratification and implementation of the 1948 Universal Declaration of Human Rights and stresses that it should be put as a priority while implementing new initiatives and combating IFFs.¹⁹

17. Improvement of knowledge and skills particularly in the sphere of finance is vital for taking necessary actions and adopting key country policies. The OECD created the Tax Inspectors Without Borders project with the main goal to provide an opportunity to learn and receive a qualification in the spheres of audit and taxation. The project functions via visits to areas in need and providing an educational set for key government officials as well as for private sector representatives, with further assistance in implementing or reforming standards and policies and being able to adapt to changes appearing in this sector.²⁰

18. Considering the problem of stolen assets from the country of origin, the UNODC in collaboration with the World Bank has created a Stolen Asset Recovery Initiative with the main idea to eradicate any ways of corruption and money laundering, moreover, the initiative is ensuring cooperation between the involved actors and provides assistance in bringing money back. It is important to highlight that the Stolen Asset Recovery Initiative works in close connection with UNCAC, the G8 and the G20.²¹

¹⁷ UNODC: Technical assistance against money-laundering

<https://www.unodc.org/unodc/en/money-laundering/technical-assistance.html>

¹⁸ UNODC: Money Laundering and Globalization

<https://www.unodc.org/unodc/en/money-laundering/globalization.html>

¹⁹ Final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development of the HRC Independent Expert

<http://www.undocs.org/A/HRC/31/61>

²⁰ Tax Inspectors Without Borders

<http://www.tiwb.org/>

²¹ Stolen Asset Recovery Initiative

<https://star.worldbank.org/star/>

19. Regional organizations are putting forth various endeavors in order to assist in combating this issue. An international organization, Global Financial Integrity, in its report “Illicit Financial Flows to and from Developing Countries: 2005-2014”, estimates Asia to be the region with the biggest illicit outflow (\$388 billion in 2014) and Sub-Saharan Africa to be the region with the least outflow, amounting to \$69 billion in 2014. The integrity also stresses developing Europe as the region with the most disseminated IFFs in terms of bilateral trade (12.4 percent of total trade data)²².

20. The report of the UN Secretary-General, A/72/306, released on 9 August 2017 also makes an accent on region-related actions. It highlights an example of global transparency, which is the publishing of the number of trade misinvoicing by the Economic Commission for Africa and the Economic Commission for Latin America and the Caribbean that gives an opportunity of clear analysis of negative economic trends in the country and promotes open access to information worldwide.²³

21. The African region has always been the center of dissemination of all illegal activities connected with IFFs, but at the same time, Africa receives the most damage – around US \$50 billion annually - in accordance with the High Level Panel on Illicit Financial Flows of the UN Economic Commission for Africa (ECA), which is two times less than the Official Development Assistance (ODA) received by the entire region. The panel was set up during the 4th Joint Annual Meetings of the African Union/ECA Conference of Ministers of Finance, Planning and Economic Development with the main purpose to stop and eradicate IFFs in the African region. The United Nations has a strong stance towards building peace and prosperity in Africa, hence the mandate of the High Level Panel is to provide the region with capacity-building opportunities, trainings and specific recommendations for appropriate legal norms.²⁴

22. In accordance with the UNODC World Drug Report of 2017, European illicit markets earn more than 109 billion euros per year. It also stresses that sales of drugs has increased up to 50 percent from 1995 to 2008. Moreover, there is a regional tendency of corruption of local and national authorities that in turn has a strong coherence with organized crime groups and drug traffickers. These activities lead to inevitable crimes in the financial sector and the region needs to place this issue as a main development priority.

23. The United Nations is combining initiatives of all involved stakeholders in order to eradicate IFFs. This problem is already disseminated in all spheres of human activities and remains challenging to stop due to gaps in legislation and lack of cooperation between Member States. However, the UN should align all its capacities and ensure a bigger number of SDGs-

²² Illicit Financial Flows to and from Developing Countries: 2005-2014
http://www.gfintegrity.org/wp-content/uploads/2017/05/GFI-IFF-Report-2017_final.pdf

²³ United Nations Secretary-General Report A/72/306
<https://undocs.org/A/72/306>

²⁴ High Level Panel on Illicit Financial Flows
<https://www.uneca.org/iff>

related issues in order to tackle this problem, as well as to apply commitments from all its founding document with the purpose to form a basis for Member States actions.²⁵

II. Potential challenges, problems, issues the Committee has to address

24. Although the international community has already come up with a list of actions, which will lead to the abolition of IFFs, there are many conceptual problems that undermine the progress and it is required to put all endeavors toward their solution. Roots of the majority of them lie in the inability of countries to create a universal approach on a resolution of the issue with universal ideas and standards as well as in a low level of capacity building of developed countries in terms of assistance to developing states for achieving global Sustainable Development.²⁶

25. Concerning a unified recognition, there is still no approved definition of IFFs and related terms, which makes it more complex to classify the process as IFFs and prosecute it. Moreover, due to secrecy and conspiracy, it is hard to keep track on any kind of illicit activities and fully investigate them. The lack of a coherent system of evaluation and analysis of all actions that lie within IFFs considerably hinders the process of reduction of illegal money and goods transactions.²⁷

26. IFFs cause even more dangerous issues such as trafficking arms, bribery and corruption, and without appropriate financing and the inclusion of technical and expert support of developed states the resolution of the problem is far from being achieved. This fact is mentioned in the Report of the High Level Panel on Illicit Financial Flows from Africa – the region with the biggest damage caused by IFFs worldwide. Not only the African authorities, but the entire world should be committed to the elimination of the current situation in order to avoid further proliferation.²⁸

27. The issue of assets that are stolen from a country of origin is a serious challenge the United Nations needs to overcome urgently. Despite the fact that it is another crime with methods of punishment different from IFFs, these two trends are allied and do not allow to foster the process of sustainable development for middle-income states. If the definition of IFFs will also cover repatriation of stolen assets and other important factors, it may make investigations easier and normalize money turnover.²⁹

²⁵ 2016 Issue Brief “Coherent policies for combatting Illicit Financial Flows United Nations Office on Drugs and Crime and the Organisation for Economic Co-operation and Development”

http://www.un.org/esa/ffd/wp-content/uploads/2016/01/Coherent-policies-for-combatting-Illicit-Financial-Flows_UNODC-OECD_IATF-Issue-Brief.pdf

²⁶ UN GA Resolution A/RES/71/208

<https://undocs.org/A/RES/71/208>

²⁷ United Nations Illicit Financial Flows: concepts and scope

http://www.un.org/esa/ffd/wp-content/uploads/2017/02/Illicit-financial-flows-conceptual-paper_FfDO-working-paper.pdf

²⁸ Report of the High Level Panel on Illicit Financial Flows from Africa

https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf

²⁹ OECD Report “Illicit financial flows from developing countries: measuring OECD responses”

https://www.oecd.org/corruption/Illicit_Financial_Flows_from_Developing_Countries.pdf

28. Recognizing the strong connection between IFFs and national as well as international taxation, there are challenges that countries may experience on their way towards combating illegal activities. First of all, weak and ineffective administration of tax payers may raise the indicator of tax avoidance, and what is more, the big level of corruption and unstable national legislation decrease some governments' revenues. Furthermore, a low level of economy and entrepreneurship development in such countries is also a problem since there is a little average income and consequently low taxes.³⁰

29. The concept of beneficial ownership despite the fact it is recognized as a good trend may also harmfully influence combating illicit transactions and stolen assets, in particular. If the requirements and exact definitions of beneficial owners are not included in national laws, there is an increased opportunity to commit crimes and illegally transfer all money and goods. Thus, it is important to combat transparency at all levels and have exact data about all properties and goods and it should not be in a way that there is a possibility to organize a transfer of money or goods without legal permission.³¹

30. The drug trafficking and illicit financial flows are unseparated global devastators. Close interconnection of illegal financial activities and drug trafficking itself may cause a significant threat, especially to poor and undeveloped regions. Moreover, lack of financing to ensure appropriate health conditions may raise the level of inequality and mortality as well as increase destructive behavior. In case actions are not taken against illicit transactions, the drug industry will have a more dominating role in both sectors of health and economy, which may be complex to combat by governments.³²

31. Recent cryptocurrencies such as Bitcoin and Ethereum have begun to be used for illegal purposes, including numerous IFFs made via them. The international community is on its first steps in finding a mechanism of ensuring the safety of using cryptocurrencies, as the UNODC considers it as a serious threat and has started to elaborate particular responses. At the same time, criminal groups may already use cryptocurrencies for purchasing weapons. In case no legislation is adopted, and no concrete and coherent measures are implemented by countries, the rapidly growing trend may be almost impossible to stop and eradicate.³³

³⁰ Summary of the IATF expert group meeting on Illicit Financial Flows – mapping out a way forward on tax avoidance and evasion

http://www.un.org/esa/ffd/wp-content/uploads/2017/02/IATF-Illicit-Financial-Flows-meeting-summary_final.pdf

³¹ Concept Of Beneficial Ownership: Discussion Of Key Issues And Proposals For Changes To The Un Model Commentary

<http://www.un.org/esa/ffd/tax/sixthsession/BeneficialOwnership.pdf>

³² UNODC World Drug Report 2017

https://www.unodc.org/wdr2017/field/Booklet_5_NEXUS.pdf

³³ UNODC launches training to tackle cryptocurrency-enabled Organized Crime

<https://www.unodc.org/unodc/en/frontpage/2017/May/unodc-launches-training-to-tackle-money-laundering-and-bitcoin-banking-fraud.html>

III. Recommendations and suggestions, priorities for future action

32. In order to further prevent stolen assets, United Nations puts as a recommendation to Member States the enforcement of the legislation as well as current national initiatives. It should be required that every transaction be documented with careful checking of the origin of money and goods. For Member States, it is important to put the issue of stolen assets on one of the most urgent positions and multilaterally come up with ways to repatriate stolen assets. Countries are also called upon for regional and international cooperation both in elaborating criteria and legal norms and giving financial assistance along with capacity-building support.³⁴

33. Every Member State should ensure that its national system of protection from IFFs is well-designed and strengthened. Every country needs to think over its specific goals and targets which need to be attained in combating IFFs and may lay down a foundation for several years of further work. The coherence between all national agencies remains to be one of the key factors of successful operation, with concrete responsibilities and coordinated approaches. It is expected that states will be able to decrease the number of illicit financial activities.³⁵

34. Without domestic resource mobilization (DRM) the elimination of IFFs and achievement of Sustainable Development Goals will not be reached since there will be ineffective system of national expenditures. DRM as a concept should be ensured by adequate taxation and monitoring of all financial transactions. All countries need to allocate a decent part of their incomes into public funds, which will allow them to create new objects of social infrastructure and implement projects aimed at reaching the Sustainable Development Goals.

35. The cooperation with the private sector, non-governmental organizations, representatives of academia and other stakeholders whose assistance may be considered as relevant was all the time supported by the United Nations. It is already proven that joint initiatives between governments and other actors are profitable and beneficial; at the same time all institutions and governments should constantly require feedback from impacted agencies with the purpose of constant monitoring and adaptation to changes that may appear.³⁶

36. As an effective mechanism of experience-sharing, the OECD set up an AEOI that represents a communication channel allowing countries to provide information about incomes and other financial indicators of their citizens to other states when necessary. Currently, AEOI is used in developed countries; however, developing states still may experience difficulties in applying it even though this may be beneficial for them. Nevertheless, for the mechanism of global information exchange the way of constant updates of information and communication to ensure safety needs to be elaborated.³⁷

³⁴ UN DESA Inter-Agency Task Force on Financing for Development Inaugural Report 2016
http://www.un.org/esa/ffd/wp-content/uploads/2016/03/Report_IATF-2016-full.pdf

³⁵ UN GA Resolution A/RES/51/191
<http://www.un.org/documents/ga/res/51/a51r191.htm>

³⁶ SDG 17 Targets
<https://sustainabledevelopment.un.org/sdg17>

³⁷ OECD: Automatic exchange of information
<http://www.oecd.org/tax/transparency/automaticexchangeofinformation.htm>

37. Reaffirming the fact that bribery should be stopped in order to combat IFFs, the United Nations regularly promotes the idea of putting this form of crime as the center of the policy and accordingly establish relevant initiatives that will be aimed at eliminating bribery. Moreover, there is ample room for identification of effective and fair legal systems concerning crime identification and penalties that will be conducive for the decrease of crimes. If these actions are implemented appropriately, considering successful examples of countries, the problem may be resolved.³⁸

38. Emphasizing the need to ensure the protection of human rights, the UN puts it as a strong recommendation to prevent any way of anonymity and ensure the information about every entity as well as of its operations is in open access for government authorities in order to prevent cases of money laundering, stolen assets and other incidents. The analysis of the state of affairs concerning human rights, especially after establishing or reforming new economic laws or programs, should not be apart from all other actions in the problem's elimination. In order to maintain openness and fairness of information, the work with huge corporations, especially transnational ones, needs to be done with the purpose to have an open access to current expenses and revenues and be able to control volumes of money in the global turnover and to prevent instances of illicit operations.³⁹

39. Creation of targets within SDGs 16 and 17 shows a real example of importance of this issue in the context of reaching Sustainable Development in 2030. At the same time, 71 targets, which are developed for curbing IFFs, are non-concrete and narrow. In this regard, countries need to take the lead in the achievement of these goals and ensuring international agreement on particular foundations and measures, which will lead the world to fully attaining the SDGs by 2030. The only possible approach is the one that involves multiple actors in roughly equal ways towards global activities of reaching SDGs and for this purpose, there is a huge necessity of the elaboration of a decent system of communication and multi-level cooperation.⁴⁰

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³⁸ UN Convention against Corruption

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³⁹ Final study on illicit financial flows, human rights and the 2030 Agenda for Sustainable Development of the HRC Independent Expert

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