United Nations Development Programme

FIG

Finance, Integrity and Governance Initiative

Working Paper

1st FIG Policy Symposium

International Tax Cooperation & the Challenge of Illicit Financial Flows

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Acronyms and Abbreviations

AAAA – Addis Ababa Action Agenda
AEOI – Automatic Exchange of Information
AI – Artificial Intelligence
ATI – Addis Tax Initiative
BEPS – Base Erosion and Profit Shifting
CCP – Container Control Programme
CEPA – Committee of Experts on Public Administration
FACTI Panel – High-level Panel on Financial Accountability, Transparency and Integrity
FATF – Financial Action Task Force
FDI – Foreign Direct Investment
FfD4 – 4th Financing for Development Conference
FIG – Finance Integrity and Governance
GPCG – Global Policy Centre for Governance
IFFs – Illicit Financial Flows
SLAPPs – Strategic Lawsuits Against Public Participation
TIWB – Tax Inspectors Without Borders
VCMs – Voluntary Carbon Markets

Summary

In May 2024, UNDP's Global Policy Centre for Governance hosted the first policy symposium of its Financial Integrity and Governance (FIG) Initiative. The FIG initiative provides space to examine emerging issues on financial integrity and governance in the lead-up to the 4th Financing for Development Conference (FfD4) and serves as a co-creative knowledge track that is separate from but in support of Member States' formal negotiations. The first FIG policy symposium focused on international tax cooperation and illicit financial flows (IFFs). Altogether 60 individuals from UN Member States, academia, civil society and international organisations attended the two-day event in Oslo. Key messages from the event include:

The world needs an INCLUSIVE international financial architecture. The Addis Ababa Action Agenda (AAAA) elevated issues of international tax cooperation and IFFs. However, some stakeholders cited concerns that the international tax reform agenda continues to be driven by wealthier countries. Efforts to strengthen the inclusiveness of the current institutional framework for international tax cooperation are seen as insufficient and overly selective, which compromises the effectiveness of responses to tackle IFFs and tax abuses. For many stakeholders, a successful FfD4 outcome will be one that delivers ambitious reforms to the international financial architecture - both in terms of the inclusiveness of the process for designing and managing a future architecture, as well as how the benefits and costs of that architecture are distributed. To move towards and inclusive financial architecture, **FfD4 must also advance "trade integrity", not just "trade facilitation".** Trade has been neglected in international policy dialogues on financing for sustainable development, but the quality of trade matters for the SDGs. Countries should commit to building an international trade and investment architecture that supports sustainable development and underpins structural transformation in the Global South.

More ACCOUNTABILITY for commitments on international tax cooperation and efforts to tackle illicit financial flows is needed. There is a lack of accountability for delivering on the SDGs and the AAAA. Systems to hold corporate actors to account are fragmented. There is a need for trust, i.e. confidence that once commitments are made, they will be honoured (at both national and international levels). In the context of FfD4, it will be important to put in place an accountability and follow-up mechanism that is country-owned, well-resourced and has 'teeth'. **Tackling environmental and climate-related IFFs** is a priority to ensure accountability to future generations and inter-generational equity. A "planet-friendly" and "nature-friendly" financial system must be put in place which delivers a coordinated set of policy actions to drive better environmental and climate-related outcomes.

EFFECTIVE responses require capacity and scaled-up resources. Developing capacity, particularly in least developed countries, to tackle tax abuses and IFFs, will be central to effective domestic resource mobilisation. For instance, there is a need to **ensure all countries can benefit from advances in new technologies**, including Artificial Intelligence, to support domestic resource mobilisation and tackle IFFs. Long-term, scaled-up, hands-on programmatic support is required that is responsive to developing countries' priorities. Current efforts, while welcome, have lacked scale. The effectiveness of capacity development initiatives is, in turn, also affected by the extent to which there are reforms to international tax rules which enable developing countries to derive their 'fair share' of taxes. To be effective, actions to stem tax abuses and strengthen the capacity of tax institutions must also address corruption to ensure that increased public resources are not lost to leakages and diversions. A stronger tax revenue base will only deliver on sustainable development outcomes if integrity in public administration is strengthened, and if the **role of the international enablers** of illicit financial flows is addressed. Coordinated international actions to tackle the 'enablers' of IFFs and drive new norms, culture and behaviour among relevant professions are crucial.

Introduction

UNDP's Global Policy Centre for Governance (GPCG) hosted the first policy symposium of its "Financial Integrity and Governance" (FIG) Initiative in Oslo, Norway, on 14-15 May 2024. Designed and facilitated by GPCG, the symposium was organised as a strategic input to the 4th Financing for Development (FfD4) Conference which will take place in Spain in 2025. The symposium focused on international tax cooperation and illicit financial flows (IFFs).

The event was attended by colleagues from a diverse set of organizations and geographies. It had a good (albeit not ideal) gender distribution, and participants held a range of expertise ranging from financial integrity, taxation and illicit financial flows to more specific areas such as environment and technology, and cross-cutting themes such as governance and gender. Attendance included participants from:

- 20 UN Member States from Asia-Pacific, Europe, Latin America, Arab States and (most) from Africa
- 24 civil society organizations, research and other institutions with thematic expertise such as on beneficial ownership, transparency, extractive industries and environmental protection
- 8 international organisations such as UN Agencies, international financial institutions and other multilateral organizations

It was held under the 'Chatham House Rule" and aimed to:

- **Take stock** of the current global financing framework, identify gaps on tax cooperation and IFF from the perspective of financial integrity and governance and their real-world impacts;
- **Look ahead** to examine what effective, accountable and inclusive policies and institutions that accelerate tax cooperation and curb IFF could look like; and
- **Identify concrete opportunities** for effective, accountable and inclusive policies and institutions that accelerate tax cooperation and curb IFFs.

To this end, the discussions were structured around "three horizons." The Three Horizons approach is a foresight tool that helps to stimulate structured strategic conversations about the status quo, a preferred future and the interventions needed to shift towards this future. It involves conversations about **the Present, the Future and the Transition**. The aim of this methodological approach was to encourage participants to rethink past traditions and current assumptions, reflect about a preferred future and the opportunities and challenges associated with advancing their vision. Overall, the symposium sought to offer a safe space allowing for both conversation and disruption through informal debate.

In a discussion paper shared with participants ahead of the event, UNDP identified three elements as crucial to enhance financial integrity. These three elements build on work by the FACTI Panel and the Principles of Effective Governance for Sustainable Development[1]:

1. **Values and principles**, namely inclusiveness, accountability and effectiveness as set out in the ECOSOC principles - should inform how financial systems at both country and global levels are reformed, redesigned and revitalised.
2. **Financing policies**, both at country and global level - must be (re)designed to adhere to the values and principles of inclusiveness, accountability, and effectiveness.
3. The **institutions** that implement these policies - need to reflect these values and principles.

The discussion paper also stressed that the FfD4 Conference presents an important opportunity to create the strong, values-driven, policy and institutional foundations needed to enhance financial integrity and governance and ensure that more financing supports sustainable development and reaches people and places most in need.

[1] The principles were developed by the UN Committee of Experts on Public Administration (CEPA) and endorsed by Member States in the UN ECOSOC in 2018.

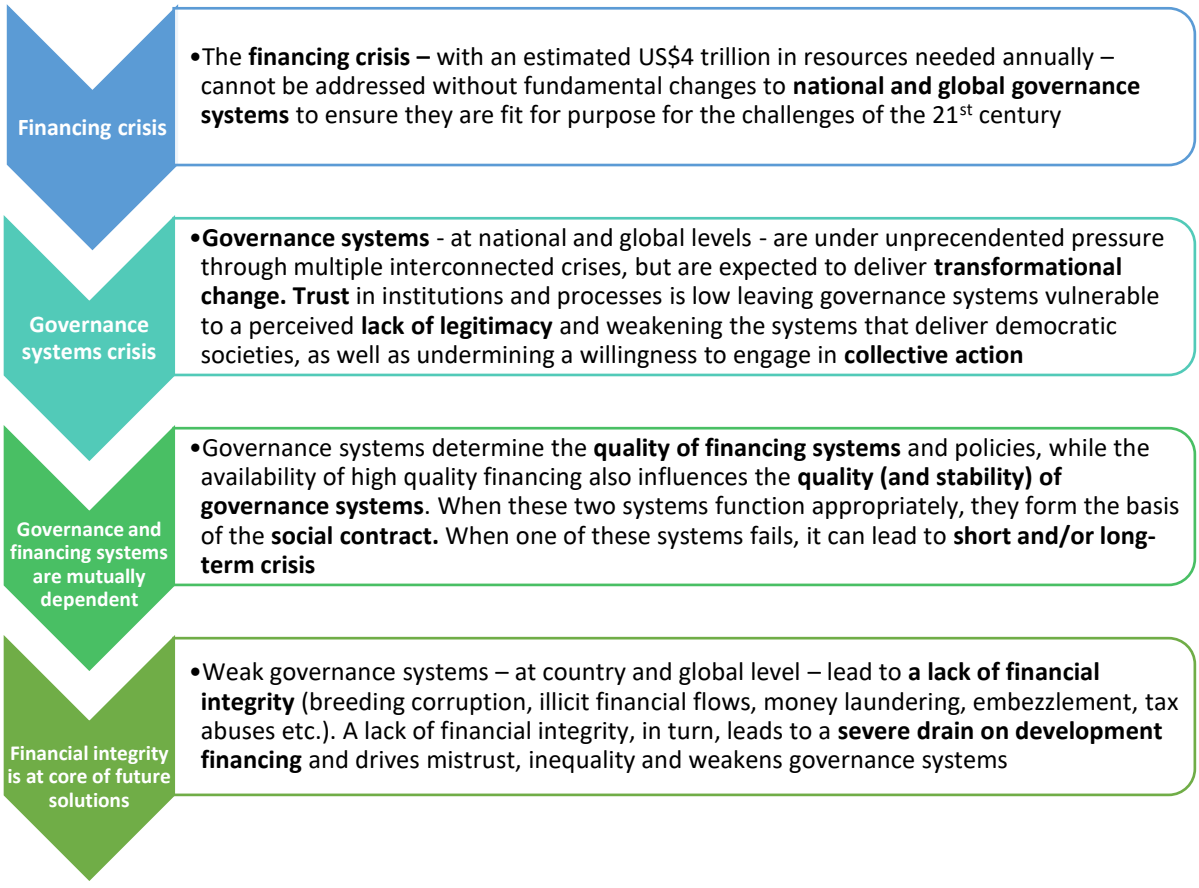
Against this background, the aim of this Working Paper[2] is to:

- Highlight key messages that emerged from discussions on *present, future and transition* of international tax collaboration and illicit financial flows, especially regarding *policies and institutions*
- Illustrate how these are underpinned by key *values and principles* of financial integrity and governance (namely, inclusiveness, accountability and effectiveness)
- Serve as a practical input to FfD4 negotiations

Why focus on financial integrity and governance?

The FIG initiative is underpinned by the proposition that financing for sustainable development and the quality of governance systems – at both country and global level – are deeply interconnected. In preparation for the first FIG Policy Symposium, this was elaborated through four observations.

A future global framework for financing for development which prioritises and seeks to strengthen financial integrity can therefore have positive feedback loops both on the quality of national and global governance systems and the quality and volume of financing available for sustainable development. The issue of financial integrity and governance are therefore of critical importance to FfD4 negotiations.



[2] This Working Paper was produced by the GPCG. While it attempts to synthesise the symposium's rich exchanges, it does not convey agreed opinions or recommendations, nor does it reflect a consensus view among participants or the view of any individual attendee. The GPCG takes sole responsibility for the content.

Present (Horizon 1): Where are we today?

Objective:

The purpose of this first session was to take stock of the role of international tax cooperation and IFFs in the AAAA, and where we are ten years later, from a financial integrity and governance perspective.

Key takeaways:

International visibility and awareness of illicit financial flows and tax abuses have increased following FfD3. The AAAA elevated issues of international tax cooperation and illicit financial flows. Prepared by key initiatives such as the Mbeki High-Level Panel Report on Illicit Financial Flows from Africa, other major ones followed, including the High-Level Panel on Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda. FfD4 also comes at a time when there has been a historic agreement at the UN to establish a framework convention on tax.

Since the AAAA, some progress has been reported on international efforts to tackle IFFs and strengthen international tax cooperation, though there is little consensus on the extent to which this has benefited developing countries. For example, some stakeholders noted progress under the G20/OECD Inclusive Framework on BEPS (Base Erosion and Profit Shifting) which now includes 138 member countries worldwide, and is reported to have delivered tangible benefits to countries across several areas, including Automatic Exchange of Information (AEOI – which has led to a decline in tax abuses), bank secrecy, tackling tax abuses facilitated by digitalisation, and capacity-building initiatives. At the same time, these initiatives also have their limitations. For example, it was noted that data under AEOI is shared only on a reciprocal basis which means that many developing countries are excluded due to a lack of capacity. Indeed, fewer than one in five African countries are able to benefit from automatic information exchange or access to country-by-country reporting. The initiative also fails to take a 'human rights' approach to taxation, i.e. one which emphasises the principles of transparency, accountability, fairness and justice. Most crucially, there is significant – and continued – frustration amongst some stakeholders that the international tax reform agenda is seen to be driven by wealthy countries within the G20 and the OECD primarily for their own benefit.

Institutional structures for international tax cooperation are not considered *inclusive* by many stakeholders. Although the AAAA raised the profile of IFFs and the need to strengthen international tax cooperation, many stakeholders feel that it did not democratise the spaces for negotiated international responses. For instance, the AAAA did not spur changes to governance structures for international cooperation on tax and IFFs which ensured that norm and agenda-setting would continue within the framework of the existing (non-inclusive) institutional architecture. For many stakeholders, this is a critical issue which needs to be taken forward at FfD4. Others, however, believe that current initiatives (like the G20/OECD Inclusive Framework project) are working as intended and should be offered continued political and financial support.

For many stakeholders, the lack of inclusiveness of institutional responses to tackle IFFs and tax abuses also compromises their *effectiveness*. In other words, if established institutional structures were more inclusive, they could achieve more, particularly for the poorest countries. For example, it was suggested that most of the benefits being seen through initiatives like AEOI do not accrue to the poorest countries because the rules are not set within an inclusive decision-making body. Politically, there is also little that can be done to pressure those G20/OECD members that are in non-compliance with key initiatives, such as AEOI.

There is also a lack of capacity at the national level in many countries which hinders effective institutional responses to tackling tax abuses and IFFs. Capacity-building initiatives launched in Addis Ababa like Tax Inspectors Without Borders (TIWB) and the Addis Tax Initiative are welcome, but are relatively small in scale,

and fundamental challenges in addressing tax abuses by multinational corporations remain. These tax abuses are now considered mainstream corporate practice. For example, tourism-reliant economies tend to be dominated by large international brands, who employ armies of professionals to help them reduce how much they pay in taxes. This results in an asymmetric relationship with developing country governments who often struggle to match these multinationals in resources and capacity. Long-term, scaled-up, hands-on programmatic support is required that is responsive to developing countries priorities and that is demand-driven. This must be on the table at FfD4.

Corruption remains a key driver of tax abuses and illicit financial flows. It is difficult to unbundle illicit outflows generated by 'tax abuses' from illicit outflows generated by corruption, and in some instances the institutional weaknesses that enable these flows overlap (e.g. corruption in tax administrations or tax losses as a by-product of elite capture in public procurement). A stronger tax revenue base will only deliver on sustainable development outcomes if integrity in public administrations is strengthened, and the role of the international enablers of illicit flows is addressed. Otherwise, increased public resources will be at risk of leakage and diversion. Many developing countries also require support to allocate domestic resources more effectively and equitably in support of sustainable development priorities.

There is a lack of *accountability* for delivering on the SDGs which are severely off-track, including many of the financing commitments made in the AAAA. For many stakeholders, there is a need for trust and follow-through, i.e. a commitment that once international commitments are made, they will be honoured. Countries should not be able to cherry-pick which commitments to deliver on and which to sideline – whether at national or international level. For example, it was suggested that within the IFF agenda, terrorist financing has received much attention, while other areas, such as corruption and tax evasion have received less. There is also an outsized influence of powerful countries, corporations and individuals lobbying for favourable legislative and regulatory environments, with many unaccountable "enablers" of IFFs deeply embedded within rich countries' institutions to the detriment of wider populations and the natural environment. Within FfD4, there needs to be accountability at all levels for delivering on the SDGs which are the internationally agreed development framework.

Discussions also revealed debt as a growing concern, particularly in the wake of the COVID-19 pandemic and crisis-related shocks which have strained public finances. This underlines the importance of loans being contracted in the public interest, on fair and transparent terms and conditions, and in support of SDG outcomes. Much greater transparency and accountability is needed by both borrowers and lenders.

Future (Horizon 3): Where do we want to be in 10+ years?

Objective:

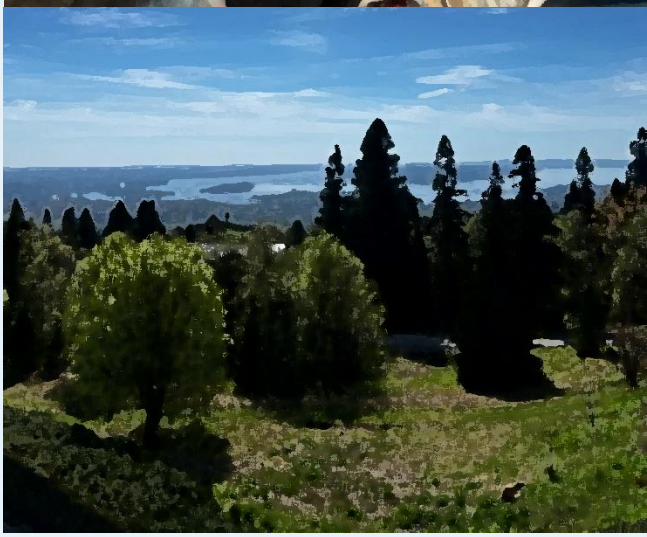
The purpose of this session was to look ahead (beyond the time when the FfD4 agreement will have expired) and consider what future we are aiming for with regard to a financial system that operates effectively, accountably and inclusively at all levels and advances the well-being of both people and planet.

Key takeaways:

For many stakeholders, in an "ideal" future, there is an *inclusive* institutional architecture in place to facilitate international tax cooperation and tackle IFFs. To achieve fundamental change, it was argued that the institutional architecture needs to change, and the status quo cannot be maintained. If international tax rules continue to be set by rich countries, we will fail to properly address the domestic resource mobilisation challenges of the Global South and key causes of inequality and instability. It was proposed that UN capacity should be strengthened on international tax cooperation, including full implementation of the Framework Convention on Tax by all countries. Global economic governance issues, however, proved challenging within FfD3 negotiations, with little appetite on the part of most advanced economies to reform institutional arrangements.

***Effective* institutions are considered those that support sustainable development for both people and planet and leave no one behind**. It was suggested that enhanced programmatic work to build capacities on tax within the Global South will be key to building effective, accountable institutions at national level. However, a key challenge is how to deliver on this in a context where many of these efforts are funded by international aid flows, but donors are seen as unlikely to significantly scale their aid support in the near future. Furthermore, a reformed international tax system should be equipped to respond effectively to the dramatic rise in cross border digital transactions and ensure that all countries have the financial and technical resources and capacities to modernise and make use of new technologies, including blockchain and AI, to enhance financial integrity.

In an "ideal" future, *accountability* and transparency of, and trust in, institutions is strengthened at all levels. An inclusive and coordinated international tax system should hold multinational corporations to account as opposed to the heavily fragmented systems currently in place. The future would also entail fair and inclusive tax systems so that countries can justify



The symposium deployed a mix of formats to encourage exchange, ranging from plenary talks and breakout groups to a walk and talk in the surrounding forest.

collecting more tax. It was suggested that digitalisation offers huge opportunities to enhance financial integrity with even the smallest transactions now traceable. Such technologies can be used to crack down on tax avoidance, tax evasion, trade mis-invoicing and money-laundering etc. – but all countries must benefit from these advances. To ensure accountability for the commitments negotiated at FfD4, it was suggested that a follow-up mechanism with "teeth" must be put in place. This would need to be well-resourced to be as effective as possible, with strong country ownership of the follow-up process. To ensure accountability to future generations and inter-generational equity, tackling environmental and climate-related IFFs is a priority. Discussions at the symposium also reflected the idea that the global financial system must be reformed to ensure that environmental "bads" are not rewarded or incentivised and that environmental "goods" are nurtured. This is based on the notion that human and natural capital assets are the foundations of long-term prosperity and growth. In short, we need a **"planet-friendly" and "nature-friendly" financial system.**

Transition (Horizon 2): What needs to happen next?

Objective:

Participants expressed that the discussions thus far had helped surface trends and emerging issues. This session sought to help participants to think about how these should be tackled. More specifically, to identify concrete opportunities for action on financial integrity and governance that fosters international tax cooperation and curbs IFFs in the context of the FfD4 process.

Key takeaways:

During the symposium, the following proposals were put forward to deliver ***inclusive*** policies and institutions:

- FfD4 should not be seen as a simple 'fundraising' exercise to address high – and increasing – SDG financing gaps. Instead, it should be seen as an opportunity to reinvigorate multilateralism and ensure the international financial architecture is fit for purpose. A key focus for FfD4 should be on **economic governance reform at the international level** as there are no other international fora where this can be discussed in an inclusive way. This should include not only reforms to the institutional structures which coordinate international tax cooperation but must extend to the Bretton Woods Institutions. These institutions are highly influential in key financial integrity areas, including tax policy, trade and debt advice but are by many stakeholders perceived as undemocratic in their governance structures. Their decisions are critical for countries of the Global South, but they are sometimes seen as lacking in integrity and impartiality. This issue is critical to a successful FfD4 outcome.
- The global economic architecture is fragmented and uncoordinated. Some bodies are not universally inclusive. Others lack norm setting infrastructure. Existing institutions deal with overlapping aspects in silos and are unable to address IFFs systematically. An inclusive global coordination mechanism on illicit financial flows housed at the UN ECOSOC was proposed to address financial integrity issues on a systemic level. The mechanism would be mandated to review progress on financial integrity issues, including international tax cooperation, anti-corruption efforts, combatting money laundering and strengthening international cooperation on asset recovery and return.

The engaged discussions about present, transition and future were facilitated by a range of the symposium's attendees and supported by real-time mapping of insights in a three horizons framework.

- There needs to be a commitment to build an inclusive, effective and **accountable international trade and investment architecture** that supports sustainable development and underpins structural transformation in the Global South, rather than enabling IFFs and tax abuse.
- There must be **transparency, openness and clear channels for civic participation in the FfD4 negotiations**, including civil society and the private sector to ensure that all stakeholders are able to contribute to the negotiations in a transparent and structured way.

During the symposium the following policy proposals were put forward to deliver ***accountable*** institutions:

- There is often a large gap between international commitments and the steps taken at national levels to deliver on them. It was suggested that only through **binding international commitments** will there be effective international tax cooperation. The regional dimension was also emphasised, i.e. that harmful tax competition can arise due to regional politics and that this dimension should be addressed.
- Enhanced transparency is critical to delivering on accountability. There must be concerted efforts to **tackle secrecy jurisdictions** which prevent effective taxation. Practical policy measures include **global public registries of beneficial owners** to ensure better corporate accountability. **Global asset registers** were also proposed as a way to enhance transparency in wealth ownership (and ultimately enable states to tax this wealth).
- A **stronger Financing for Development monitoring and follow-up process** is required to ensure that Member States are held accountable for delivering on their commitments. This could include a strengthened role for the UN's regional economic commissions in the follow-up process, as well as country authorities. It could also include **specific follow-up processes for different parts of the FfD4 agreement**.
- An agreement on **practical, measurable targets** within FfD4 could also help to strengthen accountability for implementation.
- To enhance accountability and integrity in debt financing and promote responsible lending and borrowing practices, a public **Global Debt Registry** is proposed which would contain details of the purposes of loans, and their terms and conditions. This would help to ensure public oversight. It was suggested that only those loans registered should be enforceable.
- To ensure the accountability of private sector "enablers" of tax abuses and IFFs, **global norms for enabler professions** could be developed, and subsequently be translated into national legislation and binding codes of conduct for relevant professions.
- Greater priority needs to be given to **tackling environmental and climate-related IFFs** to deliver inter-generational accountability and equity. This includes improved regulation of voluntary carbon markets; greater regulation and oversight of commodities traders; and increased transparency of corporate actors engaged in the trade in natural resources.
- These efforts must be seen in the context of wider efforts to develop a **"planet-friendly" and "nature-friendly" financial system** in which there is a coordinated and coherent set of environmentally and climate-friendly policy actions, such as commitments to end harmful subsidies reform, implement coordinated carbon taxes (e.g. a multilateral carbon tax treaty) and a global framework for a just and sustainable energy transition.

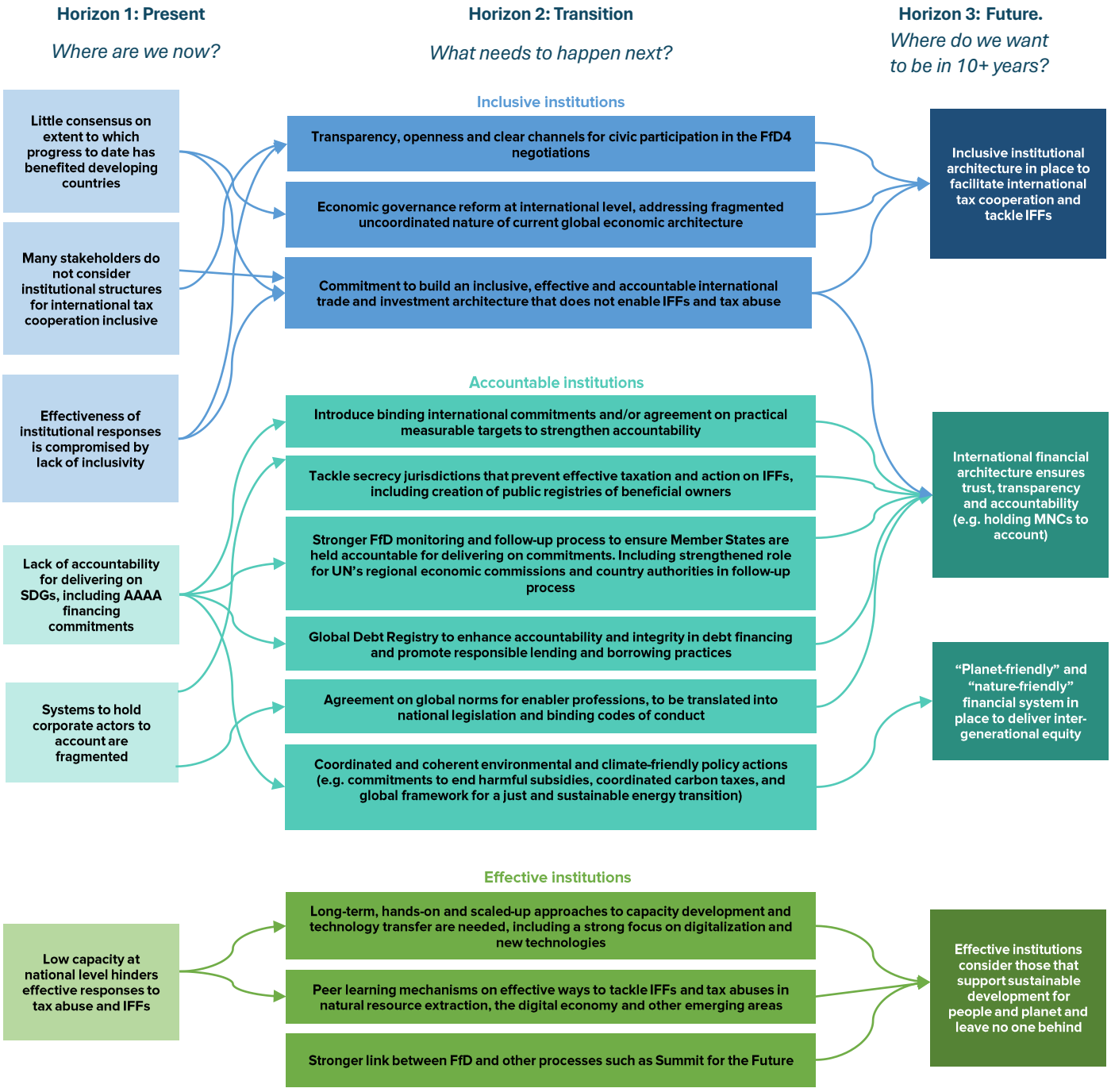
During the symposium the following policy proposals were put forward to deliver ***effective*** institutions:

- Capacity development is vital to ensure countries of the Global South, especially the poorest, have the knowledge and resources to tackle IFFs and tax abuses properly. **Long-term, hands-on and scaled-up approaches to capacity development** are needed, including a **strong focus on digitalisation and new technologies** to ensure no one is left behind. Scaled-up international aid support is required.
- **Measures to address corruption** are needed to stop leakages and distortions in the revenue base and ensure that increased public revenues are spent in the public interest. A stronger tax revenue base will only deliver on development outcomes if integrity in public administrations is strengthened, and the role of the international enablers of illicit flows is tackled.
- **Peer learning mechanisms on effective ways to tackle IFFs and tax abuses in natural resource extraction, the digital economy and other emerging areas** could play a useful role in building knowledge and establishing best practices that others can learn from.

- Effective institutional arrangements also require **synergies across key international processes**. The FfD4 outcome document must show, in practical terms, how it reinforces and builds on the outcomes of other key international processes, such as the Summit of the Future in September 2024.

The figure on the next page provides a visual summary of the symposium's discussions structured around the three horizons of present, transition and future. The visual provides an overview of key aspects of the status quo in relation to international cooperation on tax and tackling IFFs (horizon 1), what a preferred future would look like (horizon 3), and actions proposed by symposium participants to get to that future (horizon 2).

Figure 1: Present, Transition and Future. Insights from UNDP's first Financial Integrity and Governance (FIG) Policy Symposium



Annex 1: Breakout Session Summaries

Breakout Session #1: Tackling the "enablers" of IFFs

Horizon 1: the present

- Professional service providers / enablers are not addressed in the AAAA outcome document.
- There are different types of enablers: Some involved in moving funds, hiding them or spending them (other distinctions such as upstream vs downstream enablers). Different professions are regulated differently: e.g. accountants often not regulated as strictly as banks. Reputation management and going after critics (e.g. through Strategic Lawsuits Against Public Participation – SLAPPs) also important services.
- Incentives and professional norms matter: It's not a few bad actors but a systemic issue. There is a widespread perception that these services are legitimate; meanwhile the consequences of bad behaviour are marginal ("they keep getting away with it"). Many examples of professional service providers missing basic due diligence checks. Some can be characterised as chronic wrongdoers.
- Severe power imbalances: Large corporations (e.g. enabler firms) do not believe developing countries have the resources or capabilities to take them on. Capacity and resources of governments are dwarfed by big private sector companies. Money earned by MNCs from tax optimization (profit shifting) tend to go to salaries to staff in the 85th percentile and above.
- Enablers operate in various jurisdictions: Enablers are often not based (i.e. registered/incorporated) where they deliver services or where a crime is committed. South Africa state capture scandal had traces to Dubai, Hong Kong and UK.

Horizon 3: the future

- A preferred future would include global norms for enabling professions: agreed by governments and implemented nationally. Change in narrative on what is legitimate activity.
- Regulation, transparency and enforcement: Credible threat of prosecution, recognition of kleptocracy in countries' legal frameworks.
- Transparency: transparency on how these professions operate and services they provide. More / better data on IFFs. Publicly accessible beneficial ownership registers. Ban on shell-companies.
- Global governance: Democratizing FATF – improved inclusion of developing countries (both FATF and OECD). Same standards for all countries – resist inclination to geo-politicize.
- SDG framing: Enablers discussion/problem seen in broader perspective of sustainable development.

Horizon 2: the transition

- Changing norms and professional culture takes time and there will be pushback.
- Use the momentum: Russia's aggression in Ukraine has exposed "Londongrad" and there is a need to keep pushing for change.
- Acupuncture points: certain enabling professions ("everybody needs a bank account to pull off a ML scheme") and key countries to (better) regulate enablers (e.g. US, Switzerland). Other specific measures: Outlaw SLAPPS, limit attorney client privilege.
- Lenses: Focus on services provided rather than professions (same services may be delivered by different professions). It is better to see enablers as global networks than national actors. Disagreement among experts on whether to treat enabling professions as one group or to separate out different groups (e.g. financial vs. non-financial enablers).
- Improve government capacity: Better resourcing of government agencies so they are able to follow up on SARS from banks (e.g. National Crime Agency). Need digital update of oversight/detection systems to leverage potential of new tech.
- Collaboration: Increasing collaboration between CSOs, journalists, academia and private sector. The private sector's buy in would help a lot.
- Norms and legitimacy: Need to figure out how to change norms of what is acceptable behaviour among these professions; need to address legitimacy of some services (e.g. wealth management).

- Data and information: Improve the infrastructure and data that enable detecting enablers. Improve information sharing within and among countries. Evaluate aid spending on tackling IFFs – most have gone into terrorism financing compliance, but we don't know overall impact. Country specific research on enablers of IFFs in those countries. It may be a rabbit hole to spend too much effort on measuring IFFs as it can distract from taking action.

Breakout session #2: From "more" trade to "better" trade

Horizon 1: the present

- Trade issues have been marginalised in FfD discussions. However, trade is vital in countries' efforts to mobilise more domestic revenues for development.
- A focus on the speed of trade rather than the quality of trade helps to facilitate abuses, such as trade mis-invoicing (estimated at about US$1.5 trillion annually)[3]. About 2/3 of international trade is also intra-company trade, meaning that opportunities are ripe for trade mis-invoicing, as well as transfer pricing.
- International trade today constitutes a very distorted system in which developing countries systematically fail to capture large shares of the value from it.
- Success in attracting foreign direct investment flows does not mean more capital becomes available to host countries for investments in sustainable development: about 25% of FDI is "phantom investment" in the Global South; in the Global North, the ratio is about 1%[4].
- The transformation of food trading companies into unregulated financial institutions is a problem long noted by analysts. Large food traders have used their superior knowledge of agricultural commodities markets and fragmented regulation to engage in speculation and profiteering, driving up food inflation and threatening food security.
- It is vital there is integrity in new and emerging areas of international trade, such as Voluntary Carbon Markets (VCMs). Climate change is opening up new frontiers for abuse in international trade. VCMs, where implemented, must benefit the Global South.

Horizon 3: the future

- More integrity in international trade is required with a strong focus on what trade actually delivers in terms of sustainable development outcomes. This is vital to help lift people out of poverty.
- A critical issue is the governance of international trade and investment. There is a need for an inclusive, effective and accountable international trade and investment architecture which supports structural transformation in the Global South. These discussions must be brought back into the UN, including at FfD4 which provides a platform to reinvigorate these debates.
- Trade must be mutually beneficial: in an ideal future, no country is "short-changed" from international trade.

Horizon 2: the transition

- The concept of "trade integrity" (not just trade facilitation) must be promoted in relevant international policy fora, including FfD4.
- New technologies can play a key role to enhance the integrity of international trade, e.g. by introducing blockchain technology into every port and electronic tagging systems for vessels. For these policy measures to be inclusive and effective, it is vital that all countries have the capacities and resources to make use of new technologies.

[3] Source: Global Financial Integrity (GFI)
[4] Source: UNCTAD

- Transparency in beneficial ownership: the widespread implementation of beneficial ownership registers will help to improve transparency, prevent tax abuses and corruption, and identify where decisions are made and who should be held accountable.
- Greater oversight and regulation of commodities traders.
- Implementation and coordination of regulations to enhance transparency and accountability in VCMs and ensure that the Global South is not "short-changed".
- FfD4 should commit countries to building an inclusive, effective and accountable international trade and investment architecture that supports sustainable development and underpins structural transformation in the Global South.

Breakout session #3: Environment – How financial integrity can help tackle the climate and biodiversity emergencies

Horizon 1: the present

- Both formal and informal financial systems and channels are currently being used to facilitate the illegal extraction and/or trade of natural resources, such as oil, timber, wildlife and fish. Such activities have a devastating impact on the natural environment.
- Even where natural resource extraction is legal, the highly complex nature of transactions, e.g. in areas such as licensing, procurement and resource-backed loans etc. combined with weak governance means that opportunities for abuses (including tax abuses) are rife.
- In the fisheries sector, complex and opaque governance structures of large international corporations means that seafood supply chains are opaque leading to opportunities for unsustainable natural resource extraction, tax evasion and multiple other abuses (such as wage abuses, health and safety violations for workers etc.).
- Natural resources are high value commodities which lead to high rewards and an incentive to engage in abuses. The trade is also international which means that international cooperation is essential to tackle the problem.
- An increased focus on the environment and climate change, while positive, is opening-up new frontiers for abuses, for example a lack of integrity in voluntary carbon markets (VCMs) which means that finance does not end-up with local communities and environmental claims are exaggerated or even false.
- There are huge opportunities to prevent, detect and prosecute environmental crimes through the rise in new technologies – their use however is highly uneven across countries.

Horizon 3: the future

- Creating a "planet-friendly" and "nature-friendly" financial system is about a coordinated suite of policy responses across a range of areas, including harmful subsidy reform, a multilateral carbon tax treaty, a global policy framework for a just sustainable energy transition, windfall taxes on oil and gas, taxes on private jets, strengthened international frameworks for transparency and accountability of corporate entities including public registries of beneficial ownership, and making more grant financing available to the Global South for climate change mitigation and adaptation.
- This is combined with strong civic awareness to ensure oversight and empower consumers as well as scaled-up use of new technologies and big data to prevent, detect and prosecute abuses wherever they occur.

Horizon 2: the transition

- Public registers of beneficial owners of corporations engaged in the trade in natural resources are essential to increase transparency of corporate actors engaged in the trade in natural resources.

- Ordinary consumers and the private sector can (and must) be part of the solution. Increased awareness and sensitisation of the public (as consumers) and key industry players (like transport operators) is needed to enhance oversight and accountability.
- Strengthening international cooperation is essential, including through enhanced financial resources and capacity-building initiatives to ensure the Global South can make use of new technologies in the fight against unsustainable natural resource extraction. A peer learning network could also play a useful role.
- Commitments to advance harmful subsidy reform, tax carbon and other environmental "bads", and put in place a global framework for a sustainable energy transition are key to creating a "planet-friendly" financial system.

Breakout session #4: Technology and digitalisation – Friend or foe of financial integrity?

Horizon 1: the present

- Technological developments and digital tools have the potential to facilitate illegal activities but also efforts to investigating these activities. In both cases, technology and digitalization can be used during all three stages – earning, transfer, and use - of illicit financial flows.
- There is a need for capacity development on digitalisation and technologies, including more capacity on using existing data. There is also a need for safeguards on use of data.
- The digital and technological divide affects how tech and digital can be used to address IFFs.
- The use of technology and digitalization requires new skills and capacity development. UNODC's Container Control Programme (CCP) an example of useful capacity development on tech and digital.
- Blockchain remains opaque.
- Artificial intelligence comes with biases, partly because the development of artificial intelligence is in the hands of a few companies in a few countries. The biases can lead to discriminatory practices (example: investigation of social benefit fraud in the Netherlands where AI bias led to many immigrant families being wrongly accused of fraud).
- The decentralized nature of technology and digital developments poses challenges to regulations.
- Keeping the connection with the real economy is important.

Horizon 3: the future

- In a preferred future, regulation is based on inter-disciplinary collaboration that helps consider the various technical, economic, social and political aspects and interactions.
- We will have digitalized data in all countries, broad digital literacy and universal connectivity.
- We will have built a pipeline of people with technological skills that can go into government.
- We will ensure that data is useful for countries, not only for global monitoring.

Horizon 2: The transition

- Technology transfer between countries is a critical action to ensure (including through FfD4) that all countries can deal effectively with tech and digital that is used for tax abuse and IFFs.
- Countries also need support to manage cost of tech systems.
- Call for a technology mechanism at UN to ensure impact assessments.
- Bring both the World Customs Organization and the World Trade Organization into the FfD4 discussions.
- In this context, the focus needs to be on predictive (not generative) artificial intelligence.
- While predictive AI could help with tackling illicit financial flows, there is a need to ensure transparent and non-biased technology.

- It is important not to regulate cryptocurrencies themselves but use/users.
- Digital Public Goods Alliance avoids single use solutions.
- CDC opportunity to build bridges on digital technology.
- Push Power of Data initiative.
- Increase system integration between institutions as well as between countries.
- Link with Digital Public Infrastructure.
- Tackle and improve three key issues: data quality, data integrity, human capacity.

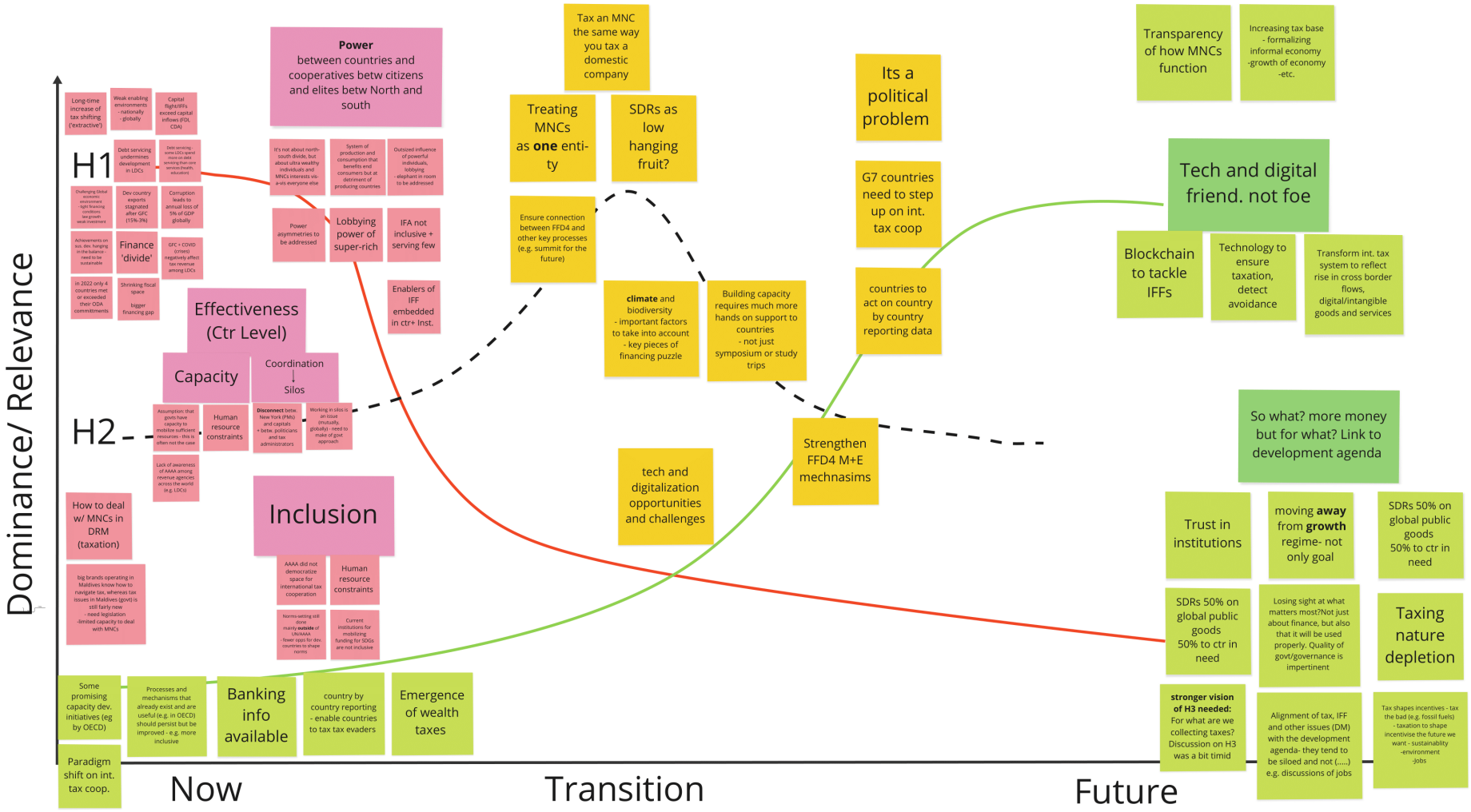
Annex 2: Agenda (short)

Day 1	
09:00-10:15	**High-level opening**
10:15-10:30	Outline of symposium
10:30-11:00	Coffee Break
11:00-12:15	**Session 1: The Present**. What has happened since the Addis Ababa Action Agenda? Where are we now?
12:15-13:15	Lunch
13:15-14:30	**Session 2: Future**. Where do we want to be in 10+ years?
14.30-15:00	Coffee break
15:00-16:30	**Break-out sessions**: Present. Future. Transition. What topics have gained prominence around FfD since AAAA? Session 3A: **Tackling the "enablers" of IFFs** Session 3B: **From "more" trade to "better" trade**
16.30-17:00	Check-in and Closing

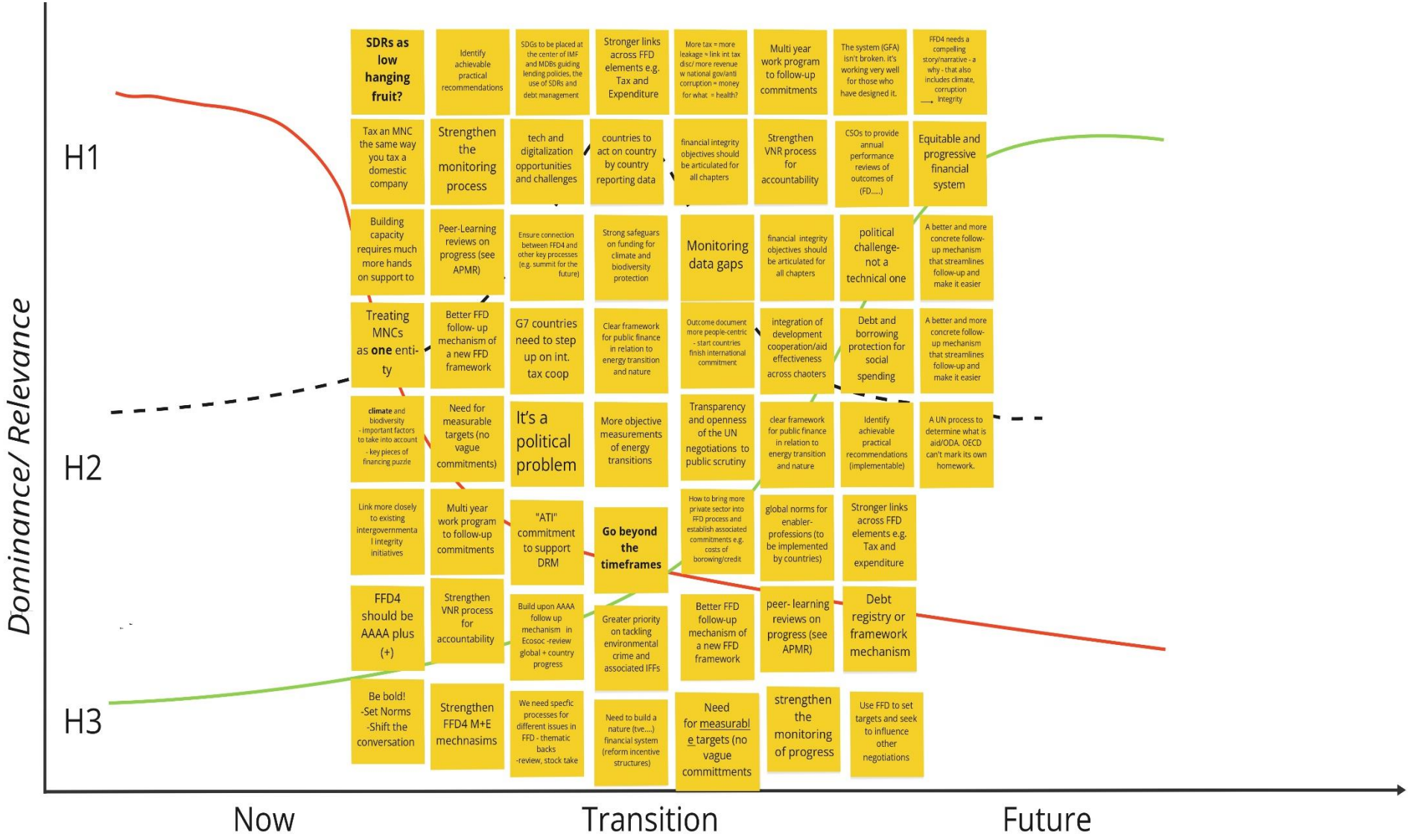
Day 2	
09:00-09:30	Recap from Day 1
09:30-11:00	**Break-out sessions**: Present. Future. Transition. What topics have gained prominence around FfD since AAAA? Session 4A: **Environment: How financial integrity can help tackle the climate and biodiversity emergencies?** Session 4B: **Technology and digital – friend or foe of financial integrity?**
11:00-11:30	Check-in
11:30-12:30	**Walk and Talk**
12:30-13:30	Lunch
13:30-15:00	**Session 5: Transition**. What needs to happen next?
15:00-15:30	Closing

Annex 3: Three Horizons Visuals

Visual 1: The visual is a digitalised version of the mapping of insights that was developed during plenary sessions of the first FIG Policy Symposium across the three horizons of present (horizon 1), transition (horizon 2) and future (horizon 3).



Visual 2: The visual represents a mapping of insights from the dedicated discussion on transition (horizon 2) on Day 2



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