

Follow-up on the High-Level Event on FfD in the Era of COVID-19 and Beyond  
Discussion Group VI: Illicit Financial Flows  
*Submission by Civil Society FfD Group (including Women's Working Group on FfD)*

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IFFs need to be addressed at the global level, not national

The UN Secretary General [recently noted](#) that “... *we need to have a global consensus to end tax havens. We need to create the conditions for countries to be able to make taxes work. And for that, of course, reform tax systems at country level, but abolish tax havens and fight money laundering and fight tax evasion and illicit financial flows at the global level.*”

The Beijing Declaration and Platform for Action (1995) commits all countries to eradicate all forms of discrimination, including that which is driven by IFFs, tax laws and policies. Illicit financial flows, including corporate tax abuse, obstruct redistribution and drain resources that are crucial to challenging inequalities, particularly gender inequality. The African Union Assembly Special Declaration on Illicit Financial Flows [highlighted](#) the need for domestic resource mobilisation and addressing illicit financial flows as central to the attainment of social and economic structural transformation of the continent.

**The task at hand is to work towards these calls for structural transformation, not tinker in the margins.** As the UN SG notes, consensus is needed to address IFFs at the global level. This is not an issue that can be addressed at the national level and this discussion group should seize this opportunity to follow up on this call by the Secretary General.

#### Role of UN in addressing IFFs

The [summary](#) by the president of UNGA as a result of the High-Level Meeting on International Cooperation to Combat Illicit Financial Flows and Strengthen Good Practices on Assets Return to Foster Sustainable Development, organised on 16 May 2019, provided important recommendations for combating IFFs. Some key messages concerned:

- The need for focus on tax avoidance and tax evasion, which are currently not covered under the UN Convention Against Corruption (UNCAC), and the UN convention against Transnational Organised Crime (UNTOC);
- That several initiatives undertaken by the Organisation for Economic Co-operation and Development (OECD) and Group of 20 (G20) to tackle the international tax system have limited applicability for developing countries;
- That a more explicit definition of IFFs is required, recognizing its three components as corruption, transnational organised crime and tax related issues (tax evasion and tax avoidance).

The focus of the UN should be on urgently building political momentum towards intergovernmental action to address these gaps in the IFFs architecture at the global level.

### Recommendation: Establish a UN open-ended intergovernmental working group on UN Tax Convention

It is time to back a truly universal, intergovernmental process at the UN to comprehensively address tax havens, tax abuse by multinational corporations and other illicit financial flows that obstruct redistribution and drain resources that are crucial to challenging inequalities, particularly gender inequality. **An open-ended intergovernmental working group on UN Tax convention could be established through a UN General Assembly resolution and would allow like-minded countries to begin the work towards such a legal instrument.**

This would also ensure the implementation of the following AAAA commitment (para 28):

*“We stress that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, in particular least developed countries, landlocked developing countries, small island developing States and African countries.”*

Taxing income, wealth and trade should be seen to support the internationally agreed human rights frameworks, as without taxation the maximum available revenues cannot be mobilised. Tax abuse and tax avoidance also needs to be considered under the extraterritorial obligations of states towards other states not to hamper the enjoyment of human rights via blocking financing through abusive tax laws, rules and allowing companies and wealthy individuals to abuse tax systems.

Agreeing on such a legal instrument at the UN would also allow discussions and decisions to be aligned with the goals of other UN instruments such as the Paris agreement and sustainable development. **Addressing tax abuse by multinational corporations and other illicit financial flows is critical to ensuring the necessary fiscal and policy space needed to ensure a decolonial, feminist and just transition for people and planet.**

### Role of FACTI Panel

The CS FfD Group has [noted](#) that the value of high-level panels lies in their ability to remain above narrow political agendas and assess how to resolve the global problems we face. On the other hand, there is a risk that such panels can get bogged down by an overly technical focus, or captive to selective or narrow political interests. We reiterate once again that the central issue is not the need for counting beans but to overcome the obstinate blocking by some OECD member states on establishing a UN process to negotiate international tax standards. **The measure of success for the FACTI panel will be in the clarity of their position on this issue and how they can provide impetus to move forward this critical process at the UN.**