Global Forum on Illicit Financial Flows and Sustainable Development

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ILLICIT FINANCIAL FLOWS (IFFS) ARE A SERIOUS GLOBAL CHALENGE

IFFS STEMMING FROM[1]

Illegal markets

Theft-type activities, financing of crime and terrorism

Corruption

Illicit Tax and commercial practices

COST GOVERNMENTS BILLIONS OF DOLLARS EVERY YEAR[2]

2.7 % of the global GDP

that are urgently needed to finance sustainable development

THE INTERNATIONAL COMMUNITY HAS PLEDGED TO COMBAT IFFS AS PART OF THE SUSTAINABLE DEVELOPMENT GOAL TARGET 16.4[3]

1 UNCTAD (Development Statistics and Information Branch in consultation with Debt and Development Finance Branch) and United Nations Office on Drugs and Crime (UNODC). 2020. Conceptual Framework for the Statistical Measurement of Illicit Financial Flows. p13.

2 United Nations Office on Drugs and Crime (UNODC). 2011. Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes. p7.

3 United Nations (UN). 2015. Transforming our world: the 2030 Agenda for Sustainable Development.

ABOUT THE GLOBAL FORUM ON IFFS AND SDGS

The Global Forum on Illicit Financial Flows and Sustainable Development is a multi-stakeholder platform, which develops innovative ideas aimed at improving the international system to combat illicit financial flows (IFFs). By establishing a wide-reaching dialogue across stakeholders, countries, regions, and sectors, the Forum intends to explore which policies and measures help to achieve the Sustainable Development Goals (SDGs) 16.4, the reduction of IFFs, without adversely affecting other goals of the sustainable development agenda. The German Federal Ministry for Economic Co-operation and Development (BMZ) and the Norwegian Ministry of Foreign Affairs (MFA) co-hosted the first global conference of the Forum in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on the 02nd and 03rd of September 2020. The virtual conference brought together over 400 participants of whom 94 had an active role as moderator, panellist or speaker. Participants ranged from international standard-setting bodies, government representatives and subordinate agencies, as well as the private sector, academia and civil society organisations (CSOs).

RELEVANCE AND IMPACT

There has been a growing recognition that IFFs undermine sustainable development. IFFs resulting from corruption, tax evasion and other profit-driven crimes, drain domestic resources and pose a threat to security. While developing countries are disproportionately affected by these devastating effects, IFFs also pose a threat to the integrity of the global financial system. Therefore, the international community has pledged to combat IFFs as part of the SDG Target 16.4. Recently the UN highlighted the importance of combating IFFs for sustainable development by launching the High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel). The current COVID-19 crisis underlines the significance of tackling IFFs to ensure sustainable development in light of soaring corruption and financial crime putting domestic resources under severe additional strain.

Against this background, the Forum will provide a space to discuss the present international system aimed at combating IFFs and its contribution to sustainable development. The following documentation of the findings of the first global conference and its dissemination to relevant actors aim to set impulses for policy discussions. A chance to place the conclusions on the international agenda comes with the first-ever UN General Assembly Special Session (UNGASS) focused on corruption and scheduled for 2021.

FOCUS TOPICS AND APPROACH

To explore the multifaceted connection between the fight against IFFs and sustainable development, each iteration of the conference will select a set of specific sub-topics. The first iteration covered the following topics:

IFFS IN THE DIGITAL AGE

Threats and opportunities for developing countries

DE-RISKING

Balancing regulation and financial inclusion

SHRINKING SPACE

Impact of counter-terrorism financing policies on civil society

GLOBAL ASSET RECOVERY

Responsibilities of developed and developing countries

RETHINKING PARTICIPATION

The inclusive development and evaluation of international standards

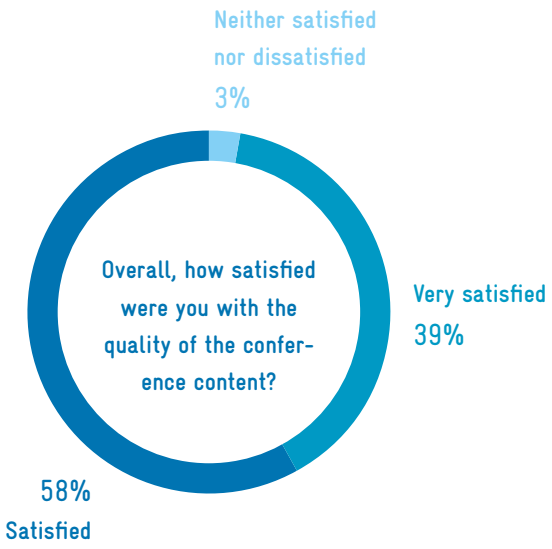
The Forum focused on the perspectives of the Global South and of actors that are less likely to exert a strong impact on the standard-setting processes in international fora. It gave space to discuss if the current international system aimed at combating IFFs addresses their specific needs and challenges as well as how countries in the Global North can be allies to their interests. It also provided opportunities to discuss how to improve the incorporation of the views of countries from the Global South, CSOs, and the private sector in international agendas and regulatory regimes.

THE FIRST ITERATION IN NUMBERS

The conference brought together over 400 participants from 62 countries. Of these participants, 94 had an active role as either speakers, panellists or moderators. The Forum featured two high-level panels and 15 technical sessions, which the GIZ co-conceptualized with 17 partner organisations. Due to the parallel virtual streams, the conference produced over 20h of content on two afternoons. Both the selection of speakers and the invitation of participants largely ensured a healthy balance of sectors and gender. The results of the conference were widely shared via Social Media reaching hundred thousands of followers.

	Speakers	Participants (incl. speakers)
Government / Public sector / International (incl. development organisation)	41	254
Academia, CSO and Think Tanks	35	116
Private sector	18	39
Female quota	46	

The feedback was overwhelmingly positive. Around 94 per cent of participants stated that they would recommend the conference to a colleague. Moreover, 97 per cent were either satisfied or very satisfied with the quality of the content. The virtual platform was also convincing since 87 per cent noted to be (very) satisfied. Several participants stated that they especially appreciated the variety and diversity of speakers and participants, the knowledge exchange on practical examples, as well as the dynamic methodology. Even though participants welcomed a variety of topics, there is room for improvement to facilitate the switches between different tracks and to reduce the number of parallel sessions. The good news is that participants can still watch the sessions on the conference website with most participants stating to do that.



SOME VOICES FROM THE CROWD

What did you especially like about the conference?

The variety and great diversity of speakers and participants.

The exchange of good practices and experiences between the countries has been of great contribution and above all the opportunity to meet peers from other countries and content about real situations in current situations.

Relaxed atmosphere and moderation which allowed for the flow of ideas.

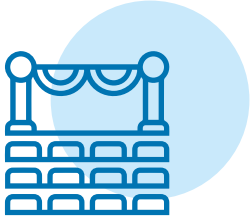
What could have been better? Any suggestions for improvement?

Improve interaction with participants to keep them active and engaged in discussions.

I would like to have the chance to attend different topics that were going on at the same time.

Time for discussion was often not enough.

MAIN TRACK – ILLICIT FINANCIAL FLOWS AND SUSTAINABLE DEVELOPMENT



In the main track, the hosts, representatives of the most relevant standard-setting bodies, international organisations, and civil society set the scene by discussing the overarching question of the Forum: "How can policies and measures to combat IFFs have the greatest possible impact on the advancement of SDG Target 16.4 without adversely affecting other goals of the sustainable development agenda?" The hosts and speakers underlined that combating IFFs is more pressing than ever, assessed the effectiveness of the current framework, discussed conflicting objectives and shared their vision for the years to come.

> „IFFS CAN TAKE MANY DIFFERENT FORMS, HOWEVER, THE RESULT IS ALWAYS THE SAME. IT HAS SEVERE EFFECTS ON INSTITUTIONS, GOVERNANCE, DEMOCRACY, POVERTY AND SECURITY. IT IS NOT JUST A LOSS OF LARGE SUMS OF MONEY, BUT TAX-PAYING CITIZENS ALSO LOSE CONFIDENCE IN THEIR ELECTED LEADERS."

Ine Eriksen Søreide, Norwegian Foreign Minister and host of the conference.

In the keynote speeches and panel debates, speakers spelt out two central ideas. First, there is complementarity or even a virtuous circle rather than a trade-off between combating IFFs and sustainable development. And second, IFFs disproportionately affect the Global South. However, IFFs are not just a national challenge, nor a regional one – instead, they are a global issue that the international community must work together to address. In the words of Alvin Mosioma of Tax Justice Network Africa, "we are all in the same storm but not in the same boat" or as Oliver Bullough, investigative journalist, put it "the place where the money ends up is as complicit in the corruption and therefore in the suffering it causes as the people that stole the money."

Every year US$1.6 trillion – more than eight times the amount spent on official development assistance – are lost to emerging and developing countries due to IFFs.

The **African Union High-Level Panel on IFFs** presented its concluding report in 2015 which found that Africa is annually losing more than US$50 billion through illicit financial outflows and is a net creditor to the world.

The **High-Level Panel International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI)** was convened in 2020 with the final report expected for the beginning of 2021.

The first-ever **UN General Assembly Special Session (UNGASS)** focused on corruption is scheduled to take place in 2021.

4 United Nations Office on Drugs and Crime (UNODC). 2011. Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes. p7.

5 Organisation for Economic Co-operation and Development (OECD). 2015. Net Official development assistance (ODA).

HIGH-LEVEL COMMITMENT AND GLOBAL COHERENCE

Looking back at his experience as Chair of the African Union (AU) High-Level Panel on IFFs, former President of South Africa Mbeki concluded that the Panel achieved substantial progress by creating a joint framework and agreement on a binding policy to fight IFFs. Nonetheless, Yeo Dossina of the AU Commission noted that the implementation and follow-up with individual AU member states continue to be a big challenge. According to Mbeki "the FACTI panel will hopefully help to address matters of policy coherence and the necessary international architecture to make sure what has been agreed is actually implemented." Also, Jean-Luc Lemahieu from the United Nations Office on Drugs and Crime (UNODC) noted that "high-level political support to recognise and mainstream this issue into development from countries at all levels is what we still need most to progress". Slagjana Taseva from Transparency International North Macedonia reported a similar challenge. According to Taseva, Macedonia signed and ratified all conventions, has all laws in line with international standards and participates in all international institutions. Yet, there is not enough political will to implement the commitments. As a result, sustainable development is missing. For her, evaluation is not enough to make sure the implementation of measures happens. Instead, she suggested an international court or other international mechanisms.

Tom Neylan from the Financial Action Task Force (FATF) agreed that coherence is fundamental. However, he pointed out that it is a genuinely complicated issue of coordination because "IFFs bring together lots of different areas of government to meet the same objective. We are talking to financial supervisors, fiscal authorities, tax agencies, spending ministries, the criminal justice system and people concerned with national security and international relations. In many countries, the only place where these different areas can act up is the office of the prime minister. But the prime minister is busy and has other things to do." Several other speakers added that coherence should start with the global institutions and that they need to overcome their silos, focus on their mandate but cooperate with other experts and build strategic alliances. Speakers mentioned the uniform definition of beneficial ownership, the enhanced governance framework of the International Monetary Fund (IMF) looking at the transnational perspective of IFFs, the tax transparency agenda of the Africa Initiative or the joint platform on the corporation on tax as good examples in that direction.

The **Financial Action Task Force (FATF)** and the FATF-style regional bodies set and develop international standards and guidance for anti-money laundering systems since 1990. The standards are currently being implemented by 205 jurisdictions – which make them one of the most universally adopted norms in this field. They were last updated in 2012 to focus more on risk and effectiveness.

The evaluation of their implementation (fourth round of mutual evaluations) is ongoing. FATF scheduled the completion until 2022 and 2023 for most remaining countries.

ANTI-MONEY LAUNDERING DONE RIGHT

Various speakers stressed the importance of implementing global standards of anti-money laundering to ensure the integrity of the global financial system and to enable the identification and return of stolen assets. Some speakers added that preventing IFFs and recovering assets is crucial to obtain resources urgently need for financing COVID-19 relief and sustainable development. For Norbert Barthle from the German BMZ, a holistic approach to development cooperation includes helping partners "to ensure that their laws and regulations comply with international standards [and] to build resilient financial systems." Even though the FATF does not explicitly mention it, the implementation of the FATF standards plays a crucial role and is "entirely consistent with sustainable development," according to Jean-Luc Lemahieu of UNODC. In the same vein, Melissa Tullis, also from the UNODC, added that sustainability is not achievable without integrity. Due to the importance of sustainable development, stakeholders need to ensure that current anti-money laundering and countering the financing of terrorism (AML/CFT) policies and measures are effective. From the perspective of an investigative journalist, Oliver Bullough stated that there is still much of work ahead: "We need to change the way we think about money-laundering. We should not pet us on the back because we have passed a new anti-money laundering directive but instead looking at whether our anti-money laundering directives are actually preventing money-laundering because they are not."

According to its new president Marcus Pleyer, the FATF is currently aiming to improve the international architecture for asset recovery, working on a new guidance on beneficial ownership transparency and on how to deal with legal and other professionals as well as helping to set up complex ownership chains with a possible amendment of its standards in the future. Improving BO transparency was identified as a pivotal issue by other speakers such as Francisca Fernando of the IMF.

> "THE FATF HAS RECENTLY ASSESSED ALL OF THE PRACTICAL CHALLENGES ASSOCIATED WITH THE ASSET RECOVERY PROCESS AND IS CURRENTLY ANALYSING IMPROVEMENTS TO THE INTERNATIONAL ARCHITECTURE THAT COULD RESULT IN A SYSTEM THAT CAN MORE EFFECTIVELY FACILITATE THE RECOVERY OF CRIMINAL ASSETS."
>
> Marcus Pleyer, FATF

At the same time, Mr Pleyer and several other speakers stressed the importance to address current challenges for sustainable development, including:

1. **De-risking:** Ensure that the risk-based approach is well applied and avoids cutting-off entire classes of customers – i.e. NPOs or remittance service providers – since that would force financial transactions underground and introduce higher risk and less transparency into the global financial system;
2. **Financial inclusion:** Introduce unbanked people into the financial system safely, for example, by using digital IDs instead of excluding them through strict requirements for customer identification.

IFFS, TAX AND COMMERCIAL ACTIVITIES

Even though the focus of the discussions was on stolen assets, corruption and money laundering, some panellists addressed the issue of tax and IFFs. Zayda Manatta from OECD illustrated the great potential of improved tax compliance for sustainable development citing estimates that 44 per cent of the African wealth was offshore with a high fraction of that being most likely untaxed.

> "TAX EVASION IS A KEY PART OF IFFS. IT IS NOT ONLY A MAJOR COMPONENT BUT ALSO IT IS INTERLINKED BECAUSE AT THE END OF THE DAY CORRUPT REVENUES SHOULD ALSO PAY TAXES."
>
> Zayda Manatta, OECD

She further stressed the importance of the Automatic Exchange of Financial Account Information in Tax Matters framework that led to more than USD 10tn, voluntary disclosures and fines of more than USD 100bn. She also mentioned the Punta del Este declaration where 12 Latin American countries expressed their wish and need to use the information received from this exchange to not only address issues of tax evasion but also corruption and money laundering.

Beyond tax evasion, the proceeds of crime and corruption, Thabo Mbeki stressed the importance to look at IFFs from commercial activities. According to FACTI member and representative of the private sector, Benedicte Schilbred Fasmer, taxing digital companies has turned the debate on corporate tax from a North-South into a global issue. Fasmer also stressed the importance of working with the private sector. She elaborated that "there is quite a difference between legal tax planning and aggressive tax planning – even if every step involved is legal" and that "many global leaders and CEOs know that there has to be change and that they have to do something different". But despite recent progress towards more inclusiveness of the corporate tax debate, Alvin Mosioma of TJN Africa still observed a dichotomy between rule taking and rulemaking countries. He stressed the importance of creating a democratic and representative system to regulate global tax issues since tax discussions are not merely technical but ultimately very political decisions.

IFFS AND COVID-19

Telling the story of a former member of the Nigerian government who had spent hundreds of thousands of dollars on private healthcare in the UK but recently died of COVID-19, Oliver Bullough illustrated how the pandemic has again exposed the importance of better global governance.

> "THE IMPORTANT POINT ABOUT CORRUPTION IS THAT THE NIGERIAN ELITE WOULD NOT TOLERATE SUCH POOR HEALTHCARE IN NIGERIA IF THEY THEMSELVES DID NOT HAVE ACCESS TO SOMETHING ELSE. THEY HAVE OFF-SHORE HEALTH CARE."
>
> Oliver Bullough, investigative journalist

Nearly all speakers referred to COVID-19 in one way or the other.

- **Marcus Pleyer** of the FATF stressed the importance of NPOs to deliver aid in these challenging times and to keep remittance corridors open;
- **Wendy Lora** of the FATF-style regional body of Latin America (GAFILAT) listed several examples of how COVID-19 increased the risk of IFFs. Thereby, the pandemic is stressing the importance to put AML/CFT policies on the political agenda;
- **Melissa Tullis** of UNODC mentioned the initiative of the UN Special Envoy's office that aims to find ways of protecting the massive injection of liquidity into developing countries that is urgently needed. Francisca Fernando echoed this by describing the IMF's policy around COVID-related aid as a "spend what you need but keep the receipts" approach. Additionally, she stressed the attached conditions to publish beneficial ownership information on recipients or to guarantee audits.

Several speakers also highlighted the positive effects and opportunities related to the responses to the COVID-19 crisis, for example, the acceleration of several conversations around financial inclusion and a new drive for digitalisation.

WELCOME AND KEYNOTES BY:

- **Ine Eriksen Søreide**, Minister of the Norwegian Ministry of Foreign Affairs
- **Norbert Barthle**, Parliamentary Secretary of State at the German Federal Ministry for Economic Cooperation and Development
- **Marcus Pleyer**, President of the Financial Action Task Force (FATF)
- **Thabo Mbeki**, former President of South Africa and Chair of the AU High-Level Panel on IFFs
- **Oliver Bullough**, Journalist and Author of Moneyland, interviewed by Mareike Müller, Journalist with Handelsblatt

OPENING PANEL – COMBATING IFFS FOR 2030 AGENDA:

- Jean-Luc Lemahieu, Director of the Division for Policy Analysis and Public Affairs at the UNODC
- Zayda Manatta, Head of the Secretariat of the Global Forum on Transparency and Exchange of Information for Tax Purposes at the OECD
- Slagjana Taseva, Chair of Transparency International Macedonia
- Wendy Lora, President of the Financial Action Task Force of Latin America (GAFILAT)
- Tom Neylan, Senior Policy Analyst at the Secretariat of the FATF

CLOSING PANEL – DEVELOPMENT-SENSITIVE APPROACH IN COMBATING IFFS:

- **Yeo Dossina**, Head of the Economic Policy & Research Unit at the African Union Commission
- **Alvin Mosioma**, Executive Director and Founder of the Tax Justice Network Africa
- **Melissa Tullis**, Programme Management Officer in the Division for Policy Analysis and Public Affairs at the UNODC
- **Francisca Fernando**, Counsel at the Financial Integrity Group of the International Monetary Fund (IMF)
- **Benedicte Schilbred Fasmer**, Member of the FACTI Panel and Group Vice President of Fremtind

TRACK 1 - IFFS IN THE DIGITAL AGE: THREATS AND OPPORTUNITIES FOR DEVELOPING COUNTRIES

In the first track, speakers explored how to fight IFFs during COVID-19 and in an era of a rapidly maturing technology. On the one hand, digitalisation shifts risks, as it provides criminals with new possibilities to transfer and launder illegal funds. On the other hand, digital tools such as artificial intelligence can help to make detection of IFFs more effective. Increasing transparency and focusing analytical capacities on the transactions that matter holds high potential for resource constraint countries. However, digital solutions are not a magic fix. Those solutions often come at a high price and increase complexity, which can exacerbate resource constraints and a digital divide. Overall, speakers stressed the need to use digitalisation as a tool to improve governments and human lives.

DIGITALISATION AS AN EMERGING RISK AND SOLUTION

Session 1

Digitalisation:
Relationship and impact in combating money laundering and financing of terrorism

- **Esteban Fullin**, Executive Secretary of GAFILAT
- **José Carlos Machicao**, Consultant with GestioDinamica and Data Engineer
- **Claudia Canales Mayorga**, Intendant of Supervision at the Peruvian Financial Intelligence Unit (FIU) of the Superintendence of Banking and Insurance (SBS)
- **Orlando Suárez**, Mexican Economist and independent Consultant

The first session focused on the perspective of AML/CFT supervisors and practitioners. It started from the understanding that countries need to take measure to understand their specific AML/CFT risks of emerging technologies (e.g. FATF, recommendation one) and then develop policies to address them (e.g. FATF, recommendation 15 for virtual asset service providers – VASPs). The speakers looked at opportunities of digitalisation, as well as examples of misuse, trade-offs and measures to counter IFFs. A lot of the recommendations presented in the session are from regional studies developed by GAFILAT with the support of GIZ.

Opportunities and potentials of digitalisation identified included:

- Accelerating growth and reducing transaction as well as financial intermediation costs, thereby increasing financial inclusion. In Mexico, 60 million people have cell phones, but only half of them have bank accounts;
- Reducing informality and increasing the legal economy as well as the quantity and quality of available information by making financial transaction traceable (web-based companies rather than cash-intensive local business). In the different Latin American countries, the informal economy is estimated at between 13 per cent (in Chile) to 47 per cent (in Guatemala);
- Using artificial intelligence to improve AML/CFT, to examine suspicious transaction reports (STRs) and to conduct due diligence. Speakers in the second session presented an exemplary project from the FIU in Peru;
- Increasing the efficiency of internal communication, information exchange and off-site supervision by using technology. Speakers presented an example from Peru.

Threats, examples of misuse, trade-offs and necessary measures mentioned included:

- COVID-19 increased the abuse of digitalisation, such as virtual assets, substantially;
- Virtual currencies used by drug criminals making identification of source and destination as well as identity very difficult;
- Criminals received online loans based on stolen identities (including from PEPs);
- Electronic channels (e.g. online banking) were hacked and misused within a short period;
- Virtual currency houses increase traceability. At the same time, they insert an extra level of anonymity and facilitate fraud (e.g. through false identities). By 2019, there were 51 virtual and 931 presential currency exchanges in Peru. Preventive measures include registration, supervision, use of biometric systems, digital IDs and verification with government data. These, in turn, can increase the risk of data privacy breaches (FATF guidance);
- Often, the technical expertise of the private sector is greater than that of the public sector, making the exchange with them necessary.

HOW DIGITALISATION IS TRANSFORMING THE FIGHT AGAINST FINANCIAL CRIME

Session 2

Strengthening states in the use of digitalisation to fight money laundering, tax evasion and financing of terrorism

- **Farida Paredes,** Intendant of the Money Laundering and Terrorism Financing Risks Department at the SBS
- **Roman Chavarría**, Chief of the FIU of Costa Rica
- **Verónica Boza Santaolalla**, Intendant of the Strategic Analysis Department of the Peruvian FIU at the SBS
- **Tove Maria Ryding**, Policy and Advocacy Manager at the European Network on Debt and Development (Eurodad)

The speakers of session 2 provided practical examples of the challenges and opportunities around digitalisation in AML/CFT. These included the (i) regulation of virtual assets and virtual asset providers, (ii) the Transparency and Final Beneficiary Register (TFBR) set up by the Central Bank of Costa Rica, (iii) a project of implementing artificial intelligence in the FIU of Peru and (iv) tax perspective on digitalisation.

1. **Virtual assets and virtual asset providers** (i.e. those not connected to fiat currency) enable fast and anonymous transactions without geographical limits or control by the financial agency. IP anonymizers, anonymity-enhanced crypto-currencies, mixers and tumblers, decentralized platforms and similar tools make due diligence and tracing transactions difficult. Significant elements of countering these risks include a) risk-identification, b) use of the risk-based approach and c) improved due diligence. Several international bodies developed recommendations including:
   - **FATF:**
     Registration and supervision instead of regulation by a self-regulatory body;
   - **Basel Committee on Banking Supervision:**
     Role of banks to evaluate, publicly disclose and inform the supervisor about their exposure to virtual assets; and
   - **Financial Stability Board:**
     Monitoring country risk and international coordination.

2. **The Transparency and Final Beneficiary Register** (TFBR) set up by the Central Bank of Costa Rica is a digital BO register. It is operational since 2019 (phases I). By August 2020 the Central Bank registered 88 per cent (258.535) of obliged entities. It requires a digital ID or a notary to enter the system and is accessible only for the drug enforcement agency (ICD) and the tax agency. Different from the global standards, the limit for BO registration is 15 per cent with relatives included. Possible sanctions are two per cent of turnover, three to 100 basic salaries, exclusion from certification or document registration, as well as the publication of violations and their documentation by notaries.

3. The experience of implementing **artificial intelligence (AI) in the FIU of Peru** showed that:
   - The increasing caseload, and exponential increase of information that needs to be analysed, makes automation necessary;
   - AI can be used to structure information from STRs, classify and prioritize STRs, identify PEPs as well as typologies and patterns. In Peru, the FIU chose to structure and process the text fields (searching for people, transactions, warning signs, typologies) of STRs;
   - Factors of success include a) starting with less complex but high impact project, b) ensuring high data quality and allowing for adaptation of data for the needs of AI, and c) ensuring knowledge transfer from consultants to be able to understand the algorithms implemented.

4. **Digitalisation in the field of tax** produces opportunities. For example, the ease of data availability enabled crucial whistleblowing. Moreover, digitalisation facilitates automated information exchange as well as the spread of public and open data registers. Further, the automatic filing of tax returns reduces compliance costs. On the other hand, there are particular threats. For example, the consideration of digitalisation as a magic fix and the creation of enforcement gaps like in the case of automated payments from the Danish tax agency in the Cum-Ex fraud. Additional strains on the capacity for using data as well as power issues related to data access are often excluding small, less powerful and less developed countries.

TRACK 2 – DE-RISKING: BALANCING REGULATION AND FINANCIAL INCLUSION

De-risking refers to financial institutions terminating or restricting business relationships with specific clients, local correspondent banks or remittance companies in high-risk and small-profit countries. It is a market failure where all stakeholders (banks, regulators, bank customers and clients) appear to be acting rationally and in their own best interest. In doing so, they have created unintended consequences that are particularly damaging in less financially developed countries and in countries where, e.g., remittances drive economic sustainability.

Financial exclusion due to de-risking deprives individuals and communities of access to formal financial services that could have a significantly positive impact on their livelihoods and wellbeing. Moreover, financial exclusion disproportionately impacts those in low- and middle-income countries and compromises the achievement of the SDGs. At the same time, it harms the integrity of the financial system.

The key message of the de-risking track was that achieving financial integrity and financial inclusion can be and should be two mutually reinforcing policy objectives. It outlines measures and policies that allow effectively detecting IFFs and at the same time promoting financial inclusion. Besides, it gives recommendations on how the international framework could be improved to make these solutions a reality.

INTRODUCING THE DE-RISKING CHALLENGE

Session 1

The effects of de-risking on sustainable development

- **Carlo Corazza**, Senior Payment Systems and Remittances Specialist of the World Bank
- **Robert Schneider**, Head of Financial Crime Compliance and Data Initiatives for Europe, Middle East and Africa at SWIFT Germany
- **Pedro De Vasconcelos**, Remittances and Development Manager of the International Fund for Agricultural Development (IFAD)
- **Veronica Studsgaard**, CEO and Founder of the International Association of Money Transfer Networks (IAMTN)

Speakers of session 1 provided data snapshots, an introduction to the issues of declining correspondent banking relationships and remittance flows and its impact on sustainable development.

- Correspondent banking relationships are decreasing globally. De-risking is one of the drivers of this alarming development. The reduction has adverse effects on sustainable development as correspondent banking relationships underpin cross-border payments and are as such vital for global trade and remittance flows;
- There are significant regional and country-specific differences in the development of correspondent banking relationships (e.g. Tunisia lost banking relationships to the main currencies but EUR; Peru gained both USD and EUR). For many countries de-risking accelerated after 2015 and is more notable for USD than EUR (Data Source: SWIFT);
- Banks and global financial institutions are increasingly terminating or restricting business relationships with remittance companies in specific regions of the world. Especially in countries with a low profitability customer base and high compliance costs. As about 200 million people are supporting 800 million family members by sending remittances, this affects 1 billion people;
- De-risking drives the search for alternatives, including less regulated and supervised cash collectors as well as crypto- and other digital currencies. This process contradicts the AML/CFT goal to shift towards visible digital transfers;
- De-risking and closing of accounts used for remittances continued during COVID-19. Furthermore, obtaining new bank accounts was challenging due to the lockdown;
- Regulation (e.g. the second payment service directive of the EU) could impose a legal obligation to prove the existing risk for each operator before de-risking. The creation of an international and regional mechanism for the exchange of FX, managed and regulated by the central banks of multiple countries, could also represent a mechanism to bypass the need for correspondent banking relationships and help to operate in a more stable environment.

INCLUSIVE INTEGRITY

Session 2

Inclusive integrity for sustainable development

- **Robin Newnham**, Head of Policy Analysis of the Alliance for Financial Integrity (AFI)
- **Barry Cooper**, Technical Director at the Centre for Financial Regulation and Inclusion (Cenfri)
- **John Symington**, Owner and Director of the Compliance & Risk Resources
- **A. K. M. Ramizul Islam**, Deputy General Manager of the Central Bank of Bangladesh
- **Nomcebo Hadebe**, Acting Chief Executive Officer at the Centre for Financial Inclusion of the Ministry of Finance of Eswatini

Speakers of session 2 stressed the need and the potentials of positioning the policy objectives of financial inclusion and financial integrity as mutually reinforcing. Additionally, speakers accentuated the necessity to align financial inclusion and AML/CFT. Their arguments included:

- The need to define a shared as well as country- and context-specific vision based on what "success looks like", including the expected outcomes in the design, development, implementation and communication of Risk-based Approach (RBA) frameworks;
- Integrating the concept of inclusive integrity into fundamental processes in the AML/CFT value chain and framework including the national risk assessment, mutual evaluation, etc.;
- Considering inclusive financial integrity imperatives and SDGs in the design and evaluation of AML/CFT policy, national risk assessments, risk-based supervision, and inter-agency cooperation;
- Including inclusive financial integrity considerations in the regulatory regimes and for the design of rules- and principles-based obligations;
- Defining success not only as navigating AML/CFT processes but also through contribution to SDG outcomes such as poverty reduction, governance, gender equality, partnership building, etc.;
- Using technological innovations such as inclusive digital identity systems and RegTech to facilitate a more seamless client onboarding process and reduce the frictions associated with paper-based KYC documentation processes. This shift has the potential to catalyse progress towards inclusive integrity (even more so in the context of COVID-19). But there is a need to be particularly mindful of digital divides and the risks of leaving vulnerable and excluded population segments (such as stateless persons) behind. Inclusion principles need to be at the heart of the design of innovative technologies.

The **Alliance for Financial Inclusion** brings together central banks and financial regulators from more than 80 emerging and developing countries and produced a toolkit for Inclusive Financial Integrity as well as regional and topical guidance.

More information at www.afi-global.org

FATF AND FINANCIAL INCLUSION

Session 3

Can FATF standards promote financial inclusion for all

- **Isabella Chase**, Research Fellow at the Royal United Services Institute (RUSI)
- **Mehmet Kerse**, Senior Consultant at the CGAP of the World Bank
- **Saad Farooq**, Senior Manager at the GSM Association
- **Dr Mark Turkington**, Global Head of Transaction Monitoring Controls at the HSBC

Speakers of session 3 discussed the questions how the work of the FATF impacts financial inclusion, whether the FATF standards are fit for purpose when considering the promotion of financial inclusion and how they could be improved to facilitate the advance of inclusive financial integrity. Recommendations included:

1. Allowing for collaborative approaches to customer-due-diligence (CDD) between public and private sector to lower compliance costs and increase the effectiveness and efficiency of AML/CFT control measures;
2. Explicitly allowing and specifying the conditions for the use of simplified CDD as well as supporting the use of simplified procedures in areas of low risk;
3. Encouraging a level playing field for all types of financial service providers (banks, mobile money, fin-techs, etc.) and the usage of a risk-based CDD approach;
4. Considering the impact on financial inclusion when extending obligations under FATF standards. This recognition includes:
   - Exercising caution in adopting additional functions under FATF recommendation one concerning proliferation financing that could hurt individuals with low income and smaller providers;
   - Getting the balance right between inclusion and AML/CFT with digital financial services;
   - Developing a more precise measurement of financial inclusion.

MOBILE MONEY AND FINANCIAL INCLUSION – FACTS AND FIGURES (SOURCE: GSMA)

1. 2019 marked a key milestone for the mobile money industry: The number of registered mobile money accounts surpassed one billion;
2. The mobile money industry is now processing almost US$2 billion a day;
3. Mobile money services are available in 96 per cent of the countries where less than a third of the population have an account at a formal financial institution;
4. Mobile money is not only increasing financial inclusion but also digitalisation of cash-based payments in the ecosystem. Digital transactions now represent 57 per cent of mobile money transaction values.

SOLUTIONS AGAINST DE-RISKING

Session 4

Countering de-risking: Emerging solutions

- **Louis de Koker**, Researcher at the La Trobe Law School of the La Trobe University
- **Matthew Ekberg**, Senior Policy Advisor at the International Institute of Finance
- **Nick Maxwell**, Head of the Future of Financial Intelligence Sharing (FFIS) Research Programme
- **Mariam Zahari**, Policy Analyst at the Alliance for Financial Inclusion (AFI)
- **Maha Bahou**, CEO of the Jordan Payments & Clearing Company (JoPACC)
- **Burcu Mentesoglu Tuncer**, Business Relations and Policy Research Manager at the Global Legal Entity Identifier Foundation (GLEIF)

Speakers of session 4 looked at concrete and systemic solutions to (i) counter the most prevalent drivers of de-risking such as, e.g., regulatory risk, compliance costs and compliance capacity and (ii) to promote financial inclusion. The session focused on innovative and collaborative CDD models where public-private and private-private partnerships can lessen compliance burdens. Recommendations included:

- Embedding the objective of countering de-risking and support for appropriate de-risking solutions in national financial sector strategies and policies;
- Supporting appropriate collaborative CDD in international financial standards, domestic laws, and information-exchange frameworks while upholding strong data privacy safeguards.

National policymakers and regulators carry the primary responsibility to drive coordination and adopt measures to counter de-risking, for example by:

- Encouraging the use and implementation of new technologies, such as digital ID rules and e-KYC measures. This is especially important to address the gender gap that exists concerning access to formal financial services due to inexistent ID proofing;
- Allowing reasonable reliance on CDD done by third parties;
- Promoting the use of Legal Entity Identifiers (LEIs) to make it easier to prove the legitimacy and credibility of enterprises across the global marketplace;
- Recognizing the right to access a bank account and the national payment system;
- Addressing overly conservative risk management practices.

Presented regional and national solutions included:

- (Regional) KYC repository platforms that rely on public-private collaboration such as, e.g., MANSA and the Pacific KYC utility;
- (National) Jordan Payments & Clearing Company (JoPACC) is designing a solution that facilitates digital financial services and counters de-risking.

TRACK 3 – SHRINKING SPACE: IMPACT OF COUNTER-TERRORISM FINANCING POLICIES ON CIVIL SOCIETY

Recommendation eight of the FATF addresses the risk of terrorists using non-profit organisations (NPOs) as a front for terrorism financing. While everyone agrees that addressing this issue is crucial for security, counter-terrorism regulation sometimes overreaches its purpose. As a result, legitimate NPOs find it hard to register or get a license, banks block and close accounts of organisations working in conflict zones, laws are passed to restrict foreign funding and to introduce burdensome governance and audit requirements. Some NPOs are even wrongly labelled as terrorist organisations and are harassed or hit with disproportionate fines with the justification of CFT. Those misunderstandings can result in reputational damage, high administrative burdens and financing problems (including the risky use of cash). Ultimately this can result in the restriction of freedom of expression and the right to protest, especially when states misuse CFT regulation to penalise critical activities and advocacy for change. It is particularly problematic within a security framework where the rules are unclear and decision mechanisms not transparent.

THE ADVERSE EFFECT OF REGULATIONS ON CIVIL SOCIETY

Session 1

Illicit financial flows and their impact on civil society

- **Sangeeta Goswami**, Advocacy and Communications Officer at the Human Security Collective
- **Delphine Schantz**, Senior Legal Officer of the United Nations Counter-Terrorism Committee Executive Directorate (UNCTED)
- **Floor Knoote**, Lead Human Rights Researcher at Dimes Consultancy
- **Tuesday Reitano**, Deputy Director of the Global Initiative Against Transnational Organized Crime (GITOC)
- **Vanja Škorić**, Programme Director at the European Center for Not-for-Profit Law (ECNL)

Session 1 provided an overview of the status quo, weaknesses, initiatives and possible solutions. The main insights included:

- A UNCTED questionnaire of 112 countries showed that very few of the AML/CFT National Risk Assessments conducted included a focus or a dedicated risk assessment for the risk of TF in the NPO sector, leading to very few countries developing applied measures or targeted responses;
- An unintended consequence of CFT measures on NPOs is financial exclusion or bank de-risking. They create a "hole in the bucket" where regulations systematically excluded organisations such as women's groups, smaller NPOs or diaspora organisations from the formal financial sector while pushing for individual financial inclusion. Stakeholders should recognise that it is not possible to have the latter without fixing the former;
- In environments of state capture, where a tight nexus between crime, business and politics exists, regular AML/CFT interventions are insufficient or even counterproductive. NPOs then become even more crucial to addressing IFFs;
- A rights-based policy is the only efficient CT policy. Broad restrictions on NPOs are not expedient – what is instead needed are proportional and targeted measures resulting from engagement and cooperation.

The UN Counter-Terrorism Executive Directorate (UNCTED) conducts country assessments, identifies trends, collects best practices and provides an annual summary of gaps.

Resolution 2462 (2019) is the first dedicated TF resolution. It recognises the vital role of NPOs and calls for cooperation and targeted measures informed by appropriate risk assessments. A report published in July 2020 updates technical guidance including in the area of NPOs.

More information at www.un.org/sc/ctc

ASSESSING RISKS IN COLLABORATION WITH NPOS IN TUNISIA AND NORTH MACEDONIA

Session 2

Building bridges and partnerships

- **Nikica Kusinikova**, Executive Director of the Association Konekt
- **Benjamin Evans**, Director of the Greenacre Group
- **Blazo Trendafilov**, Director of the Financial Intelligence Office (FIO) of North Macedonia
- **Lotfi Hachicha**, General Secretary of the FIU at the Tunisian Financial Analysis Committee (CTAF)
- **Iskra Damchevska**, Head of the Human Resources Department of the FIO of North Macedonia
- **Ivica Simonovski**, Independent Intelligence at the FIO of North Macedonia
- **Viktor Mircevski**, Programme Manager of the Association Konekt
- **Aroua Snoussi**, Financial Analyst of the FIU at the Tunisian Financial Analysis Committee (CTAF)
- **Amine Ghali**, Director of the Kawakibi Democracy and Transition Center

Tunisia and North Macedonia used a methodology of Greenacre for specific risk assessments. The main results and lessons learnt presented by those involved in the exercise included:

1. Tunisia recently became one of only five countries compliant with FATF recommendation eight (after being downgraded to partially compliant in 2017):
   - The government implemented some sanctions against NPOs until 2018;
   - The CSOs approached the FIU to conduct a joint risk assessment. Nevertheless, it was not easy to find a balanced constitution of the working group which had different cultures and diverse backgrounds. The selection of participants is vital for the process. Besides, other NPOs and partners required further assistance;
   - The main challenge was the confidentiality of data;
   - The final report is going to be published soon and will result in a change of the law on associations.
2. North Macedonia is developing a new analysis on the risk of exposure to TF for NPOs, done in collaboration between the CSO sector and government authorities:
   - Previously produced two NRAs under World Bank guidance, expecting improvements for the 2022 Moneyval assessment;
   - Changing perception and culture of communication, overcoming data limitations and confidentiality by a continuous exchange between CSOs, government and the banking sector;
   - Banks were looking for a central register and common codification of NPOs (subclassification solved this) while NPOs reported problems with establishing donation functions. One bank did not allow online donation, another bank demanded a 100€ threshold, the third bank approved after a long delay. A survey showed that 26 per cent of NPOs had problems with banks to establish donation functions.

"TERRORISM FINANCE IN NPOS IS A VERY RARE EVENT BUT IT DOES HAPPEN."

A study of the UK charity commission for 2014 showed that out of 164.000 NPOs, 1.929 were subject to a compliance case, 115 were formally investigated and only one NPO had a potential link to terrorist financing;

A 2014 report of FATF on TF risk in NPOs identified 102 case studies from 14 states. However, those only represent 0,001 per cent of the global NPO sector;

Only five countries are fully compliant with Recommendation eight. An increase in compliance requires a dedicated and participatory risk assessment. Unfortunately, there is very little guidance by FATF and the World Bank.

TRACK 4 – GLOBAL ASSET RECOVERY: RESPONSIBILITIES OF DEVELOPED AND DEVELOPING COUNTRIES

The recovery of stolen assets is recognised as an important step in fighting and preventing IFFs and is explicitly mentioned in SDG Goal 16.4. Still, the asset recovery debate in the past has mainly focused on the role of the "source" countries. Hence, actions evolved around building their capacities to trace assets, to ensure due process, to obtain legal assistance and to secure the accountable use of returned assets. Both the "source" countries and the "destination" countries face the same hurdles of penetrating complex money laundering networks that use global financial centres and often uncooperative secrecy jurisdictions. Therefore, track 4 focused more on the role of financial centres and the "destination" countries in combating IFFs.

IT TAKES TWO TO TANGO – AND OFTEN THERE IS A MISSING LINK

Session 1

Finding stolen assets:
The role of transparency and proactive measures in developed countries

- **Gretta Fenner**, Managing Director of the International Centre for Asset Recovery of the Basel Institute of Governance
- **Emile Van Der Does De Willebois**, Coordinator for the Stolen Asset Recovery initiative (StAR) of the World Bank
- **Christoph Trautvetter**, Expert at Tax Justice Germany
- **Dr Steffen Barreto da Rosa**, Head of the Anti-Money Laundering and Asset Recovery Unit at the German Federal Ministry of Interior
- **Chedli Rahmani**, Judge in the High Court at the Tunisian Justice Ministry

In the first session, speakers discussed how transparency of (financial) assets as well as a strengthened capacity for asset tracing, recovery and return in developed countries, can contribute to improving global asset recovery. The debate centred around the results of a study of recovery efforts in Germany conducted by the Civil Forum for Asset Recovery (CiFAR) and financed by GIZ in 2019. The main findings of the session included:

- **The AML/CFT framework in financial centres and "destination" countries around the world is still too weak**. Further strengthening of underlying regulations and institutional set-ups is needed to increase detection of IFFs. Even more importantly, it is necessary to ensure effective enforcement. Contributors identified two main challenges. One is corporate secrecy that emerging beneficial ownership registers could address if the information is sufficiently verified. Another is the misuse of legal and professional privilege that require targeted countermeasures taking into account the particular role of these professionals;
- **Financial centres and "destination" countries need to invest more in the identification and investigation of stolen assets located in their jurisdictions**. The share of stolen assets traced and recovered is far too small in comparison to the number of stolen assets. "Source" countries struggle with the complex and time-consuming recovery process and face severe capacity constraints. On the other hand, "destination" countries often have robust judicial systems, law enforcement capacity and better access to data. Notwithstanding, they often do not prioritise international corruption and money laundering cases. In addition, prosecuting services are often overwhelmed with other work. It is therefore imperative that financial centres and "destination" countries dedicate more resources to tackling complex money-laundering cases. Moreover, they should couple this with strong messaging from the political leadership that tackling IFFs is a top priority. Also, law enforcement in financial centres and "destination" countries would benefit from additional legal tools, such as the introduction of the reversal of the burden of proof for a specific set of crimes;
- More resources will also lead to more responsiveness of financial centres in the context of **international cooperation, which is still highly insufficient and far too slow** to tackle a 21st-century crime. Additional efforts are needed to further harmonise the legislative framework governing international cooperation, as requesting states are overwhelmed when having to deal with multiple jurisdictions in parallel;
- Participants raised concerns about the **management of restrained assets** and have suggested analysing whether development banks or centrally managed escrow accounts could be used to ensure that such assets are protected and well managed.

LESSONS LEARNT FROM MOZAMBIQUE'S "HIDDEN DEBT"

Session 2

Facilitating sustainable development in Mozambique through asset recovery

- **Lindy Muzila**, Project Manager at the UNODC Pretoria
- **Flávio Menete**, Ordem dos Advogados de Moçambique (OAM)
- **Richard E. Messick**, International Legal Consultant and Senior Contributor of the Global Anticorruption Blog
- **Fátima Mimbire**, Project Coordinator of the Fórum de Monitoria do Orçamento (FMO) and Nweti
- **Jean Mathieu Bloch**, Head of the Governance Unit of the Swiss Development Cooperation (DEZA)

The government of Mozambique first informed parliament about the "hidden debt" of USD 850 million on the 9th July 2014. In spring 2016, the IMF confirmed that there were over USD 1 billion of hidden debt and suspended its Mozambique programme. In November 2016, an international consulting firm was hired and found three partly state-guaranteed loans from the London-based Swiss Bank Credit Suisse, the Russian Bank VTB and the European bond market to three state-owned Mozambican companies worth USD 2 billion. In January 2018, the Mozambican Attorney General's Office (PGR) opened a case at an administrative tribunal to establish "financial responsibility" for the loans. Besides, both the UK's Financial Conduct Authority (FCA) and the US Federal Bureau of Investigation (FBI) opened probes into the role of the banks. In 2019, three bankers of Credit Suisse were arrested and two pleaded guilty in the United States (US). On the 29th December 2019, Manuel Chang, former finance minister of Mozambique, was arrested in South Africa at the request of the US. The cases are still not concluded, and 19 people are reportedly still under arrest in Mozambique.

Speakers addressed different aspects of lessons learnt, including:

1. **The importance of swift actions:**
   Starting investigation and prosecution took almost seven years. This delay meant that the culprits that benefitted from this crime had enough time to hide the money and benefit from it. It is also complicated to trace these assets due to the lost time. One reason mentioned for the delay was the long periods needed to receive requested information from the US, UK, United Arab Emirates and Switzerland;
2. **The importance of follow-up:**
   Mozambique received support for anti-corruption and asset recovery from Switzerland. The assistance included long term experts supporting the PGR to implement the legal framework for asset recovery in partnership with the Basel Institute's International Centre for Asset Recovery (ICAR). The UNODC was accompanying improvements on beneficial ownership transparency and an asset recovery bill to be voted. CSOs did awareness building, demanded more transparency of loans contracted as well as the cancellation of the debt and filed several lawsuits, including one in London;

3. **The importance to look beyond direct damages:**
   Bribe payments allegedly amount to at least USD 200 million. However, the damage caused by the unproductive investments was likely much more significant. Hence, recovering bribe payments is not enough;
4. **The importance to support international prosecution:**
   According to UNCAC Art. 53 all governments are to open their courts to other countries to recover damages caused by corruption. Therefore, citizens that were directly harmed by corruption, can bring their cases to court to receive reparation for the caused losses. CSOs filed lawsuits against those involved in the scandal, including one in London. Moreover, FBI prosecutors investigated and charged implicated investment bankers, who pleaded guilty to wire fraud, money-laundering and receiving USD 50 million in kickbacks.

INVOLVING INTERNATIONAL ORGANISATIONS TO RETURN ASSETS

Session 3

Third-party returns:
The role of international organisations

- **Agatino Camarda**, Director of the Civil Forum for Asset Recovery (CiFAR)
- **David Ugolor**, Executive Director of the Africa Network for Environment and Economic Justice (ANEEJ)
- **Muderis Abdulahi Mohammed**, Senior Social Protection Specialist at the World Bank
- **Fatima Kanji**, Research and Policy Manager at the International State Crime Initiative of the Queen Mary University of London
- **Julius Muraya**, Deputy Director of the Kenyan Ethics and Anti-Corruption Commission

Returning assets to countries with high levels of corruption or where those linked to the initial corruption cases are still in power can create risks of re-looting. The Global Principles for asset return as well as bilateral or multilateral agreements on the use of the returned assets try to address this risk. Session three looked at the role international organisations, and other third parties can play. The exchange included looking at the opportunities and challenges this brings in the light of real case experience. Speakers stressed that decisions on asset returns and management should be made through the involvement of all state parties, as well as local civil society, to ensure that funds are used for the benefit of people and in a transparent and accountable way.

In **Nigeria**, the involvement of the World Bank as a partner to the tripartite agreement facilitated independent and transparent monitoring mechanisms. This approach included a technology-enabled distribution of funds through conditional cash transfers and interviews with beneficiaries selected using random sampling. International cooperation and pressure enabled an active role of local civil society in the monitoring – and in later iterations – also at the stage of negotiating the return of assets. Essential elements for success from the perspective of civil society were access to and validation of relevant information, high-level support and broader alliances to build wide-spread awareness.

In **Kazakhstan**, asset returns first included an independent foundation (BOTA) to oversee and manage the use of returned assets agreed between the participating governments and supported by the World Bank. This program and its overall framework succeeded in prioritizing the victims of corruption in the return of assets. Challenges presented for this set-up were the high administrative costs, among others for international consultants, and great engagement required by the partner countries. For a second asset return program overseen by the government of Kazakhstan, the speaker noted a lack of awareness of the program in the country and observed several red flags in terms of transparency and accountability including control and disbursements connected to the ruling party.

Kenya used another promising tool, namely that of multilateral framework agreements. The agreements establish principles and criteria for transparent and accountable asset return and long-term partnerships reaching beyond individual asset return cases. The speaker stressed that asset sharing should be an exemption. Instead, governments should use assets to promote local developing goals in the source country.

USING SANCTIONS AGAINST GRAND CORRUPTION

Session 4

EU human rights and anti-corruption sanctions

- **Lucia Cizmaziova**, Project Coordinator at the Civil Forum for Asset Recovery (CiFAR)
- **Clara Portela**, Senior Associate Analyst at the European Union Institute for Security Studies
- **Titus Ogalo**, Programme Coordinator at Transparency International Kenya
- **Oliver Windridge**, Senior Advisor at The Sentry

Participants of session 4 discussed the potential of international sanctions to address cases of grand corruption.
The main conclusions included:

- International targeted sanctions against grand corruption perpetrators are one of the recent policy innovations. They could address slow progress in the recovery of stolen assets and emphasize the responsibility of the Global North;
- Several countries (such as the US and Canada) included the anti-corruption fight at the centre of their new sanctions' regimes. In general, stakeholders are welcoming these initiatives;
- However, the experience from Kenya shows that the imposition of sanctions does not seem to bring higher prosecution or conviction rates for corruption crimes or an increase in recovered assets;
- Lack of transparency and information about the designation process and corruption case by the sanctioning country makes it challenging to engage and push the case forward by the home country of the sanctioned individual;
- An EU human rights sanctions regime could pave the way for the inclusion of additional topics such as grand corruption but does not address them so far.

TRACK 5 – RETHINKING PARTICIPATION: THE INCLUSIVE DEVELOPMENT AND EVALUATION OF INTERNATIONAL STANDARDS

Despite numerous improvements over the past decades, questions remain as to whether regulators are sufficiently considering the perspectives and concerns from those directly affected when designing the international regulatory framework against IFFs. Arguably civil society, the private sector and the Global South remain underrepresented. To ensure that international standards are designed and implemented in a way conducive to sustainable development, a more holistic consideration of perspectives could be envisioned. Otherwise, stakeholders might overlook severe problems.

Secrecy remains the common denominator allowing illicit funds to move across borders. CSOs have long called for beneficial ownership transparency and created public pressure. The EU's Anti-Money Laundering Directive, among others, has brought some progress. Nonetheless, as various international and national analyses by CSOs show, wide gaps remain. The review of beneficial ownership standards by FATF and IMF is a crucial opportunity for improvements, which should involve civil society. International standard-setting and coordination can also help to improve enforcement outcomes and to strengthen the capacity of law enforcement agencies to conduct counter-IFFs work. But political will and capacity for implementation of international standards are equally important. Involving civil society can help to muster the required public support.

WHERE PARTICIPATION IS NEEDED

Session 1

Shifting landscapes:
Why rethinking participation is now more topical than ever

- **Maira Martini**, Research and Policy Expert at Transparency International
- **Andrei Stefanuc**, Team Leader of Anti-Money Laundering Policy at DG FISMA of the European Commission
- **Karen Greenaway**, Attorney, retired FBI agent and Independent Consultant with Transparency International
- **Stephan Klaus Ohme**, Head of the Finance Working Group of Transparency International Germany

Session 1 discussed the current political landscape around the fight against IFFs and entry points for civil society participation.
These included:

- **Improvement of BO standards:**
  It is crucial to make the establishment of registers of beneficial ownership a mandatory requirement for all members of the FATF. To this end, the panellist highlighted the importance of outside reporting on country performance in encouraging implementation, including through sources of information like Transparency International's Corruption Perceptions Index and Tax Justice Networks Financial Secrecy Index;
- **Strengthening sanctions for negligence:**
  Criminal codes and enforcement should ensure that substantial negligence in due diligence and submitting suspicious transaction reports result in effective sanctions. Participants mentioned the Wirecard case in Germany as an instructive example, where financial institutions filed over 1.000 suspicious transaction reports, but authorities took no prompt action;
- **Country-by-country reporting:**
  Publishing more detailed financial information about big corporations would help civil society's involvement in ensuring an effective fight against profit shifting;
- **Ensuring the involvement of civil society:**
  FATF to involve CSOs in the process of mutual evaluation and governance reviews should consider the strength of CSOs.

WHAT PARTICIPATION CAN MEAN

Session 2

New ways of participation for the Global South

- **Gabriela Pellón**, Advisor of the Global NPO Coalition on FATF (Argentina)
- **Victoria Ibezim-Ohaeri**, Director of Spaces for Change (Nigeria)
- **Joao Paulo Vergueiro**, CEO of the Brazilian Fundraisers Association (ABCR) (Brazil)
- **Mu'Azu Umaruv**, Director of Policy & Research at GIABA (Senegal)
- **Bernardo Mota**, Brazilian National Coordinator at GAFILAT (Brazil)
- **Candelaria Alvarez Moroni**, Representative at the Global Partnership for Financial Inclusion (GPFI) (Argentina)
- **Mariana Quevedo**, Vice President of the Argentinian Financial Information Unit (Argentina)
- **Jocelyn Nieva**, Senior Legal Advisor of the International Center for Not-for-Profit Law (ICNL) (United States)

Panellists of session 2 agreed on the need to enhance the engagement of all relevant stakeholders to achieve a robust financial system that ensures that no one is left behind. They called for new tailored mechanisms for and from the Global South for the participation of all stakeholders, including non-state actors and CSOs, especially in the rule-setting by international regulatory bodies. The session used 5-minute lightning talks.

- **Victoria Ibezim-Ohaeri from the NGO Spaces for Change (Nigeria)** argued that under international pressure, governments sometimes restrict monitoring abilities and suppress critical voices. International resolutions, therefore, need more participative as well as inclusive and responsive mechanisms;
- **Joao Paulo Vergueiro from the ABCR Foundation (Brazil)** shared an anecdote of an NPO that reported that it was asked to launder a large donation by returning 4/5 of the funding. There are several similar reports where NPOs stated that such requests often came with threats. This anecdote served to illustrate the need for formal spaces for open dialogue and collaboration to fight IFFs, including protection of NPOs against threats from organized crime;
- **Mu'Azu Umaru from GIABA (Senegal)** highlighted the need to consider the historical context and the specific situations in which global standards were set to better understand which stakeholders were included and which were not. He called for participation (policy, implementation and evaluation) by FATF and its regional bodies;
- **Bernardo Mota from GAFILAT (Brazil)** stressed the need for cooperation of the private sector, NPOs, governments and CSOs to face the new challenges that arise from the COVID-19 pandemic. He called for more global reporting engagement to have a good database for research;
- **Candelaria Alvarez Moroni from the GPFI (Argentina)** emphasized the key role financial inclusion plays in reducing poverty and inequality with a need for coordination among emerging economies as well as for cooperation of the private sector and CSOs;
- **Mariana Quevedo, Vice President of the Financial Information Unit (Argentina)**, reminded participants of different contexts and perspectives of countries – such as high levels of informal employment making financial inclusion even more relevant. She stated that international fora have a high potential for meaningful change if they assure that all stakeholders can participate in the relevant working groups.

HOW TO RETHINK PARTICIPATION

Session 3

Complex challenges, complex solutions:
How to enhance participation in international standards

- **Tom Keatinge**, Director of RUSI's Centre for Financial Crime and Security Studies
- **Mai Eleimat**, Founder and CEO of Edmaaj for Development & SR Consulting
- **Fionnuala Ní Aoláin**, Special Rapporteur of the Office of the United Nations High Commissioner for Human Rights (OHCHR)
- **Mu'Azu Umaru**, Director of Policy & Research at GIABA
- **Nicholas Miller**, Legal Advisor at International Center for Not-for-Profit Law (ICNL)

Session 3 focused on ways to advance participatory approaches in international frameworks, especially in the FATF. Speakers highlighted the massive impact of the FATF on national economies around the world and that this demands more participation of all those affected. Hence, besides governmental institutions of FATF members, non-FATF members, the private sector and civil society actors would need to be able to exert tangible impact at three levels of the FATF's work: 1) Policy-making, 2) evaluation processes and 3) implementation. While speakers highlighted the significant progress the FATF has made in recent years and the pioneering work of certain FSRBs, many suggestions were made to improve participation of those deemed underrepresented:

At the policy-making level:
While involved actors succeeded in strengthening the link between FATF and FSRBs in recent years, the involvement of non-FATF countries in policy-making processes of the FATF remains indirect. The link is even more remote for non-state actors in non-FATF countries. Stakeholders deemed the Private Sector Consultancy Forums insufficient as participation is costly and thus, not representative. It is necessary to create additional processes to strengthen the links between FSRBs, their members and the FATF. Moreover, further resources must be made available to systematically garner views from civil society and the private sector worldwide.

In the context of Mutual Evaluations (MEs):
The perspectives of civil society and the private sector are indispensable for a balanced and complete assessment of a country's AML/CFT/CPF system as their views may differ significantly from those of governmental actors. A public call for information during the scoping phase of the assessment could formalize their involvement in the ME;

In the absence of formal procedures, civil society should seek to alert assessors to issues that may otherwise be lost;

Access to information is critical to enable civil society to mobilize effectively during an ME, and thus, the FATF may seek to increase the transparency of their processes.

At the implementation level:

While the implementation of the FATF Standards is the responsibility of states, the FATF needs to recognise the value of participatory approaches at implementation level and how they are required to address significant issues that are not within the institutional DNA of the FATF. For instance, the FATF needs to understand how they can be used to justify state measures that negatively impact human rights and then respond adequately by hard-wiring human rights and sustainable development into its mandate.

BEYOND THE FIRST GLOBAL FORUM ON IFFS AND SDGS

The first iteration of the conference demonstrated that – if done right – there is a complementarity or even a virtuous circle between combating IFFs and sustainable development. The keynotes, high-level panel debates and the 15 technical sessions showed impressively the existing multifaceted connections, the high number of involved actors and the several ideas and recommendations already out there. Only by creating a forum for exchange between a variety of actors, we can come up with innovative solutions that leave no one behind and are conducive to sustainable development.

We hope that this documentation can serve all of you as a source of inspiration on how to drive change in your respective areas and on how to set impulses for policy discussions including for the first-ever UNGASS focused on corruption taking place in 2021.

For the future of the Global Forum on Illicit Financial Flows and Sustainable Development, we want to expand the dialogue into a multi-stakeholder platform. The objective is to strengthen the development policy perspective in the international system to combat IFFs. The high number of participants and the positive feedback of the first iteration of the conference shows that the Forum filled an existing gap sensibly. This discussion was ready to be held and should be continued in the future.

To do so, we want to be more than a conference. We want to create spaces for in-depth discussions between different regions and stakeholders. The aim is to expand our collective knowledge on global challenges and on approaches that will make the fight against IFFs more effective and promote sustainable development. We want to jointly develop new ideas and to support the prototyping and implementation of these ideas. Formats include, for example, surveys and studies or hackathons. In addition, we will give you a platform to present the most important results – may it be in, for example, the form of a short webinar or a technical workshop.

Based on participants' feedback, we see that there is an appetite to have an in-depth discussion for all thematic sub-topics of the conference, thereby underlining the relevance of the chosen topics. Hence, we want to (i) build on the ideas and solutions presented in the first iteration of the conference in the selected priority topics, but also (ii) consider additional issues that came out as priorities in this first conference.

When asked about suggestions for additional sub-topics, we received several responses, which we clustered into the following thematic areas:

- The role of the private sector in combating IFFs;
- Transparency, data availability and the exchange of information;
- Different sources of IFFs (commercial activities, corruption and environmental crime).

CORE PRINCIPLES OF THE FORUM:

Build **partnerships** between public, private and civil society stakeholders from different regions to strengthen **policy coherence** and overcome political silos;

Strengthen the **participation and inclusion** of under-represented countries, civil society and the private sector in international standard-setting processes;

Reconcile different objectives of Agenda 2030;

Select focus topics that make the **fight against IFFs more effective, promote sustainable development** and improve the lives of the most **vulnerable groups** in society; and

Examine incentives, processes and power structures in the international architecture for combating IFFs that influence the behaviour of individuals, institutions and entire countries.

In addition to the direct feedback, we will continuously involve a variety of stakeholders to identify the most pressing challenges of our time.

Every two years, the global conference then brings the strands of work together and presents them to a wider public. A hybrid format will ensure that the conference remains environmentally friendly and easily accessible, and that key messages are delivered to a wide audience. In addition, it can ensure more in-depth discussions and networking for a core group.

In the coming month, we will develop a work plan for 2021 and beyond. Feel free to reach out to us if you have a challenge you want to discuss, an idea you are interested to further develop or a solution you wish to promote. Together we shape the Global Forum on IFFs and SDGs!

GLOBAL FORUM ON IFFS AND SDGS

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