RIS Discussion Paper Series

Agenda for South Africa G20 Presidency

Global South Should Aim at a Comprehensive Package for Addressing Illicit Financial Flows

Nilimesh Baruah

Discussion Paper # 301

RIS@40

RIS
Research and Information System for Developing Countries
विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

Agenda for South Africa G20 Presidency

Global South Should Aim at a Comprehensive Package for Addressing Illicit Financial Flows

Nilimesh Baruah

RIS-DP # 301

January 2025

RIS@40

RIS
Research and Information System for Developing Countries
विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi – 110 003 (India)
Tel: +91-11-2468 2177/2180; Fax: +91-11-2468 2173/74
Email: dgoffice@ris.org.in

Global South Should Aim at a Comprehensive Package for Addressing Illicit Financial Flows

Nilimesh Baruah*

Abstract: Illicit Financial Flows (IFFs), an umbrella term used for describing movement of money across borders that is illegal in its source, transfer, or use. This issue has far-reaching consequences, including obstructing domestic resource mobilization in developing countries. Over the past two decades, the global community has struggled to address the multi-dimensional challenges posed by IFFs, but meaningful progress remains elusive.

The 2015 High-Level Panel Report on IFFs from Africa, showed Africa's paradoxical status as a net creditor to the world due to outflows of IFFs, while it was struggling with scarcity of developmental resources. IFFs gained global prominence with the Addis Ababa Action Agenda (2015) and were incorporated into the Sustainable Development Goals (SDGs).

The United Nations and Group of 20 (G20) have been deeply involved in shaping solutions to global developmental challenges, including matters relating to IFFs. While identifying IFFs as significant barrier to development financing, these declarations called for strengthening national and multilateral actions to combat various dimensions of IFFs. Several global frameworks have also been developed to address IFFs. However, efforts often lack cohesion and coordination. In the absence of an integrated and unified approach, efforts for countering IFFs have remained within silos. The Indian fable of "The Blind men and the Elephant" offers valuable lessons, emphasizing the importance of a holistic perspective and effective collaboration among stakeholders to address the complex challenge of IFFs.

The African Union's entry into the G20 as a permanent member during India's G20 presidency in 2023 marked a pivotal shift towards inclusive global developmental agenda, amplifying the Global South's voice and bringing IFF agenda to the fore. However, due to huge funding gap, the SDGs have turned out to be a 'promise in peril'.

This policy brief outlines a blueprint for establishing an Illicit Financial Flows Interdiction Framework (IFFIF), featuring a comprehensive package of ten

* Former Senior Advisor, OECD, Paris. Email: nilimesh@yahoo.com
Author is grateful to Professor Sachin Chaturvedi, Director General, RIS for his initiative in bringing out this paper. Views expressed are personal. Usual disclaimers apply.

action items to counter the menace of IFFs and restore the progress in SDGs. The Interdiction Framework is to be eventually designed and implemented by a global coalition, where both developing and developed countries would deliberate on issues on equal footing, with assistance from Regional and International organizations. The overarching framework would guide the future IFF agenda, providing for step-by-step implementation of the action items in a phased manner.

All preparatory work needs to commence immediately to ensure a well-structured proposal is discussed in the Fourth International Conference on Financing for Development in June 2025 before the proposal goes for endorsement by the G20 leadership during the South African Presidency. The Global South needs to mobilise support for this comprehensive IFF package projecting IFF as a global problem, equally affecting both the Global North and South.

Keywords: Domestic Resource Mobilization, Global South, G20, Global Coalition, Illicit Financial Flows Interdiction Framework, Sustainable Development Goals

I. Context

Illicit Financial Flows (IFFs) is an umbrella term that refers to the illegal movement of money across borders, whether in its source, transfer, or use. Over the past two decades, the global community has struggled to address the multi-dimensional challenges posed by IFFs, but meaningful progress remains elusive. This issue has far-reaching consequences, including obstructing domestic resource mobilization in developing countries, eroding the rule of law, diminishing public trust, and threatening the strategic, political, and economic interests of these nations. IFFs also undermine the social contract between governments and citizens.

International Frameworks to Counter IFFs: Several global frameworks have been developed to address diverse components of IFFs, such as the UN Convention Against Corruption (UNCAC), the UN Convention Against Transnational Organized Crime (UNTOC), the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), the Financial Action Task Force's (FATF) 40 Recommendations, the Organisation for Economic Cooperation and Development (OECD) Anti-Bribery Convention, and the Extractive Industries Transparency Standards (EITI). Initiatives like the Stolen Asset

Recovery Initiative (StAR)—a collaboration between the World Bank and the United Nations Office on Drugs and Crime (UNODC)—and the OECD-United Nations Development Programme's (UNDP) "Tax Inspectors Without Borders" (TIWB) aim to build capacity in developing countries. However, these frameworks often tackle specific aspects of IFFs in isolation, leading to fragmented efforts.

Global Attention on IFFs: The UN's Doha Declaration (UNDSEA, 2008) and the G20's Pittsburgh Summit Communiqué (G20, 2009) identified IFFs as significant barriers to development financing. These declarations called for strengthening national and multilateral actions to combat factors like secrecy jurisdictions, tax evasion, money laundering, corruption, illegal markets, and terrorist financing, while promoting tax transparency and information exchange.

Inclusion in the 2030 Agenda: IFFs gained global prominence with the Addis Ababa Action Agenda (69/313 Addis Ababa Action Agenda of the Third International Conference on Financing for Development, 2015) and were incorporated into the Sustainable Development Goals (SDGs) under Target 16.4, which aims to significantly reduce illicit financial and arms flows, recover and return stolen assets, and combat organized crime. Target 17.1, focusing on Domestic Resource Mobilization (DRM), highlights the complementary relationship between addressing IFFs and mobilizing domestic resources for sustainable development.

Commitments by the G20: Following the 2016 Hangzhou Summit (G20 Leaders' Communique Hangzhou Summit, 2016), the G20 reaffirmed its dedication to the 2030 Agenda and the Addis Ababa Action Agenda, committing to bold and transformative national actions to achieve policy coherence and sustainable development goals.

Defining IFFs: When the SDGs were launched, there was no universally accepted definition of IFFs. The UNODC and UNCTAD were later tasked with creating a statistical definition. Their jointly developed definition (UNODC, 2020), approved by the UN General Assembly, describes IFFs as "*financial flows that are illicit in origin, transfer, or use, reflecting an exchange of value across borders*." This includes both illegal activities and aggressive tax avoidance. To monitor progress, Indicator 16.4.1- "*Total value of inward and outward illicit financial flows*"—was adopted in 2017.

Measuring IFFs: Various methodologies have been used to estimate IFFs, with top-down approaches basing their estimates on macroeconomic discrepancies in global trade, portfolio investment, or foreign direct investment data. While these methods help raise awareness, they often fail to disaggregate IFFs into subcategories. Bottom-up approaches (UNODC, 2020), which focus on diverse sources and channels, address the specific components of the IFFs and hence could lead to more effective policies.

Scale of Trade-Related IFFs: A 2021 report by Global Financial Integrity (GFI) (Integrity, 2021) documented "trade mis-invoicing" in 134 developing countries. Between 2009 and 2018, the value gaps in bilateral trade with global partners rose from $934.1 billion to $1.6 trillion. However, trade mis-invoicing represents only one component of IFFs, suggesting the overall scale is far greater.

UN Initiatives on Statistical Measurement: In 2019, UNCTAD and UNODC, as co-custodians of SDG Indicator 16.4.1, established a Task Force on the Statistical Measurement of IFFs to help countries track progress. By 2020, they had developed a Conceptual Framework (UNODC, 2020) for measuring IFFs, which was endorsed by all UN member states in 2022. UNCTAD focuses on tax and commercial IFFs, while UNODC addresses crime-related IFFs.

Setbacks to SDG Progress: Multiple crises—including the COVID-19 pandemic, climate shocks, conflicts, and geopolitical instability—have hindered progress toward achieving the SDGs. The International Debt Report (Bank, 2023) highlights the financial strain on low- and middle-income countries (LMICs), which paid a record $443.5 billion in external public debt service in 2022.

Financing Gaps: The UN Secretary-General has described the SDGs as a "*promise in peril*," (https://press.un.org/en/2023/sgsm21876.doc.htm, 2023) citing a $4 trillion annual financing gap for developing countries. Therefore, bold and transformative actions are needed to bridge this gap.

Organized Crime and IFFs: The 2023 Global Organized Crime Index (Global Organized Crime Index 2023, 2023) by the Global Initiative Against Transnational Organized Crime (GI-TOC) emphasizes the growing threat of organized crime, which undermines global security and financial systems. Criminal networks exploit financial systems to facilitate illicit activities, including terrorism financing, affecting both developed and developing countries.

Global Risk Report: The World Economic Forum's Global Risk Report 2024 (Forum, 2024) forecasts a significant expansion of organized crime over the next decade, both in scope and operational sophistication. This rise is fuelled by factors such as economic challenges, advancements in technology, resource scarcity, and ongoing conflicts.

Time for Transformative Action: The renewed challenges surrounding the Sustainable Development Goals (SDGs) underscore the pressing need to combat Illicit Financial Flows (IFFs). This also presents an opportunity to reevaluate existing strategies and translate commitments into impactful policies and actions. The upcoming Fourth International Conference on Financing for Development in June 2025 serves as a critical platform to address IFFs comprehensively. ***Transformative Action must shift from merely tracking IFFs to halting their flow, recovering lost assets, and channelling them toward financing the SDGs.***

AU's inclusion as G 20 Member: The African Union's (AU) permanent membership in the G20, during Indian Presidency in 2023, has brought IFFs to the forefront of the global agenda. Africa, which loses over $50 billion annually to IFFs—a legacy linked to its colonial history as highlighted in the Mbeki Report (Report of the High Level Panel on Illicit Financial Flows from Africa, 2015)—has prioritized combating IFFs in its Agenda 2063 to ensure inclusive growth. While Africa's inclusion amplifies the voice of the Global South, the issue of IFFs transcends the continent, impacting developing and developed nations alike.

South Africa G20 Presidency: With South Africa assuming the G20 Presidency, the Global South has a unique opportunity to address IFFs more effectively, building on the momentum built by Indonesian, Indian, and Brazilian presidencies for **Sustainable and Inclusive Growth**. While the G20 has addressed various dimensions of IFFs, its efforts have been fragmented and insufficient.

The Blind Men and the Elephant Syndrome: It is time to pause and reflect on whether the global response to IFFs mirrors the ancient Indian fable of "The Blind Men and the Elephant." (Saxe, n.d.) In this fable, each person perceives a complex entity based on limited understanding, resulting in a fragmented and incomplete view of the whole. The moral of the fable however, also conveys that with collaboration, the power of the elephant could be used for productive purposes. Similarly, fragmented approaches to IFFs missing the bigger picture, could be remedied with unified global action. This calls for immediate course correction and the adoption of a comprehensive ***IFF Interdiction Framework*** containing transformative measures for bridging the financing gap.

The Policy Brief: This policy brief outlines the current "State of Play" in the IFF domain, followed by an assessment of the "Unfinished Agenda" across the multifaceted dimensions of this issue and provides a blueprint for Suggested Way Forward.

IFF Interdiction Framework: The "Suggested Way Forward" section provides a blueprint for developing an Illicit Financial Flows Interdiction Framework (IFFIF), featuring a comprehensive package of ten action items to be implemented over the medium term from 2025 to 2030. This framework is designed to complement the G20-OECD Base Erosion and Profit Shifting (BEPS) project and address the IFF challenge holistically. While BEPS addresses the first limb of the illicit aspects of the new universal definition of IFFs, the IFFIF is intended to address the second limb of the definition covering the illegal components of IFFs.

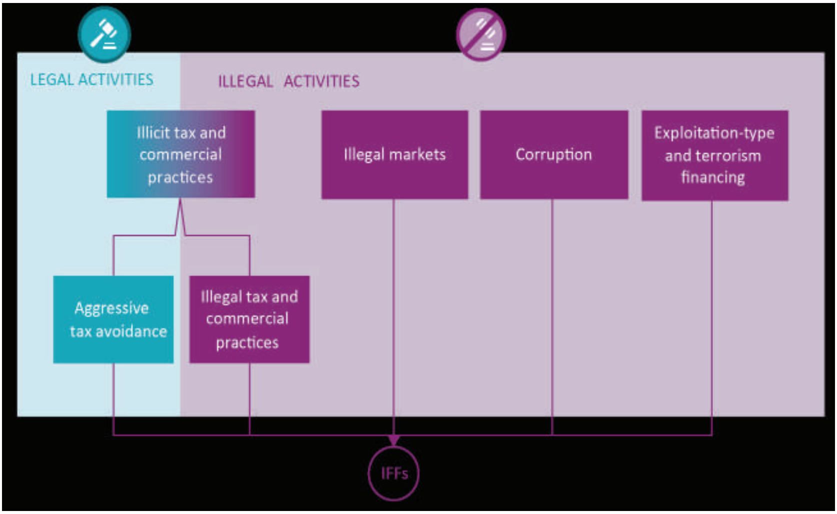
Global Coalition: A global coalition—bringing together both developed and developing countries on equal footing, with assistance from the regional and international organizations—would design and implement the framework, ensuring phased execution of the action items. This unified approach aims to prevent the pitfalls of fragmented efforts, as illustrated by the Blind Men and the Elephant analogy, while making use of the moral of the fable for collaborative action.

Collaborative Action: The Global South must rally support for this comprehensive IFF Interdiction package, seeking its endorsement during South Africa's G20 Presidency. Framing IFFs as a global challenge impacting both the Global North and South is essential to galvanizing collective action and restoring momentum towards achieving the SDGs.

II. The Current State of Play: Unfinished Agenda

1. Statistical Definition of IFFs

The conceptual framework for the statistical measurement of Illicit Financial Flows (IFFs), developed by UNCTAD and UNODC (UNODC, 2020), identifies four categories of activities: (i) IFFs arising from illegal commercial and tax practices, including aggressive tax avoidance; (ii) illegal markets; (iii) corruption; and (iv) exploitation-based activities, along with the financing of crime and terrorism. The definition has two



Source: UNCTAD and UNODC

limbs: one addressing activities that are legal but illicit, and the other encompassing outright illegal activities.

Source: UNCTAD and UNODC

The inclusion of aggressive tax avoidance as part of IFFs is based on its detrimental impact on domestic resource mobilization and sustainable development, primarily through the erosion of a country's tax base. However, aggressive tax avoidance is fundamentally distinct from the criminal aspects of IFFs. The OECD/G20 Base Erosion and Profit Shifting (BEPS) Project (OECD), developed by over 145 jurisdictions within an Inclusive Framework, specifically addresses the unique challenges posed by profit shifting.

The Unfinished Agenda

Unlike aggressive tax avoidance, the criminal elements of IFFs currently lack a unified framework for effective management. The unfinished agenda calls for developing an Illicit Financial Flows Interdiction Framework (IFFIF) to address the criminal aspects of the new inclusive definition of IFFs. This framework would complement the BEPS project and provide a more comprehensive approach to combating IFFs.

2. Measurement Challenges

The clandestine nature of IFF activities makes it challenging to accurately assess their magnitude and impact, enabling their unchecked growth. While some IFFs occur through formal financial systems, others, such as cross-border cash smuggling, go unreported. Legal financial transfers are also difficult to link directly to illicit purposes, further complicating measurement efforts. As a result, IFF estimates often rely on proxies to approximate their scale.

The Methodological Guidelines for Measuring Tax and Commercial IFFs (UNCTAD, 2021), released in May 2021, recommend starting with a preliminary IFF risk assessment using a self-assessment questionnaire. This helps identify stakeholders and determine suitable data sources across various agencies. The measurement process is iterative, beginning with preliminary studies and evolving toward the regular production of IFF statistics.

The focus is primarily on two types of illegal activities: (i) the transfer of undeclared wealth to offshore accounts by individuals, and (ii) trade mis-invoicing by entities. For these, four methods are recommended: Partner Country Method Plus (PCM+) and Price Filter Method Plus (PFM+) for trade mis-invoicing, and Undeclared Offshore Assets Indicator and Flows of Offshore Financial Wealth by Country for undeclared offshore wealth. Countries are encouraged to adopt methods based on their capacity, available data, and other relevant conditions.

Between 2018 and 2022, pilot testing of these methods was conducted in 14 countries, including South Africa, Angola, Egypt, Kyrgyzstan, and Uzbekistan. Given that traces of IFFs are scattered across administrative and statistical records in multiple institutions, inter-agency groups were formed for estimation. These groups comprised members from national statistical offices, central banks, tax and customs authorities, anti-corruption and anti-money laundering units, law enforcement agencies, financial intelligence units, relevant ministries, civil society, and academia.

All 14 pilot countries applied the PCM+ method, and 10 of them also implemented the PFM+. However, due to severe data limitations, none of the African countries could apply the methods for measuring undeclared offshore wealth.

UNODC developed methods for estimating crime-related IFFs, including smuggling, drug trafficking, illegal mining, wildlife trafficking, and corruption. It provided technical guidance and expert support to national authorities conducting these measurements. Pilot studies were carried out in Latin American countries [Colombia (UNODC, Colombia: Cocaine Trafficking and Illegal Gold Mining.pdf), Ecuador (UNODC, Ecuador: Illicit Financial Flows from Smuggling of Migrants.pdf), Mexico (UNODC), and Peru] between 2018 and 2020, followed by studies in Asia-Pacific countries (Afghanistan, Bangladesh, Myanmar, and Nepal). These efforts have resulted in official crime-related IFF estimates for the pilot countries (UNODC, Crime-related Illicit Financial Flows: Latest Progress, 2023).

The G20 Leaders' Declaration in 2016 acknowledged the role of the World Customs Organization (WCO) in tackling cross-border IFFs, particularly trade mis-invoicing. In 2018, the WCO presented a study (Organization, 2018) to the G20 using PCM and PFM methods, highlighting substantial differences between the estimates. It recommended cross-referencing both methods and investigating flagged transactions to address the risk of suspicious trade activities.

An OECD report in 2022 (OECD, Assessing Tax Compliance and Illicit Financial Flows in South Africa, OECD Publishing, Paris,, 2022) titled Assessing Tax Compliance and Illicit Financial Flows in South Africa introduced a new methodology for estimating IFFs. This approach used anonymized tax data on foreign income declarations, voluntary disclosure programs (VDPs), and account information exchanged under the Common Reporting Standard (CRS) within the Automatic Exchange of Information (AEOI). The report estimated that between \$3.5 billion and \$5 billion left South Africa annually over the past decade, with non-compliant assets valued between \$40 billion and \$54 billion held in international financial centres (IFCs) as of 2018.

In December 2022, the UN General Assembly passed a resolution urging national and international efforts to train personnel and report on SDG Indicator 16.4.1 using the recommended methodologies, in coordination with UNCTAD and UNODC.

The Unfinished Agenda

While progress has been made in developing official IFF estimates using UNCTAD and UNODC methods, further refinement of methodologies and aggregation measures is required for reporting IFFs under a unified SDG indicator. Many developing countries face challenges, including limited statistical capacity, fragmented data, and inadequate reporting mechanisms, necessitating immediate action.

To address these gaps, there is an urgent need for UNCTAD and UNODC to formulate a comprehensive strategy and action plan for scaling up IFF measurement in developing countries. This effort should involve a consultative process engaging multiple stakeholders, including WCO, civil society and academia, both at national and international levels, to monitor progress on SDG Target 16.4 effectively. As the saying goes, "What gets measured, gets done", component-wise measurement of IFFs holds the key for effective policy interventions.

3. Transparency and Exchange of Information (EOI)

One of the major drivers of IFFs is the opacity and secrecy surrounding illicit activities. Enhancing transparency and reducing secrecy, including banking secrecy, is a critical tool for combating IFFs. The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) implements two key standards: Exchange of Information on Request (EOIR) and Automatic Exchange of Financial Account Information (AEOI) under the Common Reporting Standard (CRS).

These standards improve transparency by enabling domestic tax authorities to access legal and beneficial ownership information, accounting details, and banking records, including ownership of bearer shares. This information can be shared with foreign counterparts either on request or automatically. Greater transparency allows authorities to trace the origin and destination of illicit flows, facilitating law enforcement and compliance.

Key aspects of transparency and EOI include leveraging EOI to combat offshore tax evasion, improving tax audits, expanding EOI networks by joining the Convention on Mutual Administrative Assistance in Tax Matters (MAAC), establishing robust EOI units, raising stakeholder awareness, increasing requests to treaty partners, achieving strong peer review ratings, implementing AEOI with broad country coverage on a feasible timeline, and monitoring the impact of EOI through statistical data.

Global Forum Transparency Initiatives:

To extend the reach of transparency standards globally, the Global Forum has launched initiatives in Africa (Global Forum, 2024), Latin America (Global Forum, Tax Transparency in Latin America , 2024), and Asia (Global Forum, Tax Transparency in Asia 2024 Asia Initiative Progress Report, 2024 Asia Initiative). These initiatives focus on two key strategies: (i) raising political awareness and commitment within these regions, and (ii) building the capacity of member countries in tax transparency and EOI practices.

According to the 2024 Africa Initiative Progress Report, 12 African countries identified close to EUR 4 billion in additional revenue (including taxes, interest, and penalties) since 2009 through offshore tax investigations, EOIR, AEOI-related voluntary disclosure programs, and effective use of automatically exchanged data. The 2024 Latin America Progress Report indicates a revenue gain of EUR 27.8 billion for 15 Latin American Global Forum members, while EUR 21.8 billion in additional tax revenue was identified by 22 Asian Global Forum members during the same period.

However, the progress reports reveal that many nations are not fully utilizing EOI infrastructure for domestic resource mobilization. While legal frameworks often align with international obligations, challenges persist in implementing AEOI standards and verifying beneficial ownership. This highlights the need for new strategies to address these gaps.

Wider use of tax-exchanged information:

The 2018 Punta del Este Declaration, endorsed by 15 Latin American Global Forum members, promotes a whole-of-government approach to combating IFFs. It explores ways to utilize tax-related information for non-tax purposes, with safeguards for confidentiality. Six countries have joined a pilot project and are developing a draft Competent Authority Agreement (CAA) to enable wider use of exchanged tax information by the non-tax enforcement agencies.

Professional Enablers

High-profile revelations like the Paradise, Panama, and Mauritius leaks have exposed the role of professional enablers in facilitating IFFs through legal structures such as shell companies, nominee shareholders, bearer shares, and opaque ownership frameworks. In its 2021 report, "Ending the Shell Game: Cracking Down on the Professionals Who Enable Tax and White-Collar Crimes", the OECD (OECD, Ending the Shell Game, 2021) emphasizes that targeting these enablers and disrupting their activities through global oversight mechanisms is a crucial strategy for tackling criminal activity at its root.

Beneficial ownership challenge:

Peer reviews by the Global Forum reveal that while many nations have amended legal frameworks to meet international standards, implementation challenges, particularly around beneficial ownership verification, remain.

FATF's 2003 recommendations also emphasize the importance of reliable and updated beneficial ownership data to combat money laundering. In 2023, the FATF issued updated guidance to address the challenge of insufficient, inaccurate, and outdated beneficial ownership information (FATF, 2023). Such gaps enable illicit financial flows (IFFs) by concealing the identities of suspected criminals, the true purpose of accounts or assets held by corporate entities, and the origin or use of funds or property linked to these entities.

Similarly, the Extractive Industry Transparency Initiative (EITI) (EITI, 2023) mandates beneficial ownership transparency to enable the public to know who ultimately owns and controls the companies operating in the country's extractive industries, to combat corruption in the extractive sector. As per EITI's 2023 Annual Report (Progress Report, 2023), beneficial ownership data serves as a critical tool in combatting corruption within the extractive sector, enabling the identification of conflicts of interest and corrupt practices. The Opening Extractives programme, now midway through its five-year plan, will continue with its efforts to include beneficial ownership transparency in national agendas and facilitate the establishment of public registers. This collaborative initiative, led by the EITI and Open Ownership across 11 countries, aims to catalyse the availability and use of beneficial ownership data, serving as a model for broader global application.

Initially intended to tackle money laundering and financial crime, beneficial ownership laws now serve broader policy objectives, including combating corruption, promoting public accountability, enhancing business integrity, improving investment climates, and safeguarding national security. In December 2023, the Conference of State Parties to the UNCAC discussed good practices for using beneficial ownership information and adopted a resolution to strengthen asset recovery efforts using such data.

Privacy and data protection concerns:

Two years ago, the European Court of Justice ruled (Privacy-Washing & Beneficial Ownership Transparency, 2024) that providing public access to beneficial ownership information, in the interest of transparency, violates the right to privacy and data protection. However, many EU member states and non-EU countries appear to have "disregarded" this ruling. They argue that the court's analysis focused solely on public access in the context of combating money laundering and terrorism financing. In contrast, numerous countries, including some within the EU, have established public beneficial ownership registries for broader purposes such as promoting transparency, ensuring the proper functioning of markets, protecting democracy, and addressing tax abuse (2024, Tax Justice Network).

Emerging Trend of Asset Substitution:

Despite progress in exchanging financial account information under AEOI and related measures, criminals are adapting by employing strategies like asset substitution and asset shopping to evade detection. Illicit funds stored in cash or bank accounts are increasingly being converted into real estate, luxury goods, or cryptocurrencies. The Global Forum is working to address these challenges by developing a Crypto Asset Reporting Framework (CARF) for automatic exchange of information on crypto currencies. AEOI for real estate transactions is at the discussion stage.

The Unfinished Agenda

The unfinished agenda for transparency and EOI includes expanding country coverage, enhancing member countries' capacity to implement EOIR and AEOI standards, and wider use of exchanged tax information. Further, emerging risks, such as investments in cryptocurrency and real estate by criminals, must also be addressed. Strengthening tax administrations' data processing capabilities is critical for effectively analyzing CRS data and ensuring comprehensive action against IFFs. A coordinated effort involving Global Forum, FATF, EITI, EU and UNCAC state parties is essential to advance transparency in beneficial ownership information. 'A Beneficial Ownership Implementation Toolkit' (Bank G. F.-A., 2019) prepared by the Global Forum provides general principles, in recognition of the fact that there is no one-size-fits-all approach to achieving compliance with the international tax transparency standards. A global oversight mechanism for professional enablers is another key component in combatting IFFs.

4. IFF Risk Assessment

Countries experience varying levels and types of exposure to Illicit Financial Flows (IFFs), differing in magnitude, flow directions, and partner jurisdictions. A crucial first step in addressing IFFs is conducting a risk assessment within a jurisdiction and developing a risk management framework from IFF perspective. This framework should include measures to mitigate or reduce identified risks to an acceptable level. Risk can be understood as a function of three factors: threat, vulnerability, and consequence. A threat refers to individuals, groups, objects, or activities with the potential to harm a jurisdiction's economy, society, or institutions. Vulnerability comprises aspects that can be exploited by the threat, while consequence refers to the impact of IFFs, including their effects on financial systems, institutions, economies, and societies.

Currently, there is no dedicated framework specifically designed to assess illicit financial flow (IFF) risks, though certain frameworks address specific components of IFFs. The FATF 2013 Guidelines (FATF, National Money Laundering and Terrorist Financing Risk Assessments , 2013) for conducting National Money Laundering and Terrorist Financing Risk Assessments (NRAs) could serve as a foundation for developing an IFF risk assessment framework.

Professional Money Launderers:

The FATF 2018 (FATF, Professional Money Laundering, FATF, Paris, France,, 2018) report on Professional Money Laundering highlights the role of professional money launderers (PMLs), who often operate transnationally to exploit vulnerabilities in financial systems. These PMLs facilitate money laundering and other criminal activities for profit, posing significant threats to global financial stability.

Cyber-enabled fraud:

The 2023 joint report (Group, 2023) by FATF, Interpol, and the Egmont Group, Illicit Financial Flows from Cyber-Enabled Fraud, emphasizes the rise of transnational organized crime through Cyber-enabled fraud (CEF). CEF syndicates leverage technological advancements to expedite and obscure the laundering of criminal proceeds. Criminals use diverse techniques, such as cash transactions, trade-based money laundering (TBML), and unlicensed services, to conceal the financial trails of their illicit gains. In fact, CEF syndicates offer these facilities as a composite service. This emerging risk needs to be factored in the IFF risk assessment framework.

Global Organized Crime:

The second edition of the Global Organized Crime Index 2023 underscores that organized crime continues to be a significant challenge worldwide, affecting both developed and developing nations. The Index evaluates all 193 UN Member States based on the scope and scale of criminal activity and their resilience to counteract organized crime. Covering 15 criminal markets and five types of criminal actors, the 2023 Index provides a comprehensive view of the global illicit economy. It includes 12 resilience indicators spanning political, economic, legal, and social dimensions. The findings reveal a widening gap between criminality and resilience, with financial crime emerging as the most pervasive criminal market globally. Furthermore, state actors remain the primary facilitators of illicit economies while also hindering resilience efforts. The proliferation of organized criminal groups is another emerging risk that needs to be factored in the IFF risk assessment framework.

UNODC and other Methodological Guidelines:

Another set of guidelines could be found in UNODC's SOCTA Handbook on serious and organized crime threat assessments. Additionally, the Methodological Guidelines for Measuring Tax and Commercial IFFs (UNCTAD, 2021) include a self-assessment questionnaire (SAQ) to identify stakeholders and select data sources across agencies (Part IV, Chapter 3, Section A). The OECD's report on 'Designing a National Strategy against Tax Crime' (OECD, Designing a National Strategy against Tax Crime, OECD Publishing, 2024) also offers guidance, including a chapter on conducting tax crime risk assessments.

A pilot study conducted by UNCTAD and UNODC applied a multi-agency approach to assess Egypt's vulnerability to the four main categories of IFFs—tax and commercial flows, illegal markets, corruption, and exploitation-type activities (including financing terrorism). This preliminary study, based on a combination of a Self-Assessment Questionnaire (SAQ) and existing research, produced a comprehensive vulnerability assessment report (UNCTAD, IFF Risk Assessment Preliminary Report: Egypt, 2021). The OECD has also developed a toolkit containing self-screening questions to help jurisdictions evaluate their IFF risk exposure (OECD).

World Bank Toolkit:

The World Bank offers a standardized self-assessment toolkit for money laundering risk assessment (Bank W. , Generic National ML/TL Risk Assessment Tool, 2015), widely used by developing countries. While this toolkit includes multiple modules, a tax evasion module was recently added. However, it does not comprehensively cover all IFFs related to money laundering.

The Unfinished Agenda

The unfinished agenda is to design a comprehensive risk assessment framework by consulting multiple frameworks available, with an IFF perspective. Such a framework should be developed collaboratively by FATF, the World Bank, IMF, UNCTAD, UNODC, and OECD by taking cognizance of the operational landscape. It must be flexible enough to account for the varying risk environment, capacities, and resources of developing countries, adhering to the principle that "one size does not fit all." The emphasis needs to be on a more co-ordinated operational focus for risk mitigation at a national level, and the importance of effective information sharing between authorities at an international level.

5. Asset Recovery

Criminals increasingly leverage technology to transfer illicit assets across borders with speed and efficiency. Effective asset recovery not only deters criminal behaviour but also ensures the return of laundered assets to jurisdictions affected by illicit financial flows (IFFs). However, there is no unified framework dedicated exclusively to IFF-related asset recovery.

International efforts to address asset recovery date back to the early 2000s with the adoption of the United Nations Convention against Transnational Organized Crime (UNTOC) and the United Nations Convention against Corruption (UNCAC). UNTOC, introduced in 2000, was the first global legal instrument establishing a framework for the return of financial assets. While it emphasized consideration of asset return to requesting states, it stopped short of making such returns mandatory. In contrast, UNCAC, adopted in 2003, mandated the return of corruption proceeds under Chapter V, requiring ratifying states to establish laws facilitating asset recovery and to return confiscated property seized through convention requests. Two primary obstacles under UNCAC include refusals of mutual legal assistance and difficulties in identifying and verifying the beneficial ownership of assets linked to corruption.

The Stolen Asset Recovery Initiative (StAR) (UNODC W. B.), a joint venture between UNODC and the World Bank, supports countries in seeking legal assistance from other jurisdictions to freeze and repatriate stolen assets. Despite its efforts, the asset recovery process remains lengthy, resource-intensive, and often hindered by significant challenges. Analysis of StAR's database highlights these delays, underscoring the complexities of asset recovery efforts (Diasso, 2022).

Global declarations and initiatives have sought to address these challenges. The 2008 Doha Declaration encouraged international cooperation in recovering stolen assets, while the Addis Ababa Action Agenda linked asset recovery to sustainable development financing. In 2023, the Financial Action Task Force (FATF) updated its international standards (FATF, 2023), introducing enhanced measures for freezing, seizing, and confiscating criminal assets. These reforms emphasize asset recovery as a critical crime prevention strategy and propose the following:

- Prioritizing asset recovery efforts
- Establishing non-conviction-based confiscation regimes
- Implementing extended confiscation mechanisms
- Enabling mutual recognition of court orders across jurisdictions
- Promoting informal international cooperation on asset recovery
- On the regional front, the African Union adopted the Common African Position on Asset Recovery (CAPAR) (www.au.int, 2020)

in 2020. This framework addresses not only corruption proceeds but also the tracing and repatriation of other IFFs held abroad. CAPAR serves as a legal and technical instrument for negotiating the return of Africa's illicitly removed assets.

The Unfinished Agenda

Despite these advancements, a comprehensive global framework addressing IFF-related asset recovery still does not exist. A holistic approach is needed to integrate existing frameworks such as UNCAC, UNTOC, and FATF standards, CAPAR framework, covering all IFF sources and channels. Such a framework should include a robust legal infrastructure, effective organizational structures, mediation mechanisms, and other critical elements for efficient asset recovery. The FACTI Panel (http://factipanel.org, 2021) has proposed a multilateral mediation mechanism to help countries resolve international asset recovery disputes equitably. Recognizing the complex nature of IFFs, a global legal and operational framework is essential with an IFF perspective to secure assets held abroad and leverage them to finance the Sustainable Development Goals (SDGs).

6. Policy Coherence

The Sustainable Development Goals (SDGs) are interconnected and indivisible by design. Progress on addressing illicit financial flows (IFFs) requires policymakers to consider the linkages and critical interactions between target 16.4 and the broader framework of all 17 SDGs and 169 targets. This interconnected approach is often overlooked both by developing and developed countries. The OECD's Framework for Policy Coherence for Sustainable Development: Thematic Module on Illicit Financial Flows (OECD, The Framework for Policy Coherence for Sustainable Development Thematic Module - Illicit Financial Flows, 2016) assists governments in identifying potential conflicts and optimizing synergies in their efforts to combat IFFs. This toolkit provides practical guidelines for mapping out frictions, resolving incompatibilities, and designing policies that harness synergies while avoiding unintended consequences.

Effectively tackling the multifaceted nature of IFFs necessitates a two-pronged strategy for policy alignment:

- *Vertical Coherence*: Aligning domestic policies with international norms and frameworks on transparency, anti-corruption, money laundering, and asset recovery.
- *Horizontal Coherence*: Ensuring coordination across multiple domestic stakeholders, including enforcement agencies, financial regulators, tax and customs administrations, financial institutions, and ministries such as Finance and Foreign Affairs.

Policy coherence is essential to prevent unintended consequences. Yet, many countries have not prioritized this critical aspect. Raising awareness of the need for policy coherence is a first step. Governments must establish institutional mechanisms to clarify roles, foster coordination, and encourage collaboration among agencies to design and implement effective policies.

The Unfinished Agenda

The Unfinished Agenda involves developing a comprehensive handbook to raise awareness about the importance of vertical and horizontal policy coherence. This handbook should include guidelines and global best practices to help countries address these challenges. Ultimately, the effectiveness of countermeasures against IFFs will depend on robust institutional frameworks that ensure coordinated and coherent policymaking.

7. Capacity Building

International organizations have launched numerous initiatives to support developing countries in addressing illicit financial flows (IFFs). These efforts include capacity gap analysis, building statistical capacity, enhancing transparency and exchange of information, conducting risk assessments, offering guidance on asset recovery, providing multilateral training in investigative techniques, and delivering hands-on investigation support tailored to specific needs of a jurisdiction.

One such initiative is Tax Inspectors Without Borders for Criminal Investigation (TIWB-CI), a joint OECD-UNDP technical assistance program lasting 18 to 24 months. This program uses the OECD's Tax Crime Investigation Maturity Model (OECD, Tax Crime Investigation Maturity Model., 2020), a self-assessment diagnostic tool, to identify capacity gaps through workshops involving relevant stakeholders. Based on the findings, targeted action plans are created to strengthen capabilities in specific areas. The model benchmarks jurisdictions against the OECD's Ten Global Principles for Fighting Tax Crime (OECD, Fighting Tax Crime – The Ten Global Principles, Second Edition). Currently operating in 15 jurisdictions, the program provides hands-on guidance from international experts to local investigators, alongside capacity-building efforts in key areas.

The OECD Academy for Tax and Financial Crime Investigation, with its five regional centres, plays a vital role in training enforcement officers from developing countries. Through its multilateral training programs, the academy has equipped over 2300 officers from more than 160 jurisdictions with essential investigative skills to combat IFFs.

The Global Forum has also undertaken significant capacity-building initiatives, particularly in transparency and the exchange of information (EOI) to help developing countries combat IFFs. Additionally, the World Bank assists countries with risk assessments using the FATF's National Risk Assessment (NRA) methodology, while the IMF offers its own unique NRA approach to provide tailored support.

To improve statistical measurement of IFFs, UNCTAD and UNODC collaborate to enhance statistical capabilities in developing countries. Both UNODC and INTERPOL conduct several capacity building programmes to combat transnational crimes. The World Bank (World Bank Group Equitable Growth, 2017)and IMF (IMF, 2024) also conduct several capacity building programmes.

The Stolen Asset Recovery (StAR) Initiative supports developing countries by assisting with the tracing, freezing, confiscating, and recovering of stolen assets. It offers technical assistance, legal advice, and navigation through complex international legal systems. Additionally, StAR conducts capacity-building training for law enforcement, judicial officials, and financial institutions to combat corruption and improve asset recovery.

The Unfinished Agenda

Despite these efforts, the scale and complexity of IFFs demand a significant expansion of capacity-building initiatives in a coordinated manner. Programs like TIWB and the Global Forum need to extend their coverage, ensuring better utilization of exchanged tax information for revenue mobilization and combating non-tax offenses such as money laundering, terrorism financing, corruption, and customs violations. Risk assessments by the World Bank and IMF are also limited in their geographic reach, leaving many countries unsupported.

A critical challenge is the apparent lack of coordination among international organizations, leading to overlaps in efforts. In some cases, multiple agencies operate within the same jurisdiction without sharing information or aligning their strategies. A simple measure, such as creating a consolidated list of agencies providing assistance to a jurisdiction, could improve coordination and efficiency.

To maximize impact, a well-coordinated joint strategy among key organizations—including the OECD, FATF, UNCTAD, UNODC, UNDP, World Bank, IMF, INTERPOL and others—is essential. Establishing a formal coordination mechanism among these entities would significantly enhance the effectiveness of global efforts to combat IFFs.

8. Domestic Inter-agency Collaboration:

Given the complex and widespread nature of illicit financial flows (IFFs), the traditional law enforcement model is no longer sufficient. Due to the interconnectedness of the IFF components, coordinated action among law enforcement agencies is essential for the prevention, detection, investigation, prosecution, and recovery of criminal assets. This coordination must span multiple stages: measuring illicit financial flows, conducting joint risk assessments, developing mitigation strategies, exchanging information, executing joint investigations, and recovering criminal assets. Given its global nature, IFFs also require an additional layer of effective international cooperation.

Oslo Dialogue

The OECD Oslo Dialogue, launched during the first OECD Forum on Tax and Crime in 2011, promoted a whole-of-government (WoG) approach to combating IFFs. The OECD's Tax Crime Investigation Maturity Model (OECD, Tax Crime Investigation Maturity Model., 2020) helps jurisdictions assess their progress in implementing the WoG approach, focusing on Principles 2, 5, 7, 8, and 9 of the Ten Global Principles (OECD, Fighting Tax Crime – The Ten Global Principles, Second Edition). A recent OECD report (OECD, https://www.oecd.org/tax/crime/pilot-inter-agency-trust-maturity-model-and-trust-perception-survey.htm, 2023) on "Enhancing Inter-agency Trust" highlights the mixed success in operationalizing the WoG approach, despite the presence of legal and procedural frameworks. The report reveals an often-overlooked aspect of inter-agency collaboration: the role of trust in ensuring effective cooperation.

Barriers to effective inter-agency coordination

The OECD's Report (OECD, Effective Inter-Agency Co-Operation in Fighting Tax Crimes and Other Financial Crimes - Third Edition, 2017) on Effective Inter-agency Cooperation in Fighting Tax Crimes and Other Financial Crimes has categorised the barriers to effective inter-agency co-operation into three broad groups: legal; operational and political. Legal barriers include specific restrictions and prohibitions which apply to prevent an agency obtaining access to relevant information. Operational barriers include complex or lengthy procedures for obtaining information from another agency, a lack of awareness of the availability of information or other mechanisms for co-operation, or a lack of specialist training which reduces the effectiveness of gateways which do exist. Political barriers include a lack of support for agencies to adopt a whole-of-government approach, or to make the changes required to remove or reduce legal and operational barriers.

To address this, the OECD, in partnership with the South African Revenue Service, developed two new tools: the Inter-agency Trust Maturity Model and the Trust Perception Survey. These tools help jurisdictions assess and improve trust levels among relevant agencies, strengthening their ability to counter IFFs effectively. Assessments using these models offer valuable insights into how strategies can be formulated to improve inter-agency collaboration in the fight against IFFs.

The Unfinished Agenda

The Unfinished Agenda involves ascertaining the status of domestic inter-agency collaboration in various jurisdictions, and paying attention to the issue of trust and perception in shaping the relationships. The self-assessment tools could be deployed to ascertain multiple aspects of domestic inter-agency collaboration and Expert Facilitators could be specifically trained for this purpose. No effective strategy for combatting IFFs can be implemented without collaborative efforts. Every jurisdiction needs to develop a collaboration platform if it does not exist already or strengthen it if such platform already exists.

9. International Cooperation

Taxation and enforcement are sovereign functions of individual nation-states. However, while criminals operate across borders with ease, state authorities are confined to their territorial jurisdictions, limiting their ability to gather information and take action. This necessitates robust international assistance and collaboration. Effective international cooperation is indispensable for combating illicit financial flows (IFFs). Normative international standards provide mechanisms for cooperation through various legal instruments, such as the Global Forum's Exchange of Information (EOI) regime, which serves as a multilateral tool for tax-related cooperation.

The global and interconnected nature of IFFs demands a collective approach among nations to effectively address these challenges. International cooperation is not only vital for all countries but also serves as a critical resilience factor in countering IFFs. According to the Global Organized Crime Index 2023, the international cooperation indicator has a global average score of 5.87, the highest among all resilience indicators. This indicator encompasses both the structures and processes for interaction and policymaking, as well as the practical implementation of cooperative measures. Since organized criminal groups are often deeply involved in IFFs, this indicator can also serve as a proxy for assessing the effectiveness of IFF countermeasures.

The Unfinished Agenda

Despite its importance, several challenges hinder the effectiveness of international cooperation in combating IFFs:

- Cumbersome Mutual Legal Assistance (MLA): The existing MLA processes are often perceived as slow and inefficient.
- Restricted Use of Exchanged Tax Information: Exchanged information is frequently limited to tax purposes, preventing its application to broader non-tax offenses such as money laundering, corruption, or terrorism financing.
- Capacity Constraints in Developing Jurisdictions: Many developing countries lack the institutional and human resource capacity to fully leverage international cooperation mechanisms.
- Inadequate Skillsets: Developing jurisdictions often face a shortage of appropriately skilled professionals to manage the complexities of IFF investigations and international collaboration.

Proposed Actions

To address these concerns, a comprehensive approach is needed with an IFF Perspective:

- Evaluation of Mutual Legal Assistance Mechanisms: Assess and streamline existing MLA processes to improve efficiency and effectiveness.
- Development of New Instruments: Create frameworks that allow for the broader use of exchanged tax information in addressing non-tax offenses.
- Capacity Building in Developing Countries: Enhance institutional capacity and provide specialized training for law enforcement, tax authorities, and other relevant stakeholders.
- Skill Development Programs: Focus on equipping professionals in developing jurisdictions with the technical and legal expertise required to tackle IFFs and engage effectively in international cooperation.
- By addressing these gaps, nations can foster stronger international collaboration, enabling a more effective response to the global challenge of IFFs.
- Recently in an interview, the Executive Director of Cyber and Forensic Services of the IRS Criminal Investigation, has proposed an innovative approach for addressing transnational crime with Enforcement as a Service (EaaS) by leveraging on diverse strengths of multiple national enforcement agencies.

10. Public-Private Partnership (PPP)

A well-structured public-private partnership (PPP) serves as a vital tool in combating illicit financial flows (IFFs) globally. By leveraging the regulatory authority of governments and the innovation, expertise, and resources of the private sector, PPPs can significantly strengthen the detection, prevention, and enforcement of financial crime measures.

The private sector, particularly financial institutions, plays a crucial role in detecting and preventing IFFs. Banks, accounting firms, and other financial service providers are often the first to identify suspicious transactions or irregular financial activities. They are instrumental in implementing know-your-customer (KYC) protocols, conducting due diligence, and reporting potentially illicit activities to regulatory authorities. Additionally, the private sector is well-positioned to trace illicit funds through advanced technologies such as blockchain analysis and artificial intelligence (AI), enhancing the ability to detect and prevent financial crimes.

Public-private partnerships also foster improved international collaboration by establishing standardized practices for financial institutions and regulators. These common frameworks facilitate the tracing of illicit funds across borders and aid in asset recovery efforts.

However, these collaborations present challenges, particularly in sharing sensitive financial data. Concerns about privacy and data protection require clear legal and operational frameworks to ensure individuals' rights are safeguarded. Building and maintaining mutual trust between public and private entities is also critical, though it can be challenging when agencies have differing priorities or mandates. The potential for conflicts of interest must also be carefully managed to prevent private sector interests from overshadowing the public good.

Another concern is the resource disparity between the private and public sectors. With the private sector often possessing greater resources, governments must ensure that power imbalances do not undermine the objectives of the partnership.

The Unfinished Agenda

To maximize the potential of PPPs while addressing their challenges, the following actions are necessary:

- Trust-Building Mechanisms: Develop strategies to build and maintain trust between public and private entities.
- Conflict Resolution Frameworks: Establish mechanisms to address and resolve conflicts of interest effectively.
- Confidentiality and Data Protection Safeguards: Ensure robust legal and operational safeguards to protect sensitive financial data.

- Structured Memorandums of Understanding (MoUs): Draft well-defined MoUs between private and public agencies clarifying roles, responsibilities, and expectations to avoid any potential conflict of interest.

By addressing these issues, PPPs can evolve into more effective and balanced mechanisms for combating IFFs, ensuring both public and private interests align in the pursuit of the greater good.

11. Absence of a Coordination Mechanism: Need for an Inclusive Framework

The global nature of illicit financial flows (IFFs) necessitates a comprehensive global solution, underpinned by a platform for inclusive dialogue and collaboration. However, there is no coordination mechanism currently in place to monitor the IFF space. There is Platform for collaboration on Tax (PCT), a joint initiative of IMF, OECD, World Bank and the United Nations, but its focus is not entirely on IFFs.

Currently, two notable models serve as effective examples: the Inclusive Framework under the Global Forum on Transparency and Exchange of Information for Tax Purposes, and the Inclusive Framework for the BEPS Project. Both frameworks bring together developing and developed countries on equal footing, fostering balanced participation and cooperation. Lessons learnt from these two initiatives could be put to effective use while forming a global coalition of developed and developing countries for combatting IFFs.

In addition to the member countries, the participation of other relevant international organizations & regional tax bodies and civil society, would be critical to ensure a holistic and coordinated approach to tackling IFFs.

Unfinished Agenda

The next step involves designing a robust governance structure with an IFF Perspective to monitor and evaluate the progress of action items outlined in the IFF Interdiction Framework. This monitoring mechanism will ensure accountability and track the effectiveness of collective efforts against IFFs.

12. A Global South Perspective

While much of the analysis in this policy brief has focused on the efforts of international organizations to combat IFFs, their challenges, and unfinished agendas, it is equally important to examine initiatives led by individual countries and regional development agencies. The African Union (AU) and the African Tax Administration Forum (ATAF) offer prime examples of the strides made within the Global South, particularly in Africa, to combat IFFs.

AU's Strategic Plan

The African Union (AU) has demonstrated strong leadership in addressing IFFs, especially following the release of the High-Level Panel Report on Illicit Financial Flows. Key measures include:

- Establishment of a Consortium (2016): A broad coalition of African institutions to oversee and implement the High-Level Panel's recommendations.
- Formation of the IFF Working Group (IWG): A technical body to resolve complex issues related to IFFs.
- Adoption of CAPAR (2020): The Common African Position on Asset Recovery serves as a policy and advocacy tool to help member states identify, repatriate, and effectively manage assets held in foreign jurisdictions. It also aids in negotiating the return of illicitly removed assets.
- Global Advocacy and Engagement: In 2016, under the leadership of Thabo Mbeki, the AU engaged with global stakeholders, including the U.S., to emphasize the need for international cooperation to tackle IFFs.
- Capacity Building: Strengthening institutional and regulatory frameworks in African countries to combat illicit outflows.

13. European Union-Africa Union Summit:

At the 6th European Union-African Union Summit in February 2022, political leaders adopted the Joint Vision for 2030 (6th European Union - African Union Summit: A joint vision for 2030), reaffirming their commitment to collaboratively strengthen strategic capabilities to combat complex and context-specific Illicit Financial Flows (IFFs). In response to this pledge, the European Union and its Member States launched the Team Europe Initiative (TEI) to address IFFs and Transnational Organised Crimes (TOC) in Africa.

A report (Team Europe Initiative to support Africa combat Illicit Financial Flows and Transnational Organised Crimes, 2024) on the initiative highlights that while trade misinvoicing has been identified as the primary driver of Tax-Motivated Illicit Financial Flows (TIFF), efforts to enhance the capacity of customs authorities remain insufficient. Addressing these multifaceted challenges requires a coordinated and comprehensive strategy, involving measures to combat tax evasion, corruption, and money laundering. This includes aligning efforts across various departments and organizations and building a robust justice system to prosecute offenders, freeze illicit assets, and facilitate their return.

However, the implementation of an anti-IFF strategy in Africa faces significant obstacles. These include the lack of an accountable body to coordinate efforts across government organizations with diverse mandates and the political sensitivities surrounding the measurement of IFFs, further complicating progress.

ATAF's Six-Pillar Approach

The African Tax Administration Forum (ATAF) plays a critical role as a regional advisory body, providing a platform for African tax authorities to collaborate, share knowledge, and build capacity to improve tax administration and curb IFFs. In 2021, ATAF introduced a six-pillar strategy to combat IFFs (Six Pillar Approach to Combatting Illicit Financial Flows from Africa, 2021):

- **Cross-border Transactions**: Strengthening risk assessment processes through revised and new legislative frameworks.
- **Transparency and Treaties**: Implementing beneficial ownership standards, establishing voluntary disclosure programs, facilitating information exchange, and promoting ATAF's model tax treaty to enhance transparency and counter tax evasion.
- **Trade and Customs**: Addressing vulnerabilities in trade operations by analyzing trade mis-invoicing and discrepancies linked to IFFs.
- **Data and Statistics**: Gathering and analyzing data from ATAF project implementations to inform policy decisions.
- **Inter-agency Cooperation**: Promoting collaboration between customs and tax departments, and fostering stronger ties between tax administrations and financial institutions, such as banks and financial intelligence units.
- **Exchange of Information Systems**: Developing real-time information-sharing mechanisms with external stakeholders.

Lessons Learnt:

Despite ongoing continental efforts, Africa continues to experience significant outflows of developmental resources, calling for deeper introspection.

The Unfinished Agenda

The 2023 Africa Initiative Report by the Global Forum highlights progress in tax transparency and exchange of information (EOI), but notes persistent disparities. Many nations are underutilizing EOI infrastructure for domestic resource mobilization, underscoring the need for innovative strategies. The report emphasizes the importance of fostering a culture of EOI within African tax authorities and ensuring its integration into tax compliance efforts. While legal frameworks are often updated to meet international obligations, implementation remains a challenge—particularly in verifying beneficial ownership. Several African countries are still in the early stages of their tax transparency journeys and have yet to translate EOI initiatives into tangible revenue gains.

Similarly, the OECD's report, Assessing Tax Compliance and Illicit Financial Flows in South Africa, advocates for enhanced inter-agency collaboration and improved data processing capacity to effectively combat illicit financial flows (IFFs).

However, a key obstacle to implementing anti-IFF strategies lies in the absence of a central, accountable body to coordinate efforts among government organizations with varied mandates. This lack of coordination, coupled with the complexity of measuring IFFs, further complicates progress in addressing these challenges across the continent.

III. The Suggested Way Forward

A Comprehensive IFF Interdiction Framework (IFFIF): A Blueprint for Global Action

The discussions in the previous section underscore a crucial reality: despite massive global efforts by multiple stakeholders, in the absence of a unified IFF perspective and a coordinated mechanism, even the significant initiatives have remained in silos, rendering them less effective. To address these shortcomings, a Comprehensive IFF Interdiction Framework (IFFIF) needs to be developed to guide future actions of all the stakeholders and foster global collaboration.

Multiple dimensions of IFFs covering measurement, risk assessment, transparency & Exchange of Information, asset recovery, policy coherence, capacity building, domestic inter-agency collaboration, international co-operation, public-private partnership, global coordination mechanism, are interrelated and hence need to be addressed in a coordinated manner under a comprehensive package. Such a comprehensive approach, globally supported by both developed and developing countries, would draw on the tremendous ground work already done by the multiple stakeholders under a unified approach, yet with sufficient manoeuvrability to meet the unique challenges of each jurisdiction.

The Interdiction framework aims to integrate the efforts across all the stakeholders and dimensions. The Unfinished Agenda across ten critical dimensions of IFFs, outlined earlier, would form the foundation for this framework. Effective collaboration across all the stakeholders is the key to the success of the IFFIF as demonstrated by the ancient Indian fable of the Elephant and the Blind Men. The immediate first step is to list out the current initiatives by each of the stakeholders and share with other stakeholders working on the same initiatives in the same geographical jurisdictions.

Key Features of the IFF Interdiction Framework (IFFIF)

To align with the Sustainable Development Goals (SDGs), the IFFIF proposes a blueprint for a medium-term global action plan for 2025–2030, with actionable steps designed to make measurable progress, culminating in a review of outcomes in 2031. A Global Coalition with UN member countries from the Global North and the South, in partnership with the International and Regional Organizations, would firm up the proposal through a consultative process on equal footing.

The Think 20 of the South African Presidency can refine this blueprint and the African Union on behalf of the Global South can present it to the G20 Leadership for endorsement during the South African Presidency. The G20/OECD BEPS project can guide the preparation of the IFFIF proposal. The upcoming Fourth International Conference on Financing for Development in June 2025 would be another important forum to present the proposed IFF Interdiction Framework.

A summary of the key features:

- Timeframe: A medium-term plan spanning 2025–2030
- Action-Oriented: Ten action items addressing ten critical dimensions of IFFs, to be implemented in phases
- Targeted Implementation: Small, specialized stakeholder groups with expertise in specific IFF dimensions will develop and execute action plans over five years under the guidance of the global coalition

- Concrete Outputs: Each action item will deliver measurable and tangible results within specific time frame
- Outcome Review: A comprehensive evaluation of progress will take place in 2031

Action Plan for the Ten Dimensions of IFFs

Action 1: Accelerate Measurement of IFFs

Lead Stakeholders: UNCTAD, UNODC, WCO with potential collaboration from other regional agencies.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Develop a comprehensive strategy and action plan for extensive country coverage.
- Conduct a preliminary survey to identify stakeholders and data sources.
- Build statistical capacity based on data availability.
- Engage inter-agency teams for capacity building and collaboration.

Concrete Outputs:

- Comprehensive strategy and action plan for country coverage by September 2026.
- Standardized survey questionnaire for stakeholder identification by September 2026.
- Updated measurement methodologies by September 2026.

Action 2: Broaden Country Coverage of Transparency and Exchange of Information (EOI)

Lead Stakeholders: OECD, FATF, EITI. EU, UNCAC

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Developing a blueprint for enhancing beneficial ownership information.
- Expand participation and compliance in EOI mechanisms.
- Strengthen data processing capabilities to improve compliance.

Concrete Outputs:

- Action plan for extending country coverage by September 2026.
- Action plan for enhancing beneficial ownership transparency by September 2026.
- Capacity-building strategy by September 2026.

Action 3: Develop an IFF Risk Assessment Framework

Lead Stakeholders: FATF, UNODC, World Bank, OECD

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Create a standardized IFF Risk Assessment Framework.
- Plan and conduct risk assessments across multiple jurisdictions.
- Coordinate with capacity-building programs like TIWB.

Concrete Outputs:

- IFF Risk Assessment Framework by September 2026.
- Action plan for risk assessments by September 2026.

Action 4: Make a Concrete Plan on Asset Recovery

- Lead Stakeholders: FATF, World Bank, UNCAC, UNODC.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Develop a framework addressing non-conviction-based confiscation, extended confiscation mechanisms, mutual recognition of court orders, and best practices for asset return.

Concrete Outputs:

- Asset Recovery Framework by September 2026.
- Guidance for accelerating asset recovery by September 2026.

Action 5: Create Awareness on Policy Coherence

- Lead Stakeholders: OECD, World Bank, IMF.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Develop a handbook to raise awareness of vertical and horizontal policy coherence.
- Leverage capacity-building agencies to disseminate the handbook.

Concrete Outputs:

- Policy Coherence Awareness Handbook by September 2026.

Action 6: Develop a Concrete Plan on Capacity Building

- Lead Stakeholders: World Bank, OECD, IMF, UNDP, FATF, UNODC, UNCTAD, INTERPOL.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Coordinate global capacity-building efforts.

- Extend country coverage for capacity gap analysis using OECD's Tax Crime Investigation Maturity Model.
- Train expert facilitators for gap analysis and action plan development.

Concrete Outputs:

- Coordinated capacity-building strategy by September 2026.
- Action plan for extending capacity gap analysis by September 2026.

Action 7: Enhance Domestic Inter-Agency Collaboration

- Lead Stakeholders: OECD, World Bank, FATF, IMF, UNODC, UNCTAD.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Conduct self-assessments of inter-agency trust and collaboration.
- Develop action plans using OECD's Trust Maturity Model and perception surveys.

Concrete Outputs:

- Action plans to strengthen inter-agency trust and collaboration by September 2026.

Action 8: Foster International Cooperation

- Lead Stakeholders: OECD, FATF, World Bank, IMF, UNODC, UNCTAD, UNCAC.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Evaluate challenges in Mutual Legal Assistance (MLA) processes.
- Identify capacity constraints and skill gaps in developing jurisdictions.
- Develop mechanisms to enhance the use of exchanged tax information.

Concrete Outputs:

- Review report on challenges faced by developing jurisdictions by September 2026.
- Progress report on the use of exchanged tax information by September 2026.

Action 9: Strengthen Public-Private Partnerships

Lead Stakeholders: FATF, OECD, World Bank, IMF.

Initiatives:

- List out the current initiatives of the relevant stakeholders and prepare a consolidated list
- Develop structured Memorandums of Understanding (MoUs) for public-private collaboration.
- Address confidentiality, trust, and data protection concerns.
- Compile global best practices.

Concrete Outputs:

- Structured MoUs by September 2026.
- Best practices compilation by September 2026.
- Guidance for strengthening public-private partnerships by September 2026.

Action 10: Develop a Global Coordination Mechanism

Lead Stakeholders: OECD, World Bank, IMF, UNODC, UNCTAD.

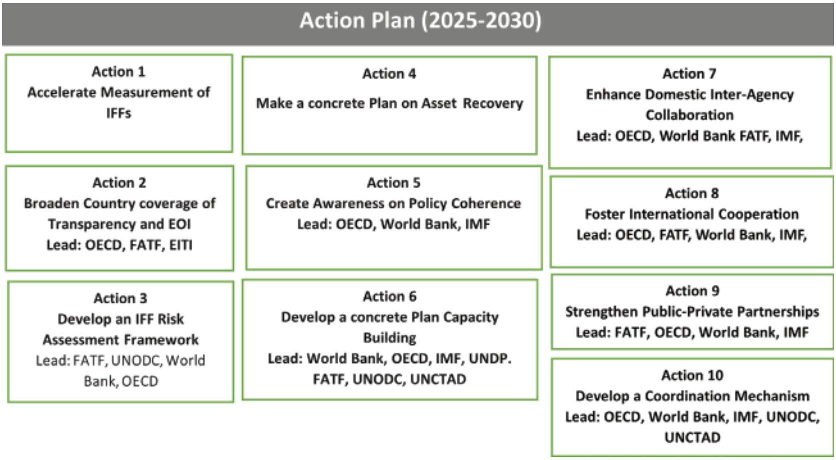
Initiatives:

- Design a robust coordination framework with monitoring mechanisms and governing structures.
- Create an inclusive framework for decision-making between developed and developing nations on an equal footing.

Concrete Outputs:

- Comprehensive coordination mechanism within an inclusive framework by September 2026.

A thematic representation of the action groups is presented below:



Illicit Financial Flows Interdiction Framework (IFFIF)

The IFFIF serves as a blueprint to initiate global discussions & collaborative actions and supplements the BEPS Framework to combat IFFs comprehensively. The small stakeholder groups can deliberate on assigned action items in the first year and come up with concrete proposals by September 2026 after developing a consolidated list of initiative by all the relevant stakeholders and available tools, to be placed before the G20 leadership during the US Presidency. Equipped with all the transformative action plan proposals, actual implementation can start in 2027 after forming a Global Coalition in 2027. The focus needs to shift from merely tracking IFFs to halting their flow, recovering lost assets, and channelling them toward financing the SDGs, to demonstrate visible progress towards achievement of the target 16.4 of SDGS 2030.

A compelling global narrative needs to be built to emphasize that IFF is a shared global issue and central to the development finance debate, especially in the context of achieving the SDGs. All preparatory work needs to commence immediately to ensure a well-structured proposal is discussed in the Fourth International Conference on Financing for Development in June 2025 before the proposal goes for endorsement by the G20 leadership during the South African Presidency.

References

(2015). *Report of the High Level Panel on Illicit Financial Flows from Africa.*

(2015). *69/313 Addis Ababa Action Agenda of the Third International Conference on Financing for Development*. United Nations.

(2016, September 4-5). *G20 Leaders' Communique Hangzhou Summit*. Hangzhou.

(2020). Retrieved from www.au.int: https://au.int/sites/default/files/documents/42297-doc-COMMON-AFRICAN-POSITION-ON-ASSEST-RECOVERY-ENGLISH-NEWLY-PROOFREAD-1.pdf

(2021). Retrieved from http://factipanel.org: https://factipanel.org/docpdfs/FACTI_Panel_Report.pdf

(2021). *Six Pillar Approach to Combatting Illicit Financial Flows from Africa*. ATAF Communication.

6th European Union - African Union Summit: A joint vision for 2030. (n.d.). Press Release.

Bank, G. F.-A. (2019). *A Beneficial Ownership Implementation Toolkit.* OECD & IDB.

Bank, W. (2015). *Generic National ML/TL Risk Assessment Tool.* World Bank.

Bank, W. (2023). *International Debt Report.* World Bank.

Diasso, A. M. (2022). *Illicit Financial Flows and Stolen Asset Recovery: The Global North Must Act.* South Centre.

EITI. (2023). *2023 EITI Standards Parts 1,2,3.* EITI.

FATF. (2013). *National Money Laundering and Terrorist Financing Risk Assessments* . FATF.

FATF. (2018). *Professional Money Laundering, FATF, Paris, France,*. FATF.

FATF. (2023). Retrieved from http://www.fatf-gafi.org/publications/FATFrecommendations/guidance-beneficial-ownership-legal-persons.html

FATF. (2023). Retrieved from https://www.fatf-gafi.org/en/publications/Fatfrecommendations/amendment-FATF-standards-global-asset-recovery.html

Forum, W. E. (2024). *Global Risk Report 2024.* World Economic Forum.

G20. (2009). *G20 Pittsburgh Summit Commitments* . Pittsburgh: G20 Research Group & University of Toronto.

Global Forum, O. (2024 Asia Initiative). *Tax Transparency in Asia 2024 Asia Initiative Progress Report.* OECD.

Global Forum, O. (2024). *Tax Transparency in Africa 2024 Africa Initiative Progress Report.* OECD.

Global Forum, O. (2024). *Tax Transparency in Latin America* . OECD.

(2023). *Global Organized Crime Index 2023.* Global Initiative Against Transnational Organized Crime.

Group, F. –I.-E. (2023). *FATF – Interpol - Egmont Group (2023), Illicit Financial Flows from Cyber-Enabled Fraud, FATF, Paris, France,.* Retrieved from https://www.fatf-gafi.org: https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Illicit-financial-flows-cyber-enabled-fraud.pdf.coredownload.inline.pdf

https://press.un.org/en/2023/sgsm21876.doc.htm. (2023, July 17). Retrieved from press.un.org: http://press.un.org

IMF. (2024). *Resilience in the Face of Change - IMF Annual Report* . IMF.

Integrity, G. F. (2021). *rade-Related Illicit Financial Flows in 134 Developing Countries 2009-2018.* Global Financial Integrity.

OECD. (n.d.). Retrieved from https://web-archive.oecd.org/2016-09-22/411496-ONLINE_Toolkit_IFFs%20(7).pdf

OECD. (n.d.). Retrieved from https://doi.org/10.1787/006a6512-en.

OECD. (2016). *The Framework for Policy Coherence for Sustainable Development Thematic Module - Illicit Financial Flows.* OECD.

OECD. (2017). Retrieved from https://doi.org/10.1787/af874d4a-en.

OECD. (2020). Retrieved from http://www.oecd.org: http://www.oecd.org/tax/crime/tax-crime-investigation-maturity-model.htm

OECD. (2021). *Ending the Shell Game.*)ECD.

OECD. (2022). *Assessing Tax Compliance and Illicit Financial Flows in South Africa, OECD Publishing, Paris,.* Retrieved from https://doi.org/10.1787/e8c9ff5b-en

OECD. (2023). *https://www.oecd.org/tax/crime/pilot-inter-agency-trust-maturity-model-and-trust-perception-survey.htm.* Retrieved from www.oecd.org: https://www.oecd.org/tax/crime/pilot-inter-agency-trust-maturity-model-and-trust-perception-survey.htm

OECD. (2024). *Designing a National Strategy against Tax Crime, OECD Publishing.* Retrieved from ttps://doi.org/10.1787/0e451c90-en.

OECD. (n.d.). *http://dx.doi.org/10.1787/9789264202719-en.*

Organization, W. C. (2018). *Illicit Financial Flows via Trade MIs-invoicing* . World Customs Organization .

(2024). *Privacy-Washing & Beneficial Ownership Transparency.* : Tax Justice Network.

(2023). *Progress Report.* EITI.

Saxe, J. G. (n.d.). *https://allpoetry.com/The-Blind-Man-And-The-Elephant*. Retrieved from http://allpoetry.com.

(2024). *Team Europe Initiative to support Africa combat Illicit Financial Flows and Transnational Organised Crimes.* European Union.

UNCTAD. (2021). *IFF Risk Assessment Preliminary Report: Egypt.* UNCTAD.

UNCTAD. (2021). *Methodological guidelines to measure tax and commercial illicit financial flows - Methods for pilot testing.* UNCTAD.

UNDSEA. (2008). *Doha Declaration on Financing of Development.* Doha: United Nations.

UNODC. (2023). *Crime-related Illicit Financial Flows: Latest Progress.* UNODC.

UNODC. (n.d.). *Colombia: Cocaine Trafficking and Illegal Gold Mining.pdf.* UNODC.

UNODC. (n.d.). *Ecuador: Illicit Financial Flows from Smuggling of Migrants. pdf.* UNODC.

UNODC. (n.d.). *Mexico: Illicit Financial Flows from Smuggling of Migrants.* UNODC.

UNODC, U. &. (2020, October). *Conceptual Framework for the Statistical Measurement of Illicit Financial Flows.* UNCTAD & UNODC.

UNODC, W. B. (n.d.). *Stolen Asset Recovery Initiative.* World Bank.

World Bank Group Equitable Growth, F. a. (2017). *Domestic Resource Mobilization (DRM) and Illicit Financial Flows - Board Update.* World Bank Group.

RIS Discussion Papers

Available at: http://www.ris.org.in/dicussion-paper

DP#300-2024 *Assessing Performance and Productivity of Major Ports of India* by Prabir De and Arpit Barman

DP#299-2024 *Cooperation in International Taxation: Two-Pillar Solution in BRICS Countries* by Priyadarshi Dash and Arpit Barman

DP#298-2024 *Insolvency Laws and International Trade: A Perspective* by Amol Baxi

DP#298-2024 *Insolvency Laws and International Trade: A Perspective* by Amol Baxi

DP#297-2024 *Sittwe in Myanmar: Partnering for Clean and Green Energy* by Sujeet Samaddar

DP#296-2024 *AI Ethics for the Global South: Perspectives, Practicalities, and India's role* by Anupama Vijayakumar

DP#295-2024 *Seafarer's Well Being and Mitigation of Challenges in the Ecosystem* by Chander Shekhar

DP#294-2024 *India's Experience in Insolvency Laws: Learnings for the Global South* by Amol Baxi

DP#293-2024 *Equitable Development Transformation with Technology: Relevance of the Indian Experience for Global South* by Sachin Chaturvedi

DP#292-2024 *Trade and Environment: Tracking Environmental Provisions in Regional Trading Agreements (RTAs) to Make Appropriate Indian Stance* By Anshuman Gupta

DP#291-2024 *India's G20 Presidency as a Voice of Global South* by Sushil Kumar

DP#290-2024 *Analyzing India-Nepal Economic Integration: Status,Challenges and Way Forward* by Pankaj Vashisht

DP#289-2024 *SDG Gaps and Technology Needs in Developing Countries: Scope for Locally Agile Technology Ecosystems* by Sabyasachi Saha

RIS A Think-Tank of Developing Countries

Research and Information System for Developing Countries (RIS) is a New Delhi-based autonomous policy research institute that specialises in issues related to international economic development, trade, investment and technology. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on global and regional economic issues.

The focus of the work programme of RIS is to promote South-South Cooperation and collaborate with developing countries in multilateral negotiations in various forums. RIS is engaged across inter-governmental processes of several regional economic cooperation initiatives. Through its intensive network of think tanks, RIS seeks to strengthen policy coherence on international economic issues and the development partnership canvas.

For more information about RIS and its work programme, please visit its website: www.ris.org.in

Research shaping the development agenda

RIS@40

RIS
Research and Information System for Developing Countries
विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003 India., Tel. 91-11-24682177-80
Fax: 91-11-24682173-74, Email: dgoffice@ris.org.in
Website: http://www.ris.org.in