

Shaping Universal, Measurable and Achievable Targets for Reducing Illicit Financial Flows in the Post-2015 Agenda

Data, Momentum, Opportunity

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UN Open Working Group's SDG Language:

16.4 - by 2030 *significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime*

GFI's SDG/FfD Proposal:

16.4 **Reduce illicit financial flows resulting from trade misinvoicing by 50%**

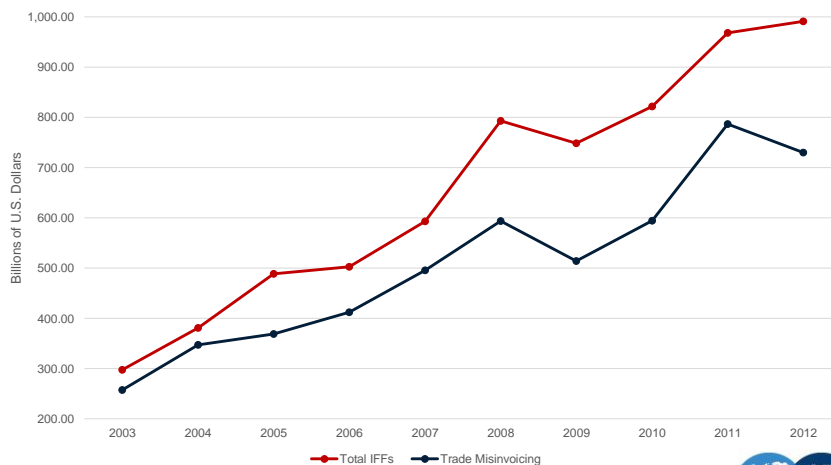


Data

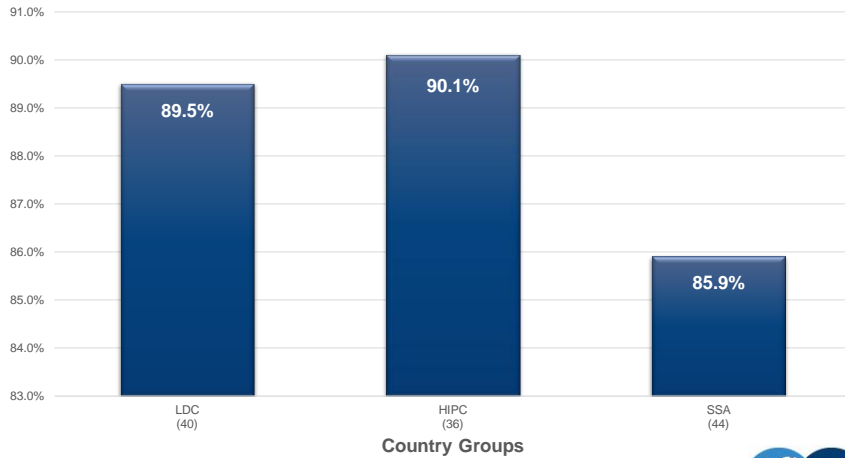
- IFF levels rising about 9% per year
- ~80% of IFFs are moved using trade misinvoicing
- Data used is from IMF/governments
- Methodology developed by Bhagwati (1964) and adopted by Nayak (1977), de Wulf (1984) and others



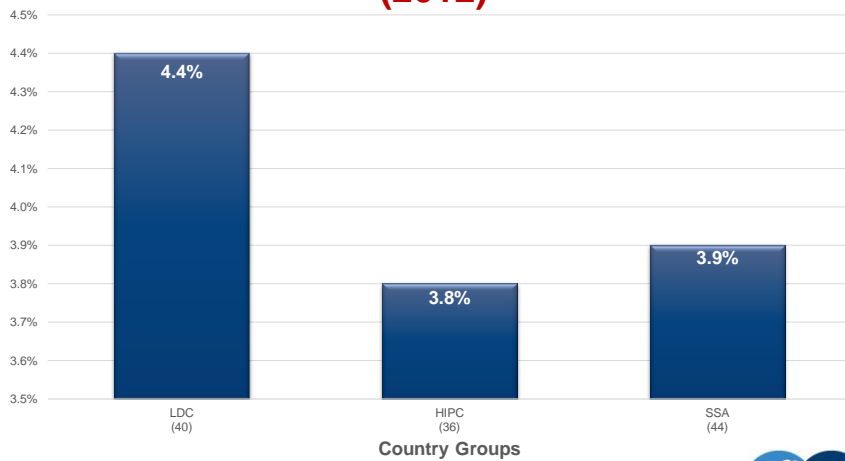
All Illicit Flows & Flows Transferred by Trade Misinvoicing (2003 - 2012)



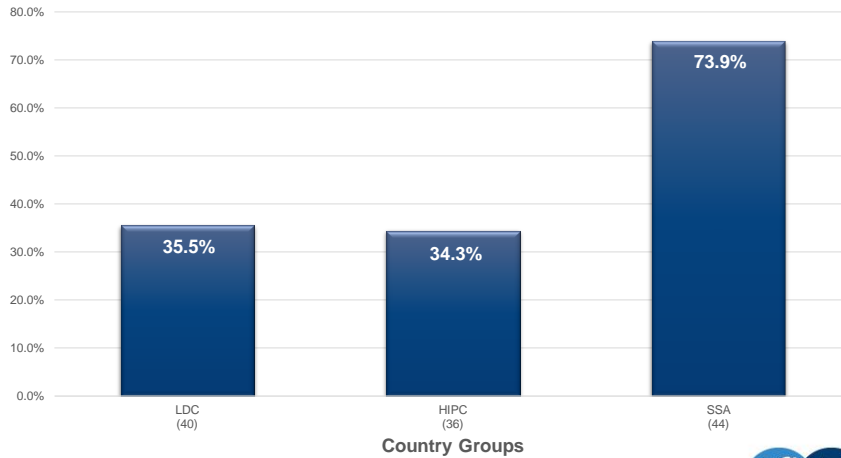
Trade Misinvoicing as Percentage of all IFFs (2012)



IFFs Transferred by Trade Misinvoicing as percentage of GDP (2012)



IFFs Transferred by Trade Misinvoicing as percentage of ODA + FDI (2012)



GLOBAL FINANCIAL INTEGRITY

Political Momentum

- **African Union** – “It is imperative to curtail” IFFs
- **OECD** – “The most immediate impact of IFF’s . . . [is] fewer hospitals and schools, fewer police officers. . . .”
- **UN** – “Domestic resource mobilization is being severely undermined by illicit financial flows.”
- **World Bank** – “There is little doubt [IFFs] have a pernicious impact on development.”
- **UNECA** – “Curtailed of Illicit Financial Flows” is important for domestic resource mobilization.



GLOBAL FINANCIAL INTEGRITY

Implementation

- Not technically difficult – trade databases commercially available
- Customs will be able to identify, investigate, interdict IFFs
- Low cost - ~\$2 million per country to equip and train customs departments
- High benefit to cost ratio
- Progress easily monitored



Final Points

- Target - universal, measurable, achievable
- “Fit-for-purpose” re: DRM
- Mobilization = Identify + Capture
- Customs departments are last line of defense
- Low cost; easily monitored
- Bangladesh has endorsed GFI target





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