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

Data, Momentum, Opportunity

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December 17, 2014
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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)

<table>
<thead>
<tr>
<th>Country Groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDC (40)</td>
<td>89.5%</td>
</tr>
<tr>
<td>HIPC (36)</td>
<td>90.1%</td>
</tr>
<tr>
<td>SSA (44)</td>
<td>85.9%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country Groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDC (40)</td>
<td>4.4%</td>
</tr>
<tr>
<td>HIPC (36)</td>
<td>3.8%</td>
</tr>
<tr>
<td>SSA (44)</td>
<td>3.9%</td>
</tr>
</tbody>
</table>
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** – “Curtailment of Illicit Financial Flows” is important for domestic resource mobilization.
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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