

DEBT CRISIS & ILLICIT FINANCIAL FLOWS

Does **Our Common Agenda** advance solutions?

In This Issue

African countries express concerns on damaging effects of IFFs

CSOs question many proposals in the S-G's flagship report - **Our Common Agenda** - and its central concept of networked multilateralism.

Resources/Links

S-G's report on **Our Common Agenda**:
<https://www.un.org/en/content/common-agenda-report/>

PGA's letter on **Our Common Agenda**:
<https://www.un.org/pga/76/2021/12/23/letter-from-the-president-of-the-general-assembly-oca/>

Video link for 2nd thematic cluster of **Our Common Agenda** on "Accelerating the SDGs through sustainable financing and building trust":
<https://media.un.org/en/asset/k13/k13c7zfidf>

Definition of Illicit Financial Flows (IFFs)

Defined as the transferred monies that are earned, transferred or utilized through illicit means, into or out of a country. They include legally earned value, money and monetized instruments that are transferred illicitly or value, money and monetized instruments that are acquired through illegal activities, such as the proceeds of crimes, including corruption and tax evasion. They can also capture tax avoidance and trade mis-invoicing. Although the UN Economic Commission for Africa, UNDP, Global Financial Integrity and others have produced global country-by-country estimates for losses due to illicit financial flows, more work on methodologies would be required.

S-G's Proposal for Biennial Summit

- S-G proposes "Biennial Summits between the G20, the Economic and Social Council, and the heads of International Financing Institutions, at the level of Head of State or government. This is to strengthen the role of the United Nations as the main pillar of the multilateral system.
- These Summits will align global financial decision-making around the 2030 Agenda, and tackle questions of financing for sustainable growth, poverty reduction and resilience – key aims not just of SDG 17 on partnerships, but of all the SDGs that require increased investment, and of the Addis Ababa Action Agenda".

Mali/African Group emphasizes asset recovery as key goal of work on IFFs

- **On Tax:** The African Group takes note of establishing an international tax structure; to be "based on consultation with all Member States of the United Nations rather than a limited number of countries (G20)".
- **On Corruption/IFFs:** The African Group recommends "that any work on illicit financial flows should address the legal, political and practical obstacles facing timely and efficient asset recovery", not just transparency in international financial flows.
- **On Biennial Summit:** The African Group expressed concern about the non-inclusivity of the Summit which would "defeat the very purpose of inclusivity and listening to all Member States".
- **On Green Protectionism:** The African Group "believes that it is too early to make interlinkages between international trade and sustainable economies, especially where developing countries are involved. Most developing countries still lack resources and knowledge necessary for transition to sustainable economies at the current stage, and would therefore be significantly affected

negatively if this linkage is applied in international trade systems".

IFFs are being used to wage wars and destabilize Africa - Ethiopia

- **On Corruption/IFFs:** Ethiopia reminds that US\$ 1 trillion has been lost over 50 years to illicit financial flows and this exceeds the development assistance Africa received in that period. "The finance is being used to wage war and destabilize Africa".
- **On Biennial Summit:** Ethiopia echoes South Africa's sentiments; requests "Secretary-General to involve the General Assembly and the ECOSOC as primary participants in the summit".
- **On Rule of Law:** Suggests having instructions for conduct instead of 'rule of law'. "Adherence to international laws is what economically and militarily weaker states do. Unilateral coercive measures are used in contravention with the widely agreed on norms".
- **On Listening and Inclusion:** "Need to adopt non-prescriptive methods for national affairs of states. The listening exercise by the UN must focus on the work of the organization and its impact".

Morocco/Arab Group calls for reforms in tax structure, closing corruption loopholes, raises doubts on Biennial Summit

- **On Tax:** "The idea of reforming an international tax structure to respond to the realities of the growth of international trade, cross-border investment and the digital economy, and the establishment of an international mechanism for this purpose, must be based on consultation with all UN Member States and not on the basis of a mechanism prepared within the framework of a limited number of countries".
- **On Corruption/IFFs:** Morocco on behalf of the Arab Group points to the "Global Anti-Corruption Network" under the auspices of the United Nations Office on Drugs and Crime as a tool to combat corruption. Wants loopholes in money

recovery to be addressed given the "growth in international trade, cross-border investments and the digital economy".

- **On Biennial Summit:** Seeks clarity on the establishment of an Economic Security Council and stresses that this summit be inclusive.

Agenda of action must be based on the Rio Principles of Equity and Common but Differentiated Responsibility (CBDR), including the implementation of Addis Ababa Action Agenda

-SOUTH AFRICA

South Africa calls for substantial reforms in finance

- **On Tax:** "Believe that there should be an international tax treaty based at the UN...reiterate our support for the work of the FACTI Panel and remain in agreement with most of its recommendations".
- **On Debt:** South Africa calls for massive increase in finance: "Finance needs to be predictable and appropriate to allow developing countries to implement their development plans and to avoid exacerbating the debt crisis".
- **On Non-GDP Metrics:** South Africa suggests alternatives in the form of "the human development index, the inclusive wealth index, the Genuine Progress Indicator, the multidimensional poverty index, and the inequality-adjusted human development index".
- **On Biennial Summit:** Believes UN should "remain the center of global economic policy making". South Africa believes in creating an "international treaty based at the UN as it would cover all countries", to reduce extreme inequalities in wealth.

CSOs for FfD: need to shift the center of economic governance in favour of UN centered processes

- “...need a new UN tax convention, **new multilateral legal frameworks** to address debt crisis, regulation of credit rating agencies, the need to really initiate a process of regulation of asset management agencies, discussion on new trade regimes that are able to tackle commodity dependence and IP regimes”.
- **On Debt:** Issue of financing is primarily a governance issue. “Reality is we continue to be confronted with outflows from the South to the North...on one hand we have theatrical discussions at the UN (about multi-stakeholderism) but the decisions are dominated within the traditional developed country dominated institutions and consolidating existing frameworks that have not worked. Many proposals under the Common Agenda will deepen and institutionalize this approach”.
- **On Biennial Summit:** In a [letter](#) to Member States, the Civil Society Financing for Development Group raises concern of the Summit being redundant and undermining the existing FfD process. Finds it “unacceptable for the United Nations to promote structures that privilege an exclusive group of Member States (such as the G20), instead of reaffirming existing universal inclusive processes”.

Support for multilateral negotiations at UN to address loopholes in tax transactions

The Arab Group ✓
 Canada/ Australia, New Zealand and Canada
 Like-Minded Group of Countries Supporters of
 Middle-Income Countries ✓
 The EU ✓
 The African Group ✓
 Egypt ✓
 Poland ✓
 Liechtenstein ✓

Plenary Segment- MS Statements 2022

14 February,
2022[Morocco/ Arab Group](#)[Canada/ Canada, Australia and New Zealand \(CANZ\)](#)[Colombia/ Like-Minded Group of Countries Supporters of Middle-Income Countries](#)[European Union](#)[Botswana/ Landlocked Developing Countries](#)[Mali/ African Group](#)[Jamaica/ Caribbean Community \(CARICOM\)](#)[Egypt](#)[Poland](#)[Syrian Arab Republic](#)[South Africa](#)[Nepal](#)[Ecuador](#)[Jordan](#)[Ethiopia](#)[Cuba](#)[Liechtenstein](#)[Seychelles](#)[Japan](#)[Singapore](#)[Philippines](#)[Thailand](#)[Bolivia \(Plurinational State of\)](#)[Nicaragua](#)[Senegal](#)

Botswana/LLDCs urge for shared tax revenues from digital MNEs with users in the LLDC

- **On Tax:** To address the endemic tax evasion and aggressive tax avoidance, the LLDCs “urge that mechanisms be developed to share tax revenues fairly from digital Multinational Enterprises (MNEs) that have users in developing economies, including LLDCs, despite not being based there”.
- **On Debt:** Calls for “special recognition to the financing needs of vulnerable economies, including LLDCs, whose challenges have been further amplified by the COVID-19 pandemic”.
- **On Listening and Inclusion:** Countries may feel the risk of being left behind due to “geography, dispersed populations and weak digital infrastructure”; urges the Secretary-General to consider “assistance towards the development of digital infrastructure”.
- **On Non-GDP Metrics:** “It is crucial that any such complement indicators capture their disadvantages due to the geography, disproportionate trade and transit costs and vulnerability to crises”.

Senegal offers a clear vision for a new international economic and financial system

- **On Tax:** Calls out the lack of a tax treaty with universal vocation and suggests: “First, international cooperation in tax matters (taxation of the digital economy, financial information and information exchange production and publication of data) and dispute resolution (international tax disputes, non-judicial resolutions, compensation abroad, confiscation, restitution and disposal of assets, etc.). Second, support for regional initiatives such as the Common African Position on Asset Recovery (CAPAR), adopted at the 33rd African Union Summit, and the African Legal Support Facility (ALSF), under the aegis of the African Development Bank (ADB)”.
- **On Debt:** “First, it is necessary to revise the cumbersome and rigid rules and procedures

which hinder the access of developing countries to capital markets at sustainable costs, consistent long-term loans and affordable conditions, for the funding for their development. Then, it is imperative to revise downwards the too high interest rates, because of an inequitable system of evaluation of the risk of investment in the developing countries, particularly in Africa where the insurance premiums are more expensive and hamper the competitiveness of its economies”.

- **On Biennial Summit:** “OECD takes an active part in this (Biennial) meeting because some of its rules, in particular those related to the conditions for granting export credits, deserve to be corrected. We cannot apply the same standards to everyone”.
- **On Non-GDP Metrics:** Supports non-GDP metrics “The debt architecture reveals glaring inequity. For example, in West Africa Economic and Monetary Union countries, the debt ceiling is set at 70% of GDP and the budget deficit threshold not to be exceeded at 3%. However, the GDP in these countries does not really reflect the structural transformation of the economy and the substantial change in the lives of their peoples. This is why supplementing it with new indicators, in particular the well-being and the sustainability of the planet, is an excellent initiative”.

Jamaica/ CARICOM calls for reforms but cautions against biases

- **On Tax:** Supports reformed international taxation because “decisions taken by the few have caused enormous harm to many small island developing states like ours”.
- **On Corruption/IFFs:** Wants to continue fighting against money laundering and IFFs but “cannot support actions such as “de-risking” and blacklists, which imperil economies and livelihoods in well-regulated jurisdictions like those of CARICOM countries. We urge, therefore, that any action in this area be genuinely inclusive and ensure that the interests of all are taken into account”.
- **On Non-GDP Metrics:** “GDP per capita tool is an outdated measure of developmental success and

in many cases, that it masks several underlying conditions including fragility and vulnerability and therefore misrepresents the actual reality on the ground faced by small island developing states". Emphasizes the importance of MVI.

- **On proposed Biennial Summit:** Constant dialogue needed but cautions "against creating yet another process or forum from which key stakeholders are excluded, including those directly affected".

OUR COMMON AGENDA

Agenda of action designed to accelerate the implementation of existing agreements, including the Sustainable Development Goals". The report includes S-G's key proposals across the 12 commitments from the Declaration on the Commemoration of the 75th anniversary of the United Nations as well as proposed key moments. This report was in response to a request from UN Member States for a report-back with recommendations on how to move forward on current challenges". - [Women's Major Group](#)

Per President of General Assembly's [letter on OCA](#)

1. Accelerating and scaling up the SDGs, leaving no-one behind

Covers inter alia [proposals in chapters II and III of Our Common Agenda report, including] paragraphs 19 (social contract), 28 (fund for social protection), 29 (informal economy), 30 (World Social Summit), 31 (transformative gender measures), 32 (CSW), 34 (human rights mechanisms), 36 (legal identity), 46 (youth in politics), 47 (youth office, youth engagement), 49 (education summit), 51 (job creation), 80 (just transition) and 112 (UN Development System).

2. Accelerating the SDGs through sustainable financing and building trust

Covers inter alia [proposals in chapters II and III of Our Common Agenda report, including] paragraphs 21 (listening exercises), 23 (rule of law), 25 (tax and illicit financial flows), 26 (public information code of conduct), 35 (disinformation), 38 (GDP);73 (global economy, biennial G20-ECOSOC-SG-IFI summit), 74 (fairer trading system), 75 (financial integrity), 76 (sustainable business models) and 124 (UN budget).

3. Frameworks for a peaceful world – promoting peace, international law and digital cooperation

Covers inter alia proposals in chapter IV of Our Common Agenda report, including paragraphs 89 (new agenda for peace), 91 (outer space), 93 (digital compact) and 127 (intergovernmental organs); [23] (rule of law), [34], (human rights mechanisms, Universal Periodic Review), 35 (application of human rights to frontier issues), [36] (legal identity), 96 (international law), 113 (UN support to social contract) and 129 (funding human rights mechanisms).

4. Protecting our planet and being prepared for the future

Covers inter alia proposals in chapter IV of Our Common Agenda report, including paragraphs 79 (climate finance), 82 (1.5 degrees), 83 (global stocktake), 85 (green finance), 86 (adaptation, territorial threats of climate change) and 87 (biodiversity); 54 (representing future generations), 56 (future impact/lab), 58 (Envoy for Future Generations), 59 (Declaration on Future Generations) and 125 (Trusteeship Council or alternative); and 100 (foresight), 101 (emergency platform), 103 (Summit of the Future), 67 (global vaccination plan), 68 (WHO), 69 (pandemic preparedness), 70 (access to health technologies) and 71 (universal health coverage).

5. Enhancing international cooperation

Covers inter alia proposals in chapters IV and V of Our Common Agenda report, including paragraphs 32 (CSW), 102 (High Level Advisory Board), 111 (age, gender, diversity), 112 (governance and funding of development), 114 (recruitment), 117 (Scientific Advisory Board), 123 (UN 2.0) and 124 (UN budget), 126-128 (intergovernmental organs), [129] (funding human rights mechanisms); and 118 (regional organizations), 119 (local and regional governments, parliaments), 120 (private sector engagement and accountability), 121, 122 (civil society) and 130 (engagement of civil society and other stakeholders across intergovernmental organs)