Measuring OECD Responses to Illicit Financial Flows from Developing Countries

Janos Bertok, Head of Division, Public Sector Integrity, OECD
Conference of the States Parties to the UN Convention against Corruption
November 2013
International Context

“Developing countries must grapple with such challenges as tax base erosion and profit shifting (BEPS), transfer pricing and illicit financial flows which are further amplified by severe capacity constraints.”

Saint Petersburg Development Outlook
September 5, 2013

“Developing countries should be able to reap the benefits of a more transparent international tax system, and to enhance their revenue capacity, as mobilizing domestic resources is critical to financing development.”

G20 Leaders' Declaration
September 6, 2013, St Petersburg

G20 called for action:

- Tax agreements
- AML / CFT Rules
- Beneficial ownership
- Bribery Conventions
Money Laundering

Supervision of DNFBPs

Beneficial Ownership

Average OECD Score on all 40 FATF Recommendations

CDD by DNFBPs

CDD

PEPs

Correspondent Banking
Money Laundering

Average OECD Scores

Recommendation 5
CUSTOMER DUE DILIGENCE
- Partially compliant 62%
- Non compliant 19%
- Largely compliant 19%
- Compliant 0%

Recommendation 33
BENEFICIAL OWNERSHIP - LEGAL PERSONS
- Partially compliant 56%
- Largely compliant 12%
- Compliant 9%
- Non compliant 23%

Recommendation 12
CDD FOR DESIGNATED NON-FINANCIAL BUSINESSES
AND PROFESSIONS
- Partially compliant 45%
- Non compliant 52%
- Largely compliant 3%
- Compliant 0%

Recommendation 34
BENEFICIAL OWNERSHIP - LEGAL ARRANGEMENTS
- Partially compliant 53%
- Largely compliant 10%
- Non compliant 37%
- Compliant 0%
Money Laundering
2 Approaches to rank countries
## Tax evasion

### Summary of Global Forum peer review determinations for OECD members

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of review</th>
<th>Availability of information</th>
<th>Access to information</th>
<th>Exchange of information</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Ownership</td>
<td>Accounting</td>
<td>Bank</td>
</tr>
<tr>
<td>Australia</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Austria</td>
<td>Phase 1 + Phase 2</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Belgium</td>
<td>Phase 1 + Supplementary + Phase 2</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Canada</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Chile</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Denmark</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Estonia</td>
<td>Phase 1 + Supplementary</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Finland</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>France</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Germany</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Greece</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Hungary</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Iceland</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Ireland</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Israel</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Italy</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Japan</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Phase 1 + Phase 2</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Mexico</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Norway</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Poland</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Portugal</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Spain</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Sweden</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Phase 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Turkey</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Combined + Supplementary</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>United States</td>
<td>Combined</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Tax evasion

EIA signed between OECD countries and developing countries, 2000-2013
Number of exchange of information agreements between OECD countries and developing countries which meet the Global Forum Standard, 2005-2013

Tax evasion
Transnational bribery

Number of individuals and legal persons sanctioned or acquitted, 1999-2012


NOTE: Belgium has reported several convictions; however, data on domestic and foreign bribery cases have not, to date, been counted separately.

DPA = Deferred prosecution agreement; NPA = Non-prosecution agreement
Recovering Stolen Assets

Assets Frozen 2010-2012 (USD million)

- Switzerland: USD 786 (56%)
- United Kingdom: USD 451 (32%)
- United States: USD 112 (8%)
- Canada: USD 3 (0.2%)
- Luxembourg: USD 27 (2%)
- Portugal: USD 18 (1%)
- NOT SHOWN: Netherlands (USD 1, 0.1%), Belgium (USD 0.3, 0%)

Total Assets Frozen 2010-2012: USD 1.398 billion

Assets Returned 2010-2012 (USD million)

- United States: USD 60 (45%)
- Switzerland: USD 51 (39%)
- United Kingdom: USD 20 (15%)

Total Assets Returned 2010-2012: USD 131 million
Linking anti-corruption & anti-money laundering and illicit trade

- **Task Force on Charting Illicit Trade**: Knowledge gathering and data sharing about the origins, pathways and destinations of illicit activities

- A multi-disciplinary approach for building a framework for combatting corruption related to **trafficking in person**

For more information please watch: [http://www.youtube.com/watch?v=ULCo-iCxp5c](http://www.youtube.com/watch?v=ULCo-iCxp5c)
What role for aid agencies?

- Build up relevant capacities in development agencies
- Build capacities in developing countries
  - Investigations
  - Transfer pricing
- Encourage developing countries to comply with global standards
  - Taxes (multilateral convention)
  - AML/CFT (FATF bodies), etc.
- Support the research agenda on illicit financial flows
- Build political commitment
- Ensure a development dimension in current efforts
Questions?

Additional resources:

- The DAC/DCD and its governance efforts, including anti-corruption: [www.oecd.org/dac/governance-development](http://www.oecd.org/dac/governance-development)
- Resources on fighting corruption and bribery: [www.oecd.org/corruption](http://www.oecd.org/corruption)
- Resources on tax-related topics: [www.oecd.org/ctp](http://www.oecd.org/ctp)
- Information on asset recovery efforts by the Stolen Asset Recovery Initiative (StAR): [star.worldbank.org](http://star.worldbank.org)