# Preventing Illicit financial flows from the developing countries: UNDP's approach and lesson learned

Anga Timilsina, Programme Manager, Anti-Corruption, UNDP

# Outline

- Global discourse on illicit financial flows
- UNDP’s approach and lessons learned
- UNDP’s areas of work

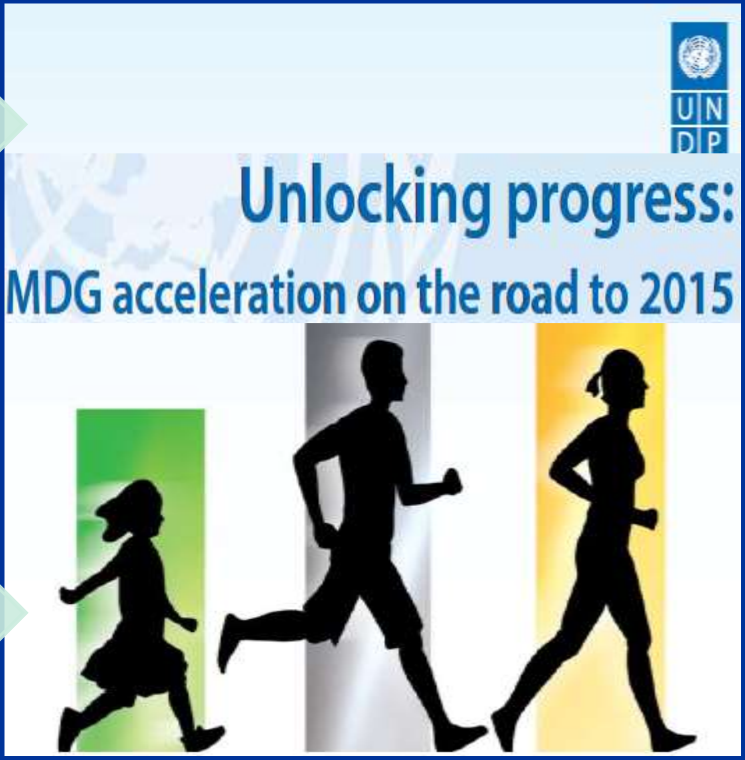
# IFFs receiving growing attention and shifting global discourse on development financing

- High Level Africa panel on IFFs in Africa - by the African Union, the AfDB, and the UNECA
- Growing number of studies/research on IFFs
- G20 commitments on automatic exchange of information; OECD Action Plan on Base Erosion and Profit Shifting (BEPS); EU: New disclosure requirements for the extractive industry; UN Practical Manuel on Transfer Pricing
- StAR initiative/UNCAC
- Topic not new (capital flights, money laundering, stolen assets), but increased focus

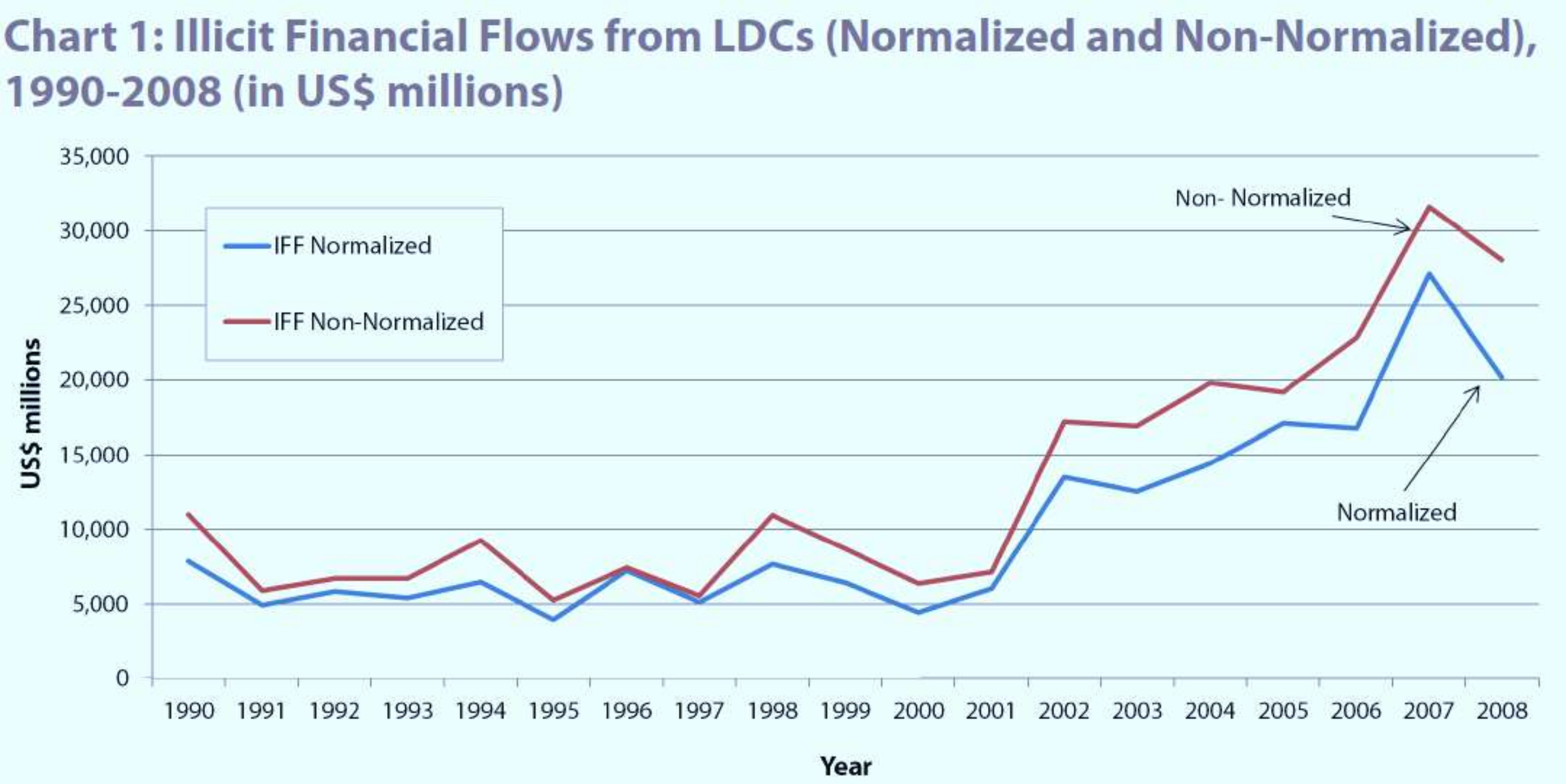
# Background: Scaling-up resources vs. preventing the hemorrhage of resources (Call for greater policy coherence)

Increasing the quantity and quality of financial resources into developing countries

Curtailing the outflows of financial resources from developing countries



# Estimates: Illicit financial flows from the LDCs have increased



# Example: Hidden Resource for Development

| Illicit financial flows<br><br>Estimates in USD<br>(Global Financial Integrity) | Resources required annually for the MDGs<br><br>UN estimates in USD |
|---|---|
| • Illicit capital outflows from all developing countries estimated annually at USD 1 trillion (10 times OECD-DAC ODA)<br><br>• Estimates of the funds held offshore USD 11.5 trillion<br><br>• Annual loss of tax revenue USD 250 bn | • Education for all targets: USD 30bn<br><br>• HIV/Aids: USD 25bn<br><br>• Water and sanitation: USD 18bn<br><br>• Infrastructure investment (Sub-Saharan Africa): USD 55bn |

# Gaps in global discourses on IFFs

1. Data and methodological limitations (calculation, relying on trade data) (e.g., GFI estimates) (Residual model, Standard model, general model) – cross-country data (ranking exercise)

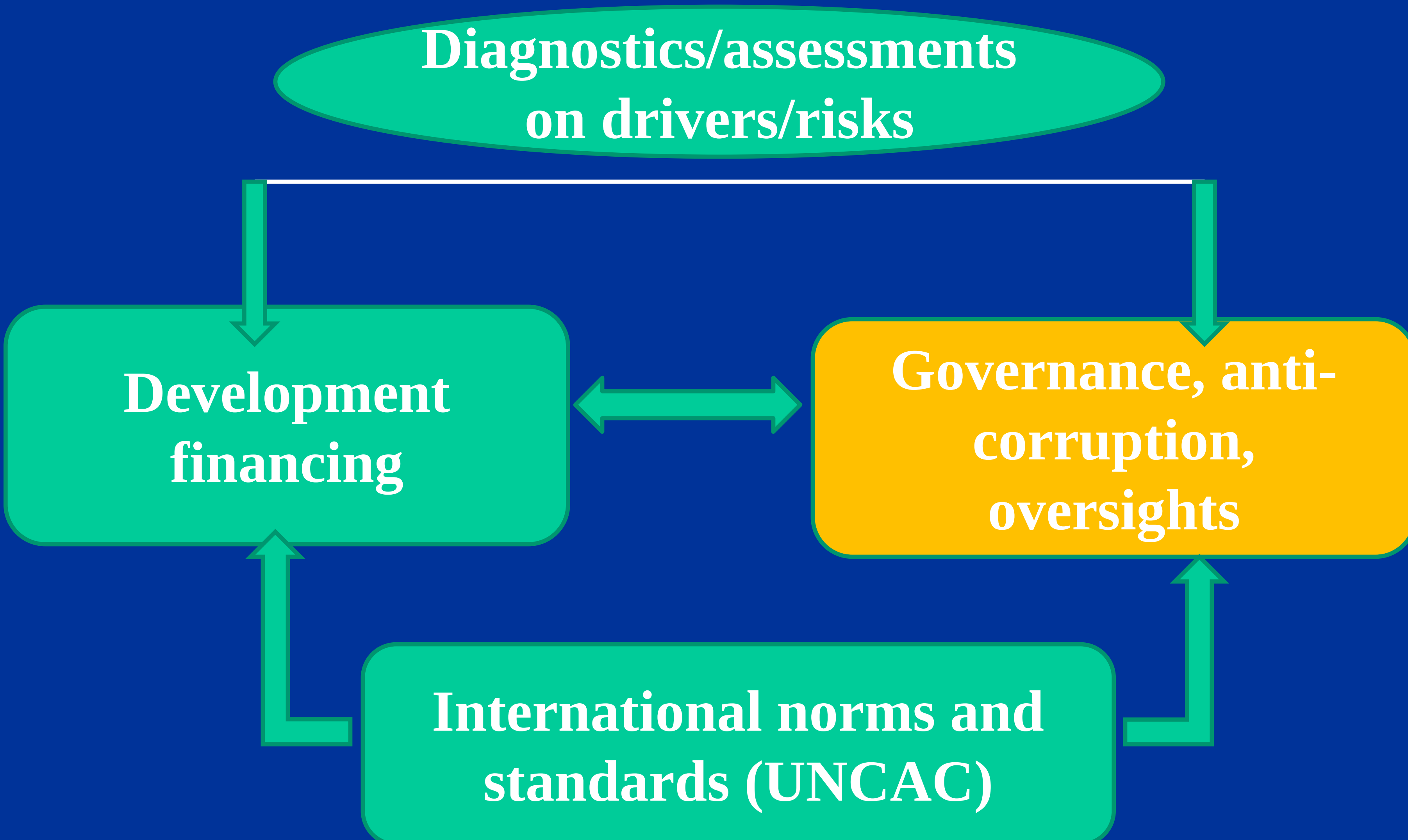
2. Defining illicit follows (out flows vs. inflows; capital flows)

3. Many studies explains channels such as transfer pricing/mis-invoicing (not the conduits) (e.g. bribery and theft 3% of IFFs)

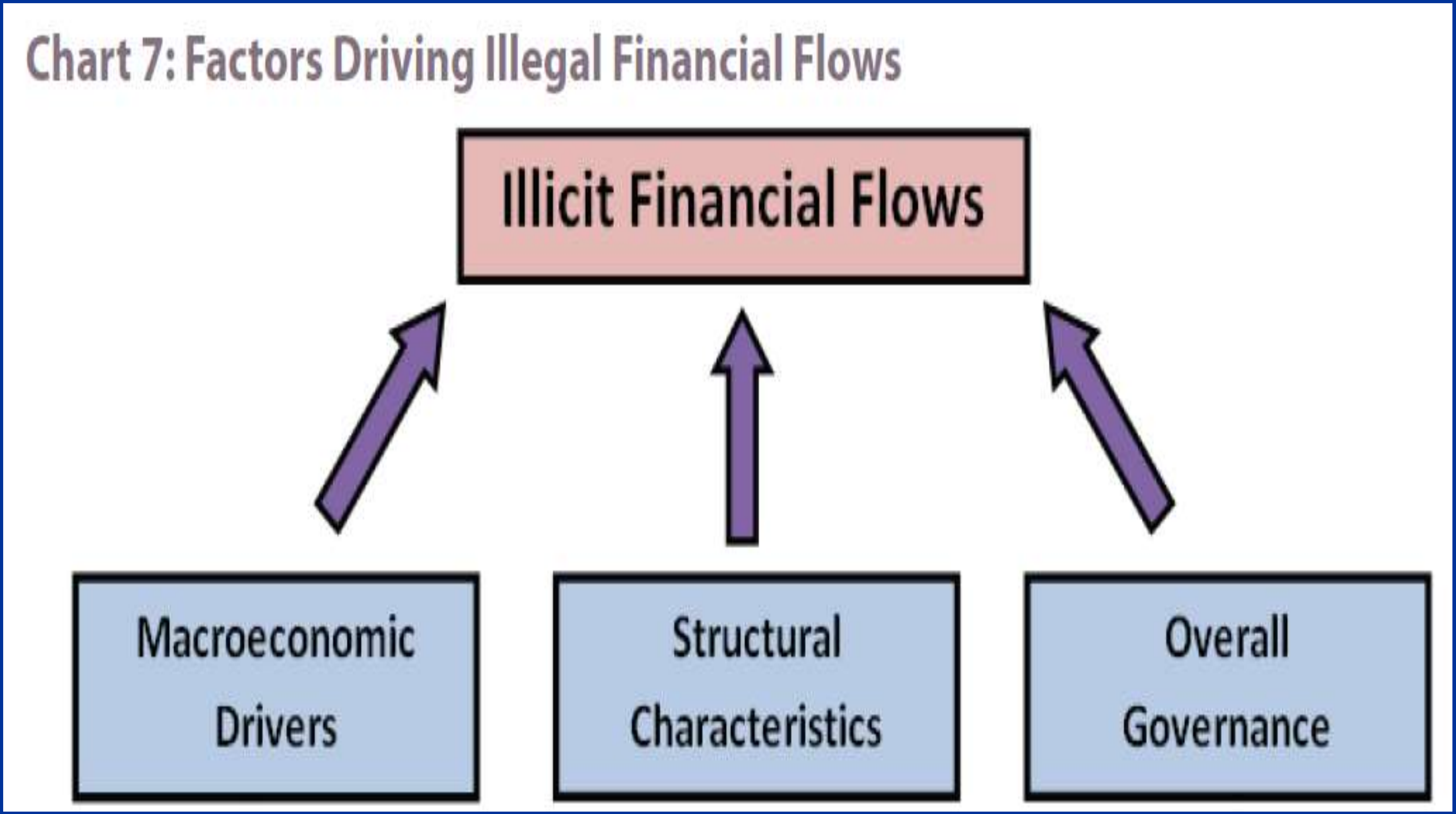
4. Lack of enough country level case studies on the drivers and causes of the IFFs

5. No coherent programming approach – traditional focus on economic solution; lack of awareness on the part of civil society, universities and research institutes, ACAs

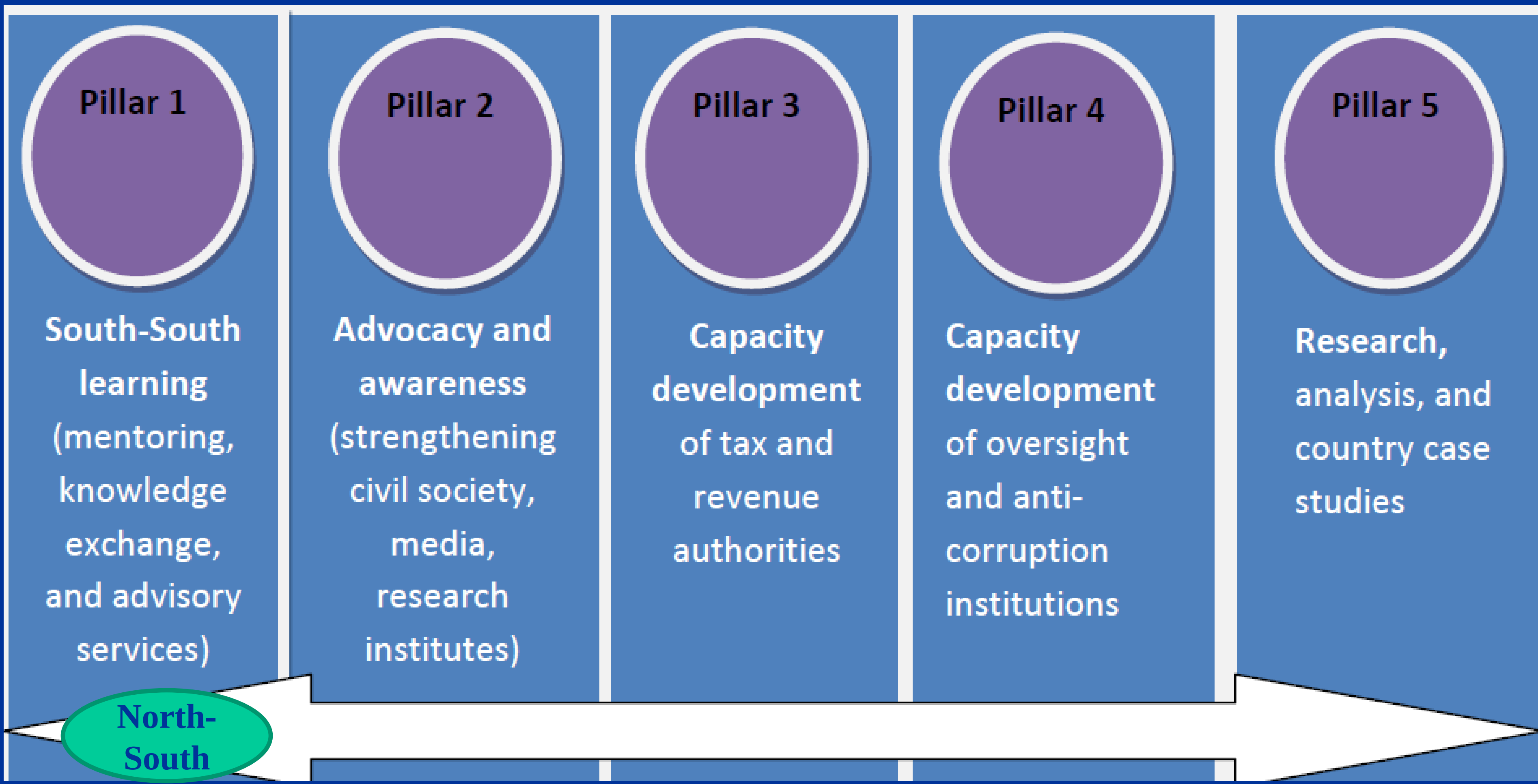
# UNDP's approach on preventing illicit financial flows



# Drivers behind illicit financial flows



# Programming areas on IFFs



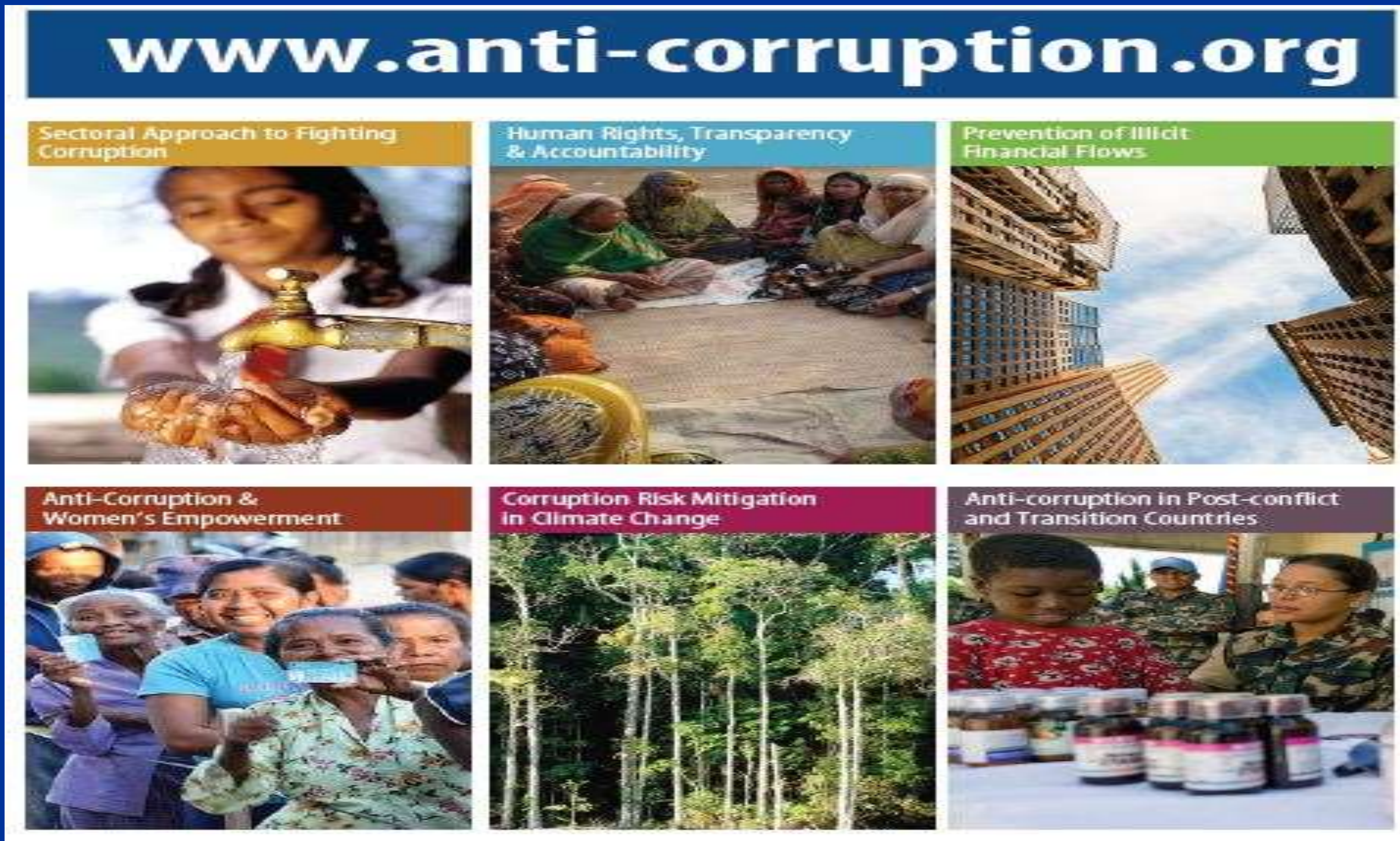
**Global level: Research (e.g., study on LDCs, methodology paper; study on post-conflict and fragile states), partnership (e.g., extractive industry initiative), sensitization, training to UN/UNDP staff (online training)**

**Regional level (e.g., in Africa – working with the high level panel; in Asia, partnership with DFID for research, awareness and advocacy at the regional level)**

Country level: Country cases: Bangladesh, Bolivia, Cote d'Ivoire, Guinea, Nepal, Sierra Leone, Tanzania, Zambia (followed by validation, awareness, capacity development, south-south learning, etc.)

# Opportunities ahead…

**Post-2015 dialogue: an opportunity to seek international consensus and commitments around a key issues related to illicit financial flows**




**Thank you for your attention!**