



Conference of the States Parties to the United Nations Convention against Corruption

Distr.: General
9 April 2024

Original: English

Open-ended Intergovernmental Working Group on Asset Recovery

Vienna, 12–14 June 2024

Item 3 (b) of the provisional agenda*

Thematic discussion: follow-up to the special session of the General Assembly on challenges and measures to prevent and combat corruption and strengthen international cooperation: illicit financial flows and challenges, obstacles and barriers to international cooperation

Discussion guide on illicit financial flows and challenges, obstacles and barriers to international cooperation: measures taken by States parties in follow-up to the political declaration adopted at the special session of the General Assembly against corruption

Note by the Secretariat

Summary

The present note has been prepared in accordance with the workplan for the subsidiary bodies of the Conference of the States Parties to the United Nations Convention against Corruption. It is aimed at facilitating the deliberations of the Open-ended Intergovernmental Working Group on Asset Recovery and the ongoing exchange of experiences with regard to measures taken by States parties in follow-up to the political declaration adopted by the General Assembly at its special session against corruption held in 2021, with a particular focus on illicit financial flows and challenges, obstacles and barriers to international cooperation.

* [CAC/COSP/WG.2/2024/1](#).



I. Introduction

1. The political declaration entitled “Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthen international cooperation” (General Assembly resolution S-32/1, annex) was adopted by the General Assembly at its special session against corruption held in 2021. In that political declaration, Member States committed to implementing the political declaration and invited the Conference of the States Parties to the United Nations Convention against Corruption, as the treaty body with prime responsibility for promoting and reviewing the implementation of the Convention, to follow up and build on the declaration (para. 85).

2. In its resolution 9/2, entitled “Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthening international cooperation: follow-up to the special session of the General Assembly against corruption”, the Conference directed its subsidiary bodies, within their mandates, to take appropriate measures to follow up on the political declaration (para. 4). All the subsidiary bodies subsequently added an item to their respective agendas, entitled “Follow-up to the special session of the General Assembly on challenges and measures to prevent and combat corruption and strengthen international cooperation”.

3. The multi-year workplan for 2023–2026 for the subsidiary bodies of the Conference designated “Illicit financial flows and challenges, obstacles and barriers to international cooperation” as one of the topics to be discussed by the Open-ended Intergovernmental Working Group on Asset Recovery at its eighteenth meeting. That designation was confirmed by the workplan for 2024–2025 for the subsidiary bodies of the Conference, which was approved by the extended Bureau of the Conference on 23 February 2024. Accordingly, the present discussion guide has been prepared to facilitate the deliberations of the Working Group on measures taken by States parties in follow-up to the political declaration adopted at the special session of the General Assembly against corruption in relation to preventing and countering illicit financial flows¹ and addressing challenges, obstacles and barriers to international cooperation.²

4. In the political declaration, Member States recognized that preventing and countering corruption and illicit financial flows and recovering and returning confiscated assets, in accordance with the Convention against Corruption, could contribute to effective resource mobilization, poverty eradication, sustainable development and the enjoyment of all human rights, and committed to stepping up their efforts in that regard (eleventh preambular paragraph). In addition, Member States committed to redoubling their efforts to strengthen the recovery and return of stolen assets and significantly reduce illicit financial flows by 2030 (para. 61).

5. Also in the political declaration, Member States committed to instituting comprehensive domestic regulatory and supervisory measures for banks and non-bank financial institutions, including natural or legal persons that provide formal or informal services for the transmission of money or value, or other bodies particularly susceptible to money-laundering, to deter and detect all forms of

¹ In the present discussion guide, the term “illicit financial flows” refers specifically to flows linked to or stemming from acts of corruption. Nevertheless, the observations made remain generally applicable to all types and manifestations of illicit financial flows.

² See also the report of the Secretary-General entitled “International coordination and cooperation to combat illicit financial flows” (A/77/304), submitted to the General Assembly at its seventy-seventh session pursuant to its resolution 76/196. The report provided a layout of existing commitments on combating illicit financial flows and strengthening good practices on the recovery and return of assets, as well as recommendations to strengthen international coordination. In the report, the Secretary-General called for new efforts to implement existing international and domestic commitments, strengthened international norms to close gaps and respond to evolving risks, improved enforcement capacity, better use of existing institutional frameworks for cooperation, and innovation in global governance to ensure coherence and coordination of efforts to eliminate illicit financial flows.

money-laundering in accordance with the Convention, including when it concerned illicit financial flows (para. 19). In addition, Member States acknowledged that effective and timely communication and cooperation between competent authorities could be an important factor in curbing the cross-border movement of persons involved in the commission of corruption offences and property, which includes funds derived from the commission of corruption offences, and could also contribute to their efforts to prevent and counter illicit financial flows derived from corruption (para. 33).

6. Furthermore, Member States expressed concern about the links between corruption and other forms of crime, in particular organized crime and economic crime, including money-laundering, and committed to continuing to enhance their understanding and strengthen their responses to any existing, growing and potential links, and disrupt them, recognizing that corruption could often be an enabler of other transnational crimes and illicit financial flows (para. 70).

7. With regard to international cooperation, Member States, inter alia, reaffirmed the importance of international and multilateral cooperation and committed to affording one another the widest measure of mutual legal assistance in investigations, prosecutions and judicial proceedings in relation to the offences covered by the Convention and consistent with its provisions and other applicable international obligations. They noted barriers and international challenges that were encountered by States parties and had a negative impact on international cooperation in preventing and combating corruption more efficiently and effectively while safeguarding due process (para. 32).

8. In addition, Member States recognized the fundamental role of effective international cooperation in preventing and combating corruption, and to that end underlined the importance of addressing, tackling and effectively responding to international challenges and barriers, in particular measures, that hindered such cooperation, and which were not consistent with the Charter of the United Nations and obligations under international law, and in that regard urged States, consistent with their international obligations, to refrain from applying such measures (para. 35).

9. Member States also recognized the importance of asset recovery and return in the fight against corruption and that it, inter alia, contributed to fostering sustainable development and promoting justice and the rule of law at all levels and in all States. They encouraged States parties to remove barriers to applying measures for the recovery of assets, in particular by simplifying their legal procedures, where appropriate and in accordance with their domestic law, and by preventing the abuse of such procedures while safeguarding due process, and recognized the need for effective, efficient and responsive international cooperation in asset recovery and return and mutual legal assistance without undue delay (para. 42).

10. In addition, Member States invited the Conference of the States Parties to the Convention to identify gaps and challenges in the implementation of the Convention by taking into account the results of the Mechanism for the Review of Implementation of the Convention, as well as any gaps and corruption challenges within the international anti-corruption framework, and to consider any recommendations by States parties to address the gaps and challenges identified in such a way as to improve the Convention and the implementation thereof as may be necessary. In that regard, and as a first step, Member States further invited the Conference, in the future, after the conclusion of and evaluation of the findings from the second review cycle, to organize a special session of the Conference on all aspects of the asset recovery and return process, with a view to considering all options available under the Convention, including exploring possible areas for improvement to their international asset recovery framework (para. 82).

II. International commitments to combating illicit financial flows

11. The importance of countering illicit financial flows is acknowledged in the 2030 Agenda for Sustainable Development, in which it is recognized that the reduction of illicit financial flows is a priority for promoting peaceful and inclusive societies, providing access to justice for all and building effective, accountable and inclusive institutions at all levels. The Sustainable Development Goals contain a specific commitment to significantly reducing illicit financial flows; target 16.4 of the Goals calls for significantly reducing illicit financial and arms flows, strengthening the recovery and return of stolen assets and combating all forms of organized crime by 2030. In the Addis Ababa Action Agenda of the Third International Conference on Financing for Development,³ Member States committed to redoubling efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them.

12. Furthermore, the General Assembly adopted several resolutions related to the promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development, including resolutions 71/213, 72/207, 73/222, 74/206, 75/206, 76/196, 77/154 and 78/140, in which the General Assembly, in various ways, reiterated its deep concern about the impact of illicit financial flows, in particular those caused by tax evasion, corruption and transnational organized crime, on the economic, social and political stability and development of societies, and especially on developing countries and their progress in financing the 2030 Agenda, and laid out a set of actions to combat illicit financial flows and strengthen the recovery and return of stolen assets in support of sustainable development.

13. A number of international instruments establish obligations for States to address illicit financial flows. The United Nations Convention against Corruption requires States parties to consider criminalizing illicit enrichment (art. 20) and the concealment (art. 24) of property when the property is a result of any offences established in accordance with the Convention. It also requires States parties to criminalize the laundering of the proceeds of crime (art. 23) and conduct such as bribery of national public officials (art. 15) and embezzlement (art. 17). It further requires States parties to establish comprehensive frameworks to prevent and detect money-laundering (art. 14) and transfers of proceeds of crime (art. 52) and to afford one another the widest measure of mutual legal assistance in investigations, prosecutions and judicial proceedings in relation to the offences covered by the Convention (art. 46), and establishes the return of assets as a fundamental principle of the Convention (art. 51). In addition, the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the United Nations Convention against Transnational Organized Crime and the International Convention for the Suppression of the Financing of Terrorism cover crimes encompassed within the concept of illicit financial flows and taken together require the criminalization of money-laundering and of the financing of terrorism, and the establishment of frameworks for extradition, mutual legal assistance and international cooperation.

14. Furthermore, several international initiatives have been undertaken to address various aspects of illicit financial flows. These initiatives are aimed at developing and promoting policies to combat illicit financial flows and strengthening coordination and global governance related to financial integrity. They include, among others, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Financial Action Task Force, the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, and the

³ General Assembly resolution 69/313, annex.

Organisation for Economic Co-operation and Development (OECD)/Group of 20 Inclusive Framework on Base Erosion and Profit Shifting.⁴

III. Unveiling illicit financial flows

15. Corruption, organized crime and the trafficking of illegal goods, such as drugs and firearms, as well as illicit tax practices and commercial activities, generate billions of dollars in illicit flows, which are channelled abroad to secure locations and laundered before being reinvested in legal markets. Illicit financial flows represent a significant and increasingly recognized threat to sustainable development, as they seriously hinder the ability of national Governments to mobilize resources to invest in sustainable development by precluding the possibility for Governments to generate revenues and disrupting legitimate economic activity.

16. The concept of illicit financial flows is steadily emerging as a compelling and unifying framework to address previously disconnected issues.⁵ It recognizes that illicit financial flows are multidimensional and refer to the cross-border movement of capital associated with illegal activities considered as criminal offences, as well as some behaviours related to tax and commercial practices that are generally legal but often considered as illicit activities, as they are considered to be detrimental to sustainable development.⁶ However, there is an ongoing debate regarding the inclusion of commercial activities, such as tax avoidance, within the scope of illicit financial flows. The discussion revolves around determining which practices, including those aimed at minimizing tax obligations, should be classified as part of the definition of illicit financial flows, especially given that many of these practices are legally permissible.⁷ Nevertheless, irrespective of the exact definition, it is evident that such flows present a barrier to sustainable development.

17. The Conceptual Framework for the Statistical Measurement of Illicit Financial Flows,⁸ developed jointly by the United Nations Office on Drugs and Crime (UNODC) and the United Nations Conference on Trade and Development (UNCTAD) – as custodian agencies for Sustainable Development Goal indicator 16.4.1 – in response to a request by Member States, provides the statistical definition of illicit financial flows as “financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders”. The World Bank recognizes “money illegally earned, transferred, or used that crosses borders” as the most common definition of illicit financial flows. In the light of the ongoing debate, the World Bank also recommends focusing on “flows and activities that have a clear connection with illegality”.⁹ OECD considers that illicit financial flows comprise cross-border financial flows that are illegal in origin, transfer or use, and therefore do not include tax avoidance flows.¹⁰ The International Monetary Fund refers to illicit financial flows as cross-border financial flows associated with illegal activities in their origin, transfer or destination. This definition excludes legal tax avoidance flows, consistent with approaches adopted by OECD and the World Bank.¹¹

⁴ The term “base erosion and profit shifting” refers to tax planning strategies used by multinational enterprises to exploit gaps and mismatches in tax rules in order to avoid paying tax.

⁵ World Bank, “Illicit Financial Flows (IFFs)”, 7 July 2017.

⁶ United Nations Conference on Trade and Development (UNCTAD) and United Nations Office on Drugs and Crime (UNODC), “Conceptual framework for the statistical measurement of illicit financial flows” (Vienna, 2020), pp. 7 and 8.

⁷ *Economic Development in Africa Report 2020: Tackling Illicit Financial Flows for Sustainable Development in Africa* (United Nations publication, 2020), pp. 4 and 5.

⁸ The Conceptual Framework was endorsed by the Statistical Commission in March 2022.

⁹ World Bank, “Illicit Financial Flows (IFFs)”.

¹⁰ See Organisation for Economic Co-operation and Development (OECD), *Assessing Tax Compliance and Illicit Financial Flows in South Africa* (Paris, 2022).

¹¹ See International Monetary Fund, “Background paper I: macroeconomic impact of illicit financial flows”, in *2023 Review of the Fund’s Anti-Money Laundering and Combating the Financing of Terrorism Strategy: Background Papers* (Washington D.C., 2023).

18. Thus, the definition and understanding of illicit financial flows varies, in particular with regard to the scope of illicit activities involved. The current debate revolves mainly around issues related to illicit tax and commercial activities, while there is a broad consensus on the corruption-related components of illicit financial flows. The lack of a unified framework among jurisdictions makes preventing and combating illicit financial flows even more challenging, as such flows are deliberately hidden, and the forms that they take and the channels they use can also differ among jurisdictions.¹² The lack of consensus results in limited and fragmented responses to this phenomenon, a situation which hinders the effectiveness of countermeasures and international cooperation efforts. A unified concept that includes all the relevant components would undoubtedly enhance measures to counter illicit financial flows and enable coordinated action to address them by bringing together all stakeholders to work towards more robust, coherent and sustainable interventions that target the systemic factors that enable and entrench illicit financial flows.¹³

19. In that regard, the statistical definition adopted in the Conceptual Framework has a broad scope which covers the main sources and channels of illicit financial flows and includes flows that are not strictly illegal. It takes into account the multidimensional nature of illicit financial flows and incorporates the following features of such flows:

(a) *Illicit in origin, transfer and use.* A financial flow is deemed to be illicit if it is illicitly generated (e.g. from criminal activities, such as corruption and tax evasion), illicitly transferred (e.g. money-laundering) or illicitly used (e.g. for paying bribes or the financing of organized crime and terrorism). The flow must be illicit in at least one of these aspects. For instance, while illicit financial flows can originate from legal economic activities, they become illicit if managed or transferred illicitly (e.g. to evade taxes or fund illegal activities). In addition, some flows that are not strictly in violation of the law may nevertheless fall within the statistical definition of illicit financial flows (e.g. cross-border tax avoidance flows);

(b) *Exchange of value.* This comprises the exchange of goods and services and financial and non-financial assets. For example, illicit cross-border bartering, involving the unlawful exchange of goods and services for other goods and services, is prevalent in illegal markets and falls under the category of illicit financial flows;

(c) *Flow of value.* This refers to the flow of value within a specified time frame rather than the accumulation of value;

(d) *Flows that cross a border.* This includes assets that cross borders and instances in which ownership shifts from a resident of a country to a non-resident, even if the assets remain within the same jurisdiction.¹⁴

20. The Conceptual Framework also identifies, in line with statistical standards and categories provided in the International Classification of Crime for Statistical Purposes,¹⁵ the following four main types of activities that can generate illicit financial flows:

(a) *Illicit tax and commercial activities.* These include illicit practices aimed at concealing revenues and minimizing tax obligations by evading controls and regulations, including market manipulation;

(b) *Illegal markets.* This category encompasses the trade in illicit goods and services, particularly when the associated financial transactions are conducted across international borders. The emphasis is on criminal activities in which income is derived from the exchange of illegal goods or services, which encompass various

¹² UNCTAD and UNODC, “Conceptual framework”, p. 9.

¹³ UNODC and OECD, “Coherent policies for combatting illicit financial flows”, Inter-Agency Task Force on Financing for Development Issue Brief Series (July 2016), pp. 5 and 6.

¹⁴ The scope of all illicit finance is clearly broader than the scope of illicit financial flows, as not all illicit finance crosses borders.

¹⁵ UNODC, *International Classification of Crime for Statistical Purposes*, version 1.0 (Vienna, 2015).

forms of trafficking in goods, such as drugs and firearms, as well as services such as migrant smuggling. Illicit financial flows arise from transnational trade in illicit goods and services and from cross-border movements involved in managing the illicit income from such trade;

(c) *Corruption*. Illicit financial flows associated with corruption occur when the economic gains derived from corrupt acts, whether directly or indirectly, result in cross-border financial flows, and when financial assets are transferred across borders to facilitate corrupt acts;

(d) *Exploitation-type activities and the financing of crime and terrorism*. This encompasses illegal acts involving the exploitative, forced or involuntary transfer of economic resources or value between two parties. Examples include slavery, extortion, human trafficking and kidnapping. In each instance, the emphasis is on the financial gain obtained by exploiting individuals or depriving them of their assets. Furthermore, illicit activities such as the financing of crime and terrorism involve voluntary transfers of funds between two parties with the aim of supporting criminal or terrorist acts. When such financial transactions are made across international borders, they constitute illicit financial flows.

21. In sum, the Conceptual Framework attributes illicit financial flows to four different types of flows: inflows and outflows from the generation of illicit income and inflows and outflows from the management of illicit income. This approach acknowledges that illicit financial flows are multifaceted in nature, encompassing various activities, including flows originating from illicit activities, illicit transactions involving the transfer of funds that have a licit origin and flows stemming from the licit activity being used in an illicit way. Illicit financial flows hinder sustainable development not only when they leave countries (outflows) but also when they enter countries (inflows) that allow their financial systems, goods trade or real estate markets to be used as a safe haven by fuelling criminal activities, such as money-laundering, thus undermining the rule of law and economic stability and security. Thus, while traditionally viewed as separate issues, illicit financial flows need to be addressed in a holistic manner, owing to the interlinkages between these elements and the systemic nature of the issues covered.

IV. Challenges, obstacles and barriers to international cooperation

(a) Challenges related to the establishment and implementation of adequate policies and legal and regulatory frameworks to counter corruption

22. Corruption and associated illicit financial flows deprive societies of essential resources crucial for their growth and development. Curbing illicit financial flows must begin with preventing and combating the corruption that generates and facilitates such flows. Insufficient or weak anti-corruption legal and regulatory frameworks, insufficient or weak enforcement and a lack of transparency create loopholes that enable individuals and entities to engage in illicit financial flows. The Convention against Corruption provides for comprehensive measures to prevent and combat corruption. The Mechanism for the Review of the Implementation of the Convention, which is aimed at assessing the implementation of the Convention by States parties, for instance, has revealed gaps and challenges regarding preventive measures, criminalization, international cooperation and asset recovery.¹⁶ For instance, during the first review cycle, more than 6,400 recommendations were issued

¹⁶ The first review cycle started in 2010 and covered chapters III (Criminalization and law enforcement) and IV (International cooperation) of the Convention. The second review cycle started in 2016 and covers chapters II (Preventive measures) and V (Asset recovery) of the Convention. For more information on the state of implementation of the Convention, see the thematic reports published on the web pages of the sessions of the Implementation Review Group, accessible at www.unodc.org/unodc/en/corruption/IRG/implementation-review-group.html.

in 176 reviews,¹⁷ and more than 1,400 recommendations in 88 second cycle reviews have been issued, targeting various challenges and gaps in implementing articles 5 to 13 of chapter II of the Convention, which are focused on preventive measures.

23. Effective mechanisms for the recovery and return of assets have a significant impact on efforts to combat illicit financial flows and can be a crucial tool in deterring such flows. Efforts to trace, freeze and seize stolen assets across borders have become significantly more effective in recent years. As outlined in a note prepared by the Secretariat, as indicated by information provided by States parties on their involvement in international asset returns for the period 2010–2023,¹⁸ efforts to trace and restrain stolen assets across borders have become significantly more common, with a marked increase in examples of completed returns of corruption proceeds between 2017 and 2021. Although substantial, the amount recovered remains a small fraction of the estimated total of illicit financial flows, and institutional, operational and legal challenges and constraints persist. In the 88 second cycle reviews completed as at 15 March 2024, at least 76 States parties received recommendations for improving the implementation of provisions focusing on the recovery and return of assets stipulated in articles 51, 53–57, and 59 of the Convention, while the cumulative number of recommendations amounted to 729.¹⁹ Therefore, additional efforts are required to recover stolen assets.

24. In addition, appropriate risk management mechanisms concerning individuals who are, or have been, entrusted with prominent public functions, systems and processes for enhanced and ongoing due diligence with regard to accounts sought or maintained by or on behalf of such individuals and their family members and close associates, as well as accountability mechanisms, such as financial disclosure systems to screen and verify the source of wealth, have a crucial role to play in addressing illicit financial flows. A note prepared by the Secretariat,²⁰ for instance, identified various challenges, including with regard to international cooperation concerning the verification of disclosed information and the exchange of information for authorities responsible for managing disclosure systems.

(b) Systemic conditions that facilitate money-laundering and illicit financial flows

25. Challenges related to domestic anti-money-laundering regimes and their implementation, including weak or inadequate supervision, the absence of enhanced due diligence for high-risk clients, services, products and jurisdictions, and the lack of enforcement of such regimes, also have an impact on the ability to prevent illicit financial flows. Perpetrators can only be stopped if they can no longer launder their illicitly acquired assets and thus benefit from them. In the 88 reviews completed under the second cycle as at 15 March 2024, at least 83 States parties received recommendations related to improving domestic frameworks to prevent money-laundering and detect transfers of proceeds of crime in line with obligations stipulated in articles 14, 52 and 58 of the Convention.²¹ The implementation of the obligations and commitments to prevent and detect money-laundering in accordance with best practices and international standards on combating money-laundering and with international treaty obligations, including those enshrined in the Convention against Corruption and the Organized Crime Convention, is crucial in preventing and combating illicit financial flows.

¹⁷ [CAC/COSP/2023/8](#). For more information on the implementation of chapters III and IV of the Convention, see also UNODC, *State of Implementation of the United Nations Convention against Corruption: Criminalization, Law Enforcement and International Cooperation*, 2nd ed. (Vienna, 2017).

¹⁸ [CAC/COSP/2023/15](#). As indicated by survey data alone, in 153 asset return cases reported for the period 2010–2023, a total of \$4.3 billion in corruption proceeds were returned to countries harmed by corruption.

¹⁹ [CAC/COSP/IRG/2024/6](#).

²⁰ [CAC/COSP/WG.2/2023/3](#).

²¹ [CAC/COSP/IRG/2024/6](#).

26. A lack of transparency of corporate legal and beneficial ownership information and structures at the domestic level, as well as a lack of mechanisms to exchange such information internationally, can be a significant obstacle to exposing illicit financial flows, and obstacles persist in jurisdictions of origin, transit and destination involved in the chain of illicit financial flows.²² Illicit actors frequently utilize anonymous shell companies as a preferred method to transfer funds and evade detection by law enforcement authorities. Beneficial owners may be hidden behind multiple layers of shell companies or behind a nominee director. Schemes used by natural and legal persons to hide the proceeds of corruption often span international borders. They include a complex chain of interconnected networks of cross-ownership, with each layer created in a different jurisdiction and using diverse legal entities and arrangements. The more corporate vehicles and layers of ownership that are used, and the more jurisdictions that the corporate networks span, the harder it can be to identify the ultimate beneficial owner and trace and identify the illicit assets, owing to the need to find out who controls each of the vehicles and layers.

27. Often, complex illicit financial flow schemes cannot be carried out without the involvement of professional service providers such as lawyers, notaries, accountants, real estate agents, and trust and company service providers, sometimes referred to collectively as “gatekeepers”.²³ With their help and facilitation, the proceeds of illicit activities, including corruption, can be transferred to secure locations through complex layers of shell companies, trusts and nominee arrangements. The inadequate understanding of risk for most of these professions and the lack of national frameworks for regulation often lead to a patchwork of arrangements, ranging from highly regulated systems to self-regulation by industry bodies and unregulated operations.²⁴

(c) Statistical challenges

28. The availability of comprehensive data is crucial to curbing illicit financial flows. The absence of reliable and consistent statistics contributes to uncertainty regarding their scale, magnitude, trends and origins, and the threats that they pose. Consequently, the efficiency and effectiveness of policies and measures to address illicit financial flows are also hampered.

29. To date, no attempt has been made to measure illicit financial flows generated by and associated with corruption. Measuring illicit financial flows is challenging, given the illegality and opacity associated with illicit activities that generate such flows, the methods associated with their transfer across borders, and the lack of transparency regarding the underlying activities. The various components of illicit financial flows cannot be readily compared, and combining estimates that encompass different channels and components may lead to instances of double counting.

30. While some aspects of illicit financial flows are more readily measurable and countries already collect data on a number of illegal activities, overall, the challenges of measuring illicit financial flows vary among countries, and the methods used may depend on the national data environment, the primary types of illicit financial flows and illicit activities that generate them, data accessibility, the mandates of national institutions, statistical capabilities and domestic policy agendas. Although the collection of data is crucial for making precise estimates, there exist several deficiencies in data accessibility. At the same time, statistics must be based on universally applicable definitions to ensure comparability among countries and over time.

²² Challenges faced by States parties with regard to ensuring the transparency of beneficial ownership information are summarized in several documents prepared by the Secretariat, which are referenced in the note by the Secretariat entitled “Reference document on good practices, challenges and lessons learned with respect to beneficial ownership transparency” (CAC/COSP/WG.2/2024/2).

²³ World Economic Forum and Stolen Asset Recovery (StAR) Initiative, “The role and responsibilities of gatekeepers in the fight against illicit financial flows: a unifying framework” (Washington D.C., 2021).

²⁴ A/77/304, para. 45.

31. To further efforts related to measuring and estimating the value and volume of illicit financial flows, UNODC (leading on crime-related components) and UNCTAD (leading on components related to taxes and trade), as custodian agencies of Sustainable Development Goal indicator 16.4.1,²⁵ undertook a series of coordinated actions.²⁶ The work culminated in the development of the Conceptual Framework for the Statistical Measurement of Illicit Financial Flows, as well as methodological guidelines for measuring illicit financial flows arising from tax and commercial activities²⁷ that are components of illicit financial flows.²⁸

32. Nevertheless, diverse estimates that have different scopes and employ different methodologies persist. The studies in the pilot countries²⁸ have also shown that data are scattered among a range of authorities and that there is a need to improve data quality and infrastructure and enhance the capacities of national statistical offices to track and measure illicit financial flows.²⁹

(d) Challenges related to domestic coordination, resources and capacity

33. Gaps related to coordination and institutional architecture at the domestic level represent another challenge. Owing to their multidimensional nature, countering illicit financial flows requires extensive collaboration and often involves numerous national authorities. Therefore, clear mandates and sufficient capacity and resources are also crucial for successful collaboration between the different authorities (relevant authorities may include, for example, customs and revenue authorities, central banks, ministries of trade and of finance, national statistical offices, financial intelligence units, financial regulatory and supervisory authorities, anti-corruption agencies and law enforcement authorities).³⁰ Strengthening collaboration at the domestic level requires improving national inter-agency coordination mechanisms and aligning national endeavours with international standards, as well as sustained top-level political commitment to and leadership in combating illicit financial flows.³¹

34. A lack of coordinated action with the private sector, particularly the financial sector, and with civil society, is another factor that can hamper the effectiveness of measures to counter illicit financial flows. In practice, illicit financial flows are facilitated by a combination of actors in the private sector. Thus, the absence of mechanisms to enhance integrity and raise awareness and understanding of illicit financial flows focused on the private sector and measures to mitigate them, as well as measures to evaluate the effectiveness of mitigation measures, also has an impact on the overall efficacy of preventive efforts. Thus, enhancing the capacity of the private sector and empowering and incentivizing private sector actors, particularly those operating in the most vulnerable business sectors and jurisdictions, is crucial for curtailing illicit financial flows. In addition, civil society and the media can play

²⁵ Progress towards target 16.4 of the Sustainable Development Goals is measured by indicator 16.4.1 (Total value of inward and outward illicit financial flows in current United States dollars).

²⁶ UNCTAD, “First-ever official data on illicit financial flows now available”, 8 June 2023.

²⁷ Available at <https://unctad.org/publication/methodological-guidelines-measure-tax-and-commercial-illicit-financial-flows-methods>.

²⁸ Methods to measure selected types of illicit financial flows were pilot tested between 2018 and 2022 in 22 countries, mainly in Africa, Asia and Latin America. In four Latin American countries, pilot studies concentrated on gauging illicit financial flows associated with illicit markets. Estimates suggested that there had been hundreds of millions of dollars in outflows from drug trafficking, with estimates of inflows ranging from \$1 billion to \$17 billion. Inflows from human trafficking, on which data were available for only one country, were estimated at about \$1 billion. Meanwhile, methodologies for measuring illicit financial flows linked to tax abuses were tested in 12 African countries.

²⁹ UNCTAD and UNODC, “Promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development: achievements, challenges and way forward” (October 2022), para. 18.

³⁰ A/77/304, para. 60. See also *Economic Development in Africa Report 2020*, pp. 189 and 190.

³¹ UNODC and OECD, “Coherent policies for combatting illicit financial flows”, p. 6.

an essential role in exposing illicit financial flows as they advocate for increased transparency and accountability and monitor the behaviour of public officials.³²

35. Challenges related to appropriate resources and capacity can also have a negative impact on the development and implementation of policies to combat and curb illicit financial flows. The need to build capacity, especially in preventing and combating corruption, developing anti-corruption policies, countering money-laundering, conducting financial investigations, and asset recovery and return, has been increasingly highlighted at the national, regional and international levels.³³ Capacity-related challenges have become even more relevant owing to the development of information and communications technologies for cross-border transactions and the fast-growing role of digital financial service providers and virtual assets in international trade and associated financial flows.

(e) Challenges related to regional and international coordination

36. No State party can eliminate illicit financial flows alone; as a multidimensional and transnational issue, countering illicit financial flows requires robust international cooperation and collaborative efforts involving countries of origin, transit and destination. In order to be effective, coordination efforts must be directed at both the phase of illicit asset generation (e.g. illicit activities that generate assets) and the phase of illicit asset management (e.g. activities that involve illicit transfer and use).

37. Recovering illicit assets and returning them to their countries of origin is vital in combating illicit financial flows. Given the growing ease with which transactions can be made across borders, effective international cooperation is becoming ever more critical. However, challenges in the successful recovery and return of assets persist, including as a result of a lack of capacity and resources, differences in legal systems, the complexity of multijurisdictional investigations, divergent and complex requirements for cooperation, and difficulties in identifying and detecting illicit assets. Initiatives such as the Global Operational Network of Anti-Corruption Law Enforcement Authorities (Globe Network) and other similar networks can assist the relevant authorities in overcoming such challenges.

V. Questions for discussion

38. The Working Group may wish to discuss practical measures to curb illicit financial flows, inter alia, to overcome the challenges and obstacles mentioned above, including ways to strengthen international cooperation. In particular, attention could be devoted to sharing measures taken to address illicit financial flows and good practices and strategies to prevent and combat such flows and for the recovery and return of proceeds of corruption. In that context, the Working Group may also wish

³² A/77/304, paras. 31, 35–36 and 60. See also *Economic Development in Africa Report 2020*, p. 191.

³³ For instance, by 15 September 2023, 175 States parties to the Convention had completed their executive summaries under the first cycle, of which 120 had identified a total of 3,829 individual technical assistance needs. Under the second cycle, a total of 54 out of 82 States have identified 527 individual technical assistance needs spread across all provisions of chapters II and V of the Convention, and this amounts to over 65 per cent of all States parties identifying needs for technical assistance. In addition, in the political declaration, States parties committed to strengthening efforts to build the capacity of anti-corruption bodies and specialized authorities (para. 4), the capacity of law enforcement and judicial authorities for the successful investigation, prosecution and adjudication of corruption and corruption-related offences (para. 28), and the capacities of central and other competent authorities responsible for international cooperation and asset recovery (para. 45).

to discuss specific needs for technical assistance related to curbing illicit financial flows and to consider the following questions for further discussion:

- (a) What progress has been achieved in preventing and combating corruption and associated illicit financial flows since the adoption of the political declaration?
 - (i) What measures have been taken?
 - (ii) What have been the main factors for success (good practices)?
 - (iii) What challenges have been encountered in preventing and combating illicit financial flows and in giving practical effect to the relevant provisions of the political declaration relating to illicit financial flows? How have such challenges been overcome?
 - (iv) What additional measures should be taken to implement the provisions of the political declaration, and what innovative approaches and initiatives could be conducive to such efforts?
- (b) Is there a domestic framework that defines and/or conceptualizes illicit financial flows?
 - (i) What experiences have States had in defining and conceptualizing illicit financial flows?
 - (ii) What evidence do States parties have on the types and levels of illicit financial flows in their territories? Is there a formal national risk assessment?
 - (iii) Are illicit financial flows distinguished by type, such as flows related to corruption, money-laundering or tax evasion, or are they considered comprehensively?
 - (iv) Is the perceived or assessed level of priority given to illicit financial flows commensurate with the associated risk?
- (c) What mechanisms are in place at the national level to collect, analyse and measure data and gather statistics on illicit financial flows?
 - (i) What progress has been achieved in collecting, analysing and maintaining databases and statistics on the scale, patterns and trends of illicit financial flows and in utilizing such databases to develop evidence-based policies to counter illicit financial flows?
 - (ii) What indicators, tools and methods are used to assess the scale and impact of illicit financial flows in individual countries? What mechanisms have proved successful in gathering data on the patterns of such flows?
 - (iii) Is there sufficient capacity to assess new evidence or developments and to amend or reform policies in response?
 - (iv) What steps have been taken regarding periodic reporting or accountability mechanisms on the impact of measures to combat illicit financial flows (e.g. annual reports to parliament)?
- (d) Have domestic legal and regulatory regimes and capacities been developed to adequately address the conditions that enable illicit financial flows (e.g. factors that allow illicit financial flows to thrive)?
 - (i) Are there comprehensive policies and strategies at the national level to counter illicit financial flows? Are sufficient resources made available to implement such policies and strategies?
 - (ii) Which authority or authorities have overall responsibility for combating illicit financial flows? Which authorities are involved in implementing measures to combat illicit financial flows? Do pertinent agencies have well-defined objectives concerning illicit financial flows?

- (iii) How can countries promote collaboration and coordination among relevant agencies and services, and what experiences have countries had concerning coordinated approaches?
- (iv) Which non-governmental sectors and actors are mandated to implement measures aimed at combating illicit financial flows? Are there any consultative forums in which policymakers can discuss with non-governmental actors illicit financial flows and policies to address them?
- (v) What legislative, administrative or other measures have been taken to eliminate enablers of illicit financial flows and enhance national anti-money-laundering regimes, such as beneficial ownership transparency regimes?
- (vi) What measures have been taken to increase public awareness of the consequences of illicit financial flows? What measures should be taken to mobilize the public and increase its involvement in addressing illicit financial flows?
- (vii) What role could the private sector, civil society and the media play, and how could they be involved, in the context of addressing illicit financial flows, and what further measures could be taken to enhance their role in preventing and detecting such flows?
- (e) How can international cooperation best contribute to combating illicit financial flows?
- (i) Are there challenges that hamper international cooperation? What deficiencies and challenges are encountered in the area of international cooperation in asset recovery and countering illicit financial flows?
- (ii) How can existing mechanisms, instruments and networks, such as the GlobE Network, be utilized more effectively to curb illicit financial flows?
- (iii) What progress has been achieved to enhance the effectiveness of international cooperation efforts to address illicit financial flows and recover and return stolen assets? What measures should States parties take in this regard?
- (f) What types of capacity-building, resources and technical assistance are needed to address illicit financial flows?
- (i) How can they be best provided, including by States parties and UNODC? Are there specific measures that would most effectively respond to the most urgent needs of States parties for technical assistance?
- (ii) How can technical assistance delivered be evaluated, and how can delivery be improved?
-