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**Macroeconomic policy questions: promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development**

## **International coordination and cooperation to combat illicit financial flows**

### **Report of the Secretary-General**

#### *Summary*

The present report, submitted pursuant to General Assembly resolution [78/140](#), provides an overview of progress made on combating illicit financial flows, as well as recommendations to strengthen international coordination. In the report, the Secretary-General emphasizes the importance of tackling illicit financial flows in achieving the Sustainable Development Goals. He identifies areas for tackling tax-related illicit financial flows that can be addressed in United Nations processes. He also highlights the need for effective coordination across policy spheres at both the national and international levels.

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\* [A/79/150](#).



## I. Introduction

1. In its resolution [78/140](#), the General Assembly recognized that combating illicit financial flows was an essential development challenge and committed to measures to combat them and strengthen good practices on assets return to foster sustainable development. The Assembly addressed measures to stem tax evasion, tax avoidance, tax base erosion and profit shifting; combat corruption and transnational organized crime; and strengthen the recovery and return of stolen assets in support of sustainable development. The Assembly also expressed its commitment to financial integrity for sustainable development. The present report provides information on progress made in combating illicit financial flows and in the implementation of assets return and recovery based on existing mechanisms, and steps for strengthening international coordination are elaborated.

2. The commitment to eliminate illicit financial flows was included in both the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda. Goal 16 of the 2030 Agenda includes a target of significantly reducing illicit financial flows. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which provides the means of implementation for the 2030 Agenda, includes the commitment to eliminate illicit financial flows in the action area on domestic public resources and lays out domestic and international actions to do so. Member States have also repeated those commitments in subsequent political declarations, such as the political declaration of the high-level political forum on sustainable development convened under the auspices of the General Assembly (resolution [78/1](#), annex).

3. The social contract between Governments and their people relies on taxpayers making fair contributions to pay for the delivery of quality public goods and services, which are essential for meeting the human rights obligations of States. Transparent, fair and unbiased enforcement and effective service delivery help build trust between citizens and the State. Strengthening the social contract and the global partnership to combat illicit financial flows will contribute to efforts to mobilize and protect resources for the delivery of the broader sustainable development agenda.

4. As recognized in General Assembly resolution [78/140](#), the international mechanisms and frameworks for combating illicit financial flows range across legal multilateral and bilateral conventions and international normative frameworks, such as the Organisation for Economic Co-operation and Development (OECD)-housed instruments on international tax cooperation and the United Nations Convention Against Corruption. But there remain gaps, overlaps and fragmentation. There are also shortcomings and weaknesses in implementation. Moreover, countries cannot effectively eliminate illicit financial flows alone; the cross-border nature of those flows necessitates cooperation and coordination. The large gap between the current systems and a world characterized by financial integrity results from shortcomings in both domestic and international policies and their implementation.

5. Progress has been made in combating illicit financial flows, yet cases of corruption and tax abuse scandals point to continued failings of financial integrity regulations and controls. More countries have joined tax transparency instruments. At the tenth session of the Conference of the States Parties to the United Nations Convention Against Corruption, Member States forged a new consensus on policies to improve financial integrity. International standards related to preventing money-laundering have been enhanced. There has also been further progress in measuring and estimating the value and volume of illicit financial flows. Despite that progress, more needs to be done to deliver Member States' commitment to eliminate illicit financial flows.

6. In December 2023, the General Assembly also adopted resolution 78/230 on the promotion of inclusive and effective international tax cooperation at the United Nations. As discussed below, international tax cooperation is essential to combat tax-related illicit financial flows. In the resolution, the Assembly identified illicit financial flows as one of the topics that could be addressed through an early protocol to the framework convention on international tax cooperation. The ad hoc committee of the General Assembly tasked with drafting the terms of reference for the convention is mandated to complete its work in August 2024.

## **II. Tax cooperation, tax evasion and countering base erosion and profit shifting**

7. The globalization of economic activity has opened up opportunities for tax-related illicit financial flows, including tax base erosion and profit shifting by large multinational enterprises and the hiding of untaxed income and assets by wealthy individuals. Tax evasion is an illegal action that is, in most countries, characterized as a crime; tax avoidance is a legal practice, which frequently involves tax planning and arbitrage across borders. Under the agreed statistical methodology, both can give rise to illicit financial flows when the resulting resources flow across borders. They can result in unfair tax burdens, lower investment and less progress on reducing poverty and inequality. They also lower tax morale, namely, the willingness of others to pay their taxes.

8. Given that secrecy allows perpetrators of illicit financial flows to avoid accountability for their actions, boosting tax transparency is a vital component of the responses needed to eliminate such flows. Aside from directly exposing illicit financial flows and allowing enforcement of violations of tax laws, Governments can incentivize taxpayers to voluntarily declare previously undeclared assets and deter future efforts at tax avoidance and evasion. More inclusive information-sharing systems should be combined with effective use of information for enforcement. Political will is needed to invest in the capacity and follow-through on enforcement, including in relation to taxpayers with political connections.

### **Progress on a United Nations framework convention on international tax cooperation**

9. At the first substantive session of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, held from 26 April to 8 May 2024, there was debate over the timing of protocols to the framework convention, yet strong support among participants that tax-related illicit financial flows should be the subject of one of the first protocols. The Committee will hold its second and final substantive session starting on 29 July 2024. The report of the second session, including the draft terms of reference, will be submitted to the General Assembly for its consideration at its seventy-ninth session.

### **Addressing digitalization and globalization**

10. The increasing use of digital technologies and the emergence of new business models increase the possibilities for companies to be highly profitable yet pay relatively little tax anywhere. Multinational enterprises may not need a physical presence to do business, and it is increasingly unclear where value addition occurs, especially for digital services. Work to address the challenges resulting from globalization and digitalization is ongoing at the United Nations Committee of Experts on International Cooperation in Tax Matters. The Committee has recently finalized the proposed text for a multilateral instrument for the faster implementation

of specific, relevant provisions of the United Nations Model Double Tax Convention between Developed and Developing Countries in bilateral treaty networks. The proposed provisions include those dealing with offshore indirect capital gains, taxation of fees for technical services, automated digital services, the subject-to-tax rule, capital gains from the value of immovable property, certain government-issued licenses and services permanent establishments. The text represents a draft that would next need to go through an intergovernmental process for adoption as a treaty. Once in force, it would allow speedier adoption by like-minded countries of changes to tax treaties, including those changes that help to counter tax-related illicit financial flows.

11. Regarding the OECD/G20 Inclusive Framework on Base Erosion and Profit Sharing, a two-pillar approach to addressing digitalization and globalization has been under discussion since 2015. An October 2021 statement outlined the political-level agreement, which was agreed to by 122 Member States and 17 other jurisdictions at the time, although 4 Member States that are part of the Inclusive Framework did not agree to the statement. Amount A of Pillar One includes a limited departure from the arm's length principle for allocating taxing rights on corporate profits, but only for a share of profits and only for the largest and most profitable multinational enterprises globally; it would formulaically allocate to market jurisdictions a minimum share of the residual profits, regardless of whether the multinational enterprise has a physical presence in the market, but adjusted for the marketing and distribution safe harbour. A multilateral convention is required for the implementation of Pillar One; the draft text of the convention was published in October 2023, and a May 2024 statement set a target of finalizing the text by June 2024. The draft included provisions that entry into force would require the convention to be ratified by at least 30 jurisdictions, one of which must be the United States of America.<sup>1</sup> Amount B of Pillar One consists of a streamlined approach to applying the arm's length standard to baseline marketing and distribution functions performed in market jurisdictions.

12. Pillar Two is designed to limit the incentives for jurisdictions to engage in tax competition and for corporations to shift profits to low- or no-tax jurisdictions by establishing global minimum corporate tax rules that allow jurisdictions to top up the effective tax paid on excess profits by a large multinational enterprise to 15 per cent, under a strict rule order either at source through a domestic minimum tax, in the jurisdiction of the enterprise's headquarters, or in all jurisdictions where the enterprise has a subsidiary or branch. An implementation package was released in December 2022, and additional administrative guidance has been published between February 2023 and June 2024. Dozens of countries have already begun, or announced, Pillar Two implementation, effective from January 2024. Work on the interpretation and administration of the Pillar Two rules continues, including on a peer review process for recognizing which jurisdictions have "qualified" minimum tax rules.

13. The 2015 OECD/G20 Action Plan on Base Erosion and Profit Shifting included additional minimum standards, some of which are implemented through a November 2016 multilateral legal instrument. As of June 2024, the multilateral legal instrument on base erosion and profit shifting had been ratified by 81 Member States and four other jurisdictions, including 10 African States and 3 least developed countries.

14. Subject-to-tax rules also allow countries to protect their tax base. At its twenty-sixth session, held in March 2023, the United Nations Tax Committee gave final approval to the inclusion of a general subject-to-tax rule in the next version of the

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<sup>1</sup> For entry into force, ratifying jurisdictions must account for at least 60 per cent of the ultimate parent entities of multinational enterprises initially expected to be in-scope for Amount A. See: Organization OECD, "The Multilateral Convention to Implement Amount A of Pillar One", available at: <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/cross-border-and-international-tax/multilateral-convention-to-implement-amount-a-of-pillar-one.pdf>.

United Nations Model Double Tax Convention. The rule can be incorporated into bilateral tax treaties and is included in the text of the proposed multilateral instrument described above. That provision would apply to any payments, whether between related or unrelated parties, when such payments are subject to tax below an agreed-upon rate. Where applied, the rule allows the source jurisdiction to impose tax on specified income under its domestic law if the jurisdiction with the primary taxing right does not impose an agreed minimum level of tax on the income. It will therefore play a limited but important role in countering some illicit financial flows.

15. Under the Inclusive Framework, the Pillar Two subject-to-tax rules would allow source countries to tax a more limited set of outbound intra-group payments – including interest, royalties and all payments for services – when they are taxed below the specified rate of 9 per cent in the destination country. A signing ceremony for a multilateral convention to facilitate implementation of the Pillar Two subject-to-tax rules is planned for September 2024, 11 months after the convention was opened for signature. Inclusive Framework members with low taxes on the covered payments have committed to incorporate it into their treaties with developing countries, if requested, but as of June 2024, no signatories had been announced.

### **Tax transparency and information exchange**

16. Tax transparency refers to the disclosure of relevant information by taxpayers, tax authorities and other stakeholders to ensure accountability, combat tax evasion and promote fair tax practices. International cooperation is essential to exchange information necessary to reveal tax evasion and enable enforcement. The OECD-housed Global Forum on Transparency and Exchange of Information for Tax Purposes supports the implementation of legal instruments that enable information exchange, such as the Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. As of May 2024, the membership of the Global Forum included 151 States Members of the United Nations and 20 other jurisdictions. They include 22 least developed countries, 39 African countries and 35 small island developing States.

17. However, to receive information, as a practical matter, countries must join the Global Forum, meet the confidentiality and threshold requirements and bilaterally match with other countries for the automatic exchange of information. Only five African countries were sending and receiving information as of November 2023, and no least developed countries receive information.

18. Information exchange for tax purposes can take place either on request, spontaneously or automatically. Automatic exchange of financial account information has been greatly expanded since the adoption of the Common Reporting Standard in 2014. Under that framework, tax authorities receive information on the financial accounts held by their taxpayers in other jurisdictions, which helps the authorities to detect undeclared income or assets. As of December 2023, there were over 8,736 bilateral exchange relationships (with each direction of information flow counted separately); however, as noted, developing countries are relatively underrepresented among the recipients of information given their greater numbers. According to Global Forum data, information on more than 123 million financial accounts, with a total value of 12 trillion euros, was exchanged in 2022. That represents an increase of 11 per cent in the number of accounts and of 9 per cent in the total value of assets compared with 2021.

19. Global Forum peer reviews are aimed at ensuring effective implementation of the standards. Reviews have been completed on 109 jurisdictions committed to automatic exchange of information. Of those, 6 were rated as not having the needed

legal frameworks in place and 30 were rated as having the legal frameworks but needing improvement. Of the 101 jurisdictions that have been reviewed on the effectiveness of their systems, 20 were found to be non-compliant and 16 were found to be partially compliant.

20. All members of the Global Forum are obligated to implement the body's agreed standards on transparency and exchange of information, including both exchange of information on request and automatic exchange of information. However, there are exceptions. Developing countries that are not part of the Group of 20 (G20) and are not considered investment hubs have not yet been asked to commit to automatic exchange, although 15 have voluntarily done so and already started exchanges and a further 13 have committed to doing so in the future. In addition, the United States of America has not committed to automatic exchange through the Global Forum. The status of the United States and its information receipt and provision has not changed since 2023.<sup>2</sup>

21. In August 2022, OECD approved the Crypto-Asset Reporting Framework which provides for the reporting of tax information on transactions in crypto-assets in a standardized manner, with a view to automatically exchanging such information. In November 2023, 43 Member States and 5 other jurisdictions collectively agreed to transposing the Framework into domestic law and activating exchange agreements in time for exchanges to commence by 2027.

#### **Transparency on corporate income and taxation**

22. A common international tax planning strategy related to multinational enterprises is to shift profits to low- or no-tax jurisdictions. In 2015, as part of the OECD/G20 Action Plan on Base Erosion and Profit Shifting, a minimum standard was set that required multinational enterprises to prepare a country-by-country report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which they operate. Those country-by-country reports, prepared by multinational enterprises with revenues above a 750-million-euro threshold, are typically submitted to the authorities in the jurisdiction where they are headquartered and are supposed to enable high-level risk assessments of multinational enterprise transfer pricing that can help prioritize further investigation. The OECD-hosted Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports facilitates the exchange of the reports, so that the headquarters jurisdiction, which receives the master file, shares the country reports with the relevant jurisdictions where the multinational enterprises have operations.

23. OECD prepares and publishes data from anonymized and aggregated country-by-country reports. The data publication of November 2023 covered data from 52 jurisdictions for almost 7,600 multinational enterprise groups for their fiscal years ending in 2020.<sup>3</sup> The United States and Japan still host the most multinational enterprise headquarters in the data, with 23 per cent and 12 per cent of the multinational enterprises, respectively. As with past years, the data show evidence of misalignment between where profits are reported and taxes are paid and the locations where economic activities occur. The median value of reported revenue per employee was around six times higher in jurisdictions with no corporate income tax, a strong indicator of profit shifting. In investment hubs, on average, multinational enterprises report a relatively high share of profits (30 per cent) compared with their share of employees (4 per cent) and tangible assets (11 per cent).

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<sup>2</sup> For a full description, see [A/78/186](#).

<sup>3</sup> Organisation for Economic Co-operation and Development (OECD), *Corporate Tax Statistics 2023* (Paris, OECD, 2023), available at <https://doi.org/10.1787/flf07219-en>.

24. As of April 2024, 88 Member States and 15 other jurisdictions were party to the multilateral agreement for exchanging country-by-country reports. Both countries must bilaterally activate a relationship to exchange reports. As of December 2023, there were 3,876 activated exchange relationships for country-by-country reporting information.

25. However, developing countries lag behind in information access. Only 22 developing countries have implemented the requirements to receive the reports. Five African countries are receiving such reports and only 59 exchange relationships involve a least developed country. Middle-income countries are the receiving party in 1,976 of the bilateral relationships. However, some countries prefer to arrange for exchange of reports through a bilateral competent authority agreement, requiring an active choice by both parties. The United States remains unique among G20 countries in not having signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports, making it more difficult to receive the country-level reports of a large number of multinational enterprises that are headquartered in the country. The United States retains bilateral agreements (in place or under negotiation) with 49 Member States and six other jurisdictions, unchanged from 2023.<sup>4</sup>

26. Public transparency of country-by-country reports could be a solution to the lack of information flows to developing countries. Multinational enterprises above a threshold could be required to publish the reports or submit them to a central repository accessible to all. A 2021 European Union directive<sup>5</sup> included a limited form of public country-by-country reporting, with June 2023 set as the deadline for transposing the directive into domestic legislation. Although European Union countries were required to notify the European Commission of their domestic action by June 2024, by that time four European Union countries had still not notified the European Commission that domestic legislation had been adopted.<sup>6</sup> The rules build on the experience of more than 30 countries that required extractive industry multinational enterprises, including both logging and mining firms, to publish additional corporate information in country-by-country format. While the publication of country-by-country reports is being considered, countries that are hosts to multinational enterprise operations can create requirements for multinationals operating locally to file local reports with the local tax administration, especially when there is no activated bilateral information exchange relationship with the multinational's headquarters jurisdiction. That would give the authorities access to useful information for both risk assessment and enforcement purposes.

### **Capacity-building on tax and domestic resource mobilization**

27. In its resolution [78/140](#), the General Assembly recognized the need to increase capacity-building and prompted efforts to strengthen the funding for domestic revenue mobilization. Donor-funded capacity-building related to revenue mobilization has increased dramatically since the \$200 million reported in 2015, but levelled off in recent years just as new international tax norms will require increased administrative capacity. Disbursements of official development assistance (ODA) by OECD donor countries coded as being for the purpose of domestic revenue mobilization fluctuated between \$300 million and \$475 million from 2018 to 2022, ending the period at \$439 million in 2022, or 0.26 per cent of total ODA to developing countries.

<sup>4</sup> See [www.irs.gov/businesses/country-by-country-reporting-jurisdiction-status-table](https://www.irs.gov/businesses/country-by-country-reporting-jurisdiction-status-table).

<sup>5</sup> Directive - 2021/2101 - EN - EUR-Lex ([europa.eu](https://eur-lex.europa.eu)).

<sup>6</sup> See [https://eur-lex.europa.eu/search.html?DB\\_NATURAL\\_DIRECTIVE=2021%2C2101&SUBDOM\\_INIT=MNE&DTS\\_SUBDOM=MNE&DTS\\_DOM=NATIONAL\\_LAW&lang=en&type=advanced&qid=1719268893412](https://eur-lex.europa.eu/search.html?DB_NATURAL_DIRECTIVE=2021%2C2101&SUBDOM_INIT=MNE&DTS_SUBDOM=MNE&DTS_DOM=NATIONAL_LAW&lang=en&type=advanced&qid=1719268893412).



28. The Department of Economic and Social Affairs has initiated a four-year project on identifying and addressing vulnerabilities to aggressive tax avoidance in developing countries. The project involves in-depth engagement with a small number of developing countries to support them in identifying their greatest vulnerabilities to aggressive tax avoidance, which, although legal, is included within the conceptual framework for the statistical measurement of illicit financial flows. The insights gleaned through those engagements will be shared with other developing countries through regional and global capacity development activities.

29. Regionally, Member States are strengthening dialogue on tax cooperation and preparing common positions to bring to international forums. The Conference of African Ministers of Finance, Planning and Economic Development passed a resolution in March 2024 on strengthening tax cooperation, which called for the development of protocols to the United Nations Tax Convention on tax-related illicit financial flows and the taxation of income from the provision of cross-border services and capital gains (see [E/ECA/CM/56/6](#), annex I). In May 2024, the second ministerial meeting of the Regional Tax Cooperation Platform for Latin America and the Caribbean was hosted by the Economic Commission for Latin American and the Caribbean, which also serves as the technical secretariat for the initiative. At the meeting, the Minister of Finance of Chile assumed the rotating presidency of the Platform, and the ministers adopted a communiqué that expressed support for the proposals of the Brazilian G20 presidency to create a progressive international tax system.

### **III. Anti-money-laundering and beneficial ownership transparency**

30. The necessity of combating money-laundering is established in numerous international legal instruments, including the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 and, extensively, in article 14 of the Convention against Corruption. The Financial Action Task Force, a limited-membership independent body established in 1989, based in Paris, sets international standards to tackle money-laundering, and terrorist and proliferation financing. Its members include 36 States Members of the United Nations and three other jurisdictions, two of which are regional bodies. The Financial Action Task Force global network includes over 200 countries and jurisdictions, whose members have committed to implement FATF standards. The global network also includes Financial Action Task Force-style regional bodies, which sit in the Financial Action Task Force plenary meetings representing their membership, and 20 observer international organizations. The United Nations, the International Monetary Fund and the World Bank have observer status at plenary meetings, and they actively contribute to FATF technical work.

31. Convention against Corruption implementation reviews, described in full below, also cover the implementation of domestic anti-money laundering regimes. In the 88 reviews completed by 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 under the Convention. Institutional weakness in financial supervision, gaps in the regulatory and supervisory frameworks aimed at countering money-laundering, deficiencies in defining the scope of and the mechanisms for identifying politically exposed persons, the lack of prohibition of shell banks and the lack of resources of competent authorities are some of the most frequently identified gaps. The lack of emergency freezing powers for financial intelligence units and their inadequate allocation of resources and lack of independence were also frequently noted, as were the absence



of enhanced due diligence for high-risk clients, services, products and jurisdictions, and the lack of enforcement impact on the ability to prevent illicit financial flows.

32. Beneficiaries of illicit financial flows commonly rely on secrecy to disguise or hide their activities and often use opaque legal structures to that end. In many cases, only the “legal owners” of an asset or legal vehicle (for example, a company) are known. Shell companies, which are corporate entities that have no independent activities, are set up only to be the legal owner of assets and other corporate entities, with transactions spread across multiple jurisdictions. A basic method for addressing those risks is identifying the “beneficial owners” of legal vehicles – the natural persons who ultimately own, control or benefit from the entity – thereby allowing fair taxation and enforcement of the law. Information about beneficial owners is required under international anti-money-laundering standards, international standards for exchange of information for tax purposes and the Convention against Corruption.

33. At its tenth session, held in Atlanta, United States of America, in December 2023, the Conference of the States Parties to the United Nations Convention against Corruption adopted resolution 10/6, entitled “Enhancing the use of beneficial ownership information to strengthen asset recovery”. Through that resolution, the Conference inter alia called upon States parties to take measures to ensure access to adequate, accurate and up-to-date beneficial ownership information of legal persons and legal arrangements, urged States parties to cooperate closely with each other to facilitate the efficient exchange of adequate, accurate and up-to-date beneficial ownership information in a timely manner, and requested the United Nations Office on Drugs and Crime (UNODC) to convene an intergovernmental meeting with the participation of relevant experts to identify and share best practices and challenges in the use of beneficial ownership information. The Conference also decided, in the same resolution, that the Open-ended Intergovernmental Working Group on Asset Recovery and the Open-ended Intergovernmental Working Group on the Prevention of Corruption should include in their 2024–2025 workplans the topic of good practices and challenges with respect to beneficial ownership information.

34. Subsequently, the Open-ended Intergovernmental Working Group on Asset Recovery, at its eighteenth session held in Vienna in June 2024, dedicated a part of its thematic discussion to good practices and challenges with respect to beneficial ownership information, and a panel discussion on the topic was held to facilitate the Group’s deliberations. The conference room paper prepared for the session ([CAC/COS/WG.2/2024/SRP.1](#)) contains information on the beneficial ownership frameworks of 68 States parties to the Convention against Corruption. Of the 68 States parties, 50 States parties have established beneficial ownership registers.

35. Among jurisdictions that have registries and are covered by the UNODC paper, public access to the beneficial ownership information differed considerably. While 28 States maintain public registries, in 22 States, the registries are not public, and access is granted only to relevant competent authorities, such as financial intelligence units and tax and law enforcement authorities. Public access also varies from free unrestricted access to fee-based access based on demonstrated legitimate interest or upon registration and authentication on the registry. The scope of available information also varied. In some cases, while the public has access to limited information on current beneficial ownership information, full access, including to historical data, is reserved for competent authorities. In some cases, while the public had free access basic beneficial ownership information, registration or authentication on the online registry platform provided access to more comprehensive information. UNODC is planning to hold the requested expert meeting in the first half of 2025.

36. Despite the positive trend, implementation challenges remain. They include the varying scope of legal entities covered, as well as the type and level of detail of

beneficial ownership information, collection of insufficient identification details on beneficial owners, including the nature and extent of their beneficial ownership interest, and the absence of effective mechanisms for verification, monitoring and timely updating of the collected information, lack of timely or restricted access to beneficial ownership information by competent domestic authorities, complications in obtaining such information, and limited access to beneficial ownership information on legal arrangements and lack of dissuasive and proportionate sanctions and mechanisms for imposing and enforcing sanctions (see [CAC/COSP/2023/16](#)).

37. At a plenary meeting, the Financial Action Task Force adopted revisions to its standards on beneficial ownership information in 2022 and 2023. The standard-setting body finalized updated guidance on beneficial ownership of legal entities in February 2023<sup>7</sup> and on beneficial ownership of legal arrangements in February 2024.<sup>8</sup> The guidance documents explain the “multi-pronged approach” combining information from companies themselves and information from public registry authorities or an alternative mechanism to maximize efficient access to information. The Task Force is now updating its recommendation 16 on payments transparency, seeking to make the standards technology-neutral and ensuring that similar activity faces similar rules regardless of the type of entity involved. A public consultation was held in the first half of 2024, which included questions on whether standards should be tightened on credit cards, debit cards and prepaid cards, and whether beneficiary information in payment messages need to be strengthened.<sup>9</sup>

38. Member States are continuing to develop new policies, for example in June 2024 European Union members agreed that persons with a legitimate interest, including journalists, media professionals, civil society organizations, competent authorities and supervisory bodies, should have immediate, unfiltered, direct and free access to beneficial ownership information held in national registries. Such enhanced transparency is beneficial for speeding up national and international information-sharing. It can also assist due diligence by the private sector. Better access can empower journalists to investigate and report on corruption allegations, allowing for more effective accountability. Public transparency can also boost trust more broadly and strengthen the social contract.

39. Most beneficial ownership transparency efforts focus on financial assets and legal vehicles, covering both legal entities such as corporations and legal arrangements such as trusts. Some jurisdictions are forging ahead to develop beneficial ownership registers for other assets, for example real estate and high-value moveable assets such as yachts and planes.

#### **IV. Combating illicit financial flows related to the proceeds of crime and corruption**

40. The Convention against Corruption is the only legally binding global instrument on all forms of corrupt behaviour in the public and the private sectors. The 190 parties to the Convention comprise 185 Member States and five other jurisdictions, an increase of one over the prior year. A further eleven jurisdictions are covered by territorial extension as notified by Member States that are parties to the Convention, an increase of two jurisdictions over the prior year. Two Member States have signed but not yet ratified the Convention. The Convention is complemented by a number of

<sup>7</sup> Financial Action Task Force (FATF), *Guidance on Beneficial Ownership for Legal Persons* (Paris, 2023).

<sup>8</sup> FATF/OECD, *Guidance on Beneficial Ownership and Transparency of Legal Arrangements* (Paris, 2024).

<sup>9</sup> FATF, “Explanatory Memorandum and draft revisions to Recommendation 16” (February 2024).

regional and cross-regional anti-corruption conventions. The United Nations Convention against Transnational Organized Crime also includes relevant commitments on the transfer of the proceeds of crime. The Convention has 192 parties, including 188 Member States and four other jurisdictions. There are 13 further jurisdictions covered by territorial expansion, while two additional Member States have signed but not yet ratified the Convention.

### **Combating corruption**

41. Progress made by States parties in meeting their commitments is assessed within the Mechanism for the Review of Implementation of the United Nations Convention against Corruption. A second review cycle started in 2016 and covers chapters II (Preventive measures) and V (Asset recovery) of the Convention. At the tenth session of the Conference of the States Parties held in December 2023, States decided to extend the duration of the second review cycle until June 2026. In the first review cycle, which started in 2010, 176 reviews were completed, and more than 6,400 recommendations made. In the second cycle, 94 reviews have been completed as of 9 July 2024.

42. More than 1,400 recommendations targeted various challenges and gaps in implementing articles 5 to 13 of chapter II of the Convention, which are focused on preventive measures. The most prevalent areas for recommendations were related to the public sector (article 7) with 80 countries receiving recommendations, followed closely by those related to codes of conduct for public officials (article 8), where efforts to strengthen integrity and ensure a public service resilient to corruption, including through effective mechanisms to prevent or regulate conflicts of interest, need to be intensified in at least 76 countries for which reviews were completed (see [CAC/COSP/2023/4](#)).

43. Preventing the involvement of the private sector in corruption also remains a prevailing challenge (article 12). A lack of coordination of public sector action with the private sector, particularly the financial sector, hampers the effectiveness of measures to counter illicit financial flows. In practice, illicit financial flows are facilitated by a combination of private sector actors. Thus, the absence of mechanisms to enhance integrity and mitigate illicit financial flows focused on the private sector has an impact on the overall efficacy of preventive efforts. Recommendations included the adoption of incentives for private sector actors to combat corruption, for example sanctions and penalties. Despite being mandatory under the Convention against Corruption, just over half of the States prohibit the private sector from declaring bribes as tax-deductible expenses.

44. Member States are also following up on the political declaration adopted by the General Assembly at its special session against corruption held in 2021. The topic of illicit financial flows and challenges, obstacles and barriers to international cooperation was discussed by the Open-ended Intergovernmental Working Group on Asset Recovery in June 2024. A discussion guide ([CAC/COSP/WG.2/2024/3](#)) was 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. A panel discussion on illicit financial flows and challenges, obstacles and barriers to international cooperation was held to facilitate the Group's deliberations.

45. Since its official launch on 3 June 2021, the UNODC Global Operational Network of Anti-Corruption Law Enforcement Authorities (Globe Network) has grown rapidly. As at May 2024, it included 204 authorities from 114 States parties to the Convention. Expanding on the fruitful case collaboration during the 2022 Globe Network Madrid plenary meeting, the Stolen Asset Recovery (StAR) Initiative and the Globe Network convened multiple meetings aimed at aiding the efforts of the

Republic of Moldova to reclaim stolen assets during the fourth GlobE Network plenary meeting in July 2023. In 2023, the GlobE Network hosted training sessions on cryptocurrencies as a game changer in global anti-corruption that were attended by 323 law enforcement practitioners.

### **Asset recovery and return**

46. 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. 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.

47. Regarding the implementation of chapter V (Asset recovery) of the Convention against Corruption, at least 76 States parties received recommendations for improving the implementation of provisions focusing on the recovery and return of assets, while the cumulative number of recommendations amounted to 729 (see [CAC/COSP/IRG/2024/6](#)). The inadequacy of legislation and procedures for international cooperation, insufficient institutional arrangements and ineffective inter-agency coordination were some of the obstacles identified. The inability to directly enforce foreign confiscation orders or insufficient mechanisms to give effect to a foreign order or obtain a domestic order for search, seizure or confiscation were also among the most commonly identified gaps. The Implementation Review Group of the United Nations Convention against Corruption also discussed the role of financial intelligence units in recovering assets, inter alia through the use of technology such as blockchain or artificial intelligence.

48. Pursuant to requests from Member States,<sup>10</sup> UNODC continues to collect data on asset recoveries and returns. Requests for updated information were sent out by UNODC in April 2022 and April 2023, which yielded responses and data from 27 Member States in 2022 and 30 Member States in 2023 (see [CAC/COSP/2023/15](#)). The updated responses received largely confirm the trends identified in previous reports, although the volumes of reported asset returns were much lower in 2022 and 2023. Responses in 2022 indicated asset returns of \$47.3 million, while 2023 responses reported \$207.8 million worth of asset returns. Those amounts are below those of the peak years of 2019-2020 when asset returns amounted to over \$600 million per year. The reported cases do not reflect all asset recovery and return efforts and should not be taken as comprehensive accounting of all international asset returns. Some States' responses included only a selection of cases, some States did not submit a response, and others noted that they might have been involved in such cases but did not have the required information available to complete the questionnaires.

49. The comprehensiveness and accuracy of the collected data and analysis rely primarily on the information shared by Member States. Several States have highlighted the absence of centralized databases containing asset recovery information, leading to manual data collection. That again underscores the importance of implementing more efficient centralized data collection systems at the country level. Those information technology systems and databases should register frozen, seized, confiscated and returned assets, in line with guideline 13 of the revised draft non-binding guidelines on the management of frozen, seized and confiscated assets ([CAC/COSP/2019/16](#), annex). A stronger expectation of yearly data provision will incentivize Governments to meet their obligations and help build trust among countries.

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<sup>10</sup> See Conference of the States Parties to the United Nations Convention against Corruption resolution 9/2; and General Assembly resolution [77/154](#), para. 20.

50. Since its establishment in 2007, the joint UNODC and World Bank Stolen Asset Recovery (StAR) Initiative has assisted over 35 countries in drafting legal frameworks, setting up the institutional structure and building the skills necessary to trace and return stolen assets. In 2023, the StAR Initiative provided various types of assistance to a total of 20 countries and trained over 600 people. In 2023, four countries adopted new laws or amendments related to asset recovery with StAR Initiative support: Kazakhstan; Liberia; Republic of Moldova; and South Africa. The StAR Initiative also launched the Global Forum on Asset Recovery Action Series, which offers a structured approach to case consultations between requesting and requested countries, with preparation and follow-up. The Action Series met three times in 2023, and already once in 2024, to facilitate the exchange of information, enhance practitioners' knowledge, and build trust. Eight focus countries have formally joined the Action Series process: Algeria, Honduras, Iraq, Nigeria, Republic of Moldova, Seychelles, Ukraine and Zambia. In 2023, StAR launched an improved version of its Asset Recovery Watch database which is based on the questionnaires circulated by UNODC and aims to collect and systematize information about cases of asset recovery and asset returns.

51. While the Convention against Corruption provides for return of the proceeds of corruption, there remains a gap in the international legal framework regarding asset recovery for other types of illicit financial flows. Since November 2023, Financial Action Task Force standards now require countries to establish asset recovery as a priority at the domestic and international level, and to establish a non-conviction-based asset recovery regime in their legal systems (consistent with the fundamental principles of domestic law). The revisions also provide for stronger tools to temporarily freeze, seize and restrain suspected criminal property and underscore the importance of good communication and informal cooperation between countries. All countries are expected to implement the revised standards promptly.<sup>11</sup> The Financial Action Task Force produced a detailed stocktaking and study of the role of "informal cooperation" and asset recovery interagency networks to complement the revisions.<sup>12</sup> UNODC played a key role in that study as a primary supporter of the networks globally. While the value of the networks was confirmed by the study, resource challenges in most regions related to their sustainability were also highlighted.

## V. Cross-cutting approaches

### **The role of non-governmental stakeholders, journalists and media**

52. Whistle-blower protection is a key contributor to better detecting, investigating and ultimately prosecuting corruption. A robust reporting and protection system is a cornerstone of the fight against corruption and is recommended in article 33 of the Convention against Corruption. However, the reluctance of individuals to report alleged wrongdoing or suspected acts of corruption continues to be identified by States parties as one of the main challenges in the implementation of the Convention. At its tenth session, the Conference of the States Parties to the Convention against Corruption adopted resolution 10/8 entitled "Protection of Reporting Persons". In the resolution, the Conference recognizes whistle-blowers as a category of reporting persons who report corruption in the context of their professional activity and work-related environment. In the resolution, the Conference also requests UNODC to expand its provision of technical assistance to States parties, upon request, on whistle-

<sup>11</sup> See [www.fatf-gafi.org/en/publications/Fatfrecommendations/amendment-FATF-standards-global-asset-recovery.html](http://www.fatf-gafi.org/en/publications/Fatfrecommendations/amendment-FATF-standards-global-asset-recovery.html).

<sup>12</sup> FATF, "Recovering International Proceeds of Crime through Inter-Agency Networks" (Paris, 2023).

blower protection, to develop an international study on challenges and best practices related to whistle-blower protection and provide a report to the Open-ended Intergovernmental Working Group on the Prevention of Corruption.

53. In addition, UNODC is also developing a workstream on the important role of investigative journalism and civil society. At the tenth session of the Conference of the States Parties, UNODC, together with the Organisation for Economic Co-operation and Development, organized a special event on the role of investigative journalists in detecting corruption, bringing together law enforcement, policymakers and journalists to discuss how media and governments could potentially benefit from each other's actions to effectively detect and combat corruption and economic crime globally. In February 2024, the Bureau of the Conference of the States Parties decided that the topic "Public participation; inclusive decision-making processes; role of non-governmental stakeholders, journalists and media" would be discussed by the Open-Ended Intergovernmental Working Group on the Prevention of Corruption at its meeting in September 2024.

#### **National coordination**

54. Gaps related to coordination and institutional architecture at the domestic level represent a challenge to the elimination of illicit financial flows. 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 finance, national statistical offices, financial intelligence units, financial regulatory and supervisory authorities, anti-corruption agencies and law enforcement authorities). 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. That leadership should extend to building State capacity to develop policy, take enforcement actions and measure results in all the relevant national bodies and authorities.

#### **Regulatory policies regarding professional service providers**

55. A wide variety of individuals and entities are involved in creating and executing the many complex transactions that comprise an illicit financial flow and result in hidden or disguised assets. They can include lawyers, accountants, corporate service providers, real estate agents, bankers, investment advisers and persons in many other types of professions. The Financial Action Task Force standards include the expectation that some designated non-financial businesses and professions have obligations related to anti-money-laundering enforcement. However, the lack of national frameworks for risk-based regulation often leads to regulatory and supervisory inconsistency across professions and geographies.

56. Accountancy firms in particular have frequently been in the public eye, for example in the accusations that accountants who were advising the Government of Australia shared confidential government tax policy information with their corporate clients. Large accountancy firms face significant questions over conflicts of interest because they often have advisory and consultancy arms that have the same clients as their audit arms. Regulation of professional service providers is also made difficult because of digitalization and globalization, with service providers not needing to be present in the same jurisdiction as their clients, nor the jurisdictions in which they conduct activities such as setting up legal entities or filing accounts. The Private Sector Forum held in the margins of the tenth session of the Conference of the States



Parties focused on the role of professional enablers in the transfer of proceeds of crime.

57. In contrast to other professional service providers, the financial sector is typically more regulated for both business conduct and financial stability reasons. However, the response of the financial sector has often been to mitigate risks in ways that are not aligned with overall achievement of the Sustainable Development Goals. For example, a risk-based approach to cross-border transfers could lead to some financial institutions in developing countries being excluded from correspondent banking networks, owing to the cost of controlling risks outweighing the potential profit to be made. Financial institutions also may automatically file suspicious activity reports for a large number of transactions to try to avoid liability, although Governments do not have the capacity to investigate the vast majority of the millions of suspicious activity reports. There are also increasing challenges from virtual assets, with the two largest virtual asset exchanges, in recent years, being shut down for fraud and heavily fined for violations of anti-money-laundering laws.

58. In its resolution [77/154](#), the General Assembly invited United Nations departments and offices to jointly prepare a global mapping of existing business regulatory policies, standards and guidelines, in consultation with stakeholders. Resources and capacity to conduct the mapping have yet to be identified.

#### **Illicit financial flow measurement framework and estimates**

59. Measuring and tracking illicit financial flows is extremely challenging because of the clandestine nature of the underlying activities. In resolution [78/140](#), the General Assembly recognizes the Conceptual Framework for the Statistical Measurement of Illicit Financial Flows, developed jointly by the co-custodians of the Sustainable Development Goal indicator on illicit financial flows – UNODC and the United Nations Conference on Trade and Development (UNCTAD). The Conceptual Framework considers the multidimensional nature of illicit financial flows and 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.” In sum, the Conceptual Framework attributes illicit financial flows to four different types of flows: inflows and outflows from illicit income generation and inflows and outflows from illicit income management.

60. First estimates covering selected crime-related illicit financial flows were published in the Global Sustainable Development Goal Indicators Database in April 2023, and the first tax and commercial illicit financial flow estimates were released in the UNCTAD SDG Pulse in 2023. Final estimates are expected to be released in the Global SDG Indicator Database in 2025. Work on crime-related illicit financial flows to date has resulted in the production of estimates for nine countries, which are summarized in the UNODC publication “Crime-related illicit financial flows: latest progress.” Preliminary estimates show high levels of tax and commercial illicit financial flows.

61. Governments stand to gain substantially from the increased availability of estimates of illicit financial flows, given that detailed and disaggregated estimates can be valuable tools to improve the capacity of country authorities to detect and curb the flows and to shape more effective evidence-based policies. The two agencies, jointly with the United Nations regional commissions, continue to support countries in producing transparent, robust and globally comparable statistics. In a 2023 survey to assess Member States’ readiness to create estimates, two thirds of countries requested support to enhance their statistical capacity (65 per cent of the 63 respondents). Stronger support to national authorities, as suggested in resolution



78/140, requires dedicated resources that go beyond ad-hoc project funding that currently provides support for 12 countries globally.

62. UNCTAD launched a two-year project in 2024 to continue supporting national statistical capacity in three additional countries of Africa (Ghana, Namibia and Zambia)<sup>13</sup> to refine preliminary estimates on tax and commercial illicit financial flows. UNODC is producing a study on illicit financial flows related to the trafficking of opiates and methamphetamines along the Balkan route and initiated a project in Costa Rica to produce estimates for one or two illegal markets. To start addressing the aggregation of illicit financial flow estimates and comparability of the different estimation procedures, UNCTAD published the paper “Towards a statistical framework for the measurement of tax and commercial illicit financial flows”.<sup>14</sup>

## VI. Summary and conclusions

63. Member States are working on strengthening measures to combat illicit financial flows across many policy areas and domains. However, many challenges remain, not least because of the large financial incentives for perpetrators of illicit financial flows and the difficulty for Governments to implement rules and regulations to keep up evolving practices. Weaknesses in implementation at the national level are compounded by shortcomings in the international frameworks. For tax-related illicit financial flows, Member States have an opportunity, through the United Nations framework convention on international tax cooperation and its protocols, to address some of the shortcomings. Strengthening of the international frameworks combined with effective implementation can improve trust, help rebuild the social contract and generate public resources for investment in sustainable development.

64. A first priority can be ensuring that the cross-border provision of tax-related information needed by authorities is inclusive and effective. Developing countries should not remain outside of information-sharing mechanisms on tax information. However, they may need transitional arrangements that follow a risk-based approach. By allowing for the provision of information without reciprocity expectations to Member States that pose low risks to the tax base of other jurisdictions, new international norms can increase inclusion and strengthen legitimacy. That must be coupled with support for developing appropriate confidentiality standards and systems and strengthening the ability to use tax information in enforcement actions.

65. Second, better beneficial ownership information is needed on all legal vehicles, and benefits can be derived from broader sharing and publication of that information. While beneficial ownership transparency is improving, in terms of both standards and their implementation, a global push for effective beneficial ownership registers with strong verification and access for authorities from other Member States would help to close loopholes. Member States may need to move progressively towards registries that cover a wider variety of assets to prevent regulatory arbitrage.

66. Third, Member States should consider beginning the process of finding appropriate regulatory and supervisory regimes for professional service providers that can be more consistent across borders. As with financial regulation, any international standards and accompanying regulatory regimes should be based on activity, rather than on the status of the provider. Conflicts of interest should be addressed, and appropriate sanctions in place for violations.

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<sup>13</sup> See <https://unctad.org/project/statistical-measurement-tax-and-commercial-illicit-financial-flows-enable-more-targeted>.

<sup>14</sup> United Nations publication, December 2023.

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67. Member States must redouble their efforts to combat illicit financial flows and the activities that generate them, such as tax avoidance and evasion, corruption, money-laundering and other crimes. The links between sustainable development and financial integrity are well documented. To achieve the Sustainable Development Goals, strengthened attention and focus on those issues through enhanced international coordination in the Economic and Social Council will be critical. Operating in institutional silos undermines the international community's ability to identify and address gaps in existing policy. There are established international normative frameworks to deal with illicit financial flows related to the proceeds of crime, including tax crimes, and corruption. There is still no venue for dialogue among institutions and States on illicit financial flows that cuts across normative frameworks for corruption, financial crime and tax. As intergovernmental tax cooperation at the United Nations becomes more formalized, it becomes more imperative to address the coordination gap. The existing multilateral architecture, namely the Economic and Social Council, can serve as an effective host for coordination among Member States, international institutions (including United Nations system and non-United Nations entities) and external stakeholders. A Council-based coordination mechanism could review progress on financial integrity issues, provide data and other information and foster intergovernmental agreements to address illicit financial flows and promote financial integrity.

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