



COMBATTING FINANCIAL CRIME AND IMPROVING GLOBAL FINANCIAL INTEGRITY FOR ENHANCED DOMESTIC RESOURCE MOBILIZATION AND INCLUSIVE ECONOMIC GROWTH OUTCOMES

Key messages

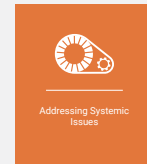
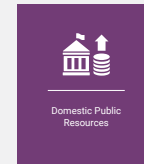
- **Financial integrity is necessary for all aspects of development finance.** At the global, regional, and national level – money laundering, underlying crimes (e.g., corruption, tax crimes, organized crimes, environmental crimes) and the financing of terrorism continue to erode sustainable and inclusive development, domestic resource mobilization and undermine the soundness of the financial sector and financial inclusion efforts.
- Enhanced **capacity building** efforts are necessary to close these implementation gaps and support effective prevention, investigation and recovery of illicit financial flows.
- Financial crime has **direct negative macroeconomic impacts** and preventing it is foundational to sustainable development. It is optimally addressed through a whole of government approach. Safeguarding payments and remittance flows, developing stable and inclusive financial sectors capable of supporting inclusive economic growth and protecting domestic resource mobilization all require a foundation of financial integrity grounded in effective, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) frameworks.
- AML/CFT policy and relevant capacity building efforts should be **mainstreamed** into core national development, revenue, and financial inclusion strategies where they exist to ensure consideration of the negative impact of financial crime on the economy.

Problem statement

Financial crimes undermine Member States' ability to reliably raise and retain domestic resources, and where, crime and transnational organized crime and corruption have gained a deep economic footprint. Thus, all our efforts – to achieve positive outcomes across the sustainable development agenda – must include efforts to strengthen anti-money laundering and counter terrorism financing (AML/CFT) regimes, as a matter of priority.

Countries of all income levels continue to experience crime, eroding economic potential. This can be more easily observed in the developing world where economies tend to be smaller and where capacity and resources are low – the relative cost of financial crime to the economy is high.

RELEVANT ACTION AREAS



ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: <https://financing.desa.un.org/iatf/report/financing-policy-brief-series>

MORE ABOUT THIS TOPIC

For further information on the topic of this brief, please see:

<https://www.unodc.org/unodc/en/money-laundering/global-programme-against-money-laundering/.html>

<https://www.imf.org/en/Topics/Financial-Integrity/amlcft>

<https://www.worldbank.org/en/topic/financialmarketintegrity>

<https://www.unodc.org/unodc/en/organized-crime/tools-and-publications.html>

<https://www.unodc.org/corruption/en/tools-and-services/index.html>

<https://www.fatf-gafi.org/>



In its 2022 report on the State of Effectiveness and Compliance with the Financial Action Task Force (FATF) Standards¹, the global standard setting body for anti-money laundering and countering the financing of terrorism policy² found that out of 120 assessed countries 97% had low to moderate effectiveness ratings when it came to AML/CFT preventive measures in the private financial and non-financial sector. In many cases - despite laws and regulations being in place – effective implementation was poor. Implementation of beneficial ownership transparency was also low, as were effectiveness ratings for effective investigations and international cooperation activities which could meaningfully lead to the confiscation and recovery of the proceeds of crime.

Policy solutions

A decade after Member States committed to “*identify, assess and act on money laundering risks, including through effective implementation of the Financial Action Task Force standards on AML/CFT. At the same time, we will encourage information-sharing among financial institutions to mitigate the potential impact of the AML/CFT standard on reducing access to financial services,*”³ Member States have indeed strengthened policy at the international level.

This includes enhanced FATF Recommendations for asset recovery⁴, beneficial ownership⁵ transparency and those related to mitigating the un-intended consequences of the implementation of the standard – such as preventing the

abuse of the non-profit sector for the purposes of terrorist financing,⁶ and continue to work on safeguarding payments and addressing the pressures on correspondent banking⁷ and harmonizing AML/CFT efforts with financial inclusion objectives so that each public policy objective reinforces the other. It also includes relevant resolutions at the United Nations, such as those linked to asset recovery, corruption and proceeds of crime and sustainable development⁸. As well as analytical work to support policy makers, notably undertaken by the World Bank⁹ and the IMF¹⁰.

While this enhancement of international policy will provide much needed clarity as to how to improve AML/CFT frameworks – it will not alone complete the actions necessary to close implementation gaps, that needs to be addressed by (i) robust political will based on an acknowledgement sustainable development must be grounded in financial stability, integrity and inclusion, (ii) a whole of government approach which supports AML/CFT implementation and (iii) targeted capacity building efforts to help to bring about effectiveness and global implementation of the risk-based approach.¹¹

Recognizing the negative macroeconomic impacts of financial crimes and ML/TF, the IMF closely engages with its member countries to help them address financial integrity risks across all of its workstreams –surveillance, financial sector assessment programs (FSAPs) (conducted jointly with the World Bank), Fund-supported programs, AML/CFT assessments, and capacity development. AML/

1. <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf.coredownload.pdf>

2. <https://www.fatf-gafi.org/en/home.html>

3. https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

4. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/amendment-FATF-standards-global-asset-recovery.html>

5. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-transparency-beneficial-ownership.pdf.coredownload.pdf>

6. [https://www.fatf-gafi.org/en/publications/Fatfrecommendations/protecting-non-profits-abuse-implementation-R8.html#:~:text=The%20revised%20Recommendation%208%20\(R,based%20implementation%20of%20strengthened%20measures.](https://www.fatf-gafi.org/en/publications/Fatfrecommendations/protecting-non-profits-abuse-implementation-R8.html#:~:text=The%20revised%20Recommendation%208%20(R,based%20implementation%20of%20strengthened%20measures.)

7. <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Unintended-Consequences.pdf.coredownload.inline.pdf>

8. A/RES/77/154 – EN; Seventy-seventh session Agenda item 16 (d) Macroeconomic policy questions: promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development; Resolution adopted by the General Assembly on 14 December 2022: Promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development.

9. <https://star.worldbank.org/> see also - <https://star.worldbank.org/publications/orders-without-borders-direct-enforcement-foreign-restraint-and-confiscation-decisions;> <https://star.worldbank.org/publications/role-and-responsibilities-gatekeepers-fight-against-illicit-financial-flows-unifying;> <https://star.worldbank.org/publications/asset-recovery-handbook-guide-practitioners-second-edition;> <https://star.worldbank.org/publications/international-partnerships-asset-recovery;>

10. An overview of the IMF's work on AML/CFT, including its analytical work, can be found on its webpage (<https://www.imf.org/en/Topics/Financial-Integrity/amlcft>). As an example of the IMF's analytical work, staff uses the analysis of cross-border financial flows and other quantitative and qualitative data, to guide its engagement with members based on the ML/TF risks and their macroeconomic implications (see 2023 Review of the Fund's AML/CFT Strategy – Background Paper I: Macroeconomic Impact of Illicit Financial Flows. <https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/12/05/2023-Review-of-The-Fund-s-Anti-Money-Laundering-and-Combating-The-Financing-of-Terrorism-542020>).

11. <https://www.unodc.org/unodc/en/news/2024/May/urgent-action-needed-to-fight-money-laundering-and-terrorist-financing-say-heads-of-fatf-interpol-and-unodc.html>



CFT and financial integrity issues have also increasingly been integrated to a wide range of the IMF's policies (e.g., Fintech/digital money, governance, climate change, fragile and conflict-affected states)¹².

The World Bank links its work tightly to development and poverty reduction, conducting much of its work on issues such as de-risking, remittances, and financial inclusion. It supports countries' efforts in increasing financial integrity through risk assessments and risk-based supervision. The World Bank also incorporates AML/CFT issues into its lending operations, including development policy loans and investment project financing.¹³

Similarly, UN's approach to assisting Member States implement effective, risk-based AML/CFT frameworks according to relevant international standards highlights the need to fight financial crime grounded in the need to improve sustainable development and domestic resource mobilization outcomes. The joint World Bank and UNODC Stolen Asset Recovery Initiative (StAR) assists Member States to improve efforts to recover the proceeds of corruption and relates serious economic crime (this is the subject of another UNODC policy brief). These efforts are in line with the 2012 revision of the FATF Recommendations which introduced the risk-based approach, and which also targeted effective implementation as well as technical compliance issues using a risk-based approach.

Specific recommendations for FFD4

The Fourth Financing for Development Conference should enhance the call for MS **to effectively implement the Recommendations of the Financial Action Task Force** (as per paragraph 24 of the Addis Ababa Action Agenda for Financing for Development) and call upon **the UN, the IMF and the World Bank to continue to assist Member**

States to improve their level of effective, risk-based implementation commensurate with country's ML/TF risk profile.

The Conference should emphasize the foundational role of financial integrity to development finance and particularly to domestic resource mobilization.

Given this importance, Member States should ensure the mainstreaming of financial integrity measures into development efforts and that all sustainable development, inclusive economic growth and financial integrity and inclusion efforts are accompanied by robust efforts to support countries to implement effective, risk-based AML/CFT frameworks.

Member States should endeavor to **improve the implementation of effective AML/CFT measures to achieve positive outcomes for Sustainable Development Goal 16.4 related to measurably combatting illicit financial flows** – particularly those related to risk-based supervision of the financial and non-financial sectors, implementation of effective financial investigations leading to the confiscation and recovery of the proceeds of crime.

A whole of government approach, led by a high level political commitment and close consultations and partnerships with the private sector are necessary to effective AML/CFT regimes, and are particularly important in addressing gaps – such as improving areas of weak implementation – and persistent features in the financial sector – such as the loss of correspondent banking relationships, the need to safeguard payments modalities and remittance channels and to improve financial inclusion efforts through financial technology and digitization.

12. For details of the IMF's work on AML/CFT, please see 2023 Review of The Fund's Anti-Money Laundering and Combating The Financing of Terrorism Strategy (https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/12/05/~/.link.aspx?_id=98F8E6F6CA024544ACFDB0F44C02C697&_z=z) and its background papers (https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/12/05/~/.link.aspx?_id=217806EC8D2A44C88571A733E92A91D2&_z=z).

13. <https://documents1.worldbank.org/curated/es/134841468128111804/pdf/Making-remittances-work-balancing-financial-integrity-and-inclusion.pdf>, <https://documents1.worldbank.org/curated/en/597781637558061429/pdf/Impact-of-the-FATF-Recommendations-and-their-Implementation-on-Financial-Inclusion-Insights-from-Mutual-Evaluations-and-National-Risk-Assessments.pdf>