

# **Public Financial Management, Illicit Financial Flows and Achieving the Sustainable Development Goals**

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GLOBAL FINANCIAL INTEGRITY

# CHALLENGE / OPPORTUNITY

- The UN estimates that achieving the SDGs will cost \$2.5 trillion annually.
- Current levels of ODA, FDI and pledged financial assistance from the MDBs totals \$1.17 trillion annually.
- At least \$1 trillion in illicit capital is siphoned out of developing economies each year.
- Helping countries capture revenue will be transformative.



# POLITICAL WILL EXISTS

- In the Addis Ababa Action Agenda and the Sustainable Development Goals nations agreed to “substantially reduce illicit financial flows” by 2030.
- The Addis Ababa Action Agenda notes that “measures to combat. . . and curb illicit financial flows will be integral to our efforts.”
- The Addis Tax Initiative notes that “stepping up Domestic Resource Mobilization is core to ensuring solid financing of the Post-2015 Development Agenda.”



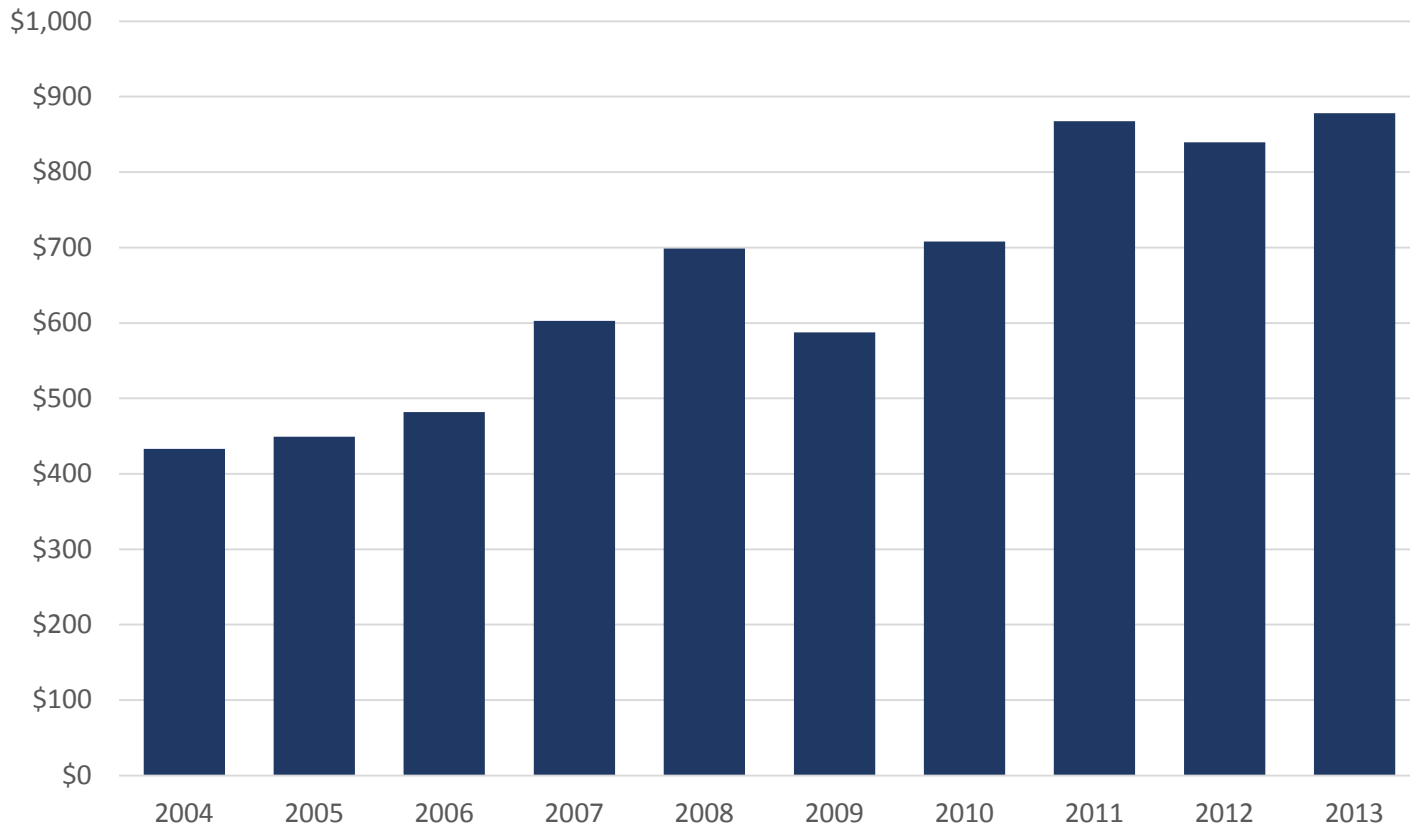
# CAPTURING DOMESTIC RESOURCES

- Data show that of the \$1.1 trillion in measurable illicit financial flows exiting developing economies in 2013, \$878 billion were related to misinvoiced trade (i.e. trade fraud).
- Customs departments need technology to help identify when goods are misinvoiced.
- This is a customs department problem not a tax/revenue authority problem.



# Trade Misinvoicing Outflows, 2004-2013

(in billions of U.S. dollars)



■ Trade Misinvoicing from All Developing Countries



# TRADE MISINVOICING ASSESSMENT SYSTEM (TMAS)

- Real-time pricing information for 25,000 products.
- Product pricing information from 30 nations.
- Prices updated quarterly.
- Ease of training – price inquiries take just seconds to complete.
- Results provided instantaneously – won't delay movement of goods.
- Search results indicate when action should be taken – prior to goods leaving the port.



# TMAS BENEFITS

- Provides actionable information for customs officials
- The technology will disrupt unhelpful behavior
- Creates legitimacy in the trade process
- Improves efficiency of customs departments
- Addresses the compliance gap in revenue capture



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