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

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• 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 Mis invoicing Outflows, 2004-2013
(in billions of U.S. dollars)
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
CONTACT INFORMATION

Tom Cardamone
Managing Director
tcardamone@gfintegrity.org
+1 202 293 0740