



Conference on Financing Sustainable Development *Curbing Illicit Financial Flows*

**Session 2: Financing for Development: Assessing Progress,
Emerging Threats & Opportunities**

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Regional Commissions NY Office
Beirut, 28 November 2018



United Nations Regional Commissions New York Office

"Voicing regional perspectives at the global level"



Global Context

Rising uncertainty

- **Growing global economic and non-economic risks**
(tightened global financial conditions - trade tensions, rising debt vulnerabilities, capital flow volatility; climate change; inequality, conflict)
- **Threats to multilateralism** hindering strong international policy response to address these risks



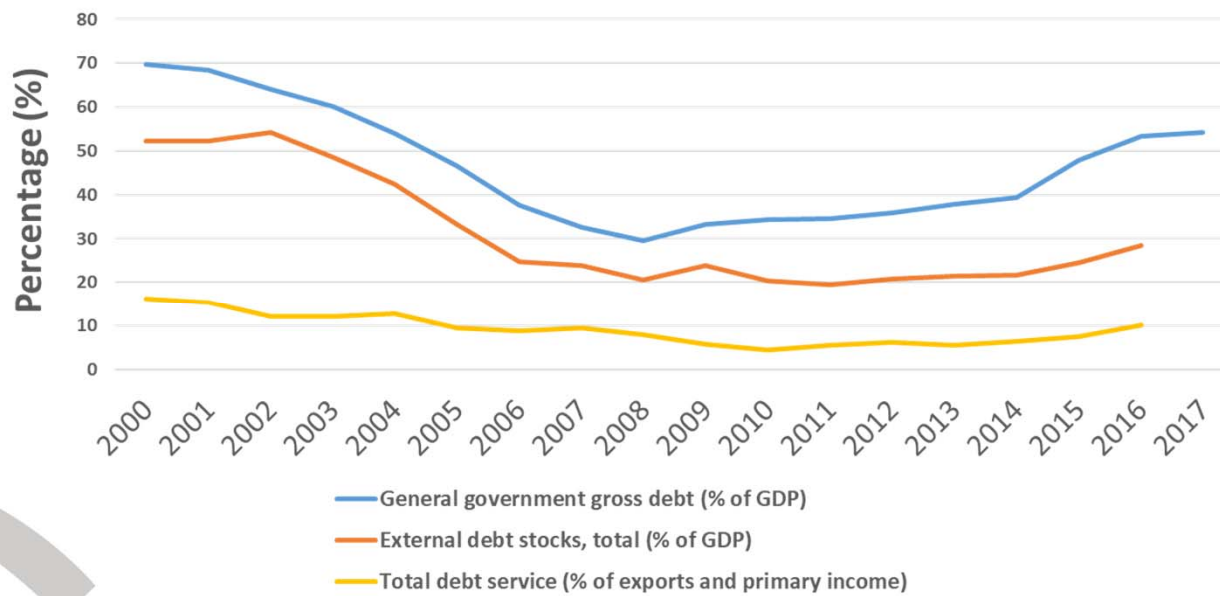
Financing Sustainable Development

Structural global impediments to domestic resource mobilization

- **Rising Debt** (higher borrowing costs and tightened access to capital markets with risks for investments and economic growth)
- **Tax Evasion and Avoidance** (lost revenues for needed public investments incl in health, education, social protection and others)
- **Illicit Financial Flows** (lost revenues and undermining of public institutions and good governance)



Total debt, external debt and debt service are on the rise again

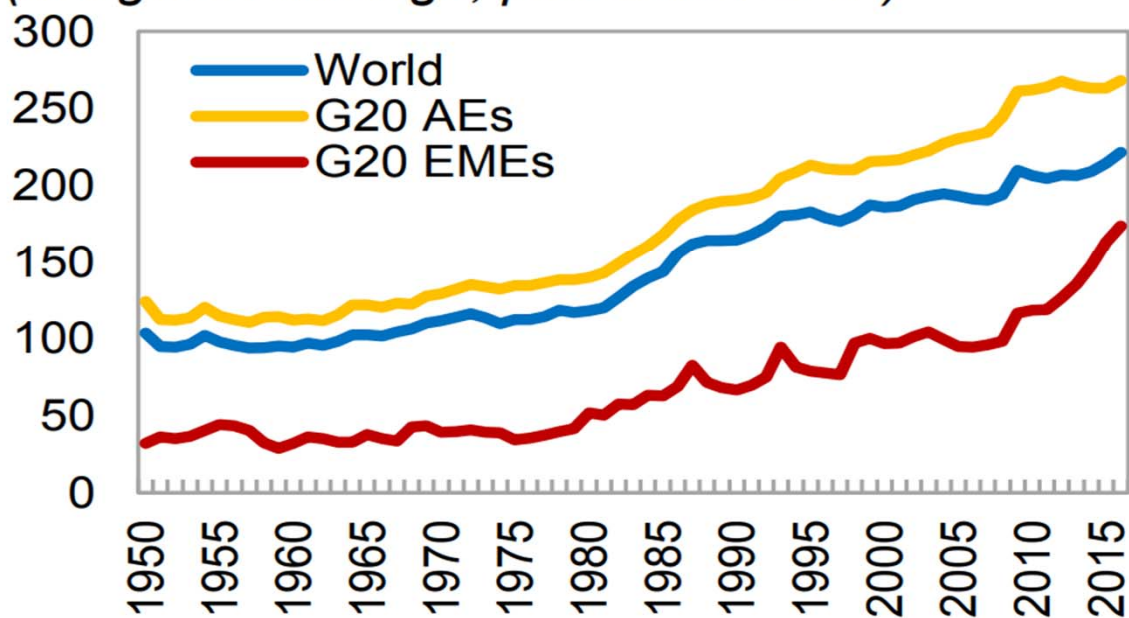


SOURCE: Based on IMF 2018



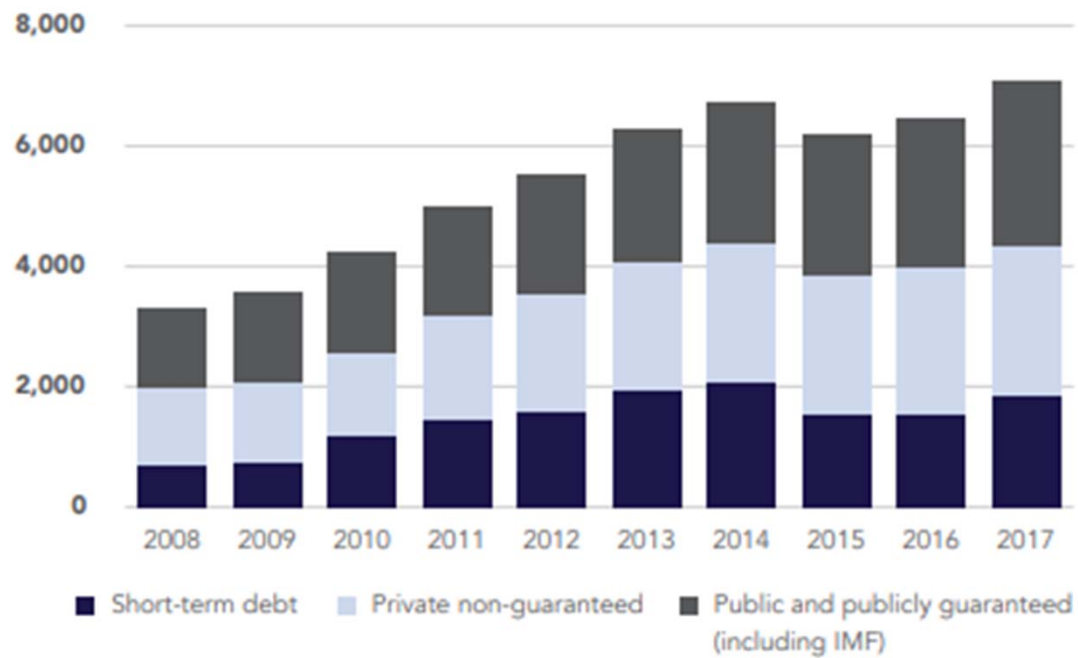
Debt stocks

Figure 9. Total Debt: World and G20
(Weighted average; percent of GDP)



SOURCE: IMF Global Debt base

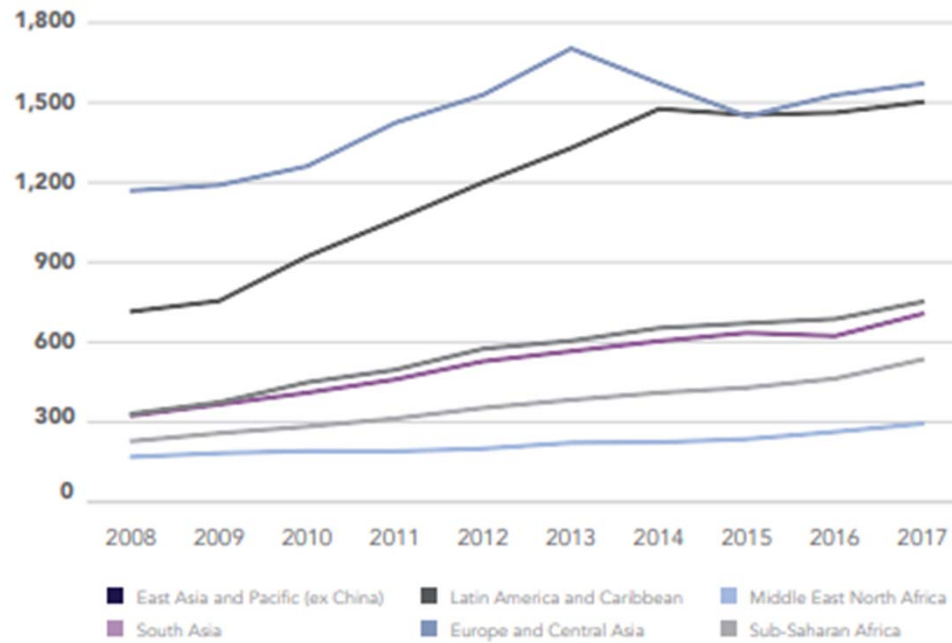
External Debt Stock of Low- and Middle- income Countries



SOURCE: World bank



External Debt Stocks – Regional Trends



SOURCE: World Bank



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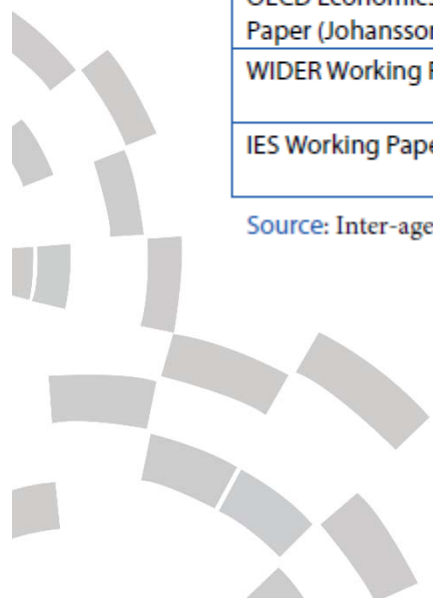


Tax Evasion and Avoidance

Select International corporate tax avoidance estimates

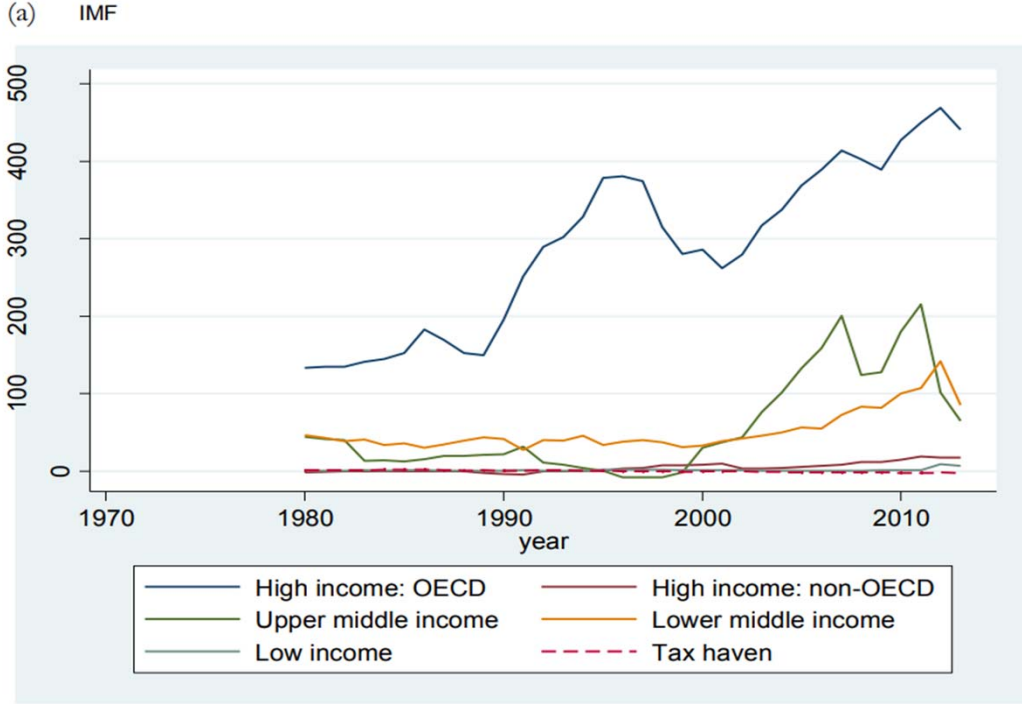
Estimate provider	Date of publication	Volume of tax loss	Underlying data
OECD Economics Department Working Paper (Johansson, Skeie, Sorbe, & Menon)	2017	\$100 billion – \$240 billion in 2014	Firm-level corporate financial information databases
WIDER Working Paper (Cobham & Janský)	2017	\$500 billion annually	Country-level statutory tax rates and corporate income tax revenues
IES Working Paper (Janský, & Palanský)	2017	\$150 billion – \$188 billion annually	Foreign direct investment data and reported rates of return

Source: Inter-agency Task Force on Financing for Development, UN/DESA.



Tax Evasion and Avoidance

Figure 4: Revenue loss estimates over time, US\$ billion, by income group



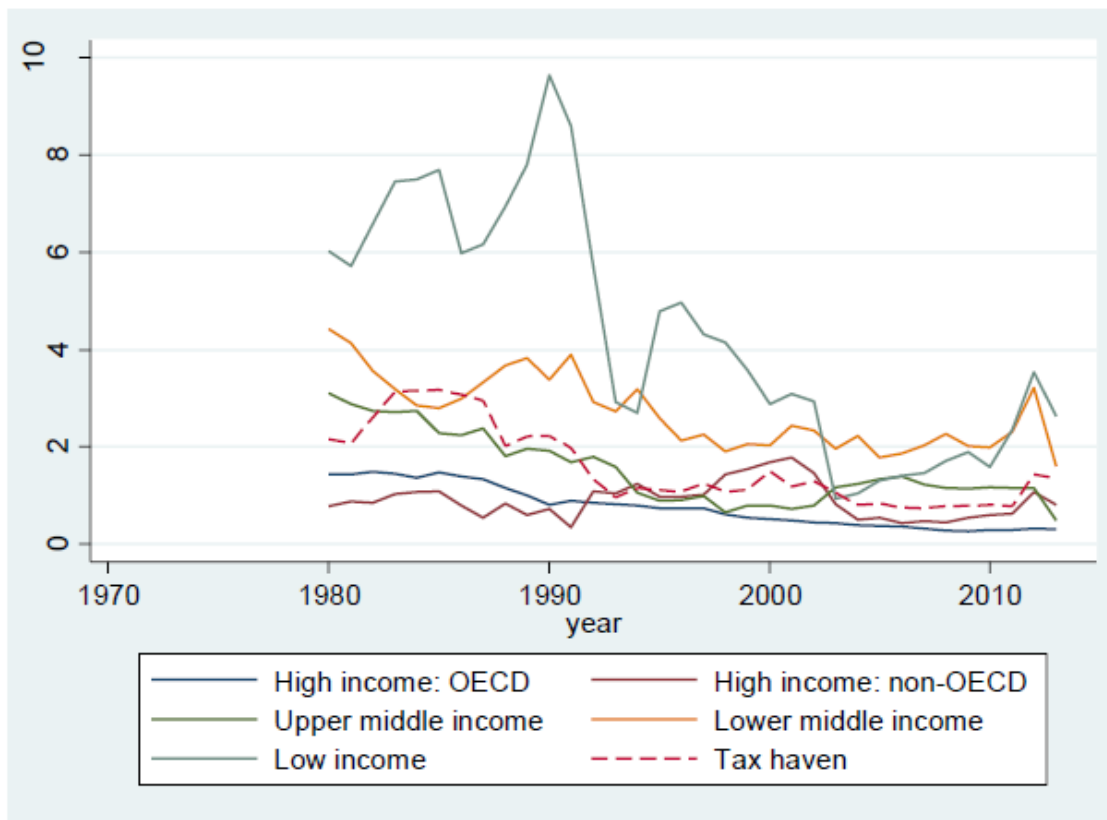
SOURCE: UNU WIDER 2017 WP



Tax Evasion and Avoidance

Figure 5: Revenue loss estimates over time, % of GDP, by income group

(a) IMF

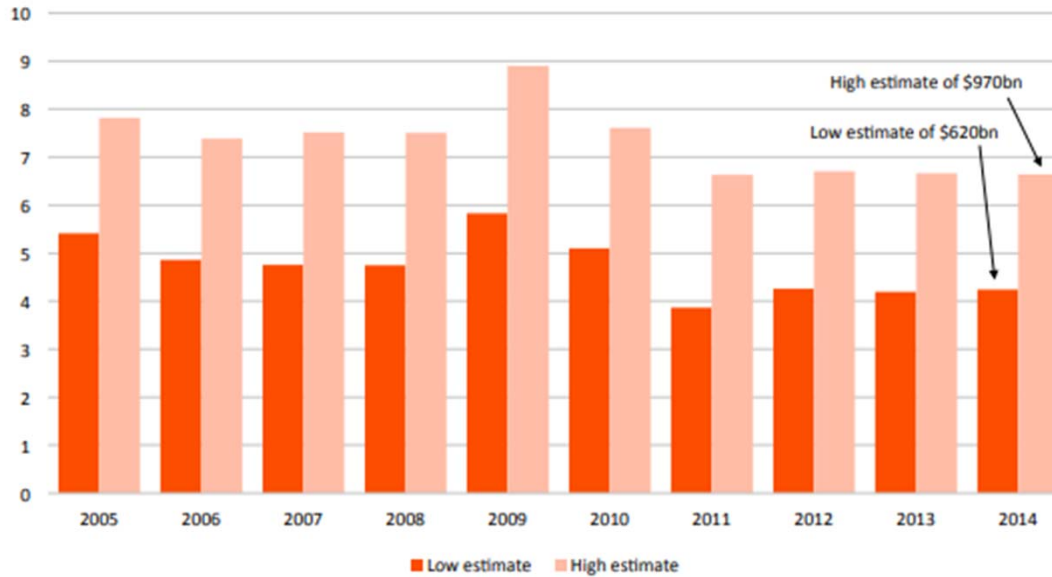


SOURCE: UNU WIDER 2017 WP



Illicit financial flows

Estimated Illicit Financial Outflows 2004-2014 (Percent of total trade)



SOURCE: the Global Financial Integrity Report 2018

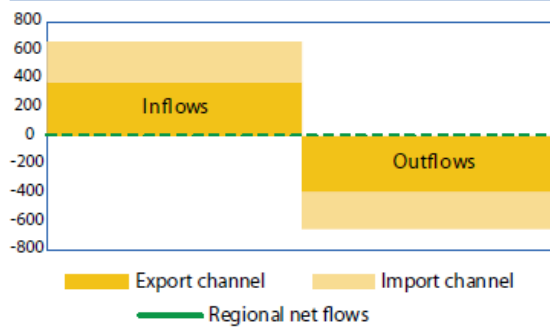
Illicit financial flows

**Estimated Illicit Financial Outflows 2004-2014
(Percent of region's total trade)**

Region	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average annual percent change since 2005
Aisa	5.6	5.3	4.9	4.7	5.9	5.3	3.2	4.4	4.1	4.8	9.5
Sub-Saharan Africa	11.2	11.7	12	12.3	16.3	7.6	6.5	6.5	9.2	7.6	4.5
Developing Europe	7.7	7	7.6	7.5	10.1	9.1	9	7	7	6.3	6.4
MENA+AP	3.9	4.3	4.6	5	5.4	4.3	4.7	4.6	4.2	4	10.4
Western Hemisphere	9	7.3	7.1	7.2	7.7	8.1	6.9	7.4	7.8	7.4	5.8
All Developing Countries	6.6	6.1	6.1	6.1	7.4	6.4	5.3	5.5	5.4	5.4	7.7

SOURCE: the Global Financial Integrity Report 2018

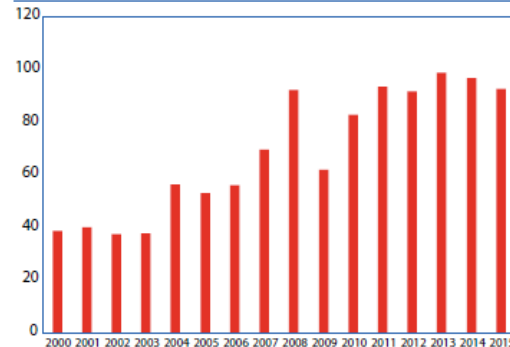
Figure 8
Asia-Pacific regional goods trade
mis-Invoicing, 2016
(Billions of United States dollars)



Source: ESCAP calculations.

Note: Chart shows the aggregated bilateral differences between export and import values at product level (Harmonized System six-digit codes) for 86 per cent of export lines and 75 per cent of import lines where matching was possible for 31 jurisdictions within ESCAP Member States. Special administrative regions of China are treated as separate jurisdictions.

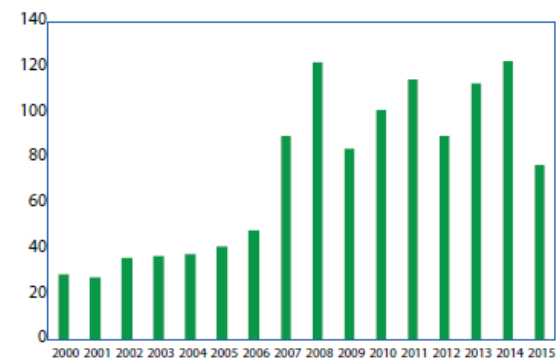
Figure 9
Estimates of gross outflows from goods trade
mis-Invoicing, Latin America and the Caribbean,
2000–2015
(Billions of United States dollars)



Source: ECLAC calculations.

Note: Chart shows the aggregated gross outflows for bilateral differences between export and import values at product level (Harmonized System six-digit codes) for 33 ECLAC Member States. Results are inversely weighted for differences in volume of goods to correct for inadvertent misreporting.

Figure 10
Estimates of net outflows from goods trade
mis-Invoicing, African countries, 2000–2015
(Billions of United States dollars)



Source: UN/ECA calculations.

Note: Chart shows the aggregated net outflows for bilateral differences between export and import values at sector level (Global Trade Analysis Project 57 sectors) for 49 jurisdictions within ECA Member States, in 2016 prices. The Southern African Customs Union is treated as a single entity.

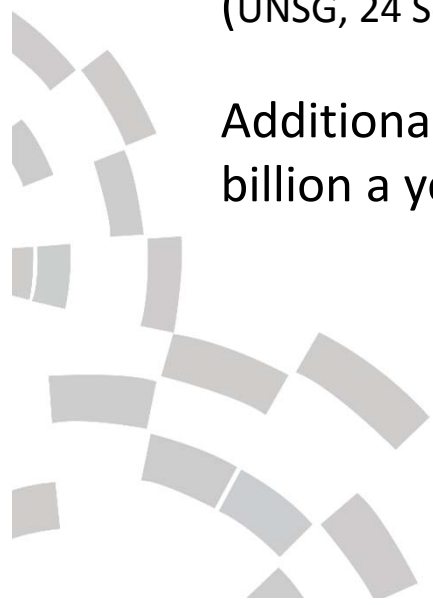


Investments needed to implement the SDGs

It is estimated that globally, investments of US\$ 5 - 7 trillion are needed each year to implement the Goals.

(UNSG, 24 Sept HLM on Financing the 2030 Agenda)

Additional spending needs in LICs amount to about US\$520 billion a year to meet the SDGs. (IMF estimate)



Global and regional efforts are required to enable countries capacities to mobilize domestic resources

- DRM is not isolated from the global issues – it is not only about national efforts
- Regional Cooperation can play an important role in supporting DRM efforts including through development of capital markets, on taxation and combatting IFF, among others
- Global solutions through international cooperation remain much needed to ultimately address global structural impediments to DRM in LICs and MICs



SG Strategy on Financing the 2030 Agenda

Three key areas identified in the SG Strategy, namely:

(1) Aligning global financial and economic policies with the 2030 Agenda;

(2) Enhancing sustainable financing strategies and investments at the regional and country levels; and

(3) Seizing the potential of financial innovations, new technologies and digitalization to provide equitable access to finance.





Thank you

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