

Systemic solutions

5 NOVEMBER 2020
FACTI ISSUES NOTE

The FACTI Panel published its [interim report](#) on 24 September 2020.

The FACTI Panel will hold a series of high-level virtual regional consultations with global stakeholders from 9 to 23 November 2020. The consultations aim to discuss possible means to address the shortcomings identified in the interim report. To orient the consultations a series of short issues papers are being presented along with guiding questions for the consultations.

INTRODUCTION

The world needs a common understanding about the problems and solutions in regarded to financial accountability, transparency and integrity. The interim report calls for starting with the acceptance that the issues are systemic.

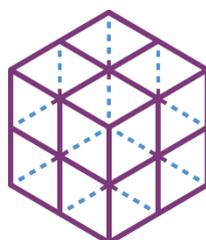
Corruption, for example, involves entrenched power structures, societal relations and social norms, which together form a system of incentives for wrongdoing. Similarly, abusive tax practices arise out of fiscal systems characterized by weakness of social contracts; perceptions of a lack of fairness and social trust; incentives that divert taxpayers away from society's goals, and political systems that may be captured by powerful groups. In all cases, lack of transparency facilitates malpractice, because when actions remain hidden and people are not held accountable, bad-faith actors feel emboldened and empowered.

Financial integrity requires a whole ecosystem: economic and financial institutions, social norms, and governance arrangements supported by policy makers, public officials, businesses of all sizes, civil society, households and the public at large.

All segments of society need to feel invested in equality, fairness and accountability.

In its interim report, the Panel notes that all aspects of this problem require action and ownership in developed and developing countries; in source, transit, and destination countries; in public and private sectors; and in small and large countries alike. In this, the Panel begins where the African Union High-Level Panel on Illicit Financial Flows from Africa concludes, that this is a systemic problem that requires better global coordination.

To track, stop and reverse the drain of resources is a formidable task because of the multiplicity and interlinkages of actors, sources and channels. Relevant actors, both domestically and in other countries, include state institutions, public officials, private companies, professional service providers and financial institutions, all with their own motivations. States cooperate and coordinate most effectively when they share responsibilities and accountability. States already have obligations at domestic, international and collective levels, stemming from a web of international instruments.



**FINANCIAL
ACCOUNTABILITY
TRANSPARENCY &
INTEGRITY**

Yet financial integrity systems are not a mere sum of their parts: a weak link anywhere in the system can undermine the system as a whole, allowing resources to be drained through the weak spot. A whole-system approach is needed to examine the increasing use of sophisticated and complex financial and commercial arrangements to disguise the money trail. The issues are systemic, thus systemic solutions are needed.

The Panel has come to the following cross-cutting conclusions:

- International community needs a shared understanding of problems and solutions;
- The shortcomings are systemic and require systemic responses;
- A legitimate, coherent ecosystem of instruments and institutions needs coordination; and
- Policymakers need to be nimble to confront evolving methods of draining resources.

LOOKING FORWARD

Addressing the limitations in financial accountability, transparency and integrity requires a basic understanding among all stakeholders that there are no silver bullets or single measures to resolve the challenges. This leads directly to the Panel's conclusions about the nature of solutions and the importance of broad and systemic thinking about the road ahead.

Guiding question for the consultations:

- **How can the international community promote coherence across existing and/or new legal and institutional frameworks?**
- **What mechanisms can be used to follow-up on progress, address implementation gaps and make recommendations for corrective action?**

Further details on the high-level regional consultations can be found on the FACTI Panel website: <http://www.factipanel.org/events>.

