

Summary of the second video conference of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda

25 June – 1 July

The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) held its second virtual meeting from 25 June to 1 July. The meeting had three key objectives: review the in-depth background papers prepared by expert consultants; begin to identify the analytical conclusions the Panel can draw; and discuss the structure, messages and presentation of the Panel's interim report. The FACTI Panel Co-Chairs, Dr. Ibrahim Mayaki and Dr. Dalia Grybauskaitė, opened the meeting by sharing their views on the importance of the work conducted so far and providing guidance to Panel members on how they would like the Panel to move ahead. Mr. Navid Hanif, Director of UNDESA Financing for Sustainable Development Office, spoke on behalf of the FACTI Secretariat to review the agreements the Panel has already made while asking the Panel members to remain flexible in both the timeline and the methods of work given the uncertainty facing because of the COVID-19 pandemic.

The Panel members reviewed the three separate and distinct outputs of the Panel: in-depth background papers, the interim report, and the final report. The background papers will remain the product and responsibility of the authors of the papers. The interim and final reports, meanwhile, are the responsibility of the Panel, including for their analysis and messaging.

Interim report analysis and messages

The Panel reaffirmed its earlier conclusion that the interim report will present the Panel's agreed analysis of the gaps, vulnerabilities and impediments present in the current systems related to a broad set of financial accountability, transparency and integrity issues. Panel members agreed that the interim report needed to have a strong focus on the financing of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs). The framing of the interim report will clearly focus on challenges that are impeding mobilization of resources to achieve the SDGs.

Panel members agreed that the interim report should be forward looking and provide a vision as well as an analysis of the gaps, vulnerabilities and impediments. It would provide pointers for Member States, as well as address anticipated developments. The Panel agreed that the report should identify the potential impact of COVID-19 and future technological development on financial integrity and transparency.

Panel members agreed to reference existing initiatives and instruments when discussing the gaps and vulnerabilities. Panel members also supported the idea of having specific case studies or examples as ways to galvanize reader interest. They requested that the expert consultants include these in the background papers where possible.

Panel members stressed the need to have a balanced approach that reflects the situation in different regions as well as the priorities of different stakeholders. Further, Panel members agreed that the Panel's final report in February 2021 will prioritise recommendations which are both technically feasible and political viable. Therefore, these recommendations will be broken down into those that can be carried out in the short-term, those that can be done in the medium-term and those, which though essential, may take a longer time to achieve.

Panel members agreed that the work so far pointed to the need to consider that financial integrity is a global problem, not just one of national policies. National policies in this area have global spillovers, affecting other countries. At the same time, in a context of challenges to multilateralism, Panel members recognised the need to think carefully about unilateralism and how multilateral systems might tolerate greater diversity of national policies without creating negative spillovers. They agreed to include regional mechanisms and for the report to clearly discuss the value of regional governance.

At many times the discussion focussed on how inclusivity in international frameworks was necessary but not sufficient for international frameworks to be fit for purpose, trusted, and create political will for implementation. The Panel members agreed that accountability needed to be closely related to inclusion in norm setting.

The meeting also addressed the difficulties in implementation for poor countries, small countries, and those that lack sufficient human and technical capacities. The Panel members also recognised that capacity might also be limited because of political considerations, and that the political economy of reforms should be mainstreamed in all the background papers and the Panel's reports to understand the roles of different actors and incentive structures.

Panel members renewed their agreement that the ultimate recommendations to be included in the final report will be categorised according to whether they could be implemented in the short-term, medium-term or the longer-term. They agreed that the ultimate recommendations should focus on those that can make a real difference before 2030, while acknowledging those that might have a longer time horizon.

Preliminary conclusions related to specific clusters of work

Improving cooperation in tax matters

The Panel heard presentations on the background papers on "Tax information production, sharing, use and publication", and "Appropriateness of international tax norms to developing country contexts".

Panel members called for a more nuanced approach to the challenges facing international cooperation in tax matters that goes beyond the simple classification of developed versus developing countries to also examine the various tensions among and across economic groupings as well as the uniqueness of country situations. Panel members emphasized that alternative approaches to current practices in global tax matters should be guided by fundamental principles, feasibility in application by developing countries and political buy-in.

Panel members highlighted that governance issues and understanding the political economy of reforms were critical. Panel members emphasized the need to examine the institutional arrangements of the proposal of a UN convention including its purpose, functions and ability to overcome current gaps and vulnerabilities in global tax matters.

Panel members stressed that recommendations in all papers should be guided by the technical feasibility of proposed policies and the political viability of proposals to advance action on these recommendations. Panel members agreed that understanding capacity gaps was a critical aspect to addressing implementation issues facing developing countries.

Accountability, public reporting and anti-corruption

The Panel heard presentations on the background papers "Transparency of asset and beneficial ownership information" and "Anti-corruption measures".

The Panel members highlighted the difficulty of implementation of different recommendations given that they are also facing contexts of international competition for capital, particularly among financial centres.

Panel Members agreed that there were lessons to be learned from how some countries had used incentives, such as eligibility for public procurement contracts, to encourage compliance with requirements. The possibility of harder sanctions, such as corporate dissolution and unenforceability of contracts, were also raised.

Panel Members also raised concerns about loopholes and shortcomings in existing frameworks, noting that people acting in bad faith can construct alternative legal vehicles, ownership chains and transactions that remain legal and under thresholds. The Panel discussed the trade-off between cost of implementing ownership registries and other anti-corruption measures and the potential benefits and agreed to consider further low-cost solutions that might be better adapted to developing country contexts.

Panel Members agreed to look further into measures to fight corruption in source countries outside of criminal prosecution, such as prevention through education, transparency, and improved procurement or contracting rules. They also agreed on the need to look at legal restrictions on the use of information held pursuant to FATF standards on beneficial ownership, whether they are in registries, company hands, or as part of 'existing information'.

Panel members agreed that there should be consideration of the roles to be played by non-state actors, especially civil society. Panel members also raised the role of the private sector, including enablers of corruption. Panel members agreed that attention was needed on enablers and professionals, but that this would not be enough. They agreed to look into how the private sector compliance can be incentivized if there is a corrupted regime controlling government and not enforcing anti-corruption rules.

Overall the Panel members wanted to ask the deeper questions of which institutional structures are enabling more corruption and why is corruption continuing to happen despite criminalization, enforcement, and greater attention to the issue.

Cooperation and settling disputes

The Panel heard presentations on the background papers on "Foreign bribery investigations and prosecutions," "Enhancing asset recovery and return" and "Peer review in financial integrity matters".

In both areas of bribery and asset return, Panel members recognised the complexity of the issues and the systemic nature of the challenges given the multiple jurisdictions, legal systems, and national authorities involved in cases. Panel members agreed that there was a gap in addressing the demand side of foreign bribery cases and expressed concern about non-trial resolutions becoming a type of protection for corrupt officials.

Panel members noted that there are asymmetries of information, power and capacity involved in these issues, both between companies and governments, and between developed countries and developing countries. They recognised that bribery can be a part of the business model of multinational companies, and that this can create uneven playing fields for smaller businesses. Panel members recognized that non-trial resolutions can be a useful tool to promote ethics in business and can be complementary to education and training.

Panel members agreed that there was a need to consider the incentives across the transaction chains in bribery cases and in asset recovery processes. Vested interests may be benefiting from existing systems and thus resisting reforms or changes. The Panel asked the experts to further consider whether these or other factors were behind the lack of implementation of the many relevant intergovernmental agreements made under the auspices of the UN Convention Against Corruption.

On peer reviews, Panel members stressed the importance of considering how to make peer review more related to the impact of policies and less box-ticking exercises. They highlighted that there is often a large disparity between legal frameworks and the actual practice of implementation. The Panel also agreed

that the objectivity of peer review was critical, so that the conclusions would not be politically biased. Panel members also stressed that the funding source for conducting peer reviews was an important aspect to consider.

Upcoming activities and administrative matters

The secretariat reminded Panellists of the list of upcoming events before the launch of the interim report and presented some ideas on how Panel members may want to communicate the findings in the interim report. Members of the Panel agreed to represent the Panel in their respective regions. They also agreed to some additional engagement and outreach meetings. They further agreed to consider what communications options work best for them in their country and region and to write to the secretariat with their commitments in this regard. Panel members requested the secretariat to share a more detailed communications strategy and guidelines for their communications to support consistency in messaging.

In response to Panel requests for greater engagement of the private sector, the secretariat presented its proposal to conduct a survey to try to reach a broad cross-section of private sector. The Panel agreed to the survey, suggested that it should be circulated through existing networks such as the Global Compact and the B-Team, and also requested that the survey be complemented by meetings with selected private sector representatives including SMEs.