**Financial Accountability, Transparency, and Integrity for Sustainable Development *(FACTI4SD}***

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The lack of financial transparency and integrity remains a major obstacle to the efforts to finance sustainable development. This is also one of the root causes of illicit financial flows. Scholars and experts have pointed out that such flows, if pre-empted or restituted, could release significant resources for financing the 2030 Agenda for Sustainable Development (Agenda 2030). Driven by this objective, the Presidents of the UN General Assembly (74th session) and Economic and Social Council (75th session) launched the FACTI Panel comprising seventeen high-level experts who were drawn from the fields of policymaking, academia, civil society, and from the public and private sectors.

The primary aim of the Panel is to help countries finance the 2030 Agenda. Covid-19 has made the work of the Panel all the more important and urgent. Building on the work done by the AU-ECA High Level Panel on Illicit Financial Flows from Africa (the Mbeki panel), the FACTI Panel is laying out a roadmap towards achieving the 2030 Agenda by addressing all the gaps and impediments in the current international frameworks related to financial accountability, transparency and integrity. We have identified three broad clusters: international taxation, cross-border corruption and dispute settlement. There are also cross-cutting issues such as capacity building; and the Panel is further considering the recent challenges posed by Covid-19 and the rapid digitalization of economies.

The first leg of the journey entailed reviewing the gaps, impediments and vulnerabilities in current international financial systems – an analytical work whose findings were published in an interim report released in September 2020.

In the first cluster, regarding cooperation in tax matters, the main challenge is that international tax norms are not well adapted to the needs of developing countries, often overwhelming them with demands that they don't have the capacity to meet. Rapid digitalization enables multi-national corporations to shift profits, and trade mis-invoicing leads to a great loss in revenue. Added to that, developing countries don't have a voice during negotiations, leading to the making of decisions and norms without their full participation.

In the second cluster on accountability, public reporting and anti-corruption, the interim report finds that there are serious gaps with the implementation of international norms and standards, including the United Nations Convention Against Corruption and the Financial Action Task Force's recommendations. Moreover, existing norms need to be enforced. Having countries have little incentive to block inflows from tax abuses, money laundering and corruption, and enablers of corruption and other financial crimes and abuses are able to profit greatly from them. Beneficial ownership information is plagued by weak compliance and difficulty accessing that information. Grand corruption involving vast quantities of assets continues to make headlines globally. In fact, the outlines of grand corruption often become public knowledge, but knowledge does not always translate into accountability.

Analysis in the third cluster, dealing with international cooperation and dispute settlement, finds that the current tax dispute resolution framework is inadequate. There is a lack of trust and cooperation between countries and low compliance with tax norms. Asset recovery remains a long and burdensome process for countries that saw their resources drained – especially those that are seeking to recover assets stolen by formerly entrenched kleptocratic rulers. The ultimate victims of corruptions remain improperly compensated. There are also concerns associated with the development of non-trial resolution, and the way some countries use settlements to solve foreign bribery cases. Last but not least, it appears that the United Nations Convention against Corruption (UNCAC) implementation has fallen short. While we recognize that the Implementation Review Mechanism (IRM) of the UNCAC remains an important achievement, the mechanism is not yet robust enough to ensure comprehensive and effective implementation of provisions by States parties.

Overall, the panel finds that while there are many international instruments and initiatives to address financial accountability, transparency and integrity, implementation has largely fallen short. In some cases, implementation has devolved into box-ticking exercises, but in others there have not even been ticks in the boxes. It is critical for the credibility of international norms that States stand by the international commitments they have made by taking concrete steps and actions at the domestic level.

The Panel further notes that even perfect implementation would not solve all problems. Those intent on abusing tax and financial systems and avoiding rules and regulations would still have ample opportunities to do so and be handsomely rewarded for their efforts. New and creative solutions need to be explored to make the systems for financial accountability, transparency and integrity more comprehensive and robust and ultimately more effective.

Finally, inadequate global economic governance holds back progress towards the common goal of financing sustainable development. The Panel finds that lack of trust and inclusivity pervades our systems, undermining implementation of existing rules and preventing better ones from being made.

In short, the Panel concludes that the drain on resources due to insufficient financial integrity has been an impediment to achieving the 2030 Agenda.

Figures may help conjure the size of the problem. Seven trillion dollars of private wealth are hidden in haven countries. Five to six hundred billion dollars a year are lost from profit-shifting activities by multinational corporations. 10 percent of the world's GDP is held in offshore financial assets, 20 to 40 billion dollars a year is lost to bribery of public officials in developing and transitioning countries, and 1.6 trillion dollars, or 2.7 percent of global GDP is lost to money laundering by criminals, including drug trafficking and organized crime. These numbers serve as an immediate call to action, to recover funds for the financing gap that the 2030 Agenda faces. Recovering these resources is especially crucial in responding to the damage that the pandemic has caused. Addressing these problems will boost countries' ability to effectively respond to the public health and economic crises brought on by Covid-19.

The Panel is now ready to contribute an ambitious but achievable set of recommendations that could make a major difference in achieving sustainable global goals and ensuring that “no one is left behind”. Success calls for a legitimate and coherent ecosystem of instruments and institutions that can tackle these problems adequately.

The recommendations will attempt to address all dimensions of illicit financial flows and link it to the 2030 Agenda. The focus is equally on improving existing institutions and processes, and to offer ideas for more ambitious structural changes and legislative measures.

Improving and restructuring the financial system requires policymakers to be nimble, especially in the face of rapid digitalization. Digitalization presents a double-edged sword, in that it gives government officials the ability to boost their monitoring capacities, but also makes it easier for criminals to move and hide their money.

So what would the cluster-specific solutions look like? For tax matters, there is a need to develop a more coherent, nuanced and equitable approach to international tax cooperation. Developing countries need to have full information and equal participation while agreeing on norms. On accountability, major financial centers and developed countries need to take more responsibility and provide cross-border access to beneficial ownership information. Exposing the real or "beneficial" owners of assets can prevent or reveal global financial crime or tax-abuse schemes. We also need to close the gaps in the regulation and supervision of the enablers of financial crimes. Finally, for international cooperation, a systemic approach is needed to address structural deficiencies in international frameworks. We need to ensure that foreign bribery cases do not lead to impunity, assets are returned in a timely manner, and the victims of corruption are properly compensated. Peer review mechanisms need to be improved to enhance compliance with international norms, and to prevent disputes between countries.

Now, recommendations are not enough. Political engagement and political are needed, both at the national level – for embracing reforms that might be politically difficult – and at the international level, for reaching a shared understanding of the challenges and the best ways to resolve them.

Governments must all come together and show willingness to agree on new and comprehensive solutions to solve the problems we have identified with financial integrity systems and to ensure the international architecture better aligns with achievement of the sustainable development goals.

We need inclusive participation by all nations, both from North and South.

Only enhanced multilateralism can help the world address the problems we are facing just now due to the COVID-19 pandemic—and ensure countries can invest in sustainable development in the medium and long term and build back better.

The issues at hand are global. They call for global cooperation and engagement by all stakeholders, including non-state actors. The private sector, civil society and the media all have a role to play in building peaceful and inclusive societies, with access to justice for all and accountable and inclusive institutions at all levels. Working in concert, they can challenge the vested interests that benefit from the existing gaps in financial integrity and generate the political will that is vital to change the rules of the game.

We remain confident that by working together, Member states can succeed in making sure that the United Nations' 75th anniversary message, "Striving together, delivering for all", is not just rhetoric.