

#FTCDar2013 Preview: Why We're Here

By Porter McConnell

Towards Transparency: Making the Global Financial System Work for Development, the Financial Transparency Coalition 2013 Conference, took place in Dar es Salaam on October 1-2. To join in the discussion, or ask questions of the panel, Tweet us using the #FTCDar2013 hashtag, or follow FTC on Twitter at @FinTrCo.

Illicit financial flows are one of the leading, and most under-appreciated, causes of poverty in the developing world. They erode tax bases, facilitate crime and corruption, and represent a massive transfer of wealth from poor to rich. Financial Transparency Coalition member Global Financial Integrity [finds](#) that developing countries lost US\$859 billion to illicit flows—defined as cross-border movements of funds that are illegally earned, transferred, or utilized—in 2010 alone. And the estimates are conservative, since they fail to include important sources of illegal money, including cash movements, mispriced services, hawala networks and most transfer mispricing.

This creates a tremendous drain on the developing world's resources, outpacing aid coming in by 8 to 1. When this is taken into account, the conventional wisdom by many in the West of global development changes. [A study GFI conducted with the African Development Bank](#) found that when you take into account the illicit financial flows, as well as flows of foreign direct investment, aid, remittances, debt relief, imports and exports, and all other private sector flows into and out of Africa, the continent is a net creditor to the rest of the world. US\$1.4 trillion left the continent on net from 1980-2009. Developed countries may think they are being generous to Africa, but in reality they are taking far more than they are giving.

Even absent the other harms caused by illicit financial flows, like the erosion of tax bases and public trust, this capital loss is one of the primary explanations for why much of Africa is struggling to develop. It is also one of the biggest drivers of global inequality.

Where does the money go? It is [roughly split](#) between offshore financial centers, like the Cayman Islands and Switzerland, and developed countries, like the United States and United Kingdom. It's moved to these locations using the global shadow financial system—a worldwide network of secrecy jurisdictions, anonymous shell corporations, partnerships, and trusts, and banks and other institutions with permissive money laundering standards. Deep down, this is a moral issue. Developed countries cannot continue to claim they are committed to aiding Africa while simultaneously taking vast sums of ill-gotten gains away from the continent. It is wrong and has gone on long enough.

That's why we're excited to join forces with civil society and government partners from around the globe this week to work towards a solution. If you haven't been able to join us here in Dar es Salaam, fear not. You can join the discussion this week by following the FTC on Twitter at @FinTrCo and using the #FTCDar2013 hashtag.

Porter McConnell is Manager of the Financial Transparency Coalition.

#FTCDar2013 Preview: How Europe Can Set The Standard On Anti-Money Laundering Rules

By Koen Roovers

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Less than a month ago I started working for the Financial Transparency Coalition (FTC) in Brussels. I'm no stranger to the city, having lived and worked here for almost 7 years. In different positions I witnessed the European policy-making process at work. In the European Parliament I helped a Dutch politician with work ranging from co-legislating local public transport to reporting on the progress made by candidate countries wanting to join the European Union (EU). Afterwards I coordinated a network of organizations that aims to make the EU's consultation and decision-making processes more transparent. In short, I got a close-up of the EU's decision-making process and a general sense of who's trying to influence it.

Do you care about stamping out corruption, money-laundering and tax dodging? (Yes!)

Immediately my attention was drawn to FTC's vacancy that listed tasks and asks that pretty much summed up who I am and what I stand for. I wrote, prepared, was interviewed, prepared some more, got interviewed some more.. And then, on a warm summer night in July, received a liberating call from FTC's secretariat in Washington DC.

I haven't had time to put the family pictures up on the new desk yet. The EU's well underway to revise its anti-money laundering rules – with the Commission proposal being discussed by both the EU's member states and the European Parliament – so my colleagues and I are doing all we can to convince them to do the right thing. This revision might be a once in a decade chance to get one of the FTC's main asks codified: transparency around companies' beneficial ownership. Beneficial owners are people that ultimately own and control companies and other legal entities that are used as such.

The big picture idea is that this information would undermine money-launderers setup anonymous companies that hide their criminal activities. Beneficial ownership transparency increases accountability of companies, and helps banks and other financial institutions to detect illicit money flows destined for Europe's powerful financial centers. As such, they play a key role in averting the proceeds from tax evasion, corruption, and trafficking, from entering

the EU's single market. The link to Africa is obvious. In its [recent report](#) Global Financial Integrity says that illicit financial flows have been the main driving force behind the net drain of resources from the continent, with estimates ranging from \$1.2 to \$1.3 trillion. Zooming in on Brussels: we carved up a list of responsible parliamentarians and countries in my first week; in the second the European Parliament's leadership decided that not one, but two committees would lead on this work. This effectively doubled the amount of politicians involved, and put a Dutch Green and a Latvian Conservative together in the Parliament's driver's seat. Add to this the 28 member states, each with their responsible departments in Brussels and at home.. If cooking with two can feel like having one too many captains in your kitchen, imagine the kind of ratatouille this gives.

Although the dust is likely to stay up in the air till the final decision is taken, one thing's crystal clear. The FTC and its friends are highly motivated to make Europe set a global standard in anti-money laundering measures, with information of beneficial owners available on public record.

#FTCDar2013 Preview: Trade Crimes: Illicit Financial Flows From Wildlife To Weapons

By Stefanie Ostfeld

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What do human trafficking, the arms trade, rhinoceros poaching, and illegal logging all have in common? All are revenue-generating industries perpetrated by transnational criminals, involving the movement of highly prized illicit goods. Our panel, *Trade Crimes: Illicit Financial Flows from Wildlife to Weapons*, will examine how money-laundering mechanisms, particular trade-based mechanisms, enable transnational criminals to move vast sums of money out of developing countries.

[According to United to End Poaching](#), 668 rhinoceros have been illegally killed in 2012 alone, mostly in South Africa. The rate of rhinoceros poaching has exploded since 2007, [when only 13 were killed](#). Why the rise? Demand for rhino horn out of Vietnam—where it is believed to cure disease—has driven the price of each rhino horn to stratospheric levels with estimates ranging from [US\\$50,000](#) to [US\\$300,000](#) per horn. Do the math, and you'll find that up to \$200 million in revenue was generated by the illicit rhinoceros trade alone in 2012. Poaching networks are showing increasing sophistication, including using helicopters, night vision scopes, and silencers in carrying out their crimes.

The problem extends far beyond the illicit wildlife trade. Notorious arms dealer Viktor Bout [operated a massive illicit arms-trafficking network](#) that extended across multiple continents. He used a global network of anonymous shell companies, including at least 12 incorporated in the United States, to facilitate his activities, fueling conflict around the world. That kind of sophistication, and that level of revenue, would not be possible without the ability to quickly and easily move huge amounts of money between countries without being detected by law enforcement. Organized criminal networks are increasingly globalized, and operate on a massive scale. Without easy access to secrecy jurisdictions and phantom firms, they would not be able to maintain that scale, and their crimes could be curtailed.

On our panel, I hope to lead a vibrant discussion about how criminals move this kind of money, how that kind of movement enables crime, and what policies we can adopt to assist law enforcement and civil society in fighting them.

#FTCDar2013 Preview: Ending The Race To The Bottom: Finance In A Cooperative World

By Joseph Stead

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They say all is fair in love and war. But what about tax?

Our panel at the 2013 Financial Transparency Coalition, *Ending the Race to the Bottom: Finance in a Cooperative World*, will discuss many of the pressing tax issues facing countries, both in Africa and throughout the developing world. I will moderate the panel. Where are the boundaries on how one country's tax policies impact on another? Is it okay to entice a business to move a factory because of a lower tax rate? Is it okay to entice a business to move the registration of its patents and trademarks, but no actual employees, because of a lower tax rate? Is it okay to entice a business to set up conduit companies in their complex structure that have no or minimal employees but allow a company to save significant taxes?

What are the duties of one country to another in helping enforce taxation of international actors? Should countries be obliged to automatically share information with others about the assets and financial activities of foreign companies and individuals? Should countries be obliged to collect and share information on the foreign tax planning strategies of their registered

companies? Do countries that regulate the headquarters of multinational companies have duties towards the countries those companies operate in? Do the countries who have designed the rules and regulations for international finance have duties towards developing countries to helping them enforce their tax rules?

#FTCDar2013 Preview: Making The Global Financial System Work For Development

By Tom Cardamone and Jesse Griffiths

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Every year, developing countries lose around \$1 trillion per year to illicit financial flows, which are the proceeds of tax evasion, crime, and corruption. They undermine accountable government, enable organized crime on a massive scale, and make it more difficult for governments to provide basic services. Illicit financial outflows dwarf foreign aid, and represent one of the biggest impediments to development in Africa.

In two weeks, the Financial Transparency Coalition will meet in Dar es Salaam, Tanzania, for our annual conference. Along with our partner, Policy Forum, we hope to bring together leaders in the development and finance communities to draw attention to the growing problem of illicit financial flows.

The conference will address how to increase global financial transparency and bolster equitable economic development. Conference speakers and participants will discuss the mechanisms of illicit financial flows and how the current system enables the movement of illegal money around the globe. Presentations throughout the two days will examine the links between illicit financial flows and extractive industries, conflict and instability, illicit wildlife, the illegal arms trade, and more. Participants will also discuss current proposals for greater financial transparency.

This is the first post in a series to introduce the topics of the conference. We hope we will be seeing you in Dar, but even if we won't, we would like to offer the opportunity to join the discussion. If you would like to suggest a question or discussion topic for the panel moderator, you can Tweet using the hashtag [#FTCDar2013](#), or write in the comment section of our blog. The conference will not be live streamed, but video of all the panels and speeches will be posted online shortly afterwards.