

WORLD BANK GROUP

ILLICIT FINANCIAL FLOWS AND THE POST-2015
DEVELOPMENT AGENDA

Washington, D.C.

Saturday, October 11, 2014

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MODERATOR: Good morning, everyone. Thank you all for coming. My name is Bisan Abuquage, I'll be mcing this event today. I'm a journalist based here in D.C. and I had worked previously at the Bank. We have a very busy and extensive schedule today with a long list of speakers. So, we won't take much of your time. I would like to also welcome our online audience, who will be watching this event through the live stream. We will start, let me just run you through the agenda really quick. So, we're going to have introductory introductions, from Mr. Leonard McCarthy from the Bank and Nena Stoiljkovic. Then after that we will be hearing our seven minute speeches from our distinguished speakers. Then we will open the event to a panel discussion from the audience, which will be moderated by Mr. Mario Marcel. So, I won't take much more of your time. I would like to welcome the Vice President for Global Practices here at the World Bank, Mr. Leonard McCarthy.

(Applause)

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

MR. MCCARTHY: Thank you, thank you for that new title. I feel much better about myself. Thank you, thank you, thank you. This is a fighting corruption. It's getting to you after a while so I like this new job. Nena, I hope that we can switch. Yeah, yeah, yeah. It's really my great privilege to welcome so many of you here. Firstly, the audience because you are the people that we want to talk to. It's great to see you here in such large numbers on a Saturday morning. On a rather historic rainy, Saturday morning here at the IFC. You know, IFC discussing IFF. It's got a nice ring about it. Doesn't it? IFC discussing IFF. I spoke to my 14-year-old son yesterday and I told him about this event. I said, "We're discussing IFF." He said, "Dad, what's that?" I tried to explain what it means to him. I'm not sure if I succeeded. At some point, I felt like calling Raymond, the Godfather of IFF but then he said something interesting. He said, "Dad, you should also tell people that, that it is as bad as sexual violence and smoking." So, my first point

about this is to say let's demystify this thing because it has important as the title it is, it has a sort of a comfort zone, a convenient factor where people talk about illicit financial flows. It's bad, it's bad. It's really bad. Raymond will tell us more about that. My special thanks to Minister Jensen, a good friend of the World Bank and INT and Mr. Brattskar. He just walked in, great timing. They are representing the governments who have always tried to be on the right side of history. This room is still filling up. I can't believe it. We had a big room and we said let's get a smaller room, but that's okay. Anyway as I've said, their governments have really tried to be on the right side of history on the subject and have given us -- given us support, the World Bank and the Global Practices in my office. I've also pleased that Raymond, as I said the Godfather of IFF could join us. Every time I listen to Raymond, I learn more about the subject and I also can't help but to admire his unflinching attack on a false line in our society. Mr. Rahman, we also

looking forward to your strong voice resonating here at the World Bank. He told me earlier in the private room that the only thing he doesn't have is the power to arrest people and put them in jail, which scares me of course. His wife said, we can, maybe we can, he can make sure he gets that power by the time he goes back to Bangladesh. I'm particularly happy that my colleague, Vice President for Global Practices, Nena Stoiljkovic has come to share with us her views on what IFF means for the Bank. Nena and I have been talking rather early this morning, calling in on something called Wild Life Crime, but we're not going to discuss wild life today. Right, we're just going to stick to illicit financial flows. Then I want to acknowledge my colleague, Mr. Mario Marcel. Mario is right there in the middle. Mario carries the weight of hope and expectation of many to change the world. So, I think if one of the outcomes of today's meeting is that, we could agree that we're going to support Mario, so that he does the best possible job in the circumstances, let's do that. Let me made a few

commands because this is not about us. It's about our star studded panel but firstly, I do want to make the point that the world is washed in money. As you know, money follows risk and risk follows money. To give you a sense of the nature of the problem, I'm not an economist or a financial expert but I read somewhere that in 2012, the value of globally traded securities approached 168 trillion dollars. Of course, in comes IFF. Right? Which is a catch all phrase for capital flight of money that has been illegally earned, transferred or spent but our mothers will just call that dirty money. So, where they will understand or at least suspect or questionable money. So, it's important, interesting that we're discussing in a context of Post 2015 Development Goals. I have to take you back to yesterday's opening of the Annual Meetings at the DAR Constitution Hall. Those of you who were there will remember that Christine Lagarde appealed for a change in culture and behavior. A culture and behavior, she said, that prized profit over prudence, self-interest over service and excess,

not access, excess with an excess over ethics. The President of the World Bank when he spoke urged those present to do everything in our power to save a world where natural disasters, conflict, financial shock and epidemics are becoming more frequent and destructive every day. He also reminded us that inaction kills people. So, I hope this is something we also can reflect on today that inaction kills people. Because this is home if we take in account that Global Financial Integrities 2011 estimate of IFF for Sierra Leone, Guinea and Liberia amounted to \$1.6, \$1.063 billion. This equates to roughly 14.3% of their combined GDP. Coincidentally, our host who works for Al Jazeera, on 16 of September, Al Jazeera quoted the World Health Organization is warning the cost of containing Ebola could end up being about \$1 billion dollars. So, the point that I'm trying to make is that the GF, the, the illicit financial flows associated with 2011 could account for the cost of saving that region from Ebola in 2014. Let me conclude saying that while there's a tireless efforts

of global financial integrity, the international community and civil society and they've put the spotlight on this issue squarely. I just wonder, I just wonder whether we can do more to ensure that when we talk about the top 10 Global Priorities facing this world, corruption and illicit financial flow could also be right up there amongst the top 10. You're better able to judge whether that is the case. So, my question in parting is how do we frame an inspiring new epitaph to take our action to a new level so that we can show their our solutions are equal to the challenge? Thank you, very much. Yes, our panel, let's give them a nice round of applause again. (Applause) We look forward to a stimulating discussion with concrete and positive outcomes. Thank you very much.

MODERATOR: Thank you, Leonard, the Integrity Vice President at the World Bank. I would like to welcome Nena Stoiljkovic, who is the Global Practices Vice President at the World Bank.

MS. STOILJKOVIC: Thank you, Leonard. Good

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Afternoon, to all of you. It is really great to see so many of you in this room. I would like to welcome you to the discussion that will follow. Today's event will explore an issue that is vital for the entire development community. The danger of illicit financial flows and the underlined criminal activities, corruption, tax evasion, organized crime, illegal trade, unnatural resources, trafficking of drugs, weapons and humans and related illegal flows of criminal funds have long been recognized for their corrosive effect on good governments and respect for the rule of law. The diversion of funds, domestic resources that are needed for urgent human needs and vital civic priorities. Developing countries lose almost a trillion dollars per year because of criminal activity and illegal flows according to the Global Financial Integrity. Africa alone loses over \$55.6 billion each year, an amount larger than all overseas development assistance and foreign direct investments combined. These practices undermine the integrity of government and negatively impact upon the investment

climate. Elements that are indispensable to jobs, growth and shared prosperity. As a Vice President who oversees Global Practices, the operational units that will deliver services to our clients, I'm eager to promote even greater collaboration among the practices. Just to name a few of them, governments of course, financial markets, trade and competitiveness, energy and extractives and working with Leonard in the unit that focuses on integrity in the Bank Group Operations. Working across the boundaries that once kept us separated in different silos, our Practice Groups will unite to devote their expertise and experience to fight illicit criminal activities and IFFs. Global leaders including the G20 and G8 are beginning to focus with a greater urgency on the insidious role of IFF. The debate over the Post 2015 Agenda, the United Nations opened a working group on the new substantial development goals is proposing a target for reduction in illicit financial flows. We welcome this discussion as well as the forthcoming report of the high level panel on illicit financial

flows, chaired by Raymond Baker of South Africa. These priorities have united governments, notably the Government of Norway and Civil Society. CSOs including Global Financial Integrity and Global Witness have been keeping these concerns at the forefront of the International Debate. As these issues have gained traction worldwide, I'm proud to point to the strong work currently being conducted by the World Bank Group through our financial and advisory services and knowledge. We're supporting client countries to strengthen safeguards on financial integrity. In contracts, natural resources in financial markets and in the public sector management. Our work is also helping increase stock transparency, fight corruption, crack down on money laundering and recover stolen assets. Through our influence and convening power, we are aiming to build a brother global consensus of the globalized agenda and also on related issues, like tax enforcement, beneficial ownership, the integrity of the extractive industry and open and accountable government. I'm very

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

interested to hear the views of the participants here today and our esteemed panelists and to learn about how the Bank Group could better support this wide ranging agenda and improve our effectiveness. Thank you all for your commitment to this cause. (Applause)

MODERATOR: Thank you very much. So, we will now open the panel to the speeches from our esteemed guests. Please let me welcome Mr. Mogens Jensen, Minister for Trade and Development and Cooperation from Denmark. Please can you make sure that phones are off or on silence as we hear their speeches.

MR. JENSEN: Thank you very much. Good morning. It's a, well, it's a really nice room, this one. We have light in here. I think that's what it's all about now, trying to put light on these flows that is going on in the darkness, this room is looking a little bit like the Oval Office. There's something about it. So, let's try to get the same kind of power in order to, in order to deal with the illicit financial flows because such flows have devastating

effects on developing countries' abilities to raise domestic resources to fund their development as well as promote an active, vibrant, private sector that reinvests locally and creates growth and jobs. The research done by the Global Financial Integrity is a wake up call for us all. It estimates, as we have heard, that roughly that 1 trillion US dollars leaves the developing world every year through illicit financial outflows connected with trade mispricing, bribery, theft, kick-backs and also tax evasion. The money ends up in off shore tax havens and anonymous shell companies instead of benefiting the people. That equals to 10 US dollars lost to every one US dollars developing countries receive in external assistance. This also means that Danish tax payer's money is sent into the hands of fraudulent firms and other criminals. This is, we could call it, reversing Robin Hood. The trend also makes Africa a net creditor to the world, to the tune of up to \$1.4 trillion US dollars over the period from 1980 to 2009. Had these funds remained within the continent, I'm

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

sure much would have looked different today.

Therefore, curbing this menace will also be decisive if we are to fund the Post 2015 Agenda. We need to collectively focus on how we all can contribute and focus on actions that target the most severe challenges, not least those stemming from trade misinvoicing estimated to make up for 80% of total illicit flows. I'm sure that Raymond Baker would speak more about what he believes need to be done. On our part, and within my area of responsibility, we're working through our development, our corporation, to help our partner countries enhance their capacity to collect taxes, ensure an adequate level of cooperation and address tax loopholes and illicit financial flows. We have had the pleasure of working with Mr. Baker and the Global Financial Integrity on research that highlights the damaging effects that trade misinvoicing has on Denmark's priority countries in Africa. We want to use its findings in our programs in the relevant countries. Clearly, it's not just, about what developing countries can do. It's key that

we in Denmark develop the economics, get our own house in order and ensure more coherent policies. We must therefore work together across government ministries and different spheres of responsibility, both nationally at the European level and internationally to ensure strong regulations that curbs tax fraud and evasion. We also need to force partnerships with the private sector, increase trade and foreign investment is the way forward in the fight against poverty but it much be done in elicited ways. The World Bank therefore, must get the private sector involved and make them partners in upholding key principles of corporate social responsibility that denouncing use of tax havens and shady business transactions.

The World Bank can have an impact in this field if it takes a strong stand on illicit financial flows. There is a movement in the right direction, but also scope of the bank to engage more vocally on what needs to be done. As a global repository for statistics on economy trade and financial transaction and as the global knowledge institution, the bank is

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

also well placed to push for more and stronger data, give more focus to illicit financial flows in its research, and ensure that they are integrated in the bank's country-assistance strategies and its dialogue with partner countries.

So I look forward to discuss this further, also hear the bank's views in this regard, and I'm looking forward to a very good debate. Thank you very much.

MODERATOR: Thank you. We will hear now from Mr. Hans Brattskar, the State Secretary of the Norwegian Ministry of Foreign Affairs.

SECRETARY BRATTSKAR: Thank you so much and good afternoon to all of you. It's very encouraging to see so many people come here to discuss an important subject. I very much look forward to hearing your views and your questions. But I would like first of all to thank the bank for arranging and hosting event. As I said, this is a highly important issue to my government as well.

Maybe curbing illicit financial flows is the single most powerful initiative we can take to secure the right every country has to generate funds from its own resources. We need only to look to Africa; more money is leaving the continent through illicit financial flows every year than is received through official development assistance. We need to plug the leaks and there are many. Failing to do so will affect ambitious goals we are about to set for sustainable development goals beyond 2015.

As we prepare for the upcoming U.N. conference on financing for development next summer, we need to look at how to mobilize and maximize all kinds of financial flows, private as well as public, domestic as well as international. Turning the tide on illicit flows must be part of this ambitious agenda.

Success in these endeavors is in the interest not only of the affected country. There will be benefits for every company and every corporation that is playing by the rules and paying its due taxes.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Why you might ask? Because curbing illicit flows would create a more level playing field. It would mean a more fair competition among investors, and it would mean opportunities for local businesses in developing countries.

Sustainable growth in any country depends on the ability of local businesses to create jobs. Illicit flows through trade, misinvoicing between subsidiaries of the same multilateral corporation deprives them of this opportunity. We know this and yet the amounts being kept away from cash-strapped governments are staggering. An estimated one thousand billion U.S. dollars is lost annually through illicit financial flows.

So the questions are significant on how to approach and what can the World Bank do. First of all I would like to say, as the Danish gentleman has said, that much good work is already being done. Through the OECD many countries are entering into agreements of the mutual exchange of tax-related information. Another important achievement is the action plan on

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

base erosion and profit shifting also through the OECD. The growth of shell companies with no known ownership is a major impediment to any attempt of pursuing money that has illegally been transferred out of a country.

Unrelated to this, the recommendation of the Financial Action Task Force continued to play an important role in the fight against international money laundering and terrorist financing. The U.N. committee on experts on international cooperation in tax matters provides a valuable framework for dialogue and promotes technical assistance related to tax. Many countries, including my own, have introduced or are about to introduce the reporting requirements, so-called country-by-country reporting that multinational companies need to abide by.

This is all good, it's all important, but it's not enough. The trend of increasing transparency must be continued with full commitment from all stakeholders. The World Bank is an important player. And while I appreciate the attention already dedicated

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

to the issue here in this building or these buildings, I still see some concrete initiatives that the bank might consider. For instance, it could take stock of the ongoing work within the World Bank Group on illicit financial flows and on the line activities. The intention would be identify the gaps, improve cooperation, and reap synergies from existing processes. More analytical capacity could also be dedicated to establishing development impact or activities that generate illicit financial flows and how they interrelate. And a strong engagement in the discussions within the U.N. on sustainable development goals would be valuable and certainly the bank will play a very important role in the year to come.

The same goals for financing for development processes, the technical analytical expertise of the World Bank Group, could have a significant impact on shaping irrelevant and actionable targeted illicit financial flows, including by establishing the boundaries for such flows and a baseline to measure progress against.

And, finally, the World Bank Group has an enviable convening power. It could be used for bridge the initiatives mentioned above and the needs for client countries, in particular least of all countries of fragile and conflict-affected states.

So I look forward to the World Bank to continue its good work on these issues and to be the partner in a real sense on these issues with the U.N. as we move towards the conference in Ethiopia in July next year. Thank you for your attention.

MODERATOR: Thank you. Let me also welcome Mr. Atiur Rahman, the Governor of the Central Bank of Bangladesh.

GOVERNOR RAHMAN: Thank you, fellow analysts, ladies and gentlemen. I really want to start by thanking the organizers for inviting me to share my views on this important roundtable. I am the only representative from the developing countries on the panel, so I will put up my views in my own ways. Just for your information, at the moment I am working as a member of an inquiry on designing sustainable

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

finance. This group has been assembled by the UNET and we have been talking about long-term sustainable finance and this probably could be also an important element of that.

The upcoming 2015 global sustainable development agenda will require massive mobilization of new investment resources for the developing countries. Given the realities of official development assistance of the flows, developing countries will need to rely mainly on domestic resource mobilization. One window of opportunity for significant broadening their domestic resource bases is that of blocking illicit financial outflows that the World Bank conservatively estimates for 2011 at a staggering aggregate of \$946.7 billion, far exceeding the levels of growth or the inflows, which was about \$165.4 billion in 2009.

World Bank Group's initiative of organizing this discussion event to strengthen focus of efforts in this direction is, therefore, timely and most welcome. Our financial group's estimate of illicit

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

financial outflows from Bangladesh was \$1.17 billion in 2011, which was about 11 percent of the gross tax revenues and about 78 percent of gross inflows of that year.

Bangladesh has remained proactive from early on in curbing both inward and outward financial flows, legislating an annual act as early as in 2002, well ahead of regional neighbors. An anti-terrorism law with provisions of countering terrorism financial or CFT was enacted in 2008. Both legislations have undergone rounds of subsequent upgrading to follow the global best practice standards. Implementation infrastructure for the AML/CFT legislations, including an FIU with state-of-the-art IT platform, elaborate reporting of evidences of even the NGOs and lawyers, and appropriate suspicious transaction reporting, investigation, and education processes have been put in place. Several cross-border information exchange and mutual cooperation arrangements between the local FIU persecution and investigation authorities and their counterparts in jurisdictions have now been well

established. And this FIU is placed in the central bank and it's one of the independent units there, and the central bank provides the logistics and all supports.

More recently the Bangladesh authorities have set up a unit in the country's National Board of Revenue or NBR for surveillance on transfer pricing practices of multinationals and other corporates engaged in cross-border businesses detecting illicit financial flows through this mechanism. And Bangladesh Bank itself has these ties to the entire operations and also a supervision operation. It has got integrated software now where you can see even from your desk, the Governor's desk, that the dashboard will tell you what kind of operation is going on in different branches, branch by branch. That kind of IT application has been made and we have made it very, very transparent.

Benefitting from the mutual information exchange and cooperation, arrangements with FiOs and other authorities in various jurisdictions.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Bangladesh authorities have succeeded in securing stolen asset recovery from abroad in one case and processes are going on in two such other recovery efforts. In another case Bangladesh authorities have cooperated with MALC, if the offer is in a jurisdiction abroad, in effecting refund of an earlier illicit fund inflow into Bangladesh. Sums involving these recoveries and reforms of illicit finance flows are modest; only a few million dollars total, but are nevertheless very important as strong signal of stance of the authorities against illicit fund flows.

It also talks about the political will that is there on this even-handed nonpartisan -- I repeat that word -- even-handed nonpartisan use of the cross-border cooperation events for stolen assets recovery bears great promise for significant augmentation of domestic resources at every level by plugging and preventing illicit financial flows.

Bangladesh is a founding member of the FATF-Style issue, a specific regional AML/CFT group called APG. Proactive AML has already earned recognition

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

abroad, getting off from the FATF's gray list recently and how FiO getting admitted into the group.

Bangladesh will be hosting the 2016 APG meeting in 2016 and will be the co-chair of the APG in 2018.

There are, however, much more to be done in Bangladesh and in other developing countries in plugging domestic resources through illicit financial outflows.

Assistance from global initiatives will be useful and welcome. Estimates are that listed outflows from developing economies are admittedly on the very low side not captured in misinvoicing of trade-in services, same invoice transferred to mispricing, windy or hollow transactions, and bulk cash dealings on drug and human trafficking. Investigative and enforcement capacity building in these areas are quite challenging task in times of knowhow and physical resources and external multilateral as it stands will be much welcome.

Orchestrating effective cooperation for cross-border information exchange and mutual real assistance between taxation authorities in different

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

countries would go a long way in combating outflows of tax dodging funds. More desegregated information from such sources as the BIS on cross-border capital flows would be of much help in identifying illicit fund flows. A stronger intention of helping developing countries mobilize domestic resources by plugging these cases through illicit financial outflows, their development partners may commit a specified percentage of their ODA for this purpose also. And we have been really benefitting from the technical assistance that we got from both bilateral and also multilateral. World Bank has given us resident advisors while we are redesigning or revising our anti-money laundering laws. We got enough practical support from the Justice Department of the U.S. while we are recovering some of the stolen resources. So I thought this kind of cooperation should continue. But ultimately the onus lies on us. And when I say the onus lies on us, we need to improve the quality of the institutions dealing with this kind of activity. If you have a strong anti-corruption in a commission, I'm sure

things would move much better than what is the situation now.

We in the central bank, we have been trying to improve our FIU. We have upgraded the technology. We have digitized the payments system, but we still need to do a lot of improvement on the tax component of it. That part is still to be improved. And, again, Bangladesh Bank has improved the payments systems, allowed exchange loans all around the world and also improved the exchange arrangement with other banks so that money really moves through the formal channels. And also we have allowed mobile financial services and also we have allowed partnership of the MFIs and the banks so that the beneficiaries of the results can go in a short period of time at a low cost. That's why the formal exchanges will take place, so I think our country needs to work on that area.

Finally, I would say there is a need for greater coordination among identification. We need to really have a secure ID for everybody so that we can

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

have very, very dependable mobile financial services. We should also secure access in a secure SIMS for the mobile financial system and greater transparency and real-time settlement of payment with all the necessary AML drills. And, again, finally we need to have quick and credible actions taken against those who are caught in the process. You know, we cannot keep on dodging them and put them aside. Don't take actions if they belong to you and you take actions if they don't belong to you. That's sort of in a bipartisan attitude should be avoided and we should have to be nonpartisan.

Given all these, Bangladesh is doing quite well in times of even in this area. I'll give you a couple of statistics. The first thing, over the last five years the investment has literally doubled. In an informal -- investment was so high, this could not have happened. It's now \$14.2 billion yesterday, seventh in the world in terms of investment-recipient countries. And people are putting in money because of the improvement in the banking system. And the

reserve has gone up by three times over the last five years. When I became a Governor five years back, five and a half years back, it was \$6.5 billion. Today is \$22 billion. The money is coming in and we are the only country in the region that's running a current account surplus. Our currency is in an appreciating mode. Not many people probably know this story. This is an absolutely exciting story what is happening in Bangladesh. We have been experiencing 6+ growth and without improving there -- the cake is being shared by all and consumption and equality has, in fact, reduced. So that's -- and poverty has been -- life expectancy has gone up to 70 years, which is at least four years more than our nearest neighbor.

So these are some of the good things that are happening in Bangladesh mainly because of a very prudent monetary and fiscal policy that we are following. But, again, we're not going to be complacent. We need to do a lot of work as I indicated. And, again, we also have to keep in mind

the political and economic dimensions of it. Thank you very much.

MODERATOR: Thank you Mr. Rahman. Our final speaker before we open the panel for discussion will be Mr. Raymond Baker, the President for Global Financial Integrity.

MR. BAKER: Thank you very much to the World Bank for hosting this function, to my fellow panelists for participating and for you. Thanks for the good turnout. Illicit financial flows are in our judgment, the greatest economic impediment to sustainable development. As you've heard, at Global Financial Integrity, we estimate this at a trillion dollars a year, approximately a trillion dollars a year. This drains hard currency reserves, heightens inflation, reduces tax collection, curtails investment and undermines free trade. It undercuts the foundations of society, it limits poverty alleviation, and it complicates security concerns. This is why we are so -- why it is so important, that curbing illicit financial flows becomes a priority within the SDG

agenda. This is at the heart of the systemic causes of poverty and inequality affecting billions of people around the world.

We are past talking about whether or not there is a problem. The U.N., The OECD, the World Bank, governments acknowledge this reality. We're ready to pit it from recognizing the problem to the policy considerations needed to curtail the problem. I want to make three points in the time available. First, our estimate of a trillion dollars a year shifting out of developing countries illicitly is based on data filed by governments with the World Bank and the IMF. This is balance of payments data, and balance of trade data. This is exactly the same data that is used every day by international institutions, governments, banks, corporations, to make decisions on investments, loans, interest rates, exchange rates, political concerns, security issues and more. The data is good, the same data that is used in making many many of the decisions around the world.

I'm making this point because occasionally

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

we here the comment that, oh, this may not be right. Trade data and balance of payments data can have errors. Of course, they can have errors. Every economic study that has ever been done, whether by the World Bank or the IMF or anyone else, is based on data that may have errors in it. But nevertheless, we are using the best data available. We'd like to see even more and better data but we're using the data that is used by millions of people in making economic and financial and political decisions.

Furthermore, the staggering figure of a trillion dollars a year is, in our opinion, conservative. In our data, we include trade mis-invoicing, which you have mentioned, and the element of trade invoicing that is in our data is only that part which occurs through re-invoicing, between the exporter and the importer. Our data does not include trade mis-invoicing that occurs within the same invoice, exchanged by exporter and importer. So there's a major part of it that is not included in our data. Our data does not include mis-invoicing of

services and intangibles. That's not in the data. Our data does not include the use of cash in cross border criminal activities, drug trading, human trafficking, counterfeiting, and more. If we could quantify those elements that are not in our data, and add them to the one trillion, it would be far higher than it is at the present time.

Second point I want to make -- the most common way of moving illicit money is the mis-invoicing of trade. What has happened over the last 30 or 40 years is that we have freed trade around the world for the purpose of stimulating economic growth. Now, having spent 35 years in the private sector before I segued into the think tank world, I'm all for free trade. I profited there satisfactorily for my activities. But what we have not done over the last 30 or 40 years is to insist on legitimate trade, trade that abides by the law, trade that corresponds to customs duty regulations and VAT tax assessments and banking statutes and exchange control regulations and more. We've largely not completely, but largely

ignored the pricing of trade while boosting the freedom of trade. Trade mis-invoicing, the biggest part of the problem, lends itself to correction. Transparency in trade pricing is the answer to this part of the problem.

Third point I want to make -- we are at a key moment into 2015. Each of the elements of this has been mentioned. First, the high level panel report on illicit financial flows out of Africa, the panel headed by His Excellency Thabi Mbeki, former president of South Africa, and administered by the U.N. Economic Commission for Africa, a panel I've had the pleasure of serving on for the last almost three years, will be coming out with this report early in the new year. And we will identify trade mis-invoicing as the most commonly used means of shifting illicit money out of Africa. We will also recommend some very purposeful and aggressive steps needed to curtail this reality.

Second, as has been mentioned, the financing for development conference is taking place in Addis

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Ababa in July, facing the key question of funding for development in the coming years. Hopefully out of this conference can come some sense of balance between strengthening ODA and domestic resource mobilization. That's the big challenge for that conference.

The third point that I want to make, of course, the third element of this, what's happening in 2015, is the U.N. General Assembly discussion of the sustainable development goals, which will guide our efforts for the next 15 years. The issue of illicit financial flows is included in the working papers but it's at the moment lumped in with corruption and arms trading and other concerns. We believe that a very specific SDG argument needs to be set to address the reality of illicit financial flows. Tom Cardamome has framed our approach to this. And our wording is, cut illicit financial flow stemming from trade mis-invoicing by 50 percent in 15 years. This has a number of advantages. One, it is quantifiable, verifiable and can be monitored on an annual basis. Two, it focuses on the biggest part of the IFF's

problem, that which stems from trade mis-invoicing and it is based on good data. Three, as this component of IFF's is curtailed, the trade mis-invoicing component, that has a collateral and beneficial effect on curtailing the criminal and the corrupt components of these -- of the flows that move illicit money. Four, it binds richer and poorer countries in a common commitment and five, perhaps equally achievable to the other points, it is achievable, equally important to the other points, it is achievable. This is something that we can succeed in doing.

The past millennium development goals were based primarily essentially on the donor recipient model. The sustainable development goals forthcoming will almost certainly be based on a partnership model. We must act together to assure further and faster economic improvement for billions of people around the world. Nothing is more important to this than legitimate trade, legitimate trade -- trade that respects the letter and the intent of the law in the interest of every person around the planet.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Let us exert the political will that is needed to curtail illicit flows in the immediate years ahead and we can together change the way the world works. Thank you ladies and gentlemen.

MODERATOR: Thank you. We will now open the panel for a discussion, and this will be led and moderated by Senior Director for the World Bank's Governance Global Practice, Mr. Mario Marcel, so I would welcome him to come. Oh, you are here.

MR. MARCEL: Yes, I am here. Yeah, I'm the guy sitting in the middle here and not just taking the empty seat. Well thank you very much. I think this has been a very motivating set of initial interventions. We have now sometime for dialogue and perhaps I could prompt that by asking a couple of questions to our speakers.

Mr. -- perhaps starting with the last speaker, Mr. Baker, Mr. Rahman here made a number of fair references on the importance of cross border cooperation. And when you referred particularly to the trade mis-pricing, you referred the differences

that you see in the data measuring the statistics on that. How do you assess the state of that cross border cooperation and particularly between developing and developed countries, and what could be done in the future to address, to meet the target that you are proposing?

MR. BAKER: There are certainly a lot of things being done to address the shadow financial system that handles illicit money. We are aggressively seeking to minimize disguised corporations. We have moved forward in beneficial ownership information being exchanged automatically between parties. And we are automatically exchanging financial information across borders. Your question, however, is directly related to trade mis-invoicing and what are we doing there? A growing volume of trade data is available enabling developing countries to access in real time, what is the world market price for commodities, according to approximately 25,000 harmonized code categories. So a developing country customs department can, with the punch of a button on

a computer, see what the normal price for plastic bottles coming in is. I think every country now produces its own plastic bottles, but for anything coming in you can get an idea of what is the prevailing world market price for that. And this is a risk management tool. It enables you to ask the question. If you see something that is priced 10 times higher or 10 times lower, or less, two times higher or two times lower, you can ask the question, what's going on here. This is becoming available in real time, and we are in GFI certainly advocating that developing countries take advantage of this to have a better handle on the trade mis-invoicing question.

MR. MARCEL: Thank you very much. And to Mr. Rahman, I think that probably one challenge that every policy maker faces in developing countries in dealing with the financial flows, is the risk of having, in trying to curb them, to have also a negative effect on illicit financial flows. So what, how would you have dealt with that risk, particularly given that you do not only refer to financial flows

through investment but also to remittances, as in the case of Bangladesh or in African countries as you mentioned?

MR. RAHMAN: Thank you. We in Bangladesh, as I was mentioning, you know, not all institutions are at the same level. The central bank has gone a long way in improving its capacity. Again, I want to thank World Bank for supporting our digitization move. And when in five years back, there was the projection but it was not performing, and it was one of the least digitized organizations. But now it is one of the most digitized organizations and digitization I think is one way of making everything transparent. And that helps you. And we have been able to really digitize most of the payment systems, modernized our payment systems, reduced the timing of the transfer of the remittances, so that has encouraged many people to go formal, rather than going informal. So by improving their anti-money laundering drills, we have not seen that this is increasing, rather, we are giving a second option that going to the formal channel, and we

will give tax incentives and other incentives, so that you can really go into formal channels. And that is one area. But unfortunately, we know as Mr. Baker was just talking about, on the trade part, we are not equipped. Our National Board of Revenue is not that digitized. We really want to have a back to back kind of information that whatever information coming to Bangladesh and whatever taxes they are imposing, customs that imposing, should real time get reflected in our portal, in central bank portal, so that we can really then match where there, this is the type of item, this is the cost and all that, LC item. That is still to go. And I thought this is an area where you can also push on. I think by driving in anti-money laundering, you can really make it out, say more, and bring in more confidence for the investors and also for others. And we in Bangladesh, I though Central Bank has become a very credible organization, because it changes. The moment anything goes wrong, with the modernization with the technology, we can immediately identify which bank is, which branch is -- you are

seeing something irregular and then you jump on it. We have installed GO AML software and also when suspicious transactions are coming from different organizations and we really want to strengthen these kinds of capacities and we are doing it through our partners. And I thought one small issue which I would say, developed countries sometimes; you're not sure the same kind of commitments. So for examples, how come, in most of the rich people from Bangladesh, have almost acquired an entire land of (inaudible) and put in all their families there. They call it the (inaudible). Why? How come, could they do it? Where does, you know, developed countries in (inaudible) if I use and others, why they could not chase them? Why there is a second home arrangement in another country, where if you go with the five million (inaudible) money, nobody will ask you questions. And all the pressure's on us, you know. We are doing paltry money. So that kind of, I think, discrimination should be avoided and we should be at pardon and move on the same direction.

MR. MARCEL: And to Mr. Jensen and Mr. Brattskar, I would like to ask you, I mean you have referred to a number of international efforts that could be done to curb recent financial flows, but both Denmark and Norway are countries that are very active in the development corporation work and with a directive dialogue with developing countries. So what do you see in terms of the response of countries to this appeal to work in this area?

MR. JENSEN: You said the other ones?

MR. MARCEL: No, I say the countries' response in the dialogue that they have with you directly.

MR. JENSEN: Well, thank you very much. As I also said in my intervention I think it's very important that each country have a strategy on how you work to fight IFF and tax evasion and other kinds of these illegal economic flows. And for the part of Denmark we have a strategy and then we also have an action plan, both directed to our partner countries, developing countries where we work with this as a tool

to build up institutions, to build up policies, to build up regulations in developing countries handling these issues. And especially of course building up strong tax systems and control systems in order to handle the tax revenues. So that is of course important.

The second thing is that you also have to work nationally but also for the sake of Denmark on the EU level in order to have coherent policies, to have coherence in policies when it comes to as Mr. Baker said, trade which is very important when it comes to taxation and when it comes to financial regulation that these policies nationally on the EU level are not undermining the developing efforts and are in fact all of the them trying to support our work in order to fight IFF. So we're working very hard in order to get a coherent policy within the EU on that. And we also do it by nationally having cooperation between our different ministries in order how we nationally set up our policy system on this. And this is not easy because you have different interests here

coming together but you have to go in that fight. And then of course as it's been said we now have a possibility with the post 2015 flows in order to globally also put emphasis on this and we certainly support also the idea -- and others to have this stronger in the agenda and so we will also be arguing for that when we are going to take an EU position on that which will go on later.

MR. MARCEL: Thank you. Mr. Brattskar?

MR. BRATTSKAR: Thank you. No, I think that -- first of all as Mr. Baker said that the sustainable development goals will be all about partnerships. And I think that's something that will be a point of departure for all our work. But I would like to mention some concrete examples to answer your question.

We have different programs that deal with some of these issues. But first I would like to say that the issue of partnership is very important here as well. We heard from the governor of the Central Bank of Bangladesh about the important progress that

has been made in his country. And if this is going to work we have to work with governments that show real political will to make a change to commit. One thing is what we do at the international level with the STGs and so forth, but in our bilateral work we look for real partnerships. And we have programs called "oil for development" and we have something called for "tax for development". And we are looking at other "for development" programs. For oil development we have worked without about 15 countries to share the experience that we have gained over 40 years as a petroleum producing country, how to improve taxation systems, how to improve the legal framework, the municipal framework, and help make certain that the income from extractive industries actually benefit the people in the countries. There are also small what we call "tax for development" programs with three African countries. Fairly small investments from our side has been able to release huge tax revenues in these three countries that we are working in. But I think that the bottom line here is that to be able to do these

things we have to have the political will that the Governor of the Central Bank of Bangladesh talked about if you're going to get the necessary results.

Thank you.

MR. MARCEL: Thank you very much. And now we open the floor for questions and comments from the audience. Please raise your hands. Yes, over there. And next. There's a mic there.

SPEAKER: My question is -- and I also had a concern about the spillover effect of suddenly trying to reach the illegal and then creating problems for the legal transactions. But also I wanted to ask the following. Will there be also a parameter established for the criminalization, an international standard that could be followed by countries in case there are transactions that do not -- they're illicit. I wonder whether there will be a common trend in the penalties established from the criminal viewpoint? At least suggestions in that sense.

MR. MARCEL: Thank you very much. And please introduce yourselves when you take the floor.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

So the gentleman there and I think there was somebody else.

MR. Rahman: Thank you. My name is Mustafisa Rahman. I am from Bangladesh. Thanks to Dr. Rahman for his dynamic leadership. Our banking system is now more effective, efficient, and people friendly. However, my question to the international community and draw attention to the international community is stop that, to stop the transaction of illegal money. Because one side you will talking Bangladesh should produce the illicit illegal money or black money, others say they will invite to black money enrich their country. So it should be stopped. I doubt it is not possible to produce black money in Bangladesh, not only in Bangladesh, developing countries.

Thank you.

MR. MARCEL: Thank you very much. This lady here.

SPEAKER: Thank you. My name is Katrina. I work for Save the Children Norway. Save the Children

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

we work in 120 countries and we see everyday how lack of finances impacts the rights of children. So implementing effective measures such as automatic exchange information, country-by-country reporting, and beneficial ownership could potentially help secure the buildings of lost tax revenue which could have a specific impact on education and health for children. So my question goes to the State Secretary, Hans Brattskar, from Norway, what actions and specific commitments, both nationally and internationally, must spring out of the FfD process and how will Norway use its role as a co-chair of this process to reach global consensus on such measures?

Thank you.

MR. MARCEL: Other questions or? Okay. So we can take this round of questions and then we may still have some time later. So please for the panelists you're invited to address the questions.

MR. BAKER: I'll address the question of the criminalization of IFFs. Many countries have criminalized the flow of corrupt money. And by that I

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

mean money that is originating from bribery and theft by government officials. I'm using the term "corrupt" in that sense. Many countries have criminalized that. Not a whole lot of countries have criminalized the commercially tax evading component of this. Virtually all countries have criminalized the drug trading and human trafficking components of this. So it depends on what you're looking at as to what sort of laws are adopted. When we go around and talk with governments we suggest that legislation would be extremely helpful and it is up to the country whether or not the commercial components of this are made a civil offense or a criminal offense. Certainly I think a civil offense is the most common way that the commercial component of illicit flows will be addressed. The movement of commercial money I think should start off as a civil penalty and not as a criminal penalty in our judgment, but it's up to the countries that we talk to.

MR. BRATTSKAR: Thank you. I'll try to make a few comments, use this occasion to say a little bit

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

more about the conference in Addis Ababa next summer. I think it's a very important one. It's a very important one for many reasons. But also to set the stage not only as Mr. Baker mentioned for the sustainable development conference in September but also to hopefully give positive momentum toward the conference of the parties, the climate negotiations in Paris as well in December of next year. So a lot of challenges that we have to meet in the next year and my government is certainly committed to do what we can to help move that agenda forward. And I think that Addis Ababa conference is also a goal and what we need to do, Norway and certainly everybody else in this room I hope is to push on some of these issues that I talked about earlier, the country-to-country reporting, the detailed reporting requirement and other issues. The conference is a way to hopefully make announcement from other countries to commit to these issues. I think that would be very important. I think also the conference in Addis Ababa would be -- we need to focus on domestic resource mobilization.

I'm very happy that that has happened in quite a few meetings that I've been to like this one and other meetings here in Washington. We have a very high level of ODA in Norway; there's a strong public support for that. But the issue again is to see how we can use ODA to encourage a greater domestic resource mobilization, and in many countries unfortunately, developing countries, there's a great deal of potential that has not been utilized to mobilize tax revenues. And as I mentioned earlier we have programs to help with that but there needs to be a political will to do so. So I think that the conference in Addis Ababa next summer will be an occasion to focus on this issue again. And as I see clearly as partnership that we as Norway or Denmark or whatever country it might be need to do our share, then we also expect our partner countries to do the same.

Then it's important that we as developed countries send the right signals on ODA. I think that it's very important that we in the time leading up to

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Addis Ababa do not create any kind of confusion around this issue. There is a need to what some of us call to modernize ODA. There's important discussion going on within the OCD doc framework that I hope to see finished in the next few months. But while we need to modernize ODA that does not mean from my government's point of view that we in any way are giving any indication on reducing the level of ODA. So that's very important. And if we don't get that right then I think we're going to create some difficulties for ourselves in Addis Ababa. So yes, a modern ODA, but then we need to continue with high level of ODA and my government is certainly committed to that.

Then we also need to use the time until July to -- Norway and Guyana have to co share the process leading up to upcoming conference and we are certainly open and willing to listen to input and ideas from other countries and other stakeholders.

Thank you very much.

MR. RAHMAN: Thank you. Thank you for our fellow panelists from Norway that actively they are

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

committing that, you know, even if they modernize ODA they will not reduce the level. I think that's a very good signal already given and I thought if part of that increase to ODA could be spent on strengthening the institutions which really fight against these IFFs I think that could be one area I would make a specific request to Norway and countries who are really, you now, fulfilling their commitment on ODAs so that in institutions like National Board of Revenues in Bangladesh -- and of course the central bank has already made itself quite strong but there are other institutions like our capital market institutions that we can fund cross institutions and also the trade bodies, you know, there a lot of them, you know, as you said trade invoicing, I think is another area where we need to improve our strength and capacity. I'm truly on board with Mr. Baker on having the amount of misinvoicing amount. If you can quantify that and we can do that with a little effort. So that could really come into our -- is disease. One of the, you know, is disease. That is a good thing that we could

really. But there was no response yet from the panel on the issue raised by Mustafisa Rahman about why we don't play even playing field. Why, you know, we in Bangladesh, you know, we chase even if a small amount of money looks suspicious. You know, every day we are fining banks and all that for suspicious transactions, but we don't see the same when, you know, people come with bags full of money and go and buy a flat here in a developed country. So I thought that should be an even playing field all through so that, you know, we can get really same kind of, you know, treatment of the issue. I'm sure World Bank and others are thinking in the same way as I'm thinking and we need to put our heads together and hear not only the comment, I think the media, the civil society, all of us we need to put our heads together how to fight because this is really, you know, it's impacting on our trade, on our level of investment, on our interdevelopmental kind of, you know, efforts that we are making in our countries. And we put a small -- in a money -- a child is not going to school. You know,

that is something where we can avoid, you know, if we really make these kind of issues much more, you know, stronger. And at the same time as Norwegian panel say, you know, we need to increase the ODAs so that, you know, we can move in that direction. But domestic resource mobilization will remain as a major issue. Over the last five years or so the Bangladesh has made a tremendous progress in terms of domestic resource mobilization. We are -- you know, tax revenues and domestic revenue are growing at a rate of 20 percent per annum and the GDP has become double over the last five years. And this could be only possible mainly because of the domestic resources which we have been, you know, mobilizing. And with some support I think we can also stop the leakages. And if we can stop the leakages probably our basket will be full, you know. So we need this capacity building support for all the institutions that I'm talking about.

MR. MARCEL: We can take two more questions so the gentleman here and the gentleman over there and then the third and there we will have to

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

close the interventions from the public. So, sir, please.

QUESTIONER: My name is Peter Reuter. I am a visiting fellow at the Center for Global Development. I'm a professor at the University of Maryland. This is more of a comment and desire to get a response from the panel. I went to this panel six years ago, 2008 side event for the annual meetings. Raymond Baker was there. Your predecessor from Norway was there. Leonard McCarthy's predecessor was there, and a Dane or a Dutch or a someone was there. And it was essentially --

MR. RAHMAN: I'm new here. I'm new here.

QUESTIONER: Or it was Pakistan. And it was essentially the same panel. Raymond's numbers have changed. I think his arguments have gotten richer, but he made his speech. Everyone else basically was saying this is an important issue and we're doing something to be helpful about it. The question is, well, why exactly six years later are we essentially having the same panel? And let me describe I think

the realities here, which is that GFI produces all the numbers. There's almost no other research outside of GFI. G-20 and G-8 announced that this is an important issue. The advocacy groups play a role, and so nothing in the middle. And the question is, well, why is that the case? Why aren't we learning more about this phenomenon? I think in part it's because we don't need to know more about this phenomenon. The argument here is that illicit financial flows are a serious problem and whether we accept GFI numbers or not, no one's arguing that it's not a very substantial number. Take a zero off the GFI numbers and you're still left with a \$100 billion. It's big enough to be worth worrying about.

So we accept that this is a large number. What is the policy agenda that comes out of this? It's a set of activities that we can justify without IFFs. I'm interested in money laundering controls. We know that there are good arguments in money laundering controls quite apart from IFFs. Beneficial ownership. There are lots of arguments about why we

need to have beneficial ownership declared everywhere. So let's agree IFFs are important, we know the policy agenda, and move on. Now, obviously not to say that we should literally stop working on this, but I want to offer that as a platform for why we don't need to keep pushing on this. Thank you.

MR. MARCEL: Thank you.

QUESTIONER: Thank you. I'm Karl

Imonaracombi. I'm a graduate from the United Nations University for Peace, specializing in world economy development and environment. So I just want to ask two questions. The first question is that I come from Sub-Saharan Africa and most of the time this illicit financial flow is not a good -- I don't know, it's not really known in my place. More what is known is that sense of the high rate of unemployment of the youth. The youth are really engaged in that and think that's the only way to survive. Most of the time they consider them to be in the informal sector. So the first question is how do you think by improving or working on the IFF we can really increase or create

jobs that will push the youth to move away from this informal or these dirty laundry activities.

And the second question is how do you think that the international community, especially World Bank, to increase our awareness of consumers on overpricing of consumable products? I want to take an example in my city called Yaoundé, there's a high rate of price based on consumer products like gas that is a better gas (inaudible). So it comes at times that it's normal to buy a price, the gas at the high price if you don't buy that for you not have the accessibility to that. So how can you help us in order to bring off the black market? Thank you.

QUESTIONER: My name is Charles Wanguhu from the Kenya Civil Society on Oil and Gas based in Nairobi. I have a quick question. I was just wondering are we doing enough to target the service industry who are actually the key facilitators of this illicit flows. And I'm talking about the big banks, the big accounting firms, the big law firms whose basic business model is to facilitate this illicit

flows. Are we doing enough in terms of targeting those kind of firms? Thank you.

MR. MARCEL: Thank you very much. So a round of quick questions from our panelists, please.

MR. JENSEN: Yes, thank you for three questions which I think will give the possibility to for my part kind of wrap up also what I think this panel is about. And I don't agree with the first gentleman that nothing has happened since that panel where Dutch or Dane also was here. I have to say that both when it comes to what the World Bank has done there has been improvements, especially on capacity building. I think there has been strong capacity building projects in tax administration, in anti-corruption, asset recovery, financial integrity, and all this. So something has happened.

Nationally, as I said to you that in Denmark we have now formed a strategy action plan. We are integrating this in programs with our partner countries. So this has moved forward. But I totally agree that still things have to be done. And also now

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

the discussion on how this we'll have to force on higher up on the agenda on the SEDs is also I think as a result of that process that have happened since the panel was here the last time.

But I would also just say that I still think also the World Bank now we're here and of course could do more. I would like more research in the area. I think that is needed. I also would like the IFF to be included in the world development report of governance. I think it should be included there. And I think we also should work, the banks for work for more comprehensive data collection on this. And finally also the country assistance strategies and other policy papers of the banks should reflect also this.

So there are things to be done besides what have already been said. And I told (inaudible) that also answers the question from over here have enough been done, the service sector, the banks, so on. No, enough hasn't been done. And we have to realize this is not a problem of the South. This is just as much a

problem of the North. And we have to look into our regulation, our focus and I can tell you I know the (inaudible) of tax approaches very well. And if some person comes in with a box of money, I can tell you that they will try to get their hands in them. That's for sure if they can. But still you have a lot of work to do here.

And finally, to the young gentleman over here, of course, your question is what all this is about. How do we create opportunities for young people in countries where you still face big challenges? And this is also what the SEDs are about but if you have to create jobs for young people in Africa and other places, if you have to get people out of the informal sector, then we have to be better in getting private sector investments in developing countries. And we have to combine the ODA also with private investments in order to create strong private sectors in third world country -- in developing countries. And I think that is also one of the big challenges we have when we have to formulate the next

SED goals and we are working also on that, but I think that's very crucial.

MR. BRATTSKAR: We're running out of time so I just want to say that I agree with everything that Mr. Jensen said first of all. I say I'm not Dutch. Maybe I'm a naïve optimist as well, but I think we are actually making progress on these issues and that doesn't mean that the challenges are not enormous, but it's certainly on the agenda. And the ability to talk about these issues is very different than it was at least 10 years ago. So I think we are making progress.

But I would like to just on the issue of employment and the fact that we have a rapidly growing population in many countries and there will be a need of \$1 billion new jobs in the next decade and which is one of the biggest challenges that we all face. And I think I want to refer back to what I said about a level playing field. If you have a situation in Africa where more money flows out in illicit ways from the continent that is provided in ODA, I think that's

an illustration of the problem we have. And investors be they domestic or international wanting to go into countries to create jobs, they want stable legal framework. They want stable regulations. They want a tax system they can trust and they want governments that want to play a fair game. So unless we deal with these kind of issues, we will not be able to deal with youth unemployment. So illicit financial flows is important for job creation in every country. Thank you.

MR. RAHMAN: I think I agree with my panelists that we have really made progress. You know, it's not true that we have not made progress. And a lot of the institutions have come up and a lot of these in my country, you know, every bank must have a focal point in each of the branch on the anti-money laundering, you know. And they have these officials who already report regularly. Moreover, at the national level we have a national coordination community led by the finance minister himself so that we give lot of focus. The political wheel is much

there. And on our central bank itself has got a hotline, you know, 16236. I can tell you if something goes wrong, you can report. There is a customer interest protection center if anything goes wrong there, they can report there and we jump on them. So a lot of things are happening. I would say it's not true that things are not happening.

But on the jobs issue, I think we need remotivate our central bankers. I mean, I'm one of them to motivate them to give opportunities to the disadvantaged groups. In Bangladesh at least we have been able to provide 30 percent of the total loans to the small and medium enterprises and the agriculture. And we have given special emphasis on creation of the young entrepreneurs through refinanced lines and other things. And on the private investment, we have opened up and I myself I sit as the chairman of the private foreign loans community. And last year alone, I really approved \$2 billion for, you know, export oriented industries. So export has become and RMG has become the number two in the world is Bangladesh and

giving about, you know, 5 million jobs for the women alone. You know, women workforce. That has created a situation which is much better than any other country. So I thought we need to walk on two legs. Not only IFFs only. We need to also do development. And I think post-2015 demands the squared or all-rounded kind of approaches. Thank you.

MR. BAKER: Peter, I too think we've made a lot of progress. Six years ago the ideas of automatic exchange of information country-by-country reporting and beneficial ownership were just that, ideas. All three of those are now solidly on the political economy agenda. What we have not done well enough yet is to get that agenda and the additional measures for curtailing trade misinvoicing into the developing countries. That's a lot of countries. It'll take a lot of work to accomplish that.

The question from here was from South Africa? You're from South Africa? From Cameroon, okay. Akere Muna has been on our high level panel and has done a great job. I think that the high level

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

panel report that is coming out is going to have a significant impact in Africa. The question over here about service industries. Yes, banks, accounting firms, and lawyers are proving very resilient in their efforts to continue what they're doing, but we're working on that.

Would you permit me just a moment to make a final thought? Among our board of directors is Thomas Pooge, a philosopher at Yale University. Thomas has estimated that 18 million people a year die of economic deprivation and causes stemming from economic deprivation. You've heard our analysis of a trillion dollars a year moving out of developing countries. Eighteen million people a year is 50,000 a day. A trillion dollars a year, a little higher than that is roughly \$3 billion a day. How many of the 50,000 people would live if the \$3 billion remained in their countries? That's what I would like to ask you to think about going forward. Thank you.

MR. MARCEL: I want to thank you very much. I'm told that our time is running out and many of you

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

have other activities, so I would not test my popularity by extending myself nor the patience of the organizers. So in wrapping up, I would just like to say that the case for curbing illicit financial flows is powerful, that the numbers are eloquent, and that the call for action is very clear and it's very well-heard from our side. I'm in charge of the governance agenda at the World Bank and I can see there not only issues that have to do with the substance of the institutions that we deal with, but also that in a country with an environment with illicit financial flows, governments are at risk, at grave risk because good governance cannot flourish in a sea of illegal money going around.

So we take many of the appeals and the suggestions for action very seriously. And I think that what we can say now especially, you know, in making this balance of the last few years, is that action in cooperating with our countries, with our member countries, with our clients can draw a lot from a good experience that has been developing in a number

of places and now we can help to be shared across the globe and we, of course, we will use our convening power to foster these issues in the global agenda as we move forward. Thank you all very much for coming. Thank you to our panelists and have a good afternoon.

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

)Signature and Seal on File)

Notary Public in and for the Commonwealth of
Virginia

Commission No. 351998

Expires: November 30, 2016

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190