DPSH MUN 2024

ECOFIN

Economic And Financial Committee

Letter from the Bureau

The Bureau of the Second Committee of the General Assembly at Delhi Public School, Hyderabad's Model United Nations welcomes you to the Background Guide for this simulation! This Background Guide will serve as a major resource for participants in gaining an understanding of the agenda item alongside the general expectations of the dais with regards to discussion and debate.

Model United Nations is generally recognized as a competitive environment, but the Bureau would like to state that it finds Model UN to be the perfect environment for learning. Model UN is an experience that cannot be recreated outside of the same setting. A classroom learning experience truly falters when contrasted to that of a Model UN committee hall.

Keeping this in mind, the Bureau highly encourages all participants to make the most out of their experience at the conference. Do not restrict yourselves from learning, and be open to learning new things from an environment that you may commonly associate with a lively and fun time. We highly encourage you to give this simulation your best shot, and we promise that you will not walk away without learning a thing or two.

Regards,

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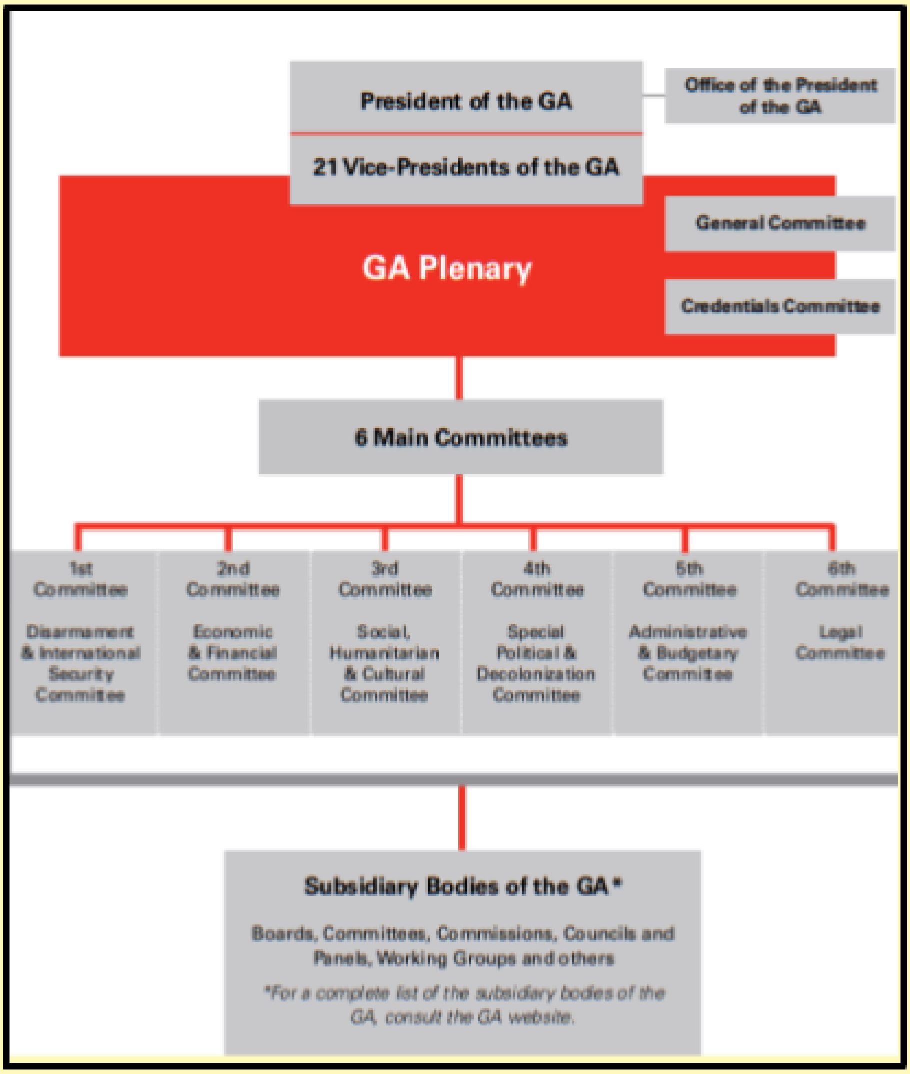
Introduction to ECOFIN

The United Nations General Assembly's Second Committee is the Economic and Financial Committee (ECOFIN); its primary role includes addressing all questions pertaining to securing global finance, economic growth, and economic development, with a special emphasis on macroeconomic policy, international trade, and external debt sustainability across the international community. It is a crucial part of the United Nations, as the other organs of the UN would cease to function without ECOFIN, which apportions funding among programs and committees. Within the purview of the committee are developing solution mechanisms to persistent economic inequity and dealing with emerging concerns within global finance. ECOFIN is composed of all 193 member states of the United Nations, and each has equal voting power. It can essentially be described as the policymaking body for economics, global finance, and economic growth. As in other UN bodies, ECOFIN has the capacity to make policies and draft guidelines but cannot enforce them. Accordingly, cooperation and support are essential in this committee, as well as thoroughly thought-out incentive systems for nations to voluntarily agree to participate in the resolutions produced by this body.



Overview of Illicit Financial Flows

Illicit financial flows refer to the movement of money across borders that is illegal in its source (e.g. corruption, smuggling), its transfer (e.g. tax evasion), or its use (e.g. terrorist financing).

Illicit and tax avoidance related financial flows can have a significant impact on the economic stability of a country and the global financial system. They can drain foreign exchange reserves, distort competition, inflate prices for real estate and other assets, lower tax receipts, and reduce government revenue. They divert resources from public spending and can cut into the capital available for private investment. Illegal flows also can encourage further criminal activity, undermine the rule of law, erode trust in public institutions, and threaten a country's political stability. In addition, illicit financial flows can have a negative impact on the broader economy, with potential spillovers into other economies, including by deepening inequality and weakening social cohesion across and within countries.

Illicit financial flows are inherently difficult to measure given the illegality and opacity associated with some of these flows, their transfer across borders, and the lack of transparency into the activities that underlie them. Many of these flows are generated by activities that are deemed financial crimes in the context of anti-money laundering and combating the financing of terrorism (AML/CFT). Attempts to measure illicit financial flows rely on indirect methods, so estimates are often approximations and sometimes incorrect. Nevertheless, evidence suggests that these flows may be substantial.

Some examples of illicit financial flows might include:

- A drug cartel using trade-based money laundering techniques to mix legal money from the sale of used cars with illegal money from drug sales;
- An importer using trade misinvoicing to evade customs duties, value-added tax, or income taxes;
- A corrupt public official using an anonymous shell company to transfer dirty money to a bank account in the United States;
- A human trafficker carrying a briefcase of cash across the border and depositing it in a foreign bank; or
- A member of a terrorist organization wiring money from one region to an operative in another.

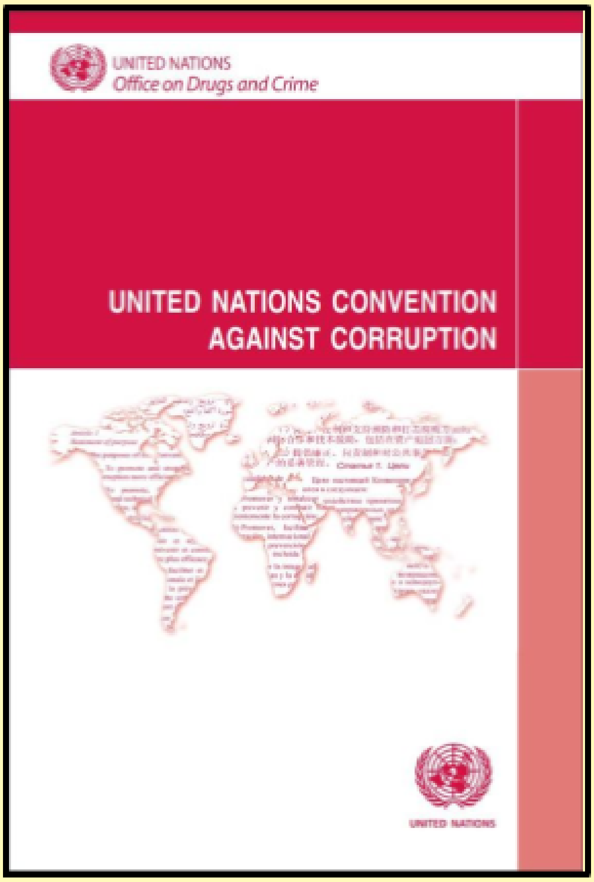
What is Assets Return?

Asset recovery – as outlined in the UN Convention against Corruption(UNCAC chapter V) – refers to the process by which the proceeds of corruption transferred abroad are recovered and repatriated to the country from which they were taken or to their rightful owners.

A precise account of the proceeds of corruption circulating the globe is not possible, but the World Bank estimates that developing countries lose US$20-40 billion each year due to corruption. This money could be spent on tackling poverty, providing decent public services and achieving the Sustainable Development Goals.

This significant injustice often occurs ostentatiously and in plain sight, but due to legal and institutional complexities and lack of cooperation between states it is all too easy for the corrupt to hold on to their ill-gotten gains.

With only US$1.398 billion assets frozen and US$147.2 million returned by OECD countries between 2010 and 2012, there is a huge gap between what goes missing and what is recovered and ultimately returned.



Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The 40-member body sets international standards to ensure national authorities can effectively go after illicit funds linked to drugs trafficking, the illicit arms trade, cyber fraud and other serious crimes. In total, more than 200 countries and jurisdictions have committed to implement the FATF's Standards as part of a co-ordinated global response to preventing organized crime, corruption and terrorism.

One of the core aims of the FATF is to deprive criminals of their illicit assets. In partnership with INTERPOL, the FATF is working with national authorities to ensure that asset recovery is a key pillar of a countries' approach to tackling money laundering and terrorist financing. It is vital for national authorities to develop effective systems to trace, seize and confiscate stolen funds and assets, and to return them to the country of origin.

The FATF is working to promote national policies and actions that achieve these aims by highlighting the importance of enhancing operational cooperation at all levels and improving information sharing between the public and private sectors.

In October 2023, the FATF Plenary agreed on amendments to the FATF Recommendations that will provide law enforcement, financial intelligence units, prosecutors, other asset recovery practitioners and competent authorities with a more robust toolkit to target and confiscate criminal assets.

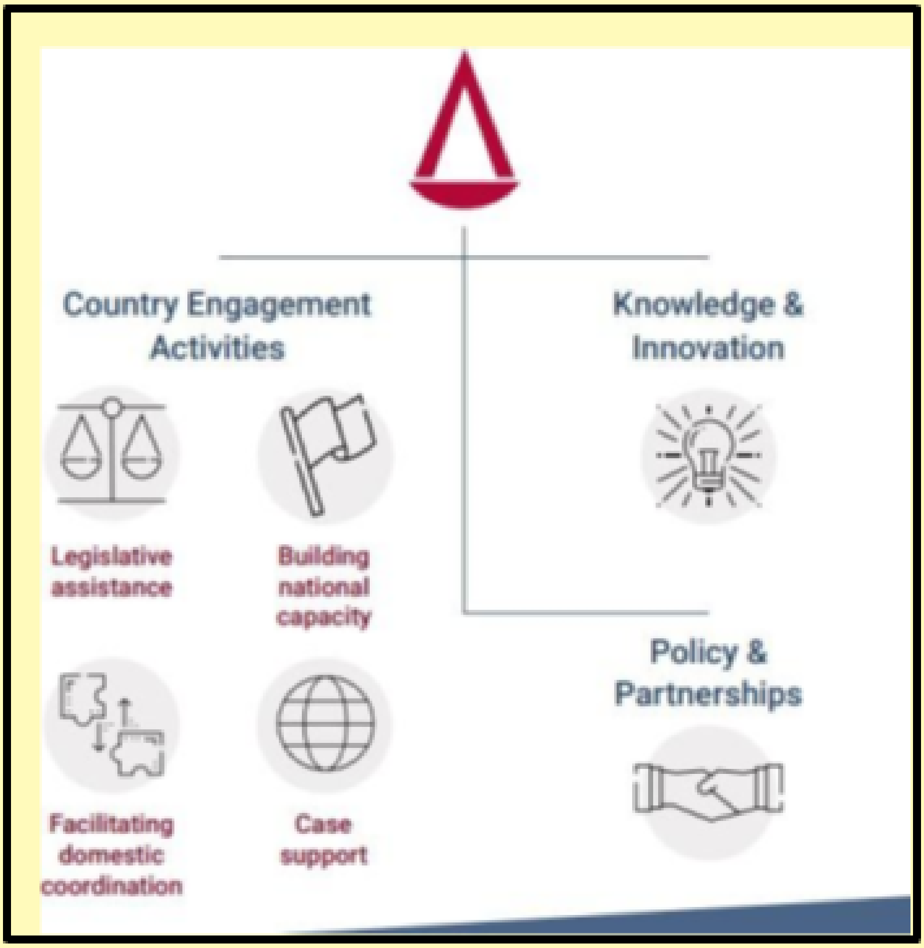
The amendments include requirements for confiscation and provisional freeze and seize measures in the domestic context (R.4 and its Interpretive Note) and measures to improve international cooperation on asset recovery (R.38 and its Interpretive Note). The amendments will bolster the powers and ability of law enforcement and other authorities to identify and trace criminal property. They also set out new forms of international cooperation which emphasize the importance of swift and efficient channels and mechanisms (R.30, 31 and 40 and related Interpretive Notes).

Stolen Asset Recovery Initiative

Established in 2007, the Stolen Asset Recovery (StAR) Initiative is a partnership between the World Bank and the United Nations Office on Drugs and Crime (UNODC) to support countries in implementing Chapter V of the UN Convention against Corruption (UNCAC), which for the first time sets out the return of stolen assets as a fundamental principle. The Convention establishes various mechanisms and ways in which the cooperation and assistance for asset recovery could and should take place and StAR works with developing countries as well as financial centers to bolster the recovery of stolen assets by improving the legal framework for asset recovery and providing training and technical assistance.

StAR operates on the ground with practitioners providing case-based advice and guidance. StAR builds upon the wealth of experience of its staff and extensive global network of experts to offer cutting edge advice that can be practically applied in asset recovery efforts.

StAR works with a range of States as well as international institutions, regional bodies and civil society organizations. Our partners include the International Centre for Asset Recovery, the Egmont Group of FIUs, FATF, UNCAC Coalition, World Economic Forum, the International Bar Association Subcommittee on Asset Recovery, and the Camden Asset Recovery Inter-Agency Network (CARIN). Cooperation between jurisdictions and within countries is a vital component in successfully pursuing asset recovery.



Convention Against Corruption

Since the entry into force of the United Nations Convention against Corruption (UNCAC), more State parties have successfully been confiscating proceeds of crime located within their borders. With this success comes the growing challenge of returning these confiscated assets to the countries of origin.

A new publication by the United Nations Office of Drugs and Crime (UNODC), titled Confiscated asset returns and the United Nations Convention against Corruption: A Net for All Fish, analyzes the asset return process and highlights how the UNCAC, analyzes the asset return process and highlights how the UNCAC addresses the complexities involved and how the legal systems of a diverse group of countries have adapted to them.

The UNCAC introduced asset return requirements which are set forth in article 57. These requirements represent a major innovation for corruption cases with cross-border elements. They also outline, for the first time, an international asset recovery and return scheme.

Article 57. Return and disposal of assets

1. Property confiscated by a State Party pursuant to article 31 or 55 of this Convention shall be disposed of, including by return to its prior legitimate owners, pursuant to paragraph 3 of this article, by that State Party in accordance with the provisions of this Convention and its domestic law.

2. Each State Party shall adopt such legislative and other measures, in accordance with the fundamental principles of its domestic law, as may be necessary to enable its competent authorities to return confiscated property, when acting on the request made by another State Party, in accordance with this Convention, taking into account the rights of bona fide third parties.

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The new publication shows that article 57 is a multifaceted provision which sets forth a series of asset return obligations of varying degrees for States parties vis-à-vis particular assets once they have been recovered by the host State through confiscation. The paper breaks these varying return obligations into four categories, each delineated by the different asset characteristics, different predicate offense prerequisites, and different processes through which a confiscation has occurred.

To support practitioners faced with asset return cases, the paper also illustrates how actual asset returns are carried out. Patterns are identified by examining how diverse national legal systems interact with the UNCAC to authorize and facilitate cross-border returns to other countries. This can be achieved through use of article 57 itself as affirmative, and sometimes sole, legal authority for such returns, or through domestic laws that give effect to the UNCAC's varying obligations to achieve asset returns. Understanding these patterns can be useful when analyzing the laws of other countries from which asset returns may be sought in future cases.

The publication then applies its combined analysis of article 57, domestic law, and other treaties and agreements to a presentation of sixteen illustrative case examples – involving nine host States and thirteen countries of origin – in which assets have either been returned or return proceedings are ongoing. These case studies showcase the broad range of effectiveness of the UNCAC's cross-border regime for asset recovery and return and demonstrate that the Convention is indeed "A Net for All Fish".

The SDG Nexus

It is well established that IFFs are a major impediment to development. The inclusion of IFFs in Goal 16 of the 2030 Agenda marked an important acknowledgement of the scale of the problem. IFFs can be difficult to quantify, both because of a lack of consensus as to what constitutes "illicit," and because they are secret by design, and, as such, resistant to measurement.

In a 2020 report, the UN Conference on Trade and Development (UNCTAD) estimated that USD 88.6 billion leaves Africa annually through IFFs, amounting to nearly half the USD 200 billion financing gap the continent must overcome to meet its Sustainable Development Goals (SDGs).

Clearly, IFFs pose a massive barrier to progress on the remaining SDGs. IFFs are linked to poverty, gender inequality, climate change, mass migration, reduced health spending, environmental degradation, regional instability, and insecurity – all topics covered by the SDGs.

Just consider the improvements that could be achieved if even a fraction of those funds were devoted to addressing these issues. Imagine how much more impact foreign aid and investment might have if close to USD 90 billion was not siphoned out of Africa every year.

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