

**Report of  
Transparency's Tipping Point: The 7<sup>th</sup> Financial Transparency Conference  
October 24-25, 2017, Helsinki**

Transparency's Tipping Point: The 7<sup>th</sup> Financial Transparency Conference held with Kepa in Helsinki, Finland brought together civil society groups, government officials including keynote speaker Kai Mykkänen, the Finnish Minister of Foreign Trade and Development, journalists, policy experts and private sector representatives to shed light on the issue of illicit financial flows. The Conference encompassed the spectrum of issues that the FTC endeavours to address simultaneously through its research, advocacy, outreach, and media strategy; the conference succeeded in weaving together these activities thereby deepening each one's impact. The Conference is a biennial event held in different parts of the world as a way of incorporating FTC's advocacy and policy issues into a more localized context. The Conference is also an opportunity to share research from coalition members and to conduct advocacy within the host region and with policy makers, government officials and representatives from multilateral organizations. The FTC supports the widest possible participation of global civil society and enables journalist training through travel assistance grants; additionally presentations were available in English and Spanish simultaneously to better engage our diverse, global stakeholder base. As with previous conferences, there were a series of side-events, training and networking sessions alongside of the Conference that involved over 150 participants from more than 40 countries, with an equal spread between the Global North and South.

**South-South CSO Meeting of FTC's Allied Organizations Network**

The issue of Illicit Financial Flows (IFFs) is as political as it is technical. It is also a profound question for developing countries whose challenge to realize the SDGs is predicated on their ability to mobilise domestic resources, as set out in the Third International Conference on Financing for Development (FfD), held in Addis Ababa in 2015. As part of an ongoing initiative of the FTC's Allied Organizations Network, a regular one-day South-South strategy meeting was organized by the Financial Transparency Coalitions' Southern Regions Program. Participants represented 24 different civil society groups from 19 countries in the Global South<sup>1</sup>. The meeting explored the full range of questions to be addressed in the conference, including the definition of IFFs, the existing mechanisms and vehicles for their transfer and IFFs' corrosive impact on developing countries through domestic revenue loss. The meeting explored IFFs' links to gender equality, inequality, extractive industries and the international financial system. It concluded by mapping the geo-political positions of regional institutions and bodies and discussed how to develop a shared strategy for the Global South in the fight against IFFs. A [report](#) of this discussion is available on the FTC website.

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<sup>1</sup>Representatives were drawn from the FTC's Allied Partnership Program, and attendees were supported by the FTC to attend the meeting and conference, coming from the Philippines, Uganda, Argentina, Brazil, Costa Rica, Senegal, Bangladesh, Tanzania, Ecuador, India, Indonesia, Guatemala, Mozambique, Kenya, Cambodia, Paraguay, Ghana, Thailand, China

The discussion identified several core problems; civil society in the Global South faces a common struggle to conduct advocacy on the technical aspects of IFFs. Despite national legal institutions treating this issue differently, the civil society groups collectively agreed that a working definition of IFFs that is regionally contextualized would be better placed to advance advocacy on the issue. In this regard, juridical and policy processes must therefore receive greater attention from civil society. Many rely on data leaks to make significant inroads in understanding how IFFs harm their respective societies, and investigative journalism in putting together the piecemeal picture on how IFFs operate. The discussions acknowledged a critical need to shift the politics and language around the definition of IFFs via more evidence and literature directly from the Global South that can champion an effective approach to the complex and disputed issue of an all-encompassing definition.

Furthermore, discussions revealed how developing countries remain sidelined in terms of framing and driving reforms. The current narrative around tax avoidance and profit shifting continues to be driven by the Organisation for Economic Cooperation and Development (OECD) and the G20 and therefore the international financial architecture remains skewed against developing countries. Most Southern countries lack the capacity or platform to inform or make the rules for themselves. Regional integration bodies in the Global South are beginning to discuss the issue of IFFs in Africa (UNECA, AU), and Latin America (UNASUR, ECLAC), but this alone cannot set wider international norms or tackle cross-border abuses at a global level. With no intergovernmental democratic tax body in sight, there is a need for multiple robust alternatives for developing countries. Thus, it was agreed that strategic cooperation amongst Southern civil society, as facilitated by the meeting and more broadly in the Allied Organizations Network of the FTC, was a critical dimension of future advocacy in particular where cross-regional collaboration could be fostered and cultivated.

### **Journalist and Investigative Reporting Training**

The FTC media team organized a journalist training bringing together sixteen journalists from twelve different countries spanning Europe, Africa, the Americas and Asia, with the FTC's financial support. This support is critical due to the data and capacity gaps outlined above, it supports journalists to gain a better picture and understanding of IFFs. Those involved had either a demonstrable interest in the world of IFFs or are already actively reporting on them. Apart from direct training, the event facilitated discussion of investigative strategies and potential future collaboration. The session enabled learning from peers who have already conducted investigative work in the areas of corruption, illicit flows and tax transparency. This year's training featured presentations from members of the International Consortium of Investigative Journalist's Panama Papers team, as well as leading civil society experts on the issues of tax and transparency. The workshop was a mix of discussion and seminars, and allowed individuals to relate the training to their own country contexts.

For those journalists with a growing interest in covering FTC's thematic issues, the seminar focused upon knowledge transfer and capacity building, including on how to develop investigative techniques. Journalists who participated in the training session in Helsinki have substantially contributed to the

reporting of different aspects of IFFs in their respective countries. More experienced journalists were supported to consider potential collaboration ideas with journalists from other regions, as well as NGO experts. This has since occurred via the participation of an Argentinian journalist in a research project mapping IFFs led by Christian Aid. All journalists were also supported to attend the subsequent FTC Conference, in order to be exposed to the key IFF policy questions as identified by civil society and the other participating experts and stakeholders. The impact of the training and the Conference reverberated as the Paradise Papers leaks emerged, especially in terms of revealing the significance of tax avoidance in developing countries and the lack of financial transparency across the world that facilitates such avoidance.

### **Core Conference Themes & Outcomes**

Minister Mykkänen in his keynote address set the tone for the conference by unambiguously acknowledging IFFs as a justice issue, noting that addressing them is a crucial prerequisite for developing and developed countries to realize the Sustainable Development Goals (SDGs). The opening plenary discussion revealed however that defining illicit flows presents conceptual, political, data and legal obstacles. IFFs were not sufficiently high a priority for most national governments and a common understanding is still lacking. Despite a focus on corruption, money laundering and criminal aspects of IFFs, a shortfall remains in governments' appreciation of the breadth of IFFs. Complexity comes from distinctions of legality/illegality that are highly dependent on the power to reveal financial data, as well as being context-specific and conceptually disputed. Grey zones of different kinds of illicit flow inhibit international agreement and appetite for reform. Institutions dealing with IFFs have different levels of scope in terms of mandate, geography and developing country membership. Discussions amongst the panelists and audience revealed how these nuances have consequences as differing national and regional contexts lead to different advocacy and reform priorities. Thus a significant amount of work needs to be done, including research and further engagement with policy makers, and participants were keen to encourage the FTC to continue to foster and contribute actively to this critical dimension of the IFFs policy debate.

An important discussion enabled by the FTC conference was on the intersection of gender equality, human rights and inequality with reform of IFFs, revealing how managing illicit flows can and should be considered a human rights issue. Examples of the consequences of illicit financial flows on the tax regimes, including the iniquitous structuring of tax burdens, from Timor-Leste, Vietnam, Australia and Canada demonstrated the universal nature of the IFFs problem. The discussions further revealed how social protection obligations are often catastrophically undermined by IFFs. Comments in question and answer pointed to the importance of collaboration amongst communities of interest focused on financial transparency, tax justice, social protection, equity and rights in a host of overlapping policy forums.

A breakout session on financing social protection gave tangible examples of the costs of unregulated and unaccountable illicit flows to individual countries in terms of the GDP costs to provide social protection including health, education and basic services. The importance of increased social investment, fairer burdens of taxation and ensuring that large corporations and multinationals make a fair contribution to domestic revenue were highlighted. For example, in 2016 tax avoidance in Argentina was found to be nine times the level of investment in the Universal Assignment per child, a social protection policy (4.42 per cent of GDP versus 0.44 per cent of GDP, respectively). A 10 per cent reduction of estimated tax avoidance would duplicate the income that was already received by the beneficiaries of the policy. Similarly a reduction of 20 per cent of estimated tax evasion (0.8%/GDP) in Argentina could address income-related poverty for 1 million families in Argentina.

Sessions focusing on beneficial ownership, directly in a plenary session and via breakout seminars that focused on transparency, accountability and data, highlighted the strategic importance of collaboration amongst multiple stakeholders. Events such as the FTC-supported 4th Conference on Beneficial Ownership in Argentina in 2017 were cited as exemplars of effective collaboration between civil society and other critical stakeholders by a representative of the Argentine prosecutor's office who spoke in the plenary session. The Buenos Aires conference is co-organized by FTC member Fundacion SES in collaboration with the Central Bank of Argentina, Prosecutor's Office, Financial Intelligence Unit and Anti-Corruption Office. This sort of cooperation between multiple actors, duty bearers and rights-holders was identified as critical to further advances in tackling IFFs.

Breakout events including on extractives explored the particular importance of data and how, despite progress, greater transparency is still required to realize meaningful accountability. Other breakout sessions highlighted the complementary and significant role of gatekeepers and enablers, drawing on the example of the Panama Papers to explore the role of lawyers, accountants, bankers and corporate service providers in facilitating IFFs. It also highlighted the lack of whistleblower protection in cases of tax abuses in many jurisdictions, and the need for enhanced access to information. It reiterated the need to consider how to regulate and make more accountable secrecy jurisdictions and so-called tax havens at the heart of this system. There remain substantial gaps between international anti-money laundering standards that apply to gatekeepers (e.g. FATF/OECD), their regional implementation bodies that don't participate in setting norms (e.g. GAFISUD) and national level translation of those standards into law, pointing to the considerable work that still needs to be done to ensure even existing standards are appropriately consulted in a representative way, applied and implemented.

The final plenary returned the discussion to how to resolve the global system of financial flows, asking 'Who Makes the Rules on Illicit Financial Flows?', drawing on the earlier discussion of the problematic nature of defining and thus regulating illicit flows. Presentations revealed the highly fragmented and inconsistent regulatory environment, with a host of international bodies and institutions providing oversight and regulation, including both official bodies (though not necessarily bodies enjoying universal membership of nations, such as the OECD) as well as private bodies setting rules that many states are

effectively obliged to follow due to either commercial practices or other regulations. The discussion revealed the importance of developing a more inclusive and comprehensive international architecture of financial governance in order to support the realization of the SDGs. As with other sessions, it also pointed to the need to enhance further the role of regional bodies and the complementary role for cross-regional collaboration amongst civil society.

### **Kepa Co-host Conference Partnership**

Having a local co-host is not only beneficial for practical reasons but it is also of value to the FTC's global network as it helps to build the organization's work and impact in local, national and regional contexts. Kepa is a Finnish NGO platform and expert organisation on global development that represents more than 300 Finnish civil society organizations and promotes action aiming to build a just world. As a conference co-host, Kepa strengthened their national profile as a leading CSO and expert working on tax avoidance and IFFs in Finland and increased national and regional awareness of the links between tax and development. Significant local and regional media coverage of these issues resulted during a key time in European policy making, including keynote speaker Minister Mykkänen publishing a video on Twitter recommending Fair Tax Finland's tax mark to companies. The minister also committed in his speech to looking into the tax responsibility of Finnfund's investments (a Finnish Development Finance Institution), a commitment that KEPA identified as follow-up priority given that some of Finnfund's investments were discussed in the context of the Paradise Papers revelations.

As a direct consequence of the conference, Kepa and FTC members jointly held meetings with Finnish decision makers, including parliamentary committees examining Finland's positions in the EU's Anti Money Laundering Directive negotiations (since completed) and on issues of IFFs more generally. These meetings stimulated one MP to table a question about public Country-by-Country Reporting in Finland's parliament. The Social Democratic Party (Finnish opposition party) launched its anti tax-avoidance strategy during the first day of the conference.

### **Lessons and future objectives**

The overwhelming message from conference feedback was the desire for more interaction with the FTC, expressed by Allied Organisations, investigative journalists as well as other stakeholder groups. The survey revealed a reservoir of untapped potential for collaboration, intelligence sharing, and learning opportunities. Allied Organisations (both from the Global South and the Global North) desired the FTC to continue to enable greater joint working and strategic collaboration.

A second outcome was the value placed in cross-regional, not simply global, collaboration that the conference and FTC enabled, including direct interaction amongst participants from developing countries in different regions. Subsequently Allied Organizations and the FTC have developed new joint work streams within FTC working groups to directly address some of the key policy issues the Conference set out, including developing approaches which will also involve representatives of governments and international organisations. Furthermore, the Conference provided an important platform for business representatives, in particular [the B-Team](#) who presented their successful approach to gaining wider support from fellow business sector voices for transparency of Beneficial Ownership to tackle corruption. Such alliances were agreed to have growing significance for the FTC in a number of countries where business organisations can generate bi-partisan and multi-stakeholder support for the FTC's core transparency objectives.

The presence of government officials and other stakeholders, such as those from legal/prosecutorial offices in countries as well as from regional bodies of tax administration officials, stemming from existing collaboration on the national level, was considered an important component of the discussions and the FTC was strongly encouraged to develop further collaboration with such stakeholder groups. The FTC was applauded for acting as a credible bridge for civil society advocates to such actors. Suggestions to deepen this role included that parliamentary officials and bodies be approached for future involvement, especially those who have formal roles concerning government budget accountability or business accountability in Public Accounts Committees, or those involved in anti-corruption and tackling tax abuse issues among other topics.