Background Paper for the High-Level Session at the
18th International Anti-Corruption Conference (IACC)

Anti-Corruption Contribution to Accelerate Progress on the 2030 Agenda for Sustainable Development

Corruption undermines development and, in turn, effective anti-corruption efforts accelerate countries' progress towards the achievement of the Sustainable Development Goals (SDGs). Preventing illicit outflows and ensuring the timely return of stolen assets can make a significant contribution to unlocking resources for financing development efforts.

Introduction

Despite progress in the last decade, corruption remains a complex development challenge. Rooting out corruption is a major policy priority and is critical to the achievement of the SDGs. In the context of the 2030 Agenda for Sustainable Development, Goal 16 ("to promote peaceful, inclusive societies for sustainable development, to provide access to justice for all and to build effective, accountable and inclusive institutions at all levels") and its anti-corruption targets underpin the other SDGs, all of which rely on institutions to effectively meet the needs of all people.

The United Nations Convention against Corruption (UNCAC) is the only comprehensive global framework for strengthening international cooperation, including in asset recovery and enhancing enforcement and preventive measures. UNCAC is a reflection of the fundamental recognition by the international community that effective anti-corruption efforts are crucial for achieving our common goals of good governance and sustainable development.

Since the Monterrey Consensus, the recovery and return of stolen assets have been recognized as a major development financing mechanism. Furthermore, the Addis Ababa Action Agenda on financing for development stresses the return of stolen assets as a crucial element towards financing the 2030 Agenda.

This high-level session, jointly organized by UNDP and UNODC, has the main objective of sharing experiences, good practices, and challenges in terms of building synergies between anti-corruption efforts and the implementation of the 2030 Agenda. The session will provide insight on how to address the issues of preventing corruption and illicit financial flows (IFFs), as well as the return of stolen assets and development financing more comprehensively in order to accelerate progress on the 2030 Agenda.

Corruption is a challenge to sustainable development

Corruption is not a new phenomenon. The misuse of entrusted power for private gains happens everywhere around the world. Corruption impacts all five pillars of sustainable development – people, prosperity, planet, peace and justice, and partnership; and is a major bottleneck to achieving sustainable development in all its three dimensions – economic, social, and environmental.

The costs of corruption are substantial. Estimates show that corruption costs developing countries US$1.26 trillion per year.[1] Businesses and individuals pay an estimated US$1.5 trillion in bribes annually.[2] Accumulated, these amount to more than the US$10 trillion, estimated by the World Economic Forum, required to end poverty by 2030.[3]

In addition, many forms of IFFs divert scarce resources away from development. According to Global Financial Integrity, every year the developing world loses as much as US$1 trillion in illicit outflows through government corruption, criminal activity, com-

mercial tax evasion and mispriced commercial transactions. The High-Level Panel on Illicit Financial Flows from Africa estimated that Africa alone loses more than US$50 billion annually to IFFs.[4] These amounts that drain out of countries every year are far in excess of the amounts provided in official development assistance (ODA). Illicit outflows overwhelm current annual ODA by OECD-DAC members by a magnitude of 10 to 1, i.e. for every US$1 poor nations receive in ODA, an estimated US$10 flows illicitly abroad.

Undoubtedly, there are methodological challenges associated with measuring the costs of corruption, and efforts in improving measuring and monitoring corruption must continue. Yet, these large estimates give a sense of the magnitude and consequences of corruption, providing a strong impetus for change.

Resources lost through these channels of corruption could otherwise be used to ensure that everyone has equal access to basic services like education, health, and clean water and sanitation, with dignity and without having to pay bribes. Acting as a governance bottleneck to development, corruption can discourage or prevent people from accessing these basic services, thereby negatively impacting socio-economic outcomes. In addition, corruption has significant negative effects on state capacity, policymaking, and other development outcomes. Economic activity can also be harmed by corruption, such as by disincentivizing foreign and domestic investment.

The indirect consequences of corruption are even larger, such as undermining governments' ability to serve public interests, corroding the rule of law, and eroding trust in government institutions. Where systemic corruption exacerbates and affects all state functions, it becomes a serious threat to security and could result in disorder, civil strife or conflict, with significant and long-term

destabilizing and debilitating effects. Corruption manifests itself in a myriad of forms; and tackling them all is fundamental to achieving progress and sustainable change.

Anti-corruption efforts are crucial not only for promoting transparency, accountability and integrity; they accelerate progress in meeting development goals. Domestic resource mobilization, ODA, and quality private investment already play a huge role in many countries for development financing, but significant gains could also be made by strengthening efforts to curtail illicit financial flows, bribery and corruption.

Fighting corruption, however, is not an easy task. As highlighted in the World Development Report 2017, in order to address corruption, it is important to recognize its political nature. "Corruption is not (just) a social 'malady' or 'disease' to be eradicated, but rather a built-in feature of governance interactions."[5] It is thus important to strengthen governance systems, mechanisms, laws, institutions and anti-corruption frameworks to address this complex phenomenon.

BREAK THE CORRUPTION CHAIN

Anti-corruption for sustainable development

Anti-corruption and the 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development presents a radical approach to transforming our world, focusing on the integrated pillars of sustainable development: economic, social, and environmental. It includes within its universal policy framework key elements on democratic governance, peace, security, justice, tackling corruption, promoting inclusive participation, access to information and other human rights and institutional capacity, which were not part of the Millennium Development Goals framework.

Despite the challenging global, regional and country-level contexts for tackling corruption, the adoption of the 2030 Agenda for Sustainable Development by 193 Member States on 25 September 2015 was a major breakthrough for the anti-corruption movement because it capitalizes on the importance of promoting transparency, accountability and anti-corruption, and makes an explicit link between corruption and peaceful, just and inclusive societies.

Goal 16 has five key targets, which are instrumental in enhancing the whole 2030 Agenda by preventing corruption:

- **16.4**: Significantly reduce illicit financial flows and strengthen the recovery and return of stolen assets;

- **16.5**: Substantially reducing corruption;

- **16.6**: Developing effective, accountable and transparent institutions;

- **16.7**: Ensuring responsive, inclusive, participatory and representative decision-making;

- **16.10**: Ensuring public access to information.

In particular, Goal 16 and its targets on reducing corruption; developing effective, accountable and transparent institutions; ensuring responsive, inclusive, participatory and representative decision-making; and strengthening access to information, are not only valuable and important aspirations in their own right, they are also important conditions for the successful achievement of the entire 2030 Agenda.

United Nations Convention against Corruption (UNCAC)

The implementation of the UNCAC also provides an opportunity for adopting a comprehensive global framework to combat corruption. Over the last decade, anti-corruption has been one of the fastest growing areas worldwide. This has been due to the near-universal ratification of the UNCAC (186 state parties as of 11 October 2018), and the growing importance of governance and anti-corruption in enhancing sustainable development by improving the capacity, efficiency and effectiveness of public institutions; strengthening coordination and monitoring

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mechanisms; and removing governance and corruption bottlenecks that impede progress to achieve development goals.

UNCAC, as the first global legally-binding anti-corruption instrument, recognizes that corruption undermines sustainable development by threatening the stability and security of societies, as well as institutions and values of democracy, ethical values, justice, and the rule of law. It covers five main areas: prevention; criminalization and law enforcement measures; international cooperation; asset recovery; and technical assistance and information exchange.

A highlight of the UNCAC is the inclusion of a specific chapter on asset recovery, aimed at returning assets to their rightful owners, including countries from which they had been taken illicitly. Resolution 6/3 of the Conference of the States Parties (COSP) to the UNCAC on "Fostering effective asset recovery" also encourages States parties and UNODC to identify good practices as necessary that address the administration of seized and confiscated assets, including with a view of contributing to sustainable development.

The COSP is the main policymaking body of the UNCAC. It supports States parties and signatories in their implementation of the UNCAC, and provides policy guidance to UNODC to develop and implement anti-corruption activities. The COSP was established to improve the capacity of States to implement the UNCAC; to enhance cooperation among States in achieving the objectives of the UNCAC; and to promote and review the implementation of the UNCAC.

Challenges regarding anti-corruption efforts to accelerate progress on the 2030 Agenda

Gaps in policy, institutions, and effectiveness

The implementation of the 2030 Agenda, and in particular, Goal 16, will not be successful if proper mechanisms are not put in place to mainstream, measure and monitor its progress.

Significant gaps still exist in terms of: weak institutional capacity and political will; knowledge in mainstreaming and integrating Goal 16 and anti-corruption targets in national development plans and processes; methodologies and data to benchmark and monitor progress on anti-corruption; and national coordination mechanisms to involve major anti-corruption stakeholders in monitoring the SDGs.

Illicit financial flows

Although IFFs connected with corruption, criminal activities, and commercial and tax-related practices are issues of increasing concern, there is currently no consensus or firm inter-governmental agreement on the conceptual framework defining IFFs, nor a globally-accepted methodology to measure them. Measuring and tracking IFFs are inherently challenging because of the clandestine nature of the underlying activity.

Apart from methodological challenges, there is the issue of official data availability. The lack of agreement on conceptual, definitional and methodological issues regarding IFFs reduces clarity on the magnitude of flows, where they originate from, and their implications, thereby undermining the ability to tackle the problems caused by IFFs.

Asset recovery

The return of stolen assets is a complex and time-consuming process with multiple jurisdictions involved. Processes have resulted in the return of only a small percentage of the assets stolen from developing countries – between 2006 and June 2012, only US$423.5 million was returned by OECD countries, a small fraction of the US$20 to US$40 billion estimated to be stolen each year.[6]

Some recent returns, including the 2017 agreement by Switzerland to return US$321 million to Nigeria, have gone in the right direction. Yet, more needs to be done to ensure timeliness in the return of stolen assets; and, despite increased national capacities and enhanced international cooperation on this issue, many technical, legal, and political barriers and challenges still remain.

There is also a need to develop effective anti-corruption mechanisms to promote the transparent use of funds when returned, so that stolen assets would reach the intended beneficiaries in a timely and systematic manner, or channeled towards supporting international efforts to end safe havens for corrupt funds.

International cooperation is important in this regard, to foster collective responsibility and action for the deterrence, detection and recovery of stolen assets; and to share knowledge and information on global best practices.

Development financing

In practice, transparency and accountability in the use of funds and budget support from multilateral financial institutions for development projects present many complexities and uncertainties. By their very nature, international development projects involve many stakeholders, coupled with the often intangibility of project results, and the rela-

tively weak institutional support in place within number of recipient countries. As such, the risks of corruption and malpractices are even more prevalent.

In addition, monitoring fund usage poses another challenge to managing corruption risks in development financing. Tackling corruption in development financing will require organizations to ensure there are adequate and effective mechanisms in place to control and mitigate corruption risks while maximizing the impact and success of development projects.

UNCAC implementation

UNCAC is the comprehensive global instrument to combat corruption, but more efforts need to be in place, such as guidance and support, to build synergies between the UNCAC review mechanism and its implementation on one hand, and SDG implementation and monitoring on the other. There is also a need to engage a broad coalition of stakeholders to generate data and information needed to meaningfully measure progress on anti-corruption targets.

The way forward - what can be done?

Preventing and combating corruption requires a comprehensive approach, but only in an environment of transparency, accountability, and integrity. The monitoring of the 2030 Agenda, reflected in Goal 17, presents an opportunity to address the issue of corruption more comprehensively, including the participation of all major anti-corruption stakeholders in monitoring the SDGs.

The scope and ambition of the 2030 Agenda are unprecedented and require collaboration, innovation and incentive systems that facilitate cross-sectoral initiatives and shared accountability across different ministries, agencies, levels of government, and

non-governmental stakeholders. The active participation of all members of society at international, regional and national levels, can ensure a more transparent, efficient, and equitable world. Partnerships of public, private and non-profit sectors are essential to guarantee sustainable financing, continuous capacity building and technological cooperation, to enhance anti-corruption efforts and accelerate progress on the 2030 Agenda.

Governments have a leading role in putting plans and strategies that advance anti-corruption within their national sustainable development plans and strategies. Governments can also stimulate legislative reform that will establish legislative and institutional frameworks against corruption with robust enforcement and punitive measures. To drive forward inclusive development that is reflective of and responsive to the specific needs of people, governments should ensure accountability, transparency, participation and inclusion in decision-making.

Private sector companies should adopt a zero-tolerance attitude towards corruption and put policies in place, covering issues such as gifts, supply chains and whistle-blowers, in order to promote a fair and just environment. Through their actions, attitudes, and anti-corruption efforts, the business community can promote fair competition by working together and supporting countries in promoting an anti-corruption culture, and developing and strengthening the public anti-corruption infrastructure.

Non-state actors such as civil society organizations, citizens, and the media play an important role in raising awareness; providing checks and balances with government and private sector involvement in corrupt practices; and exerting pressure for political commitment against corruption. Non-state actors should demand more accountability from governments, and as part of this

process, inform themselves on anti-corruption efforts and hold officials responsible for their actions. The actions of non-state actors are also important, such as reporting incidences of corruption, fostering a zero-tolerance attitude toward corruption, and refusing to engage in acts of corruption and bribery.

Development partners should provide policy guidance and technical assistance to ensure the effective implementation and integration of the 2030 Agenda with UNCAC and other anti-corruption efforts. Governments and national stakeholders may lack the combined capacities to achieve development goals; and as such, support from the UN system and other development partners is important in providing assistance for the integration of anti-corruption efforts into national sustainable development plans; helping to mitigate corruption risks in different sectors and in the financing of development projects; providing policy support to detect and address constraints and strengthening that could delay or obstruct progress towards specific goals and targets; and strengthening the collective actions of governments, the private sector, and non-state actors in the fight against corruption to accelerate progress on the 2030 Agenda.

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