DIYAFAH INTERNATIONAL SCHOOL L.L.C

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DISMUN 2025-2026 | UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL

STUDY GUIDE 2026-2027

United Nations | Economic and Social Council

UNITED NATIONS Economic and Social Council BACKGROUND GUIDE 2026-2027

Dear Delegates,

On behalf of the United Nations Economic and Social Council (ECOSOC), it is our distinct pleasure to welcome you to this session. Your Committee Chair, **Amina Irfan** (Year 12), and Deputy Chair, **Aryaveer Lodha** (Year 11), are honoured to guide you through a topic central to global economic stability and sustainable development.

The agenda for this committee is:

Enhancing International Cooperation to Combat Illicit Financial Flows (IFFs)

Illicit financial flows undermine development, weaken institutions, fuel corruption, and deprive nations, especially developing economies, of essential resources. Your task as delegates is to understand the complexity of IFFs, evaluate existing international frameworks, and propose innovative, cooperative solutions.

We encourage you to use this guide as a foundation but remember that strong delegates go beyond it with independent research, country-specific policy analysis, and strategic thinking.

We wish you the best in your preparations and look forward to seeing you in committee.

On the DISMUN webpage, you will find resources that are essential to your preparation for the conference and as a reference during committee sessions. The DISMUN Handbook explains each step in the delegation process from preconference research to the committee debate and resolution drafting processes. Delegates should not discuss the topics or agenda with other members of their committee until the first committee session. We urge our delegates to be respectful of this request.

In addition, please review the mandatory DISMUN Conduct Expectations and the DISMUN Procedure on the DISMUN website. DIS wants to emphasise that any instances of discrimination based on race, gender, national origin, religion, age, or disability will not be tolerated.

If you have any questions concerning your preparation for the committee or the Conference itself, please contact Communications.DISMUN@diyafahinternationalschool.com

We wish you all the best in your preparations and look forward to seeing you at the Conference!

Chair: Amina Irfan

Deputy Chair: Aryaveer Lodha

Committee History

"***Serves as the central forum for discussing international economic and social issues and formulating policy recommendations addressed to member states and the United Nations System.***"

Established in 1945 under the United Nations Charter, the Economic and Social Council (ECOSOC) is one of the six principal organs of the United Nations. It is responsible for coordinating the economic, social, and environmental work of the UN system, which encompasses specialized agencies, functional commissions, and over 1,600 accredited non-governmental organizations (NGOs). Through this expansive mandate, ECOSOC acts as a vital bridge between high-level policy development and practical, localized implementation, enabling nations to collectively address the world's most critical development challenges.

Core Areas of Impact

ECOSOC plays a decisive role in global governance by focusing its efforts on four primary pillars:

- **Advancing the Sustainable Development Goals (SDGs):** Driving global progress toward the 2030 Agenda by ensuring balanced integration of economic, social, and environmental policies.
- **Promoting International Cooperation:** Facilitating multilateral dialogue and consensus-building to resolve cross-border economic vulnerabilities.
- **Addressing Global Economic Governance:** Ensuring that international financial architectures and trade policies remain equitable, inclusive, and fair for developing nations.
- **Strengthening Institutional Capacity:** Supporting Member States in building resilient regulatory, administrative, and legal frameworks to sustain long-term growth.

A Modern Mandate: Combating Financial Crime

In recent years, ECOSOC has systematically increased its focus on financial transparency, sustainable resource mobilization, and anti-corruption measures. Because illicit financial flows (IFFs) drain vital domestic capital, disrupt financial markets, and widen economic inequality, they represent a direct structural threat to all seventeen SDGs.

Consequently, ECOSOC has emerged as an indispensable global platform for designing coordinated, multilateral solutions to financial crime. Addressing these leakages is central to the council's core mission: ensuring that global wealth is successfully preserved and mobilized to foster sustainable, resilient economic development across all Member States. Ultimately, the battle against IFFs is not merely about tracking wealth, but about reclaiming the sovereign resources necessary to build a more just and sustainable world.

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Introduction to Illicit Financial Flows

Illicit Financial Flows (IFFs) represent the unauthorized cross-border movement of capital or assets that are illegally earned, transferred, or utilized. These flows generally originate from six interconnected categories of illicit activity:

- **Tax Evasion and Exploitative Avoidance:** Corporate profit shifting and individual concealment of taxable wealth.
- **Money Laundering:** The processing of criminal proceeds to disguise their illegal origin.
- **Systemic Corruption and Bribery:** The abuse of public office for private financial gain.
- **Commercial Trade Misinvoicing:** The deliberate falsified valuation of imports or exports to shift capital across borders.
- **Terrorist Financing:** The provision of funds to support non-state militant or insurgent organizations.
- **Proceeds of Organized Transnational Crime:** Revenues generated from human trafficking, drug smuggling, and illicit arms sales.

These illicit practices deploy highly sophisticated, multi-jurisdictional networks designed to exploit gaps between disparate national regulations and fragmented international oversight systems. While rapid globalization has enhanced economic integration, it has simultaneously broadened the avenues through which illicit funds can be concealed and transferred across borders.
The United Nations Conference on Trade and Development (UNCTAD) estimates that developing nations lose tens of billions of dollars annually to these leakages. This systematic drain directly deprives sovereign states of the domestic resource mobilization needed to fund vital public goods, including quality education, universal healthcare, resilient infrastructure, and comprehensive poverty eradication programs.

Understanding the Issue

1. Structural Causes of Illicit Financial Flows
The persistence of IFFs is enabled by a combination of domestic regulatory deficits and asymmetric global financial architectures:

- **Inadequate Domestic Financial Regulation:** Permissive banking frameworks that fail to enforce strict compliance or customer due diligence.
- **Deficits in Transparency:** Gaps in public record-keeping that allow individuals to hide their financial identities.
- **Secrecy Jurisdictions and Asset Sheltering:** The deliberate preservation of anonymity by tax havens to attract foreign capital.
- **Asymmetric Enforcement Capacity:** Limited technical, financial, and computational resources within domestic financial intelligence units.
- **Unequal Geo-Economic Bargaining Power:** Structural disparities that prevent developing states from negotiating equitable bilateral tax treaties with powerful financial hubs.
- **Systemic Trade Loopholes:** Outdated customs verification methods that struggle to detect artificial pricing anomalies in real time.

These compounding factors insulate corrupt actors, multinational corporations, and criminal networks from legal and financial accountability.

2. Macroeconomic Impact on Sustainable Development
IFFs operate as an existential headwind to sustainable development by causing widespread institutional and economic degradation:

- **Erosion of the Sovereign Tax Base:** Diminishing government revenues, which limits public spending on critical social infrastructure.
- **Exacerbation of Wealth Inequality:** Concentrating wealth among corrupt elites while shifting the domestic tax burden onto lower-income populations.
- **Institutional Decay:** Weakening the rule of law and degrading civic trust in regulatory and judicial bodies.
- **Depression of Responsible Foreign Direct Investment:** Creating an unpredictable, high-risk domestic market that deters legitimate, long-term foreign investors.
- **Subsidization of Criminal Syndicates:** Providing the liquidity necessary for transnational criminal organizations to scale their operations.

For a significant number of emerging economies, the annual volume of capital lost to IFFs exceeds the total aggregate inflow of official development assistance (ODA), making economic self-sufficiency mathematically impossible.

3. Review of Existing International Frameworks
The global community has established several multilateral instruments to promote financial integrity and standardize transparency:

- **The UN Convention Against Corruption (UNCAC):** The only legally binding universal anti-corruption instrument, specializing in asset recovery.
- **The Financial Action Task Force (FATF) Recommendations:** The global standard for combatting money laundering and terrorist financing.
- **The OECD Base Erosion and Profit Shifting (BEPS) Project:** A multilateral framework designed to close tax loopholes used by multinational corporations to artificially shift profits.
- **The UNODC Global Programme Against Money Laundering:** Technical programs helping member states build robust financial intelligence infrastructure.
- **The Addis Tax Initiative (ATI):** A commitment by international partners to double technical support for domestic resource mobilization.
- **The Global Forum on Transparency and Exchange of Information for Tax Purposes:** The premier international body ensuring the implementation of tax transparency standards.

While these architectures provide crucial operational toolkits, their global efficacy is heavily undermined by uneven domestic implementation and the protection of sovereign economic interests.

The Role of ECOSOC

The mandate of the Economic and Social Council (ECOSOC) to address IFFs is firmly anchored in the United Nations Charter. Under **Chapter IX, Article 55** of the Charter, the United Nations is explicitly tasked with promoting higher standards of living, full employment, and conditions of economic and social progress. Furthermore, **Chapter X, Article 62** empowers ECOSOC to initiate studies, prepare reports, and make policy recommendations on international economic, social, and developmental matters directly to the General Assembly and Member States.

Consequently, ECOSOC occupies a unique position within the international arena to lead the global response against financial crime by executing five core institutional actions:

- **Promoting Global Policy Coherence:** Aligning the distinct anti-IFF strategies of specialized UN agencies, the International Monetary Fund, and the World Bank into a singular, unified development framework.
- **Catalysing Technical Capacity Building:** Mobilizing financial resources and technical expertise to upgrade the digital tax infrastructures of developing and least developed countries.
- **Standardizing Interoperable Information Systems:** Directing international consensus toward open data standards, beneficial ownership transparency, and automatic financial information sharing.
- **Advancing Sustainable Development Goal 16:** Actively linking the fight against capital flight with the metrics of SDG Target 16.4, which mandates a significant reduction in illicit financial flows by 2030.
- **Facilitating Democratic Financial Dialogue:** Serving as an inclusive multilateral forum where developing economies possess equal voting leverage alongside major financial centers to draft future international tax architecture.

By convening sovereign governments, international financial bodies, civil society, and regulatory experts, ECOSOC works to ensure that the global financial system is structured to protect sovereign resources and equitably advance the collective goals of the 2030 Agenda.

Case Studies

Case Study 1: Nigeria— Tackling IFFs from the Extractive Sector

Official Title: Examining the Impact of International Cooperation on Reducing Illicit Financial Flows in Nigeria's Oil and Mining Sectors

Nigeria faces one of the highest levels of illicit financial flows (IFFs) in the world, losing billions of dollars annually through corruption, tax evasion, trade mis-invoicing, and opaque financial practices within its oil and mineral industries. These losses undermine national development, weaken state capacity, and fuel inequality. Despite being Africa's largest oil producer, Nigeria struggles to translate its natural resource wealth into sustainable economic growth due to systemic leakages in revenue collection and entrenched political corruption. International cooperation—particularly with the European Union, the United Kingdom, and the Financial Action Task Force (FATF)—has played an important role in strengthening Nigeria's anti-money-laundering and counter-terrorist-financing frameworks. These partnerships have supported reforms in financial monitoring, asset recovery, and cross-border information sharing.

However, despite these gains, weak institutions, limited enforcement capacity, and persistent political interference continue to enable large-scale illicit financial flows. Corruption within regulatory agencies and gaps in oversight allow multinational corporations and domestic actors to exploit loopholes in taxation and export documentation. Effective governance, independent oversight bodies, and transparent financial systems are essential to reducing illicit financial flows. Without internal reforms, international cooperation alone cannot address the structural weaknesses that allow corruption and financial crime to persist.

Furthermore, international initiatives aimed at improving transparency in the extractive sector, such as beneficial ownership disclosure requirements and enhanced reporting standards, have increased scrutiny of financial transactions linked to oil and mining revenues. Nigeria has also benefited from technical assistance programs that support capacity building for tax authorities, customs agencies, and financial intelligence units. These efforts have contributed to better monitoring of financial activities and strengthened cooperation between domestic and international enforcement agencies.

Nevertheless, sustained progress depends on strengthening judicial independence, protecting whistleblowers, and ensuring accountability for individuals involved in financial misconduct. Greater investment in digital governance systems and public access to financial information can further reduce opportunities for corruption and revenue leakages. Additionally, fostering civic participation and empowering anti-corruption organizations can enhance oversight and build public trust in government institutions. By combining international cooperation with strong domestic governance reforms, Nigeria can better safeguard public resources, attract responsible investment, and promote inclusive economic development for its citizens.

Key Insight:

This case highlights the importance of aligning global partnerships with robust national reforms to ensure long-term financial integrity and sustainable development.

Case Study 2: Switzerland— Balancing Banking Secrecy and Global Transparency

Official Title: Assessing Switzerland's Role in Global Efforts to Combat Illicit Financial Flows

For decades, Switzerland was regarded as one of the world's most attractive destinations for illicit financial flows due to its strict banking secrecy laws and limited disclosure requirements. These policies allowed corrupt officials, tax evaders, and criminal networks to hide assets with minimal scrutiny, contributing to significant global revenue losses. However, mounting international pressure—particularly from the OECD, the European Union, and the G20—forced Switzerland to reconsider its long-standing financial practices. In response, Switzerland adopted the Automatic Exchange of Financial Information (AEOI), committing to share financial data with dozens of countries to combat tax evasion and money laundering. This marked a major shift from secrecy to transparency, positioning Switzerland as an active participant in global financial governance. As a result, billions of dollars in stolen or undeclared assets have been identified, frozen, or repatriated to their countries of origin, demonstrating the impact of coordinated international action. Despite these reforms, Switzerland continues to face significant challenges in fully eliminating illicit financial flows. These limitations highlight a broader truth: international pressure can drive reforms, but it cannot fully resolve illicit financial flows without strong domestic institutions in both Switzerland and partner countries. Effective oversight, political commitment, and robust anti-corruption mechanisms are essential to ensure that transparency measures translate into real accountability. Switzerland's experience shows that while global cooperation is crucial, internal reforms remain the cornerstone of sustainable financial integrity.

Key Insight:

This case demonstrates that international legal agreements can successfully dismantle deeply entrenched corporate and banking secrecy. However, global transparency frameworks are entirely dependent on continuous regulatory oversight to prevent elite actors from uncovering new loopholes within highly sophisticated financial hubs.

Policy Recommendations

1. Strengthening Global Transparency Frameworks

To dismantle the structures that mask illicit wealth, the international community must transition from voluntary compliance to mandatory, standardized transparency protocols.

- Establish Mandatory Beneficial Ownership Registries: Implement centralized, publicly accessible registries to identify the true human beneficiaries of shell companies, trusts, and legal entities.
- Expand the Automatic Exchange of Information (AEOI): Broaden participation in the Common Reporting Standard (CRS) to ensure developing nations can seamlessly access cross-border financial data.
- Enforce Public Country-by-Country Reporting (CbCR): Require multinational corporations to publicly disclose profits, taxes paid, and economic activities in every jurisdiction where they operate to mitigate artificial profit shifting.

2. Enhancing Institutional Capacity in Developing Economies

Technical and infrastructural disparities often prevent developing states from effectively acting on financial intelligence. Targeted resource mobilization is critical to bridging this gap.

- Targeted Technical Assistance: Provide specialized training programs for customs authorities and forensic auditors to identify complex trade misinvoicing and transfer pricing manipulation.
- Empower Financial Intelligence Units (FIUs): Upgrade the legal mandates, independence, and analytical capabilities of local FIUs to process domestic and international data feeds efficiently.
- Accelerate Digital Tax Infrastructure: Invest in AI-driven data analytics and integrated digital customs systems to detect real-time transaction anomalies and informal parallel banking networks.

3. Advancing Fair and Inclusive Global Tax Governance

Current international tax frameworks frequently limit the structural leverage of developing nations. Creating an equitable global architecture requires systematic institutional reform.

- Reform Base Erosion and Profit Shifting (BEPS) Rules: Update international tax standards to accurately reflect where economic value is truly created, preventing corporate capital flight to low-tax jurisdictions.
- Support the United Nations Framework Convention on International Tax Cooperation: Champion the transition toward a universal, democratic tax body under UN auspices to ensure equal voting power for developing economies.
- Standardize Anti-Abuse Provisions: Harmonize bilateral tax treaties to close legal loopholes that enable aggressive tax optimization by foreign investors.

4. Deepening Cross-Border Legal and Judicial Collaboration

Because illicit financial flows are inherently multi-jurisdictional, unilateral enforcement is insufficient. Sovereign nations must build faster, more transparent avenues for mutual legal assistance.

- Facilitate Joint Transnational Investigations: Create formal protocols for real-time intelligence sharing and joint task forces between origin and destination financial hubs.
- Develop Interoperable Shared Databases: Establish secure, cross-border digital platforms to track flagged assets, political exposed persons (PEPs), and recurring financial crime networks.
- Streamline International Asset Recovery Mechanisms: Simplify the legal and bureaucratic processes required to freeze, confiscate, and repatriate stolen sovereign assets to their countries of origin.

Conclusion

Illicit financial flows present a structural threat to the global economy; they systematically erode national tax bases, weaken institutional capacity, and deprive sovereign states of the vital resources required to fund sustainable development and social equity. Landmark transitions, such as Switzerland's shift from historical banking secrecy toward active participation in the Automatic Exchange of Information, prove that coordinated international pressure can successfully reshape global financial governance.
However, as the persistent challenges in emerging economies demonstrate, high-level transparency agreements are only as effective as the local mechanisms built to enforce them. Long-term success relies on a dual approach: robust global architectures must be matched by independent domestic judiciaries, rigid whistleblower protections, and unyielding political will.

Optimizing global financial integrity is not merely a technical adjustment; it is an absolute prerequisite for achieving the Sustainable Development Goals. By bridging enforcement gaps through capacity building, equalizing tax governance, and dismantling informal capital flight networks, the international community can foster a more equitable global financial system. As delegates of the Economic and Social Council, your objective is to formulate innovative, inclusive, and actionable resolutions. The solutions you design must balance international reporting standards with aggressive local enforcement, ensuring that global wealth is safely mobilized for public development rather than lost to financial crime.

A Final Note to Our Delegates

Tackling a topic of this magnitude is no small feat. It requires you to balance intense economic theory with diplomatic compromise and real-world impact. While the challenges surrounding illicit financial flows are complex and deeply entrenched, they also present an incredible opportunity for creative problem-solving. We encourage you to think outside the box, challenge existing paradigms, and negotiate with both ambition and empathy. Every major global policy started as an idea debated in a room just like this one. Your fresh insights, dedication, and collaborative spirit are exactly what make ECOSOC such a vibrant committee. Believe in your capability to drive change, support your fellow delegates, and make this a truly unforgettable conference. We cannot wait to see the innovative solutions you bring to the table!

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