



27th Session of the Working Group on the Right to Development

National statement by Mr. Muneeb Ahmed, Counsellor, during Item 4.4.4: Tax-related illicit financial flows and the right to development

(Geneva, 20 May 2026)

Mr. Chair-Rapporteur,

Pakistan appreciates the convening of this discussion on tax-related illicit financial flows and their impact on the right to development. We thank the distinguished panellists for their contributions.

Tax-related IFFs are estimated to account for up to 65% of all illicit financial flows from developing countries. According to the United Nations Conference on Trade and Development (UNCTAD), developing countries lose more than \$500 billion to Base Erosion and Profit Shifting (BEPS) by MNEs or billions of dollars annually to IFFs, profit shifting and transfer mispricing by global corporations. These are not victimless economic activities. They drain billions from public budgets that could otherwise finance health, education, social protection, and infrastructure. In short, they represent development stolen before it begins.

Pakistan has consistently affirmed that IFFs are not merely a fiscal or criminal justice issue. They are a structural obstacle to the realisation of the right to development. The annual SDG financing gap now stands at nearly \$4 trillion. Official development assistance is declining, foreign direct investment is volatile, and many developing countries struggle to raise adequate domestic revenues. Allowing billions to leak away through tax-related IFFs is unconscionable – and it is preventable.

Mr. Chair-Rapporteur,

A fundamental driver of this problem is the corporate governance model that prioritises shareholder returns above all else. The prevailing interpretation of fiduciary duty is often mistakenly invoked as a legal obligation to minimise taxes owed. In practice, it systematically transfers wealth from other stakeholders to shareholders. Shifting profits offshore and eroding tax bases deprives developing countries of resources for essential public services. Yet, as legal scholars have demonstrated, the claim that tax avoidance is legally required is incorrect under the fiduciary duties owed to the corporation and its stockholders. This structural bias must be addressed if we are serious about curbing tax-related IFFs.

Moreover, corporate behaviour does not operate in a vacuum. Tax-related IFFs are enabled by states that provide permissive financial safe havens, banking secrecy laws, and shell company registries. Multiple UN special procedures – including the Independent Experts on foreign debt and on the promotion of a democratic and equitable international order – have documented the networks that facilitate cross-border tax abuse.

When a developing country loses tax revenue to profit shifting, the corresponding wealth is transferred to financial secrecy jurisdictions, often in developed countries, where legal frameworks effectively serve to attract and conceal such flows. This is not a neutral or accidental outcome. It is a structural transfer of resources from the Global South to the Global North, deepening the very inequalities that the right to development is meant to overcome.

A truly equitable international tax system must therefore address not only corporate behaviour but also the role of states that host the infrastructure of secrecy. This should be a priority for the UN Framework Convention on International Tax Cooperation, as emphasised also by several panellists.

Mr. Chair-Rapporteur,

In light of these considerations, we would welcome the panellists' views on the following questions.

First, what concrete steps can be taken to ensure that the UN Tax Convention effectively addresses the challenges faced by developing countries, including the non-repatriation of funds of illicit origin from financial secrecy jurisdictions and banking havens?

Second, how could asset recovery provisions of international or regional anti-corruption conventions be adapted or expanded to address tax-related IFFs, particularly where they involve illicit transfers facilitated by shell companies or secrecy jurisdictions?

Third, legal and procedural barriers like ineffective mutual legal assistance often stand in the way of asset recovery. How could a right to development perspective and the duty to cooperate help overcome such obstacles so that resources can be channelled towards the realisation of all human rights?

Thank you, Mr. Chair-Rapporteur.

-end-