



Request for research proposals

Detecting and countering illicit financial flows – Second call

United Nations University World Institute for Development Economics Research (UNU-WIDER) together with the Development Economics Research Group at the Department of Economics of the University of Copenhagen (UCPH-DERG) invite proposals for papers examining the challenge of illicit financial flows. Proposals from individuals (or groups of individuals) as well as non-profit organizations are welcome. Submission deadline: 15 March 2022, 23:59 UTC+2.

Background

Illicit financial flows (IFFs) constitute a major development challenge for countries in the Global South. While tax revenues relative to GDP have increased, they remain low compared to high-income countries, partly because these countries are deprived of big amounts of money due to IFFs (see Addison, Niño-Zarazúa, and Pirttilä 2018; World Bank 2020). Without adequate revenue to spend, states are limited in providing crucial public services — such as education, healthcare, and infrastructure. Second, since IFFs are inherently associated with international transactions, they potentially result in unfair competition for domestic firms and a severe misallocation of resources. Third, hiding wealth is primarily done by the richest households, thereby increasing inequality in society (see Alstadsæter, Johannesen, and Zucman 2019). Fourth, perceptions about other people evading or complying with taxes may create either a vicious circle of reduced or a positive circle of increased tax compliance (see Alm, Bloomquist, and McKee 2017; Hallsworth et al. 2017).

Under its [Domestic Revenue Mobilization programme](#), UNU-WIDER together with UCPH-DERG, with support from the Norwegian Agency for Development Cooperation (Norad), request research proposals as part of the [Detecting and Countering Illicit Financial Flows](#) project to improve the understanding of IFFs in the Global South. The workstream seeks to address the challenge of IFFs by investigating the magnitude of these flows, the channels through which they flow, and the policy responses that may dampen the flows. The aim is to expand the research frontier and provide knowledge for the governments of developing countries in support of policies which will increase revenue collection.

Innovative proposals addressing how developing countries can take new policy measures to reduce the volume of IFFs are welcome, and proposals addressing the ‘who and why’ alongside

the 'how and how much' in relation to illicit financial flows are encouraged.

Examples of potential research topics include, but are not limited to:

- Profit-shifting behaviour of multinational enterprises (MNEs) in low- and middle-income countries.
- Optimal taxation policy of MNEs dependent on the capacity of tax authorities.
- Impacts on tax collection in low- and middle-income countries from both internal and external anti-IFF policies, such as thin-capitalization rules, documentation requirements, controlled foreign corporation rules, mandatory disclosure of tax payments, and cross-border information exchange agreements.
- Capacity of tax authorities and its impact on tax collection. In particular, how can technical assistance best support sustainable development of sound tax authorities?
- Design of financial incentives and behavioural nudges to boost tax compliance.
- Rent-seeking by government officials or politically-connected persons.
- Studying the role of the financial sector in facilitating and detecting IFFs.
- The effects of taxes; e.g., wealth taxes, on IFFs.
- Extractive industries (oil & gas; mining): tax evasion and avoidance by MNEs. Smuggling of precious metals and gemstones (including from artisanal mines).
- Developing new methods for measuring extent of IFFs.
- The role of cross-border information exchange in combatting IFF in developing countries.
- Other IFFs not directly related to tax collection, such as the drug industry, trafficking, financing of terrorism, money laundering, and corruption. For instance, studying adherence to Financial Action Task Force on Money Laundering (FATF) guidelines against money laundering and terrorist financing.

Offer and expectations

UNU-WIDER invites proposals from qualified researchers for papers examining the challenge of analysing and countering illicit financial flows. The aim is that accepted papers will be published in high-quality journals after initial publication in the WIDER Working paper series following screening and approval for publishing quality and substance. The papers must be written in English, and should be limited to 10,000 words maximum inclusive of everything (text, tables, figures, footnotes, references).

Proposals from individuals (or groups of individuals) as well as non-profit organizations are welcome. Applications from suitably-qualified women and developing country researchers are particularly encouraged.

Individual researchers will be issued UNU Consultant Contracts (CTC), while non-profit organizations will be issued a UNU Institutional Contractual Agreements (ICA). A total research honorarium in the range of US\$6000-10,000 will be paid upon delivery of a draft working paper and a one-page summary of the main research findings.

The deliverables must be deemed of an acceptable standard by the project co-ordinators before payment will be made. The honorarium is expected to cover all expenses associated with the conduct of the proposed research (including data collection, research assistance, etc.). It is not required to submit a budget.

After payment has been made, researchers may be asked to respond to reasonable requests by the project co-ordinators and UNU-WIDER Publications Team with respect to finalization of the

working papers/publications.

All successful applicants are expected to attend a 1-2 day workshop in 2023 (date and venue TBD) where final results will be presented and discussed. The costs of attending this workshop will be borne by UNU-WIDER in accordance with United Nations University travel policy. It is also planned to hold a virtual or in-person workshop after first drafts of the successful proposals have been received in mid-2022 for authors to present and receive feedback.

Dates (Eastern European Time – EET)

17 January 2022	Formal request for research proposals posted
1 March 2022	Final opportunity for questions on the request for research proposals.
15 March 2022	Proposals due.
31 March 2022	Target date for informing on funding decisions
30 April 2022	Target date for completion of necessary administrative procedures
30 July 2022	Target date for submission of first drafts of papers
August/September 2022	Work-in-progress workshop (date and venue TBD)
15 November 2022	Target date for submission of final papers
2023	Workshop (date and venue TBD)

Evaluation process and criteria

Each proposal will be reviewed for scientific merit and feasibility. The final selection of proposed research projects is made in consultation with the project coordinators Niels Johannesen and Finn Tarp and other members of the core team. Only the final decision on whether to fund the proposal or not will be communicated to applicants. Applicants must not expect feedback on their proposals. Researchers whose proposals are selected for support are expected to participate in a meeting on illicit financial flows, scheduled for 2023, as well as in the virtual/in-person meeting after first drafts of the successful proposals have been received.

Other considerations

For successful proposals:

1. Researchers or their institutions (non-profit) will sign a consultant contract or an institutional contractual agreement with UNU-WIDER that follows the UNU conditions of service for Consultant Contracts (CTC), or Institutional Contractual Agreements (ICA).
2. Researchers/institutions will transfer copyright of research produced under the contract to UNU-WIDER. The purpose of this copyright transfer is to allow UNU-WIDER to publish the paper in the WIDER Working Paper series. If no (further) publication is to be expected by UNU-WIDER, the copyright of the paper can be transferred to the author(s) to independently seek a publishing outlet.

Proposal submission details

1. Proposals should be succinct and no more than five pages (single-spaced, font size 12), everything included. Each proposal should describe: (1) the proposed research question; (2) the data and methods to be used; (3) the intended research team; and (4) any financial or other conflict of interest of the research team that may affect the proposed work. The cover page should contain the complete contact information of researcher(s) and a 200-word proposal abstract, which should summarize the research question, main method, data, and expected contribution to policy debate.
2. Submission of proposals is done electronically by using a form on the RFRP announcement page. There are three forms to select from: one for individuals, another for groups of individuals, and a third for non-profit organizations. Details (such as address, gender, nationality, date of birth) of all researchers involved is to be entered onto the form and the cover page, the proposal, and short CVs (five pages or less) of researcher/s uploaded. Please familiarize yourself with the form in advance.
3. Submission of a budget is not required for the proposal.
4. Any questions on the proposal process should be sent to researchproposal3@wider.unu.edu by 1 March 2022. All queries and responses will be published on the [RFRP announcement page](#). Selected answers will be updated on a rolling basis.

References

Addison, Tony, Miguel Niño-Zarazúa, and Jukka Pirttilä (2018). 'Fiscal Policy, State Building and Economic Development'. *Journal of International Development*, 30(2): 161–72. doi:10.1002/jid.3355.

Alm, James, Kim M. Bloomquist, and Michael McKee. 2017. 'When You Know Your Neighbour Pays Taxes: Information, Peer Effects and Tax Compliance'. *Fiscal Studies*, 38(4): 587–613. doi:10.1111/1475-5890.12111.

Alstadsæter, Annette, Niels Johannesen, and Gabriel Zucman (2019). 'Tax Evasion and Inequality'. *American Economic Review*, 109(6): 2073–2103. doi:10.1257/aer.20172043.

Hallsworth, Michael, John A. List, Robert D. Metcalfe, and Ivo Vlaev (2017). 'The Behavioralist as Tax Collector: Using Natural Field Experiments to Enhance Tax Compliance'. *Journal of Public Economics*, 148: 14–31. doi:10.1016/j.jpubeco.2017.02.003.

World Bank. 2020. World Development Indicators: Tax Revenue (% of GDP). <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS>. Accessed 22 June 2020