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Visit to Liechtenstein

Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Attiya Waris*, **

Summary

The Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Attiya Waris, conducted a visit to Liechtenstein from 19 to 26 June 2023. The present report contains her findings and recommendations to the Government of Liechtenstein.

* The summary of the report is being circulated in all official languages. The report itself, which is annexed to the summary, is being circulated in the language of submission only.

** The present report was submitted to the conference services for processing after the deadline for technical reasons beyond the control of the submitting office.



Annex

Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, on her visit to Liechtenstein

I. Introduction

1. At the invitation of State authorities, Attiya Waris, the United Nations Independent Expert on foreign debt, other international financial obligations and human rights, particularly economic, social and cultural rights, conducted a visit to Liechtenstein from 19 to 26 June 2023. The visit was the second visit of a special procedure mandate holder to Liechtenstein since the visit of the Special Rapporteur on violence against women and girls, its causes and consequences, in 1998.

2. The Independent Expert expresses her sincere gratitude to the Government of Liechtenstein for the standing invitation extended to all special procedure mandate holders and for the cooperation of State authorities. She is grateful for the discussions that she held with the Prime Minister and the representatives of State authorities, including the Ministry of Foreign Affairs, Education and Sport; the Ministry of General Government Affairs and Finance; the Ministry of Social Affairs; the Ministry of Home Affairs, Economy and Environment; the Ministry of Infrastructure and Justice; the Financial Stability Council; and the Financial Market Authority.

3. The Independent Expert also met with members of the parliament from all political parties as well as representatives of the judiciary, including the Office of the Public Prosecutor and the administrative and constitutional courts. The Independent Expert also exchanged views with representatives of the financial and banking sector; industry; civil society; trade unions; and academia. She would like to thank them all for their insights. However, it must be noted that data requested from stakeholders, especially from the private sector, were not received.

II. Background

4. Liechtenstein is a small landlocked country of 160 square kilometres, with a total resident population of 39,308,¹ a third of whom are foreign nationals, mainly from Switzerland (67.5 per cent), Austria (13.8 per cent), Germany (3.8 per cent) and Italy (4.4 per cent).² It is the fourth smallest state in Europe and the sixth smallest in the world. The national language is German. Liechtenstein became a sovereign State in 1806 when it joined the Confederation of the Rhine established by Napoleon Bonaparte upon the dissolution of the Holy Roman Empire.

5. The links between Liechtenstein and Switzerland are particularly strong, with 100 bilateral treaties, including the Customs Treaty of 1923, under which Liechtenstein became part of the Swiss customs area. The two countries concluded a Currency Treaty in 1980, although a de facto currency union between the two countries had existed for 60 years. The official currency of the country is the Swiss franc. In terms of monetary policy, the Swiss National Bank acts as the central bank of Liechtenstein. Liechtenstein applies the same value added tax as that used in Switzerland, while maintaining its own value added tax administration. In principle, all banks domiciled in Liechtenstein and Switzerland are

¹ As of 31 December 2021; see <https://www.statistikportal.li/de/uebergreifendes-indikatoren/liechtenstein-in-figures>.

² See <https://www.statistikportal.li/de/publikation/213-bevoelkerungsstruktur/2020/01/v-1/p11876> (in German).

admissible as counterparties in the Swiss National Bank monetary policy operations.³ The country is also part of the European Free Trade Association.⁴

6. Liechtenstein has been a member of the European Economic Area since 1995. The European Economic Area comprises the 27 member States of the European Union and the three member States of European Economic Area/European Free Trade Association (Iceland, Liechtenstein and Norway) in a single market. The citizens (individuals and legal persons, as applicable) of all member States of the European Economic Area are entitled to the free movement of goods, the free movement of persons, the free movement of services and the free movement of capital (often referred to as the “four freedoms”). Since the adoption of the Customs Treaty with Switzerland in 1923, Liechtenstein has been part of the Swiss customs area and uses the Swiss franc as its currency. As a result, of the Customs Treaty, all treaties regulating trade in goods concluded by Switzerland also apply to Liechtenstein.

7. Liechtenstein is a party to the major human rights conventions, with the exception of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families and the Optional Protocols to the International Covenant on Economic, Social and Cultural Rights.⁵ In 2019, the Government established the Human Rights Working Group of the National Administration, with the aim of improving follow-up to recommendations made by international and regional human rights mechanisms, coordinating data collection and improving reporting to those bodies.⁶

8. In 2016, the parliament adopted a law creating the Liechtenstein Human Rights Association, which serves as the national human rights institution and receives State funding.⁷ The Liechtenstein Human Rights Association has been a member of the European Network of National Human Rights Institutions since 2019. Its status has not yet been examined by the Global Alliance of National Human Rights Institutions.⁸ Liechtenstein has an Ombudsperson for Children and Youth⁹ as a result of the 2008 national youth policy defined in the Children and Youth Act of Liechtenstein.

9. In October 2023, the Human Rights Council adopted the report of the Working Group on the Universal Periodic Review on the fourth assessment of Liechtenstein under the universal periodic review.¹⁰

10. Since 1970, the population of Liechtenstein has almost doubled, reaching 39,680 by 2022, and the number of persons employed in the country has more than tripled, reaching 42,490 as at the same date. As of 2017, there were more employees than residents working in Liechtenstein, with a ratio of 106.1 per cent in 2022. This situation is explained by the large number of non-nationals, who commute daily from Austria and Switzerland (37 per cent and 59 per cent, respectively, in 2021), among the country’s workforce.¹¹

11. Liechtenstein has a strict residence permit system and as a result a considerable proportion of its workforce lives outside the country and commutes to work daily. Because of the high number of commuters, a large share of domestically generated labour income flows abroad, exceeding the usually achieved surplus of cross-border net capital income.¹²

12. Despite its small size, Liechtenstein has an industrial and financial sector with a large global presence. As at the end of 2021, 32 per cent of the total workforce was employed by the 19 largest companies in Liechtenstein.¹³

³ See <https://www.snb.ch/dam/jcr:12236695-9e54-4a74-8f21-d05b90b961c5/kurzportraet.en.pdf> (p. 16).

⁴ See <https://www.fma-li.li/en/international-affairs/bilateral-cooperation/switzerland.html>.

⁵ For the full list of the human rights conventions ratified, see <https://indicators.ohchr.org/>.

⁶ A/HRC/WG.6/43/LIE/1, para. 32.

⁷ See <https://www.menschenrechte.li/> (in German).

⁸ See <https://www.menschenrechte.li/gesetzliche-grundlage/> (in German).

⁹ See <https://www.oskj.li/> (in German).

¹⁰ See <https://www.ohchr.org/en/hr-bodies/upr/li-index>.

¹¹ Andreas Brunhart, “Economic and financial data on Liechtenstein: data as of end of June 2023” (Vaduz, Liechtenstein, 2023), pp. 11 and 12.

¹² *Ibid.*, p. 8.

¹³ *Ibid.*, p. 10.

13. The services sector had the highest share of the country's gross domestic product (GDP) in 2020, with 3.4 billion Swiss francs in gross value added, representing 58.1 per cent of GDP, followed by the industrial and manufacturing sector with 2.4 billion Swiss francs, representing 41.7 per cent of GDP, and agriculture with 0.01 billion Swiss francs, representing 0.2 per cent of GDP.¹⁴

14. During 2007 and 2008, information on a considerable number of accounts in banks in Liechtenstein held by foreigners was leaked, which put pressure on the country to further enhance its bilateral cooperation in tax matters. Between 2012 and 2018, the national economy recovered from the financial crisis, the subsequent low international demand, reforms in the financial sector and various shocks to the appreciation of the Swiss franc.¹⁵

15. In 2020, the country's gross domestic product was 6 billion Swiss francs, representing a GDP of 153,629 Swiss francs per person. The gross national income (GNI) was 6.5 billion Swiss francs, representing 165,880 Swiss francs per person.¹⁶

16. In 2021, the value of the human development index for Liechtenstein was 0.935 (a "very high" human development category), placing it at 16 out of 191 countries and territories listed in the index.¹⁷

17. In 2021, the public sector generated a budget surplus of just under 177 million Swiss francs and Government spending amounted to 22.6 per cent of GDP. The net assets of the State were approximately 9.8 billion Swiss francs as at year-end 2021.¹⁸

III. Human rights, economic, social and cultural rights and development

A. Economic, social and cultural rights

18. The Independent Expert noted positive practices in the field of social affairs. For instance, in Liechtenstein, home care is remunerated. The care and nursing allowance for home care (*Betreuungs und Pflegegeld*) serves as a contribution to the financial costs of home care and nursing required by individuals owing to their health conditions. This allowance is financed by the State and by all municipalities.

19. According to the law, citizens can lodge complaints with the Constitutional Court if they feel that their guaranteed rights have been violated, including their rights under a number of international human rights conventions, namely the Convention for the Protection of Human Rights and Fundamental Freedoms (European Convention on Human Rights); the International Covenant on Civil and Political Rights; the International Convention on the Elimination of All Forms of Racial Discrimination; the Convention on the Elimination of All Forms of Discrimination against Women; the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; and the Convention on the Rights of the Child.¹⁹

20. While some of the above conventions include economic, social and cultural rights, the International Covenant on Economic, Social and Cultural Rights, which Liechtenstein acceded to in 1998, is not included in the list of "justiciable" human rights. Such a restrictive view of human rights has consequences on issues such as discrimination, including gender discrimination, poverty, inequality and, overall, the general understating of the obligations of the State and private actors under internal law.

¹⁴ Ibid., p. 9.

¹⁵ Andreas Brunhart, "Economic and financial data on Liechtenstein: data as of end of June 2022" (Vaduz, Liechtenstein, 2022), p. 8.

¹⁶ Office of Statistics, "Liechtenstein in figures 2023" (Vaduz, 2023).

¹⁷ See <https://hdr.undp.org/data-center/specific-country-data-/countries/LIE>.

¹⁸ See https://www.liechtenstein.li/en/liechtenstein_news/liechtenstein-verbucht-haushaltsuberschuss.

¹⁹ Article 15 (2) of the Law on the State Court of Justice of 27 November 2003, available at <https://www.gesetze.li/konso/pdf/2004032000?version=8> (in German).

21. In addition, it is problematic that human rights associations cannot file complaints on specific or systemic human rights violations. The lack of such an avenue for complaint hampers the adoption of the positive changes and preventive adjustments in law and practice needed to address the needs of the population and in order for the country to align itself with its international obligations to ensure the full realization of human rights for all.

22. In the above context, the Independent Expert was told about a number of issues, including the lack of a national minimum wage and the persistence of a gender wage gap,²⁰ weaknesses in protections for some workers and instances of discrimination. The Committee on the Elimination of Discrimination against Women noted with concern that, although international treaties ratified or acceded to by the State party take primacy over national laws, the Convention was never invoked or referred to in court proceedings during the reporting period.²¹ The Expert noted the view of some stakeholders that Liechtenstein lacked a long-term human rights strategy. It was also noted that, while Liechtenstein collects data and statistics, they have not been used to develop human rights indicators. The authorities have stated that a gender equality strategy is under preparation, with the involvement of civil society, as well as plans for a study on the situation of LGBTIAQ+ individuals.

23. The Independent Expert took note of the equal treatment of civil and political rights between women and men, noting that citizens of Liechtenstein who do not reside in the country do not have the right to vote. She also noted, however, the existence of specific laws for the members of the Princely House of Liechtenstein that are in contradiction to the general principles of equality and to international law. For instance, according to article 9 of the House Law of the Princely House of Liechtenstein, only male family members of legal age, fully capable of acting and entitled to the throne, are entitled to vote. In that context, she recalls the recommendation provided to Liechtenstein by the Human Rights Committee about withdrawing the declaration under article 3 of the Covenant regarding the constitutional rule on hereditary succession to the throne²² and the recommendation of the Committee on the Elimination of Discrimination against Women that the country withdraw its reservation to article 1 of the Convention of the Elimination of Discrimination against Women.²³

24. Implementing human rights and addressing inequalities require not only laws, policies and practices that respect, protect and promote human rights, they also require, in many instances, resources and revenue mobilization. This can be done in various ways, including through taxation. Efficient taxation is possible when financial transparency policies and laws are in place.

25. The Independent Expert applauds the approval of the ratification of the Convention on the Rights of Persons with Disabilities by the parliament on 10 November 2023.²⁴ In the light of its ratification, she encourages the authorities to develop a clear national disability strategy, including funding and stakeholder oversight, for its implementation. Such a strategy requires legislative changes, for instance the inclusion of reasonable accommodation and universal design in law, as well as adequate funding for its implementation. The development of such a strategy is also in line with the recommendation of the Committee on the Rights of the Child in October 2023, including on reasonable accommodation in mainstream schools for children with intellectual and psychosocial disabilities.²⁵

26. During her conversations with various stakeholders, the Independent Expert was told about the weak state of labour law in the country. According to the Financial Market Authority, Liechtenstein is an excellent location for establishing and relocating companies.

²⁰ In 2020, the monthly gross salary (median) of women was 14 per cent lower than that of men; see https://www.llv.li/serviceportal2/amtstellen/amt-fuer-auswaertige-angelegenheiten/mr_bericht_2022.pdf (in German).

²¹ [CEDAW/C/LIE/CO/5/REV.1](#). The recommendations from the 1998 visit of the Special Rapporteur on violence against women and girls, its causes and consequences, can be found in [E/CN.4/1999/68](#).

²² [CCPR/C/LIE/CO/2](#), paras. 13 and 14.

²³ [CEDAW/C/LIE/CO/4](#), paras. 12 and 13.

²⁴ In accordance with BuA No. 100/2023, available at <https://bua.regierung.li/BuA/default.aspx?nr=100&year=2023&erweitert=true&backurl=modus=nr%26erweitert=true%26filter1=2023> (in German).

²⁵ [CRC/C/LIE/CO/3-4](#), paras. 28 and 29.

The country's liberal economic policy is reflected in labour law as well as company law. Low non-wage labour costs and the high number of weekly working hours compared with other countries in Europe contribute to the attractiveness of the business location.²⁶

27. While the Financial Market Authority has put a mechanism in place to receive "any reports of actual or possible violations of laws falling within its scope of responsibility"²⁷ and European Union directives are in place, there is no general law on the protection of whistle-blowers. The representatives of the banks the Independent Expert met with explained that whistle-blowing was part of their codes of conduct.

28. While State authorities have claimed that the county lacks the resources to join the International Labour Organization (ILO) and to comply with its standards, some organizations have pointed out the problems that the lack of resources and lax labour policies represent in various sectors, including banking and home care. While the banking sector has a collective agreement, labour law may not be conducive to allowing whistle-blowing in the financial sector. In addition, while the Independent Expert is aware of the limitations imposed by the size of the country, its inability to provide housing for foreign workers presents a matter of concern from a human rights perspective.

B. Poverty and financial inequality

29. According to official reports, in 2020, the decile ratio for wealth distribution (the indicator used for the inequality of income and/or wealth distribution) was 16.13, meaning that the top 10 per cent of taxpayers had assets that were at least 16 times higher than the median (51,913 Swiss francs). The decile ratio for income distribution was 2.09, meaning that the top 10 per cent of taxpayers had an income at least twice as high as the median income (63,254 Swiss francs). In 2022, the proportion of people in the population who required social assistance in Liechtenstein was 2.1 per cent.²⁸

30. According to the Ministry of Social Affairs, the coronavirus disease (COVID-19) pandemic did not affect the level of poverty in the country. During that period, through unemployment insurance, temporary government measures were put in place to compensate for lack of work. Those measures were effective as the crisis only generated a marginal increase in unemployment. Since the State budget surplus was enough to cover the additional costs of the crisis, no debt was contracted. The increase in the price of energy led the Government to give subsidies to some in need. The Independent Expert noted that in Liechtenstein, the parliament can gather quickly and take immediate measures, as was the case during the height of the COVID-19 pandemic.

31. According to the latest governmental report on poverty statistics, the poverty rate in Liechtenstein was 3.1 per cent in 2020. According to the report, taking assets into account, 0.9 per cent of the population was income and asset poor. Conversely, 14.0 per cent of the population was not income poor but asset poor. In 2020, 10 per cent of the population of Liechtenstein had to live on an income of 31,100 Swiss francs or less (equivalent to \$35,817 as of 18 December 2023), while 10 per cent had income levels higher than 111,900 Swiss francs (equivalent to \$128 855 as of 18 December 2023).²⁹

32. In addition, the "at-risk-of-poverty" rate in 2020 was 14.1 per cent.³⁰ According to the above-mentioned report, single-person and single-parent households were most at risk, with around one in four people considered to be at risk of poverty. If assets are also taken into account, 5.4 per cent of the residents of Liechtenstein are considered to be at risk of both

²⁶ See <https://www.fma-li.li/en/financial-centre/liechtenstein-business-location.html>.

²⁷ See <https://www.fma-li.li/en/client-protection/whistleblowing.html>.

²⁸ See https://www.llv.li/serviceportal2/amtsstellen/amt-fuer-auswaertige-angelegenheiten/mr_bericht_2022.pdf (in German).

²⁹ See <https://www.statistikportal.li/de/themen/soziales/armutsgefaehrdung-armut> (in German).

³⁰ The at-risk-of-poverty limit in Liechtenstein is around 34,500 Swiss francs for a single-person household.

income and asset poverty. At the same time, 13.2 per cent of the population had an income above the at-risk-of-poverty threshold but had low financial reserves.³¹

C. Development and international assistance

33. Liechtenstein presented its first report on the implementation of the 2030 Agenda for Sustainable Development at the high-level political forum on sustainable development in 2019.

34. Under the Paris Agreement on climate change, Liechtenstein has committed to reduce its emissions by 40 per cent by 2030 over its 1990 levels. In addition, it uses the 17 Sustainable Development Goals as strategic guidelines for governmental action, as well as in partnerships with the private sector and civil society. Accordingly, the Financial Market Authority, as the competent supervisory authority of the financial market, supervises “the incorporation of sustainability risks and factors into the business strategies of financial market participants and, in particular, compliance with the legislative transparency requirements for the purpose of efficient investor protection” and “in a way that supports the transformation towards a sustainable financial centre, guided by the political sustainability goals (SDGs)”.³²

35. Financial market participants in Liechtenstein reportedly have or are in the process of creating a “sustainability strategy” that incorporates sustainability risks and factors into their business strategy or governance. There seems to be a growing trend towards more sustainable investing at all levels of the financial centre, which is also a consequence of international and European requirements.

36. It is recognized that there can be no sustainability without respecting and promoting human rights, as recognized in the Agenda for the Future and the Sustainable Development Goals. It is nevertheless unclear how human rights, including the right to a clean, healthy and sustainable environment, and, in particular, the rights of indigenous peoples and other groups threatened by certain types of investment, are being taken into account in sustainability strategies.

37. The Independent Expert appreciates the efforts of State authorities and private actors to provide support for the implementation of the Sustainable Development Goals. Nevertheless, there seems to be a confusion between abiding by human rights obligations and being in line with the Sustainable Development Goals. While the Sustainable Development Goals represent efforts towards the realization of specific human rights, they cannot be equated with them. The Independent Expert also noted that while reference was made to European standards, mentions of international human rights obligations and how they link to economy and finance was infrequent.

38. As pointed out in the 2023 voluntary national review of Liechtenstein, the percentage of official development assistance (ODA) has fallen short of the international target of 0.7 per cent.³³ In 2020, it amounted to 0.41 per cent.³⁴ According to State authorities, “the 0.7 per cent target is unlikely to be reached in the near future”.³⁵ The reason put forward is that the in “recent years, GNI has regularly grown significantly more than GDP. This factor makes reliable, long-term ODA percentage planning difficult”.³⁶ Liechtenstein is not part of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee.³⁷

³¹ See <https://www.statistikportal.li/de/themen/soziales/armutsgefaehrung-armut> (in German).

³² See <https://www.fma-li.li/en/financial-centre/sustainability-in-the-financial-sector/bases-of-sustainable-finance-liechtenstein.html>.

³³ See <https://hlpf.un.org/countries/liechtenstein/voluntary-national-review-2023>.

³⁴ A/HRC/WG.6/43/LIE/1, para. 24.

³⁵ Liechtenstein, *Sustainability in Liechtenstein: Second Report on the Implementation of the 2030 Agenda for Sustainable Development* (Vaduz, 2023), pp. 45 and 46.

³⁶ Ibid.

³⁷ See <https://www.oecd.org/dac/development-assistance-committee/>.

39. In view of the level of wealth of Liechtenstein, it is questionable as to why its contribution to ODA remains low; there is no apparent intention to align ODA with the target of 0.7 per cent.

IV. Debt, tax and illicit financial flows

40. There are 11 banks in Liechtenstein. According to methodology used by the Financial Market Authority,³⁸ there are three systemically important institutional banks, namely the LGT Bank AG; Liechtensteinische Landesbank AG; and VP Bank AG. During her visit, the Independent Expert met with representatives of the three banks, as well as with the Liechtenstein Bankers Association, which signed the Principles for Responsible Banking in 2021.³⁹

A. Debt

41. The gross debt ratio in Liechtenstein is almost zero: “If assets are taken into account, the result shows even clearly negative debt (that is, a positive net worth), which is very rarely the case by international standards”.⁴⁰

42. In addition, during the COVID-19 pandemic, despite the significant additional expenditures incurred to mitigate the economic consequences of the pandemic, the country’s public sector reported budget surpluses. In 2020, in particular, this was made possible by a one-off profit tax revenue of approximately 300 million Swiss francs, which “more than offset the fiscal costs of the government’s support packages and the pandemic-related shortfalls in revenues” and allowed the country to close its balance “with a significant surplus of 304 million Swiss francs (almost 5 per cent of GDP)”.⁴¹

43. The Independent Expert was told by State authorities that the lack of public debt allows for flexibility, which is important for the independence of Liechtenstein and for confidence in the financial markets. In 2023, Liechtenstein once again received a triple A rating, providing it with a stable outlook.⁴² The Expert was also told that there is generally no controversy about public expenditures in the parliament.

44. Nevertheless, Liechtenstein, having considered the risks linked with not having its own central bank and the lack of rapid access to liquidity in the event of a crisis, and aware that the International Monetary Fund (IMF) can play a role of a “lender of last resort”,⁴³ applied for membership in IMF⁴⁴ in May 2023. Membership of IMF is also expected to have a positive impact on transparency regarding the availability of financial and balance-of-payments data in compliance with international standards.⁴⁵

45. The Government stated that in the eventuality of a financial crisis or in the wake of a natural disaster affecting the entire country, “the rapid availability of liquid funds” could be the decisive factor “in protecting the financial sector and ultimately the real economy from major damage”. “Other benefits include targets for trade growth and exchange rate stability

³⁸ See <https://www.fma-li.li/en/supervision/financial-stability-and-macroprudential-supervision/macroprudential-instruments/capital-buffer-for-systemically-important-institutions.html>.

³⁹ See <https://www.bankenverband.li/en/news/lbv-unterzeichnet-un-principles-responsible-banking>.

⁴⁰ Brunhart, “Economic and financial data on Liechtenstein: data as of end of June 2022”, p. 37.

⁴¹ See <https://www.fma-li.li/files/fma/fma-financial-stability-report-2021.pdf>, pp. 50 and 51.

⁴² See <https://www.llv.li/de/medienmitteilungen/bestaetigung-des-triple-a-ratings-mit-stabilem-ausblick-fuer-liechtenstein> (in German).

⁴³ See https://www.liechtenstein.li/en/liechtenstein_news/iwf-beitritt-liechtensteins-eine-mitgliedschaft-als-krisenversicherung.

⁴⁴ See <https://www.imf.org/en/News/Articles/2023/05/31/pr23190-liechtenstein-applies-for-imf-membership>.

⁴⁵ See <https://www.fma-li.li/files/fma/fma-broschuere-financial-stability-report-2023-interaktiv.pdf>, p. 19.

that tie in nicely with Liechtenstein’s economic ambitions”.⁴⁶ The Independent Expert noted that banks in Liechtenstein supported the decision to apply to join IMF.

B. Compliance with international financial standards

46. Several events deeply impacted the way financial affairs were conducted in the country, including the so-called 2008 Liechtenstein tax affair and the 2007–2008 financial crisis. The assets under the management of banks in Liechtenstein and abroad were significantly affected by the global financial crisis.⁴⁷ Those events led to profound reforms of the financial sector.

47. At that juncture, all stakeholders decided, consensually, that the adoption of a business model in compliance with international financial standards, inter alia, by eliminating questionable businesses and money and by following international and European regulations and standards, would be beneficial to all.

48. While the International Expert understands that the financial sector may have initially lost some of its clients, banking businesses and assets when the transition was made, she was told that the situation was quickly overcome with the arrival of a new clientele that wanted stability and were generally more risk adverse.

49. The International Expert noted that because of its institutional structure, means and political will, the country was able, within a short period of time, to incorporate and establish compliance mechanisms for a large number of laws and directives emanating from the European Union and the European Economic Area.

50. For instance, the creation of the Financial Stability Council (the central body for macroprudential supervision) was the result of recommendations made by the European Systemic Risk Board. The role of the Council is “to foster financial stability and to reduce systemic and procyclical risks”⁴⁸ to the country’s financial sector.

51. The key task of the Financial Stability Council is to address systemic risks to financial stability, as identified by the Financial Market Authority in the scope of its monitoring activities, in a transparent and comprehensive process. To that end, the Council makes use of available macroprudential instruments, as well as warnings and recommendations. The Council holds meetings at least four times a year.

52. The European Union list of non-cooperative jurisdictions for tax purposes is based on three criteria, namely: tax transparency; fair taxation; and measures against base erosion and profit shifting.⁴⁹ In 2017, the European Union Code of Conduct group analysed the Liechtenstein tax system. Based on a review of the tax system, the European Union Code of Conduct group requested an amendment to the country’s corporate taxation regime in order to prevent the listing of Liechtenstein on the European Union list of non-cooperative tax jurisdictions. Consequently, in June 2018, the parliament accepted a bill revising the tax law, including on the introduction of anti-avoidance rules. Based on those changes, in September 2018, the European Union concluded that Liechtenstein would not appear on its list of non-cooperative tax jurisdictions.⁵⁰ For several years Liechtenstein was listed on the OECD list of uncooperative tax havens; it was removed from the list in 2009.⁵¹

53. A number of measures and agreements apply to the Liechtenstein financial centre, including:

⁴⁶ See https://www.liechtenstein.li/en/liechtenstein_news/iwf-beitritt-liechtensteins-eine-mitgliedschaft-als-krisenversicherung.

⁴⁷ Brunhart, “Economic and financial data on Liechtenstein: data as of end of June 2022”.

⁴⁸ See <https://www.fma-li.li/en/supervision/financial-stability-and-macroprudential-supervision/financial-stability-council.html>.

⁴⁹ See <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>.

⁵⁰ See <https://www.consilium.europa.eu/en/press/press-releases/2018/10/02/taxation-liechtenstein-and-peru-meet-commitments-palau-removed-from-list-of-uncooperative-jurisdictions/>.

⁵¹ See <https://www.oecd.org/tax/harmful/listofunco-operativetaxhavens.htm>.

- (a) Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting;⁵²
- (b) OECD measures to prevent base erosion and profit shifting;⁵³
- (c) OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters;⁵⁴
- (d) Convention on Mutual Administrative Assistance in Tax Matters;⁵⁵
- (e) Multilateral Competent Authority Agreement on automatic exchange of financial account information in tax matters;⁵⁶
- (f) Various international cooperation agreements and texts on tax matters.⁵⁷

54. During the meetings with State authorities, the Independent Expert was informed that the latest OECD report, *Peer Review of the Automatic Exchange of Financial Account Information 2022*,⁵⁸ “confirms that Liechtenstein complies with international standards to the highest degree concerning the implementation of the legal framework, transparency and the exchange of information for tax purposes”.⁵⁹

55. The Independent Expert notes that many stakeholders nevertheless argue that the compliance with OECD standards are not conducive to real changes as these standards have proven ineffective and have done little to change the global order of the wealthy member States of OECD that dominate the tax landscape. According to some non-governmental organizations (NGOs), while certain improvements were made, secrecy remains high, including laws and regulations regarding financial secrecy and tax transparency that are not conducive to substantive changes.⁶⁰

C. International tax policy

56. As a result of its political commitment to comply with international norms, Liechtenstein has built exchange of information relationships with many countries using bilateral agreements, including double taxation conventions, tax information exchange agreements and other instruments. The authorities noted that it was often difficult to enter into double taxation agreements as the country is small and that, hence, it was generally not a priority for other countries to devote time to pursuing such agreements. The above-mentioned tax information exchange relationships cover over 140 jurisdictions, including, as of November 2023, 23 double taxation agreements and 27 tax information exchanges, as well as three double taxation agreements that have been initiated, and negotiations concluded, which have not yet been signed.⁶¹ However tax leaks from both Liechtenstein and Switzerland have had a damaging effect.⁶²

⁵² The Convention entered into force on 1 April 2020 in Liechtenstein; see <https://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-beps.htm>.

⁵³ See <https://www.oecd.org/tax/beeps/>.

⁵⁴ See <https://www.oecd.org/tax/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-account-information-in-tax-matters-second-edition-9789264267992-en.htm>.

⁵⁵ See <https://www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm>.

⁵⁶ See <https://www.oecd.org/tax/transparency/what-we-do/>.

⁵⁷ See list available at https://www.bankenverband.li/application/files/5815/8572/6139/Chronik_Steuern_intern_Zusammenarbeit-en.pdf.

⁵⁸ See <https://www.oecd.org/tax/peer-review-of-the-automatic-exchange-of-financial-account-information-2022-36e7cded-en.htm>.

⁵⁹ Information provided by the Office of Foreign Affairs, 2 February 2023.

⁶⁰ Tax Justice Network, “Financial secrecy index 2022”, available at <https://fsi.taxjustice.net/>.

⁶¹ List of double taxation agreements and tax agreements regarding exchange of information can be found at <https://archiv.llv.li/files/stv/int-uebersicht-dba-tiea-engl.pdf>.

⁶² See https://www.forbes.com/2008/02/26/liechtenstein-tax-haven-markets-equity-cx_po_0226markets26.html.

57. Liechtenstein has also ratified a number of multilateral instruments, including the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Based on article 6 of the Multilateral Convention, Liechtenstein introduced a multilateral framework for the automatic exchange of information by signing the common reporting standard of the Multilateral Competent Authority Agreement⁶³ in October 2014 and the Multilateral Competent Authority Agreement on the exchange of country-by-country reports in January 2016.⁶⁴

58. During the discussion with the Independent Expert, State authorities reiterated that Liechtenstein, as a small country, had to focus and prioritize its financial policymaking. In this regard, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes is considered as the most inclusive body and hence the priority international body to work with.

59. Liechtenstein participates to the United Nations Tax Committee. However, the Independent Expert heard from State authorities about a certain scepticism towards the United Nations tax initiative and the preference for the OECD process, which is considered to be more efficient and manageable by authorities in Liechtenstein.

60. The Independent Expert takes note that Liechtenstein has voted against various United Nations resolutions regarding a global tax system and the adoption of a United Nations tax convention with universal participation,⁶⁵ as recommended by many entities, including the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda in 2021.⁶⁶ While Liechtenstein claims to recognize the importance of international cooperation in combating illicit financial flows, eliminating tax evasion and promoting tax transparency, its reservations to a global game-changing process, unlike the limited OECD mechanism, remain surprising.

61. The Independent Expert would like to reiterate, as the Secretary-General has also pointed out, that it is crucially important that developing countries be allowed to mobilize resources for their own development rather than borrowing from international financial institutions and the private market, incurring heavy financial and human rights consequences. This is a crucial part of international cooperation and assistance under the United Nations framework.⁶⁷

D. Taxation of corporations

62. According to the Financial Market Authority, 98 asset management companies are licensed in Liechtenstein, managing client assets worth 59.5 billion Swiss francs in 2021. The 812 Liechtenstein investment funds had net assets worth 70.3 billion Swiss francs in 2021. In 2021, 33 insurance companies were active in Liechtenstein, with a total aggregated balance sheet of 31.0 billion Swiss francs.⁶⁸

63. In 2010, a national tax reform established a corporate flat rate tax of 12.5 per cent and the end of special tax regimes for holding and domiciliary companies. The percentage of the flat rate tax is lower than the OECD recommended minimum tax rate of 15 per cent and lower than the average corporate tax rate of European OECD countries (21.5 per cent).⁶⁹ Until recently, it was indicated on the Financial Market Authority website that payment of the flat

⁶³ See <https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/>.

⁶⁴ International Fiscal Association, *Cahiers de Droit Fiscal International, Volume 105 B: Exchange of Information – Issues, Use and Collaboration* (2020), p. 528, available at https://www.ifa-fl.li/wp-content/uploads/2020/07/IFA-Cahier-Vol.-105-B_EOI_Liechtenstein.pdf.

⁶⁵ General Assembly resolution 78/230, entitled “Promotion of inclusive and effective international tax cooperation at the United Nations”, was adopted by a recorded vote of 125 in favour to 48 against, with 9 abstentions (see <https://press.un.org/en/2023/gaef3597.doc.htm>).

⁶⁶ See United Nations, *Financial Integrity for Sustainable Development: Report of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda* (February 2021); see also [A/77/206](#).

⁶⁷ Including Articles 55 and 56 of the Charter of the United Nations.

⁶⁸ Brunhart, “Economic and financial data on Liechtenstein: data as of end of June 2022”, p. 27.

⁶⁹ See <https://taxfoundation.org/data/all/eu/corporate-tax-rates-europe-2023/>.

tax covers everything, given that Liechtenstein has neither a capital tax nor a coupon tax. There is also no distribution surcharge or tax on dividends or capital and liquidation gains on holdings. Research and development activities benefit from an 80 per cent tax exemption on income from intellectual property rights thanks to an attractive intellectual property box regime.⁷⁰ State authorities indicate that the above-mentioned webpage has been now deleted and that the regime was terminated in 2016.

64. The Government considers that the country is on track to introduce the minimum rate of effective taxation adopted by the European Union through a parallel taxation system for multinational companies based on the OECD Global Anti-Base Erosion Model Rules.⁷¹ In November 2023, the parliament adopted the law on the minimum taxation of large groups of companies (the so-called GloBe Law), which entered into force in January 2024. With this new legislation, multinational companies domiciled in Liechtenstein (including operating companies and other structures) with a consolidated annual revenue of at least €750 million will be taxed at an effective minimum tax rate of 15 per cent. Furthermore, the taxation will be carried out by levying an additional tax (so-called top-up tax).

E. Money-laundering

65. According to State authorities, Liechtenstein has implemented the recommendations and directions of the Financial Action Task Force⁷² and the regulations of the European Union, including its Anti-Money Laundering Directive⁷³ and its Funds Transfer Regulation.⁷⁴ In addition, the international anti-laundering requirements have been transposed domestically in the Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing⁷⁵ and the related Due Diligence Ordinance.⁷⁶ The national Anti-Money Laundering and Combating the Financing of Terrorism framework was audited for the fifth time in 2021–2022 by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe.⁷⁷

66. There are nine prosecutors in Liechtenstein, two of whom specialize in money-laundering, as well as investigative judges, inter alia, in the field of asset recovery. The Office of the Public Prosecutor shared some success stories with the Independent Expert, for example the return from Liechtenstein to Nigeria, in 2013–2014, of €174.5 million from the assets of the Nigerian General Sani Abacha that had been obtained through corrupt activities. The Office also shared its challenges, including the difficulties in gathering information and evidence from some foreign States. It was also noted that the interest from returned assets can be claimed by the recipient States. If not claimed, as is sometimes the case, the forfeited assets remaining in Liechtenstein are recognized as income in the financial statements of the State.

F. Bearer bonds

67. Article 326a and related articles of the Liechtenstein Persons and Companies Act⁷⁸ provide for an immobilization regime of bearer shares. Public limited companies,

⁷⁰ This Financial Market Authority page was previously located at: <https://www.fma-li.li/en/financial-centre/liechtenstein-business-location.html>.

⁷¹ See consultation report of the Government concerning the law on the minimum taxation of large groups of companies (GloBe law) and the amendment of the act on State and municipal taxes, 2 June 2023, available at https://archiv.llv.li/files/srk/vnb_globe-gesetz-sowie-anpassung-steuergesetz.pdf (in German).

⁷² See <https://www.fatf-gafi.org/>.

⁷³ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0843>.

⁷⁴ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0847>.

⁷⁵ See <https://www.fma-li.li/files/fma/du-diligence-act.pdf>.

⁷⁶ See <https://www.fma-li.li/files/fma/du-diligence-ordinance.pdf>.

⁷⁷ See <https://www.coe.int/en/web/moneyval/jurisdictions/liechtenstein>.

⁷⁸ See <https://www.regierung.li/files/attachments/216-0-01-08-2023-en.pdf> (unofficial English translation provided by the State).

partnerships limited by shares and European companies that issue bearer shares are required to appoint a custodian with whom the bearer shares are deposited. The custodian is appointed by the board of directors or, in the absence of a quorum, by the Court of Justice in special non-contentious proceedings (see art. 326b (1)). Listed companies, undertakings for collective investment in transferable securities, investment funds managers under the act concerning specific undertakings for collective investment in transferable securities and alternative investment funds and alternative investment funds managers under the act concerning the managers of alternative investment funds are exempt from this requirement (art. 326a (2)). As noted in a related article, the role and function of the custodian must be recorded in the commercial register (art. 326b (4)): “In the context of the Liechtenstein Persons and Companies Act (PGR), companies limited by shares, partnerships limited by shares (art. 368 PGR), and European companies (SE) that issue bearer shares are required to appoint a custodian with whom the bearer shares are to be deposited. The custodian is appointed by the board of directors, or in the absence of a quorum, by the Princely Court of Justice in special non-contentious proceedings. Listed companies, undertakings for collective investment in transferable securities, investment funds, and investment companies are exempt from this requirement. The custodian’s role and function must be recorded in the Commercial Register”.⁷⁹

68. Importantly, “[o]nly individuals who are either subject to the Due Diligence Act or who have their registered domicile or place of residence in Liechtenstein and have an account in the name of the shareholder in Liechtenstein or in another EEA member State, can be appointed as custodians. This does not apply in case of commercially operative companies (art. 326b (3) PGR). If the representative office of the company is subject to the supervision of the Liechtenstein Financial Market Authority, it may be appointed as the custodian”.⁸⁰

69. In general, bearer bonds are problematic as they can be used for money-laundering and tax evasion. Liechtenstein authorities told the Independent Expert that the practice is historical and marginal in the country and that it essentially concerns small enterprises.

G. Trusts

70. In Liechtenstein, a “trust consists of trust property (trust fund) which is transferred by the settlor to a trustee. The said transfer entails the obligation on the part of the trustee to administer or use such property in his own name as an independent legal owner for the benefit of one or several beneficiaries. A trust is not a legal entity, but rather a contractual legal relationship. Trust relationships or trusts have no legal personality”.⁸¹ In many places, trusts are seen as problematic as they can easily be used for hiding criminal assets or property from legitimate creditors, money-laundering and tax avoidance.⁸²

71. Liechtenstein has a Law concerning Professional Trustees and Fiduciaries.⁸³ In addition, the Act on the Register of the Beneficial Owners of Legal Entities⁸⁴ was enacted to transpose the requirements of European legislation related to anti-money-laundering. The register, maintained by the Office of Justice, contains information on the beneficial owners of Liechtenstein companies, foundations and trusts.⁸⁵ All trustees in Liechtenstein need to be members of the Liechtenstein Institute of Professional Trustees and Fiduciaries.⁸⁶ Although extracts from the Register of Recorded Companies (so-called commercial register extracts)

⁷⁹ Josef Bergt, “Liechtenstein: bearer shares In Liechtenstein: a brief introduction to the regulatory landscape”, Mondaq, 14 July 2023.

⁸⁰ Ibid.

⁸¹ See <https://www.liechtenstein-business.li/en/economic-area/Founding-a-company/Legal-forms/trust-treuhandverhaeltnis>.

⁸² See, inter alia, Andres Knobel, “Trusts: weapons of mass injustice?”, Tax Justice Network, 2017, available at <https://www.taxjustice.net/wp-content/uploads/2017/02/Trusts-Weapons-of-Mass-Injustice-Final-12-FEB-2017.pdf>.

⁸³ See https://www.regierung.li/files/medienarchiv/173_520_12_02_2021_en.pdf.

⁸⁴ See <https://www.regierung.li/files/medienarchiv/952-8-20210607-VwPG.pdf>.

⁸⁵ See <https://www.llv.li/de/landesverwaltung/amt-fuer-justiz/stiftungsaufsicht-und-geldwaeschereipraevention/verzeichnis-der-wirtschaftlich-berechtigten-personen-vwbp-> (in German).

⁸⁶ See <https://www.thk.li/en/>.

may be ordered at any time without the need to demonstrate an interest,⁸⁷ the Independent Expert was unable to access those data.

72. According to a 2021 study mandated by the Liechtenstein Institute of Professional Trustees and Fiduciaries, the trustees and professional fiduciaries sector in Liechtenstein generated a gross value added total of 974.3 million Swiss francs in 2018, corresponding to a share of 15.2 per cent of the country's total gross value added.⁸⁸

73. Because trusts have no legal personality, they are not subject to ordinary corporate income tax. If their seat or place of effective management is in Liechtenstein, they are required to pay an annual minimum corporate income of 1,800 Swiss francs.⁸⁹

74. Previous to the amendment of the Code of Ethics and Professional Conduct in 2018, if settlors or beneficiaries wanted to replace a trustee, they needed the trustee to step down or to ask for a formal dismissal decision from the Liechtenstein supervisory court. Article 7, paragraph 2, of the revised Code of Ethics and Professional Conduct stipulates that “the lack of confidence between the trustee and all parties involved constitutes a conflict of interest. In other words, if all designated parties involved, who are not related to the trustee, declare that they have lost confidence and trust in a specific trustee, this constitutes a conflict of interest and the trustee is therefore supposed to offer his resignation”.⁹⁰

75. While access to information is a human right there is no clarity as to whether there is in fact access to such data.

H. Separation of powers

76. The Independent Expert also noted that, with an extremely small population, Liechtenstein faces similar challenges as those of other sparsely populated nations, which includes issues linked with conflict of interest between the State and businesses, including separation of powers. In maintaining that delicate balance, the continuous effort to reflect on and to disclose conflicts of interest was noted; this effort should be stepped up. The 2022 report on corruption prevention in respect of members of the parliament, judges and prosecutors issued by the Group of States against Corruption⁹¹ points out a number of elements that have not yet been implemented by the Government of Liechtenstein, including: transparency of the legislative process; a code of conduct for members of the parliament; and a system of public declarations of the income, assets and significant liabilities of the financial and economic interests of members of the parliament, as well as their spouses and dependent family members (not necessarily being made public).

V. Positive practices

77. The Independent Expert noted several good and/or promising practices in the areas of finance, technology and law that she will further assess in her final report and eventually share with other countries for their consideration.

78. The Independent Expert was informed about the role Liechtenstein plays in the Finance against Slavery and Trafficking initiative. It has been shown that survivors of modern slavery and human trafficking can find that traffickers have hijacked their financial identity or banking products for money-laundering or other criminal purposes, compromising their

⁸⁷ See <https://www.liechtenstein-business.li/en/economic-area/Founding-a-company/the-commercial-register>.

⁸⁸ See https://www.liechtenstein.li/en/liechtenstein_news/treuhandsektor-generiert-dritthochstewertschopfung. The study and the methodology can be found here: <https://www.thk.li/wp-content/uploads/STUDIE-FL.pdf> (in German).

⁸⁹ See <https://www.liechtenstein-business.li/en/economic-area/Founding-a-company/Legal-forms/trust-treuhandverhaeltnis>.

⁹⁰ Michael Nueber, Ulrich Thun-Hohenstein and Philipp Konzett, “New means to remove trustees in Liechtenstein”, *Trusts & Trustees*, vol. 24, No. 9 (November 2018), pp. 876–878.

⁹¹ See <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/1680a75031>.

creditworthiness and increasing their risk of revictimization. The Finance against Slavery and Trafficking initiative supports the efforts of leading banks and survivor service providers to deliver financial services to survivors. The initiative follows the work of the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking, a public-private partnership between the Governments of Australia, Liechtenstein and the Kingdom of the Netherlands, the United Nations University Centre for Policy Research, which acts as the secretariat of the Commission, and private sector and charitable groups in Liechtenstein.

79. The Independent Expert was informed about recent legislation allowing for a rapid response to the arrival of refugees from Ukraine. On 15 March 2022, the authorities established a temporary protection status, a specific protection status to address the situation. Under that status, refugees from Ukraine can obtain, after a short administrative process, the right to reside in Liechtenstein for a period of one year, which is renewable, without having to go through the standard asylum procedure. Ukrainian refugees also have the right to seek employment from the day of their application and to receive various support services, including medical and dental care. She noted the significant efforts of the Government and the financial sector to support Ukrainian refugees, in particular regarding their right to work and to open fee-free bank accounts; she noted that the right to open a bank account is extended to all refugees. In 2022, a total of 507 protection requests were submitted to the Government. In addition, there were 77 asylum applications, bringing the total number of asylum and protection requests in 2022 to 584. The majority of applications came from individuals with Ukrainian citizenship. In total, 489 Ukrainians submitted requests for protection. The majority of those in need of protection were women, who accounted for approximately 65.4 per cent of individuals in need in 2022. Of those individuals submitting asylum requests, 29.4 per cent were under 18 years old, while 7.2 per cent were over 65 years old. Of the 77 asylum applications registered in 2022, 69 were submitted by men (89.6 per cent) and 8 by women (10.4 per cent). The largest group consisted of individuals with Algerian citizenship, accounting for approximately 19.5 per cent (15 persons) in 2022. In second place were individuals from Morocco, comprising 11.7 per cent (9 persons), followed by individuals from Belarus at 9.1 per cent (7 persons). It remains unclear, however, whether refugees and asylum-seekers of all nationalities have been provided with access to the fee-free banking that has been made available to Ukrainian refugees and asylum-seekers.

80. The Independent Expert noted the possibility of non-conviction-based confiscation, if conditions are met, when criminal proceedings against a specific person are not possible, including the ability to return stolen assets with interest. However, information shared clarified that this was only upon request. In the context of international cooperation and assistance, it is recommended that this information be consistently offered up to authorities in good faith.

81. The Independent Expert noted the creation of the Office for Financial Market Innovation and Digitalization and innovative digital initiatives in the financial market, including regulatory initiatives on blockchains and the token economy.⁹²

82. Blockchain technology functions as a ledger that can securely record all sorts of transactions, which can be used for much more than Bitcoin cryptocurrency. Liechtenstein has been in the forefront of legal developments in this domain by adopting the Token and Trusted Technology Service Provider Act,⁹³ which created a new civil law for tokens and a legal basis for ownership and disposal rights over tokens on virtual technology systems. Under the Act, not only are purely digital assets (like Bitcoin) covered by law, it also creates the legal basis for the tokenization of analog assets.⁹⁴ Such technologies can be helpful in providing for the traceability of goods and the origin of materials, hence potentially avoiding illegal and unethical materials to enter the supply chains.

83. While many uses of digital technology can be beneficial for societies, including when it comes to transparency and consumer rights, there is a need to carefully consider the human

⁹² See also <https://impuls-liechtenstein.li> (in German).

⁹³ See <https://www.gesetze.li/konso/2019301000> (in German).

⁹⁴ See <https://impuls-liechtenstein.li/kapitalbedarf/#vtvg-3> (in German).

rights impact of their design and deployment, as well as the impact of their regulation on human rights. Regulation of digital technologies needs to take a human rights- and privacy-by-design-based approach. In view of the use of digital identity and data collection involved in token systems, the regulation of digital technologies needs to be particularly focused on protecting the right to privacy and ensuring non-discrimination and to rest on comprehensive data protection frameworks and oversight mechanisms. It should also be noted that such regulation, while national, could influence other regulatory frameworks around the world. This raises the broader question of the design of digital technologies and the technical standards underpinning them, in particular the extent to which they rest on human rights impact assessments and inclusive processes, including by groups and communities that are affected by them. While tokenization is essentially based on individual ownership and property, common and collective forms of ownership also exist, including over resources such as water and forests that should not be privatized. In this context, hearing the voices of all – and not only at national levels – is key in the development of digital technology tools and related laws. Another consideration to take into account is that while such technologies are developed in a few countries, they have an impact on the whole world. Moreover, legislation that could potentially work in some countries, for instance countries with a strong rule of law, may be transferred to other countries with different situations and institutions. It is important that developments within this field do not result in new forms of international dominance by a few countries or a few actors over others.

VI. Conclusions and recommendations

84. **The Independent Expert was truly appreciative of the delicate balance that the State plays in its engagement with all stakeholders, including with European institutions, neighbouring countries, international financial institutions and the private sector.**

85. **The Independent Expert was also appreciative of the fact that Liechtenstein, a small country, with a limited number of governmental staff, was able to cope, incorporate and comply with the many European laws and regulations, as well as the recommendations received through various evaluation processes, such as the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe and the Group of States against Corruption, on the same footing as much larger countries.**

86. **Throughout her discussions with State officials, the Independent Expert was told about the prompt incorporation of European laws into domestic laws, policies and programmes. While she understands that some regional and international human rights law may be similar, contracted international human rights obligations cannot be addressed only through regional legislations and standards. The Expert recommends that international human rights and standards be used and integrated in Liechtenstein. To achieve that end will require clear national human rights strategies with benchmarks and a dedicated budget.**

87. **Article 2 (1) of the International Covenant on Economic, Social and Cultural Rights, ratified by Liechtenstein in 1998, calls upon each State party “to take steps, ... to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means”. The Independent Expert commended the publication by the Government of the latest poverty report⁹⁵ but also questioned if the root causes of poverty have been identified and why, in view of the wealth of the country, poverty and inequality remain in place. In that context, but also with regard to its reporting obligations to human rights mechanisms, the Expert suggests that Liechtenstein consider the development of human rights indicators to assess its progress in terms of their international human rights obligations. The Human Rights Council, the special procedure mandate holders**

⁹⁵ See https://www.llv.li/serviceportal2/amtstellen/amt-fuer-auswaertige-angelegenheiten/mr_bericht_2022.pdf.

and the Office of the United Nations High Commissioner for Human Rights could provide guidance and support in this regard.⁹⁶

88. The Independent Expert reiterates, as stated by the Committee on the Rights of the Child in its concluding observations on the combined third and fourth periodic reports of Liechtenstein, the indivisibility and interdependence of all human rights.⁹⁷ The Expert heard that, despite the “principle that treaty obligations should be entered into only when internal compliance is guaranteed”,⁹⁸ and that international treaties become part of the national law from the time of their entry into force,⁹⁹ economic, social and cultural rights are not used by courts in Liechtenstein. Human rights obligations remain promises as long as they are not justiciable. Against this shortcoming, the Expert recommends the adoption of legislative changes that will allow a shift from the vision of economic, social and cultural rights as simple social benefits towards the concept of human rights as defined under international law. The Expert recommends the prompt ratification of the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights as well as Optional Protocol to the Convention on the Rights of Persons with Disabilities. In addition, she urges the Government to amend article 15.2 of the Law on the State Court of Justice to include the International Covenant on Economic, Social and Cultural Rights and the Convention on the Rights of Persons with Disabilities. She also recommends that civil society organizations and the Liechtenstein Human Rights Association be given the right to represent victims in court proceedings. In view of the rapidity of parliamentary processes in the country, this can and should be done as soon as possible.

89. By becoming parties to international treaties, States assume obligations and duties under international law to respect, protect and fulfil human rights.¹⁰⁰ Hence, State actions are in relationship to these three types of obligations. While actions relating to the implementation of the Sustainable Development Goals or corporate social responsibility may support some human rights obligations, they are not equivalent to the addressing of those obligations by States and private actors.

90. The Independent Expert noted that, according to the Ministry of Foreign Affairs, there is no specific human rights budget since a wide variety of ministries and offices are involved in the process of improving the human rights situation in Liechtenstein. Hence, the continuous furthering of human rights is integrated into the ordinary budget of the respective ministries and offices.¹⁰¹ Nevertheless, despite its small size and population, a number of stakeholders, in particular from various bodies of the State and the private sector, do not seem to be aware of human rights and related obligations and how they apply to their areas of work. The Expert recommends that sectoral training courses be organized in order to explain what human rights entail, especially when it comes to finance and banking, including from an economic and social rights perspective.

91. In the context of the financial and banking sector, the Independent Expert wishes to emphasize the need to assess the impact of investments, banking and financial activities outside Liechtenstein and to consider the extraterritorial human rights obligations of the State and businesses. She invites the State and businesses to apply a human rights lens to their activities and their international investments so as to avoid violations and abuses of human rights. Therefore, codes of conduct, sustainability strategies and other reference documents used by private actors, banks and investors should be fully in line with human rights and the Guiding Principles on Business and

⁹⁶ See <https://www.ohchr.org/en/instruments-and-mechanisms/human-rights-indicators>.

⁹⁷ [CRC/C/LIE/CO/3-4](#), para. 4.

⁹⁸ [CCPR/C/LIE/2003/1](#), para. 38.

⁹⁹ *Ibid.*

¹⁰⁰ The obligation to respect human rights means that States must refrain from interfering with or curtailing the enjoyment of human rights. The obligation to protect requires States to protect individuals and groups against human rights abuses by third parties, including the private sector. The obligation to fulfil means that States must take all possible steps and action to enable the full enjoyment of human rights.

¹⁰¹ Information provided by the Ministry of Foreign Affairs, June 2023.

Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework.¹⁰² In that context, they may seek advice from the Working Group on the issue of human rights and transnational corporations and other business enterprises.

92. In addition, the Independent Expert would like to provide the following recommendations:

- (a) Liechtenstein should join ILO;
- (b) As soon as possible, ODA should be increased to meet the 0.7 per cent target, especially in the context of a very wealthy country that also benefits from investments from developing countries;
- (c) While the Independent Expert sees the potential of digital innovations and the token economy, she urges a thorough impact assessment of human rights inside and outside the country, including on collective rights, privacy and inequalities;
- (d) While there are exchanges between NGOs and the Human Rights Working Group of the National Administration, representatives of civil society and trade unions should attend the meetings of the working group and provide their inputs.

93. The Independent Expert believes that Liechtenstein could do more on human rights, financial issues and development by charting its own path and going beyond the, sometimes limited, financial requirements of OECD and European standards.

94. Liechtenstein should share its experience, solutions and practices more widely. The Independent Expert recommends a more proactive role for Liechtenstein as a member of the international community, with a focus on its role in international collaboration and cooperation for the realizing the human rights of all peoples across the world. The Liechtenstein veto initiative, that is, automatically calling for a meeting of the General Assembly within 10 days of the use of a veto in the Security Council by one of its five permanent members, is an example of how the country can make a difference internationally.

95. While Liechtenstein aims to implement a number of Sustainable Development Goals, the Independent Expert believes that the country has the most important role to play with regard to Goal 17, in particular target 17.1 on domestic resource mobilization.¹⁰³ In its resolution 78/230, adopted in November 2023, the General Assembly decided to establish an open-ended ad hoc intergovernmental committee for the purpose of drafting terms of reference for a United Nations framework convention on international tax cooperation. The Independent Expert urges Liechtenstein to genuinely engage in the discussions of that body and to support initiatives aimed at promoting real structural changes in the international financial architecture, in particular initiatives to support domestic resource mobilization in low- and middle-income countries instead of relying on foreign debt.

¹⁰² A/HRC/17/31, annex; see also <https://www.ohchr.org/en/topic/business-and-human-rights>.

¹⁰³ See https://stats.unctad.org/Dgff2016/partnership/goal17/target_17_1.html.