Statistical measurement of illicit financial flows
SDG indicator 16.4.1
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2030 Agenda

Goal 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

• **Target 16.4**: By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime

• **Indicator 16.4.1**: Total value of **inward** and **outward** illicit financial flows (in current US Dollars)
UNCTAD and UNODC

• As co-custodians of SDG 16.4.1, the two agencies are mandated to develop methodologies, and collect and report statistics on IFFs

• SDG 16.4.1: previously Tier III, no agreed statistical definition and methods to measure IFFs

IFFs for statistical purposes

“Financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.”
Conceptual Framework for Measuring IFFs

- **Country-Level:** Allows to measure IFFs at the level of countries (in line with SDG indicator framework)
- **Disaggregated:** separate estimates for each IFF type
- **Comprehensive:** Encompasses main types of illicit activities that cause IFFs
- **Compatible:** Aligned to established concepts and standards from economics and accounting
- Endorsed by **UN Statistical Commission** in March 2022
Methodological Guidelines

- **UNCTAD/UNODC Task Force** on statistical measurement of IFFs

**Tax and commercial IFFs**
- Trade misinvoicing by entities
  - Method#1: PCM+
  - Method#2: PFM+
- Aggressive tax avoidance or profit shifting by MNE
  - Method#3: Tax semi-elasticity
  - Method#4: MNE vs domestic units
- Transfer of wealth to evade taxes by individuals
  - Method#5: Offshore assets
  - Method#6: Offshore financial wealth

**Crime-related IFFs**
- Drug trafficking
- Smuggling of migrants
- Trafficking in persons
- Wildlife trafficking
- Illegal mining
Pilot testing methodologies

- **Multi-stakeholder process**, led by statistical authorities
- **Data scattered** across many agencies
- Pilots in several countries
- 22 countries by end 2022
- Supported by UNODC/UNCTAD & ECA, ECLAC, ESCAP
- Early results to refine methodologies
Co-custodians to promote statistical work

• Conceptual **transparency**: Conceptual Framework
• Robust and **statistically sound** estimates: Methodological Guidelines
  -> *Statistical Framework to measure IFFs*
• Support countries and enhance **statistical capacity**
  • UN Development Account project
  • Technical cooperation
• Provide **evidence base** for policy formulation and action
More information

**UNODC**

**UNCTAD**

**UNCTAD SDG Pulse**

**UNCTAD-ECA Africa project**

**UNODC-UNCTAD-ESCAP IFF Asia Project**

**UNODC-UNCTAD IFF Latin America project**