Regional Technical Meeting
Measuring Illicit Financial Flows related to criminal activities for SDG Indicator 16.4.1
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Advances in building a statistical framework to measure IFFs

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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)

- UNODC and UNCTAD, as co-custodians of indicator 16.4.1, are mandated to develop the statistical methodology
IFFs for statistical purposes

Monetary measure of:
- International transfers of illicitly earned capital
- (Originally) legal capital transferred internationally for illicit purposes
- (Originally) legal capital transferred illicitly

Core Elements:
- Illicit
- Cross-Border (not domestic)
- Flows (not stocks)
Distinguishing four types of IFFs (for statistical purposes):

- Tax Practices
- Corruption
- Theft-Type
- Illegal Markets

→ Drug trafficking
Main IFFs emerging from drug trafficking

Country A

Drug processing, wholesale and retail sale

Value is generated

IFF
Statistical Framework for Measuring IFFs at Country-Level

Income Generation

Illicit Intermediate Expenditure
- Domestic
- Imports

Illicit Net Output
- Domestic
- Exports

Non-Value Added Illicit Activities
- Theft
- Extortion
- Terror Financing

Income Management

Illicit Income
- Domestically generated illicit income
- Illicit income from abroad

Illicit Imports (Final Goods/Services)

IFF-Outflows:
- Drugs
- SoM
- Wildlife
- [...]
Dual Focus in Measuring IFFs

### Income Generation

- Illicit financial flows connected to illicit markets and their functioning
- Supply and demand of illicit goods and services generate cross-border financial flows

### Income Management

- Illicit financial flows generated to manage the income generated from illicit activities
- Consumption and investment patterns of illicit actors
Statistical Framework for Measuring IFFs

Key features:

- **Country-Level**: Allows to measure IFFs at the level of countries (in line with SDG indicator framework)
- **Disaggregated**: identifies main IFFs types and builds separate estimates for each of them
- **Compatible**: Aligned to established concepts and standards from economics and accounting (National Accounts and Balance of Payments)
Challenges for measuring IFFs in relation to drug trafficking

Illicit Income Generation

• **Challenge**: Comprehensively measuring economic activities related to transnational drug trafficking and corresponding IFFs

• **Data/information sources**: Data on drug production, trafficking, consumption and market prices

Illicit Income Management

• **Challenge**: Measuring international transfers and investments of illicit proceeds derived from drug trafficking

• **Data/information sources (currently explored)**: information from case studies/investigations related to OC groups; Qualitative information from national experts/practitioners; Financial intelligence data on suspicious transactions; Seizure data
Current activities:

SDG 16.4.1: “Total value of inward and outward illicit financial flows”

- Two regional projects for technical implementation in Latin America & Africa (UNODC partnering with UNCTAD, ECA & ECLAC)
- Latin America IFF project led by UNODC in cooperation with UNODC-INEGI Centre of Excellence for Statistical Information; Africa IFF project led by UNCTAD
- Joint Expert Group Meetings held in Vienna (December 2017) and Geneva (June 2018)
- Regional meeting in Mexico (November 2018); Implementation of draft methodology in pilot countries starting in 2019
- Finalisation of methodology to be used at country level by end of 2019