UNCTAD-UNODC Task Force meeting on statistical methodologies for measuring illicit financial flows

Session I. Welcome and introduction

UNODC and UNCTAD organized the Task Force meeting jointly as the custodian agencies of SDG indicator 16.4.1[1]. The Task Force meeting was organised in close collaboration with UNECA to ensure close coordination of capacity building activities. The meeting discussed concrete proposals for statistical definitions, current practices and alternative methods to measure illicit financial flows (IFFs), particularly for SDG indicator 16.4.1, and agreed on the way forward.

Participants emphasized the urgency to advance the measurement of SDG 16.4.1, as countries' capacity to curb IFFs is crucial for achieving the 2030 Agenda. Governments and other actors are looking to the United Nations for help in defining, measuring and disseminating statistics on IFFs to support policy action.

Session II. Statistical definitions to implement the measurement of IFFs

The session on statistical definitions was based on presentations by UNODC and UNCTAD. The Task Force agreed that to be considered IFFs the flows must be *illicit in origin, transfer or use; reflect an exchange of value instead of pure movement of money; be measured over time as opposed to a stock measure; and cross country borders*.

The Task Force noted that the absence of an agreed definition, current estimates of IFFs vary greatly, and often cover only selected parts of IFFs depending on method and available data. This makes IFFs difficult to understand or relate to other variables. The Task Force emphasized the need to align the statistical definitions and methodologies with existing statistical frameworks, particularly with the Balance of Payments (BoP) and the System of National Accounts (SNA).

The Task Force suggested a disaggregated approach to measuring the SDG indicator 16.4.1 to offer an informative indicator that can help UN member States curb IFFs. The Task Force identified four main types of IFFs that should be disaggregated further, if and as data allow:

- **Tax and commercial practices:** This group includes both illegal practices such as tariff, duty and revenue offences, tax evasion, corporate offences and market manipulation, but also practices that are legal but may be considered illicit.
- **Corruption:** Misuse of a public or private position for direct or indirect personal gain. The United Nations Convention against Corruption (UNCAC) provides a list of acts considered as corruption, such as bribery, embezzlement, trading in influence, etc.
- **Theft-type and terrorism:** Theft-type activities entail a forced, involuntary and illicit transfer of economic resources between two actors (e.g., theft, embezzlement, fraud). Terrorism financing – and all other financial flows of either licit or illicit origin that are used to fund illegal activities – are illicit, voluntary transfers of funds between two actors.
- **Illegal markets:** Domestic and international trade in illicit goods and services. Such processes often involve a degree of criminal organization and are aimed at creating profit. They include any type of trafficking in goods such as drugs, firearms, or services such as smuggling of migrants.

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[1] SDG 16.4.1 = Total value of inward and outward illicit financial flows in current United States dollars

The borderline between illicit and licit activities is not always self-evident in tax and commercial practices. Activities aiming at tax avoidance, not covered in the ICCS, are widespread and vary from tax planning to aggressive tax avoidance that can substantially change the tax base of multinational enterprise groups (MNEs). These behaviours include, for instance, transfer mispricing, debt shifting, relocation of intellectual property, tax treaty shopping, tax deferral and changing corporate structures and head quarter locations.

Participants discussed the following issues:

- Cryptocurrencies are used to move funds from one country to another and designed to be anonymous which could cause measurement problems. In the area of illegal activities cryptocurrencies would be seen as a means of payment. Currently, the aim is not to measure the different means of payment, e.g. cash, bank transfer or cryptocurrencies, but it may be to consider illicit activities which employ cryptocurrencies as a payment channel to ensure these are also captured.
- Many illicit activities are intertwined, such as bribery related to drug trafficking or the use of trade misinvoicing for laundering illicit money out of the country. One of the solutions for avoiding duplication is to account separately for income generation and income management. For example, in the case of money laundering – the proceeds are generated in illegal markets (income generation) but only some of it is managed across the border as IFFs (income management). In principle, the ICCS provides an exclusive classification structure e.g. separating corruption from other illicit activities. Similarly, the classification of activities generating IFFs has to be mutually exclusive and provide concrete examples of what to include and what not to include in each class.
- We need both a comprehensive definition of IFFs and an operational definition. The operational definition must be coherent with BoP and SNA, feasible to measure in statistics and enable the reuse of data. The definition needs to interact with the activities already measured in the SNA, e.g. illegal economic activities and non-observed economy.
- The definition must be able to accommodate for innovation and incorporate new types of IFFs as they arise, and the typology should consider policy uses of data, channels of IFFs, actors involved etc. to allow adjusting the measurement of IFFs to the conditions in each country.
- A typology of IFF channels could be a helpful addition in the future, even if some IFF channels remain difficult to measure. So far, the measurement approach will focus on capturing the overall magnitude of IFFs rather than how they are leaving or entering the economy.
- Some governments may be deliberately providing MNEs with possibilities to avoid taxes. More information is needed on the value lost from the economy or gained through tax-related IFFs. It also puts small and medium-sized domestic companies into an unequal situation as they cannot benefit from utilizing international arrangements.
- Statisticians cannot define which activities or flows are illegal, illicit or licit. Statisticians' task will be to measure the phenomenon. It is not technically possible to systematically distinguish all illegal and illicit activities from other economic activities from currently available data. For instance, it may be possible to identify underreporting of value added in statistics, but it cannot be divided into illegal and legal behaviour.
- The statistical definition of IFFs should use neutral language, avoiding terms such as aggressive, abusive etc. Similarly, the typology should be based on an objective classification of behaviours and activities rather than on legal or moral judgement.

As laws and legal practices differ, the Task Force agreed to develop a typology of behaviours, events and activities generating IFFs, rather than proposing the use of definitions based on legality. The UNODC (2015) International Classification of Crime for Statistical Purposes (ICCS) will be taken as a starting point for a typology of activities generating IFFs originating from crime and illicit activities, thus covering theft-type activities and terrorism, illegal markets and corruption, as well as many tax and commercial practices.

Session III. Methodological approaches

Tax gap estimation

The first part of the session discussed tax gap estimation based on presentations by the Finnish Tax Administration, EU Commission and the University of Sussex.

MNEs engaging in profit shifting and tax planning benefit from loopholes in tax systems or from preferential tax treatment. Carrying out tax planning in line with national tax provisions is legal and in the spirit of the law. Some forms of international tax planning, however, can substantially reduce the tax burden, such as rearranging international flows to avoid repatriation of profits, reallocating the tax base to lower-tax countries or reducing the tax base via a double deduction or double non-taxation across countries. Tax evasion on the other hand is illegal, including measures such as non-disclosure of income.

The tax gap can be defined as actual revenues minus tax that should be paid according to the law. Therefore, tax gap is not only caused by tax evasion, tax avoidance or tax planning. There are also mistakes in tax declarations, bankruptcies or misunderstandings that contribute to tax gap. The part of tax gap that crosses borders would count as IFFs.

In many countries, tax administration has a strong mandate to access data needed for taxation, e.g. even bitcoin data. Tax gap estimation should be based on data sources that are independent from taxation, such as random audits, other registers and statistics. It may be a problem if statistical authorities are basing the production of economic statistics largely on tax data. Otherwise, economic statistics provide a useful reference, in particular input-output tables, preliminary estimates of national accounts, structural business statistics, price statistics and commodity statistics. However, large differences are not automatically attributable to tax gap as these can be caused e.g. by different uses of classifications by statistical and tax authorities.

Intra-firm arrangements are typically complex and can utilise several channels in combination (for example, those listed in the section on definitions). Foreign direct investment (FDI) is one of these channels. Based on empirical studies, round tripping of FDI generates huge financial flows in Brazil, China, India and the Russian Federation, for instance, and the same is observed to a lesser extent in developed economies. When it comes to FDI, it is difficult to define which contents of the flows are illicit, but a disconnection from real economic activity is often observable.

Research commissioned by the EU Commission defines aggressive tax planning as behaviour of MNEs which substantially reduces their tax burden and thus runs against the spirit of the law. It reviews indicators of aggressive tax planning at a country, MNE group and firm levels. The country level includes indicators of statutory tax burden, corporate tax revenues, unexplained FDI, foreign controlled activities, market concentration, treaty shopping, bilateral import price anomalies, bilateral royalty flows etc. The MNE level looks at ownership structures, consolidated effective tax burden and profitability compared to domestic firms. The firm level consists of indicators on profitability, interest payments, debt shares, intangible assets, patents etc.

Participants discussed the following issues:

- There is the danger of Goodhart's law applying – "When a measure becomes a target, it ceases to be a good measure" - there is a need for countries to separately monitor their tax take, it may be that over time it appears that tax avoidance falls, at the same time that tax revenue is falling. So, it may be good practice to measure tax avoidance as a share of tax revenues.
- MNEs' tax practices are a grey area that move on a spectrum from licit tax practices to illegal tax evasion. It is not easy to define when these practices become illicit. It is important to note that some of the assumed aggressive practices are, after tax audits, deemed fraudulent and illegal.
- Tax audit is the only way to tell tax evasion from tax avoidance. Just analysing statistical data will not be enough. Statistical production and tax audits are both independent processes that cannot be mixed. Furthermore, awaiting audit reports would create delays or retroactive corrections to statistics. It is up to other than statistical authorities to monitor legality.
- The presentations showed that large MNEs often dominate FDI flows, and some estimates indicate that profit misalignment tends to be larger than alignment. This issue needs to be measured to be understood better.
- More information on the size and channels of financial flows related to tax avoidance and evasion is needed, building on the indicators used in the OECD BEPS initiative and the EU Commission's aggressive tax avoidance indicators.
- The Task Force noted the magnitude of flows relating to tax planning and FDI. These licit and illicit flows can be seen as artificial financial flows leading to a disconnection of the location of profits and the real activity generating them. They artificially reduce or increase the effective tax rate of MNE entities compared to similar domestic firms.
- Instead of trying to measure illegal tax evasion, information is needed on this disconnection between profits and economic activity. The firm-level indicators relating to cross-border flows used by the EU Commission seem promising in this regard.
- Another option would be to look at the tax collected versus tax avoided across countries and how the global sum of tax collected evolves as compared to tax avoided, including what are the areas of ineffective tax collection.
- A useful starting point may also be identifying areas of risk on a country by country basis.

The statistical studies presented at the meeting showed that it is empirically difficult or impossible to separate illegal (e.g. tax evasion) from illicit and licit practices (e.g. tax avoidance and tax planning). This has implications for the development of SDG indicator 16.4.1, as it underlines the need to move away from a legal/illegal split in the definition.

Trade misinvoicing

This part of the session discussed methods to estimate trade misinvoicing based on presentations by the United Nations Statistics Division (UNSD) and UNECA. Trade misinvoicing can be defined as the practice of knowingly submitting an invoice that misrepresents the value of goods being imported or exported, including both under and over-invoicing.

There are, in general, two ways to measure trade misinvoicing: direct measurement analysing customs transactions and indirect measurement using so called mirror statistics referring to comparing discrepancies of trade statistics bilaterally between trading partner countries. The second type of measures require caution and efforts to correct statistical differences, e.g. in the treatment of re-exports, allocation of country of origin by exporter and importer country, application of classifications, timing etc.

For instance, in 2016 Canada and China reconciled a large asymmetry of US$21.3 billion in their bilateral trade statistics and reduced it to only US$1.0 billion. There were many reasons for this difference, with indirect trade as the main contributor. UNSD has developed a template to analyse and reduce bilateral asymmetries. A new version of COMTRADE data with extended datasets for certain countries will be released. The dataset will be huge, and will, therefore, be migrated to an analytical platform on a cloud without the need or possibility of direct extractions.

Different types of datasets could be useful for the measurement of IFFs, including aggregated official statistics on trade, production etc.; detailed national accounts and BoP tables; data by commodity types; and transaction data. The choice of data depends on national conditions, accessibility and data quality. Some countries may be able to use COMTRADE data at the 6-digit level, while for South Africa, for instance, using data at the 2 or 4-digit levels provides more reliable results.

Participants discussed the following issues:

- More attention should be paid on identifying different treatment of trade flows between countries and correcting asymmetries. International organizations, especially UNSD, can play an important role here.
- Some countries' have a limited capacity to check data sources for accuracy. Active collaboration to reconcile trade statistics with trade partner countries could help them validate what is reported and correct discrepancies.
- Companies may report different values when exporting goods from a country than when importing the same shipment to another country. Innovative solutions are needed to develop, for instance, automated exchange of trade transactions data and single flow customs declarations. Developing the transparency of global trade logistics and global value chains will improve possibilities to tackle IFFs.
- Trade misinvoicing estimates often use a 10 per cent rule for Cost, Insurance, and Freight (CIF) and Free on Board (FOB). However, the real rates vary a lot over time and depending on the level of processing of the product, and such assumptions are overly simplified.
- Neural networks can provide a powerful analytical tool, but more transparency is needed on how machine learning takes place, and how to interpret the findings. In particular, artificial intelligence can identify the kind of problematic transaction, rather than the volume of flows.
- While merchandise trade data are collected by customs covering all commodities with only small gaps in terms of goods not going through customs, there is no single data source that can capture all trade in services. Trade in services is a large carrier of IFFs, e.g. through relocation of intellectual property and financial service flows. Special efforts should be put in place to analyse these flows.

The Task Force emphasized the importance of statisticians' efforts in reconciling trade statistics actively to make the analysis of trade misinvoicing more reliable. The adoption of machine learning techniques will drastically improve countries' ability to identify, measure and prevent IFFs, and the Task Force should analyse the outcomes of related pilots e.g. on credit card fraud and international trade flows.

Crime-related IFFs

This part of the session discussed methods to estimate crime-related IFFs based on presentations by UNODC and the National Statistical Institute of Peru (INEI). There are three main types of IFFs in this area: theft-type activities and terrorism financing, illegal markets and corruption.

UNODC is carrying out pilot activities with Ecuador, Colombia, Mexico, Panama and Peru, focusing on the measurement of illicit drugs, smuggling of migrants, trafficking in persons and illegal mining. The measurement of these illegal activities is being extended by identifying the inflows and outflows relating to illegal trade and the inflows and outflows relating to the use of illicit money.

UNODC has worked with countries to introduce structured data collections to estimate several types of crime and related IFFs. UNODC maintains a database on drugs as reported directly by countries, including demand, supply, prices, drug characteristics, seizure data etc. Some large producer countries conduct annual surveys on drug production, and countries report to UNODC on drug trade based on seizures. The size of drugs trade is often estimated by assuming a 10 per cent seizure rate, but measurement shows that this can lead to large discrepancies as real seizure rates vary at least between 1 and 38 per cent. There are still challenges, however, for instance in identifying and classifying some of the non-productive activities generating IFFs and separating corruption from other activities.

The National Statistical Institute of Peru measures IFFs from four illegal economic activities in the context of national accounts: smuggling, illegal coca production, illegal mining and trafficking in persons. These activities belong to the scope of national accounts that should cover both formal and informal economic activities. Data are collected from a combination of sources, including border transactions data, tax data, records held by the police and ministries, surveys on consumption and expert assessments, data on seizures and unreported goods. Satellite imagery is an important information source for estimating the volume of illegal coca production.

Participants discussed the following issues:

- How far does illicitness follow the flow or a good? For instance, in the case of illegal logging of timber that is used for producing furniture. Is the resulting furniture illicit or not? Similarly, In the case of money laundering, how far should the related illicit flow be considered illicit after the money is laundered and is used for legal activities, for instance production of goods? It will be impossible to follow illicit flows all through the global value chains. UNODC noted that such flows remain illegal – but the question is where along the value chain can they be identified as such.
- By definition, IFFs only include cross-border flows. What about domestic illicit income management? The wider measurement framework of illicit finance should look at both domestic and cross-border components of illicit flows, while the SDG indicator only relates to the latter.
- While the measurement of IFFs from crime is progressing well, there are conceptual challenges in specific areas, e.g. how to put a value to forced labour as theft of services, how to define the borderline of illicit and licit markets and goods (e.g. timber, gold mining, wildlife products) or how to measure economic activities related to transnational, organized crime.
- The measurement of illicit income management is also challenging, as data are difficult to obtain, and measures on international transfers and investment of illicit proceeds would be needed.

The methods to measure IFFs from crime are well aligned with BoP and SNA and provide a promising measurement framework for IFFs in general. While countries should aim at estimating different types of

IFFs in detail, a more practical approach will be needed for SDG 16.4.1 to ensure feasibility of measuring IFFs during a transition to more comprehensive measurement.

Session IV. Current practices and data sources

The session discussed current practices and data sources to estimate IFFs. The session was based on presentations by the International Monetary Fund (IMF), Eurostat, the Italian Statistical Institute (ISTAT) and the Brazilian Customs Administration.

The IMF Task Force on Informal Economy (TFIE) aims to improve the coverage of informal economy in statistics. The Task Force looks at three parts *of informal activities: those generated by individuals or households, small business activities that go unregistered, and illegal activities forbidden by law*. The final report is expected by October 2019. The IMF inventory of national initiatives to measure informal economy reviews practices that could also contribute to the measurement of IFFs. In total, 62 per cent of respondents compile data on the informal economy from surveys, administrative data, mirror statistics, international studies or expert assessment. In the BoP, informal economy transactions are more often estimated for goods than services. Only a few countries compile data on informal economy transactions for the capital and financial accounts. Countries prefer estimating the overall size of informal economy, rather than providing disaggregated estimates of different types of informal economic activities.

Eurostat works with member States to improve the exhaustiveness of national accounts to cover both observed and non-observed economy. *Non-observed economy is likely to include activities that are underground, illegal, informal, or undertaken by households for their own final use. Activities may also be missed because of deficiencies in statistical data collection*[2]. National accounts figures are adjusted for exhaustiveness implicitly (balancing process) or explicitly, and methods vary greatly. The Eurostat gross national income (GNI) inventory takes stock of methods used to ensure the comparability, reliability and exhaustiveness of the GNI data. Some of these methods could be useful for estimating certain IFFs.

In 2018, Brazil established a Working and Research Group on Illicit Financial Flows via Trade Misinvoicing with experts from customs, tax and financial intelligence. Based on previous tax audit proceedings, the objective was to develop a diagnosis to confirm if artificial and fraudulent offshore structures located in tax havens, used as conduit hubs in the routing of financial flows via trade misinvoicing, were isolated cases or if it was a common practice and thereby develop actions to tackle illicit financial flows in international trade transactions. The tax audit proceedings revealed that under-valued export transactions to intermediary P.O. Box companies located in tax havens, with no economic substance or business purpose, likely have been used as a mechanism to conceal trade profits in lower-tax jurisdictions or shift proceeds of corruption out of Brazil. The group applied a risk assessment methodology, based on the method developed by Alex Cobham, to classify trade transactions into:

- Low risk of exposure to IFFs: direct exports/imports not via a tax haven/privileged low-tax environment (such as on mainland EU)
- Medium risk of exposure to IFFs: triangular exports/imports not via a tax haven/privileged low-tax environment (such as on mainland EU)
- High risk of exposure to IFFs: triangular exports/imports via a tax haven/privileged low-tax environment (such as on mainland EU)

[2] Source: OECD Glossary of Statistical Terms.

According to the analysis, risk exposure to IFFs has notably increased in recent years. In 2017, 56 per cent of exports from Brazil and 27 per cent of imports to Brazil were considered to be at high risk of exposure to an illicit financial flow via trade misinvoicing.

The group finds the OECD country-by-country (CbC) reporting is a valuable source for tracking tax-related IFFs and expects to develop risk indicators using different databases such as the CbC Report, Common Reporting Standard, Tax rulings, foreign exchange and trade data. Moreover, the automatic exchange of transaction-level trade data through technologies such as the blockchain would be a key measure to prevent the manipulation of trade transactions, enable transparency of global value chains and implement real-time risk assessment based on artificial intelligence.

The Italian Statistical Institute (ISTAT) has carried out a pilot study to estimate the volume of aggressive tax planning behaviours among MNEs in Italy by looking at three main types of channels:

- Debt management: Country differences in corporate income tax rates create opportunities for lending from low-tax countries to affiliates in high-tax countries or for locating external borrowing in high-tax countries (interest payments deductible from income).
- Strategic location of intangibles and assets, such as royalties and R&D: Allocating through intra-group arrangements the ownership of intangibles, assets and risks in low-tax countries to divert profit from high-tax countries.
- Transfer pricing: Optimising the price of transactions between related entities within the range of market-based so-called “arm’s-length” prices to achieve tax advantages.

The study looked at the 4.4 million firms active in Italy. These include 24,970 affiliates with foreign headquarters and 38,171 headquarters with foreign affiliates in other countries. The study constructed a composite indicator for MNE entities and for a control group of similar domestic firms. The indicators uses a set of variables, including earnings, value added and exports to turnover; R&D spending; share of royalties, salaries and services in total costs; average taxation on productive income in foreign countries; and import to costs ratio. The study shows that tax avoidance practices are widespread, estimated to exceed 60 per cent of Italian MNEs and reducing their earnings before interest and taxes by 13 per cent on average. It is not possible to identify the difference between tax evasion and aggressive tax planning using this type of micro data method.

Participants discussed the following issues:

- Countries’ challenges with IFFs differ, and so do their practices in measuring the various illegal activities, non-observed economy and informal economy. There must be space for country-specific solutions and methodologies to measure IFFs.
- To estimate IFFs, it would be crucial to get information about foreign entities of MNEs for statistical purposes. Currently, statistical agencies mainly acquire only information about MNE entities located in the country. Furthermore, some relevant variables, such as debt and immaterial assets, are not available for un-incorporated enterprises.
- The borderline between the non-observed economy and illegal production is not clear. For example, production that does not comply with certain safety standards could be described as illegal. However, it is not necessary for the purposes of statistical production to fix the precise borderline between non-observed and illegal production as both are included within the SNA production boundary. Simply put, focussing on whether a flow is illegal/legal is not a useful starting point, rather focus on the indicators that measure the categories or activities of concern and the value of flows being transferred.

- Who should oversee the measurement of IFFs in countries? Often different agencies deal with different types of IFFs – central banks, customs, tax authorities and statistical agencies, and they all hold relevant data. National statistical offices have a coordinating role in the national statistical system and should lead the work to bring the stakeholders together to measure IFFs.
- Central banks, tax authorities and national statistical offices often have the strongest mandate to collect data or access existing data. The possibility to use the country-by-country reporting data for the measurement of IFFs should be further reviewed.

The Task Force underlined that global statistical data exchange should be among the priorities of the international agenda if IFFs are to be measured with bottom-up methods. The custodian agencies will need to reach out to national statistical offices to coordinate the work of relevant agencies in countries.

Session V. Conclusion and next steps

Currently, there are three simultaneous work streams on the measurement of IFFs. First, developing the methodology to measure SDG indicator 16.4.1. Second, setting up a wider conceptual and methodological framework for the measurement of IFFs, and third, building countries' capacity to estimate IFFs.

The UNCTAD/UNODC Task Force is working on the first two tasks, which will guide the following capacity building projects and related country pilots:

- UNODC with UNCTAD, ECLAC and ECA: *Developing indicator on illicit financial flows and monitoring them in Latin America* (Colombia, Ecuador, Mexico, Peru), 2017-2020
- ECA and UNCTAD: *Strengthening capacities of African countries to compile and disseminate statistics on illicit financial flows* (Mozambique, Nigeria, Congo, Senegal, South Africa, Tunisia, Tanzania, Zambia, Zimbabwe), 2018-2021
- ECA with DESA in collaboration with UNODC, UNCTAD, ESCAP: *Preventing trade mis-invoicing in selected African countries* (Tunisia, Egypt, Tanzania, Nigeria, Senegal, South Africa), 2018-2021
- UNODC with ESCAP and UNCTAD: *Statistics and data for measuring illicit financial flows in the Asia-Pacific region* (countries to be decided), 2020-2023

The next events will include:

- The IMF will organize the 7th Statistical Forum on measuring the informal economy on 14-15 November 2019, including a session on IFFs.
- ECA will organize an expert meeting on the measurement of IFFs by the end of the year to launch the pilot activities.
- The first country pilot in Africa will take place in Nigeria in mid-August. ECA and UNCTAD will prepare a survey to be conducted before country activities. The survey will review the legal and institutional setting, current practices and availability of data on IFFs.
- UNODC will continue piloting the measurement of different crime-related IFFs in Latin America. More pilots will start in Africa this year, some also on crime-related IFFs, and similar work will be launched in the Asia-Pacific region next year.

The Task Force emphasized the following points going forward:

- Strong support by the 2030 Agenda and the custodian agencies is required to empower governments to measure and tackle IFFs. We have 11 years left to measure SDG indicators and monitor progress towards the goals of the 2030 Agenda.

- Government authorities, including customs and tax administration, need to have a clear mandate to tackle IFFs, and statistical agencies need to have the right to access all necessary data from different agencies and private sources to measure IFFs.
- It is important to use official data for the reporting on SDG 16.4.1. Whenever feasible, data need to be collected and compiled by member States rather than aiming at global estimates only.
- Work on IFFs, and related areas, is ongoing at several fronts. The SDG 16.4.1 indicator methodology should build on what already exists as a result of recent global initiatives of OECD, IMF, Eurostat, UNSD and UNECA, and several national pilots to estimate IFFs.
- It will be important to draw on analytical work related to IFFs, such as that of researchers, international and non-governmental organizations. UNCTAD is in the process of preparing a report on Economic Development 2020 with a focus on IFFs, especially looking at IFF outflows in mining. The upcoming UNCTAD Trade and Development Report will also touch upon IFFs.
- The Task Force reached a common agreement on the statistical definitions and typology of IFFs, aligned with statistical frameworks, such as the BoP and the SNA. The Task Force should now extend the typology of IFFs building the ICCS, as well as identify data sources and alternative methodologies for measuring the activities generating IFFs.
- Further work will be needed in the longer term on the challenging areas, such as the measurement of non-productive activities and other activities that are difficult to conceptualize etc.
- Country pilots will provide more information on the feasibility of the statistical definitions, the typology of IFFs and measurement methodologies. The pilots can be diverse focusing on the types of IFFs that are most relevant in each country and make use of data and methods that are feasible in the national context.

UNCTAD and UNODC will prepare a joint position paper for discussion by the Task Force after the meeting. The paper will outline the proposal for statistical definitions and typology, including recommendations for methods to be piloted in member States. The proposal will be submitted to the autumn meeting of the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs).