

UN Development Account Project “Measuring and Curbing Illicit Financial Flows”

Inter-regional Workshop
20-21 September 2023
Palais des Nations, Geneva, Switzerland
REPORT



DAY 1 – Wednesday, 20 September

Welcome remarks

Anu Peltola (UNCTAD Statistics) opened the workshop with a welcome to all the participants in the inter-regional workshop to launch the new global UN Development Account (DA) project on measuring and curbing illicit financial flows (IFFs). She noted that UNCTAD and UNODC, co-custodians of SDG indicator 16.4.1, offer a strong mechanism to support countries in enhancing the skills and capacity, sharing experience, and promoting consistent approaches to measuring IFFs with globally agreed concepts and tested methodologies, together with the United Nations Regional Commissions. This year, first-ever data was reported based on earlier country pilots to the global SDG indicators database. She thanked all partners and member States present for joining the effort to measure illicit financial flows.

Martijn Kind (UNODC) noted that given UNODC’s role as co-custodian and its broader mandate that focuses on helping to make the world safer from drugs, organized crime, corruption and terrorism, the measurement of IFFs is of vital importance to its mission. He stressed that the new project creates a unique opportunity to push the measurement of IFFs forward and collectively build a roadmap for others to follow.

Gamal Ibrahim (ECA) reflected on ECA’s history and regional mandate on IFFs, and noted that ECA recognizes that measurement alone will not be sufficient. Countries need to improve their policy

In conclusion, it was confirmed that linking measurement to policy is relevant, required and included in the ongoing project, while the application of statistical and policy inputs on both components of tax and commercial and crime related IFFs, that are expected to meet in each country for the first time, must be observed. While evidence-base is key to relevant policy formulation, statistical work also needs to be in line with user needs and remain relevant, while observing the sometimes thin line between statistical purposes and administrative ones. A loop and two-way exchange need to be maintained. Related, safeguarding confidentiality is paramount in building trust and ensuring reliable, robust evidence base for policy formulation. Professional independence needs to be preserved. Institutional set up and intra-country collaboration is crucial in addressing the measurement and policy on IFFs and national stakeholders need their place in this work, reflecting their respective mandates. It was noted that various statistical workstreams of UNCTAD can support discussions on addressing IFFs, such as the Automated System for Customs Data (ASYCUDA), or the work on trade in services statistics, TISTAT.

Session 2 - Countries presentations on their existing work on IFFs: measurement and policy

The session discussed countries' experience in working on measuring and curbing IFFs in their national settings, based on presentations by **Théodora Aleka-Laban (Gabon)**; **Anne Ibrahim (Nigeria)**; **Bouye Ba (Senegal)**; **Kamal Hossain (Bangladesh)**; **François Ramdé (Burkina Faso)**; **Zhyldyz Rakhmanova (Kyrgyzstan)**; and **Uygun Nignadjanov (Uzbekistan)**. The following points were raised in the discussion:

- Countries need support to ensure that the results of IFFs measurement are properly embedded in policies and can effectively guide policy changes. As such, this new DA15 project gives the opportunity to take the methodological and measurement efforts further (based on previous DA projects), by bringing in the policy side.
- Discussion on how to treat partner countries in partner country method, where data are needed from both customs of reporter and partner countries, including the inclusion or exclusion of same-Free-trade-area countries.
- What concrete steps countries are to take when applying Partner Country Method and where some gaps could not be removed, to ensure that estimates of IFFs do not conflate other inputs into estimates of IFFs. Investigation needs to be conducted to confirm whether specific flows is in fact an IFF, and to exchange information with the partner country where the discrepancy has been observed.
- The work requires a much higher level of analysis and cooperation between countries. It is also important to document exchanges with countries, as they can provide a great deal of information and details to help us understand the trade flows and link to estimates of IFFs.
- It was noted that Methodological Guidelines identify and call for detailed approach to the application of the Partner Country Method, noted with a "plus": Partner Country Method Plus, which requires detailed, case-by-case inspection of commodity/partner/flow data by Customs authorities and their experts, involving also partner-country Customs to obtain the full picture. Only by doing so, the results can be deemed as reliable.
- It was further noted that it is required to implement digital measures to share and compare data across jurisdictions, such as the TINA project of ESCAP (see Session 1).

In conclusion, it was shared that it is crucial to continue this work and the important role of national stakeholders, but also of UNCTAD, UNODC and Regional Commissions. It was confirmed that custodian

agencies work towards providing a concrete and practical guidance to national authorities with a combined Statistical Framework (in the form of a first draft *Towards a Statistical Framework*, which could be ready by early 2024) to continue and sustain the measurement efforts by countries.

DAY 2 – Thursday, 21 September

Session 3 - Measurement of IFFs: country-level support during the measurement phase

The session discussed how custodian agencies, UNCTAD and UNODC, and Regional Commissions will provide support to countries within the project on the **measurement of IFFs**. Presentations were made by **Bojan Nastav and Diana Camerini (UNCTAD); Martijn Kind (UNODC); Anastasia Maga (ESCAP); and Valentina Gullo (ESCWA)**. An overview of possible workplans, key actors involved and statistical tools available to countries was provided. The following points were raised in the discussion:

- Availability of database for comparable transfer prices, noting that some on-line databases that could be used for that purpose, including UNCTAD Stat Transport Cost Database, or UN Comtrade, but that specific database is not available globally. National authorities may develop their own and detailed, based on transactions they host.
- Addressing the issue raised on data accessibility challenges, UNODC and UNCTAD reported that the respective organisations offer free access to some of baseline granular data used in estimations, which are reported regularly by member States to various UN entities (such a UN Comtrade for trade data, or UNODC for the Annual Report Questionnaire on drug supply and demand). Data in the format ready for IFFs calculations and analysis might include confidential data, therefore it is up to member States to share such data with other countries.

Session 4 - Policy formulation to curb IFFs: country-level support during the policy formulation phase

The session discussed how Regional Commissions will provide support to countries within the project on the **policy formulation to address IFFs**. Presentations were made by **Douglas Kigabo Bitonda (ECA); Christine Awiti (UNCTAD ALDC); Pierre Horna (ESCAP); and Maya Hammoud (ESCWA)**. The following points were raised in the discussion:

- Technical body required to coordinate the policy work was compared to the technical working group coordinating the measurement work. ECA, UNCTAD and ESCAP explained that experience has shown that members of the TWG are typically highly technical people. Inter-agency collaboration and understanding that the results are understood is a challenge by itself. A strategic approach is required that translates the technical work into understandable knowledge that policymakers can absorb and act upon.
- The TWGs require official mandate from Government and require dedicated funding.
- It is important to have a consistent approach across the RCs and the project to avoid too many differences across regions.

Side parallel sessions: Discussion between RCs and respective countries on project strategy per region

ESCAP session with its pilot countries agreed on the working plan in the coming months to prepare for the implementation of the project, such as engaging national authorities, national consultant and support custodian agencies in finalizing the draft of Statistical Framework.



ECA session reached an agreement that TWGs will be organized soon, inviting ECA to agree among others on roadmap to project implementation, and key timelines for trainings and other key project activities. This will guide TWGs in the mobilisation of national stakeholders and put in place plans for preparatory activities (risk assessment, data collection etc) for the kick start of country's trainings et measurement work.

ESCWA session invited UNCTAD to work closely with ESCWA and Egyptian authorities to outline the work done to date and to devise a workplan for Egypt to assess the situation, needs and determine the level of engagement in this project, and more importantly, to secure an official expression of interest from the Government of Egypt to continue their engagement in measuring IFFs.

Session 5 - Countries expectations

The session discussed countries expectations within the project, based on presentations made by **Théodora Aleka-Laban (Gabon); Kamal Hossain (Bangladesh); Gulsara Sulaimanova (Kyrgyzstan); François Ramdé (Burkina Faso); Aja Obuba Kalu (Nigeria); Bouye Ba (Senegal); Ikromjon Gafurov (Uzbekistan)**. The countries expressed their willingness and commitment to work on measurement of IFFs, expanding their previous work, and seeking for reliable evidence based for policy formulation to curb IFFs. The discussion focused on the possible overlaps between tax and commercial and crime-related IFFs, and how to treat those. UNCTAD confirmed that custodians are working towards a Statistical Framework to measure IFFs, which is addressing the reconciliation of different types of IFFs into a single value for SDG indicator 16.4.1, accounting for possible overlaps while avoiding duplication/double counting.

Closing remarks

In their closing remarks, **Anu Peltola (UNCTAD Statistics), Gamal Ibrahim (ECA), and Martijn Kind (UNODC)** discussed on the need and ways to strengthening and filling data gaps, seeking dialogue with policy makers to ensure use of data to improve policy, and enhancing coordination among Regional Commissions and key stakeholders to avoid confusion. They noted that TWGs need to be enhanced to handle policy aspects of IFFs under DA15, and that collaboration and coordination in Regional Commissions' approaches need to be maintained and strengthened. Additionally, there is a strong requirement for being able to attract resources for this project in the current budget constrains within the UN and an overall need to understand that it is not moving from A to B that matters in this project, but the journey and how we move together.