

Project components Measurement & Policy pillars

Workshop on the measurement of tax and commercial IFFs

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Conceptual Framework & Methodological Guidelines

As co-custodians of SDG 16.4.1, the **UNCTAD** and **UNODC** are mandated to develop **methodologies**, and **collect and report statistics on IFFs**

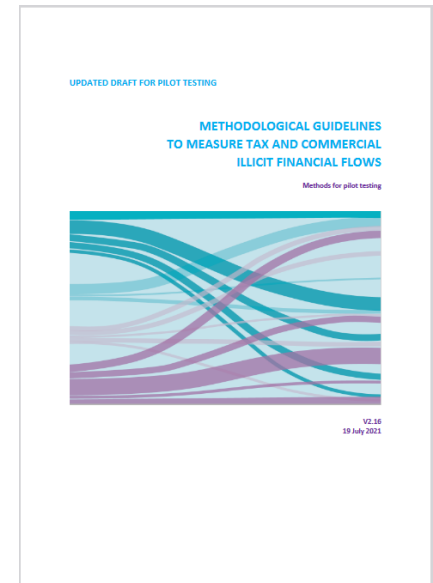
*UNCTAD-UNODC
Conceptual Framework for
the Statistical Measurement
of Illicit Financial Flows
(2020)*

*“Financial flows that are
illicit in **origin, transfer or
use**, that reflect an
exchange of value and
that **cross country
borders.**”*

Endorsed by **UN Statistical
Commission** in March
2022



*UNCTAD Draft
Methodological Guidelines to
Measure Tax and Commercial
IFFs (2021)*

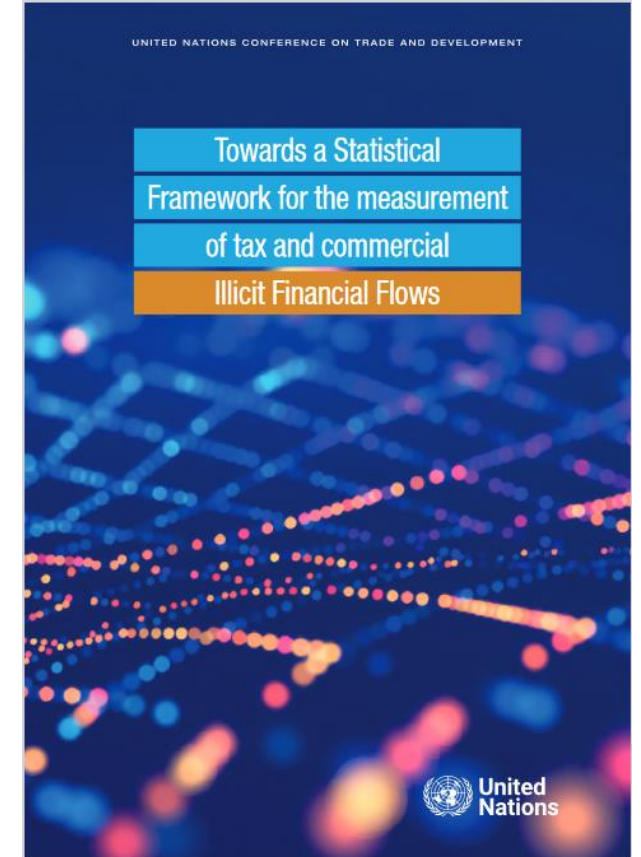




Statistical framework

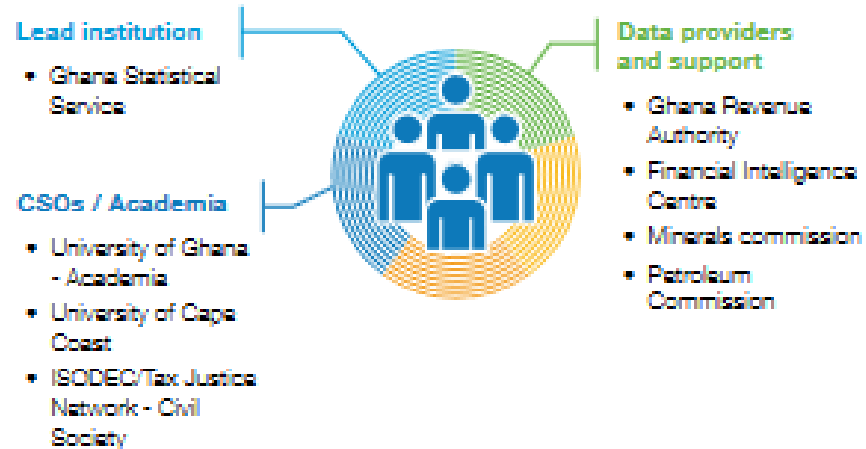
- Towards a [Statistical Framework](#)
 - Concepts
 - Methods
 - Tools

- Statistical Framework:
ready for 2026 UN Statistical Commission



Ghana

2. Organisations of the Technical Working Group



3. Methods used

Method 1
Partner Country Method Plus

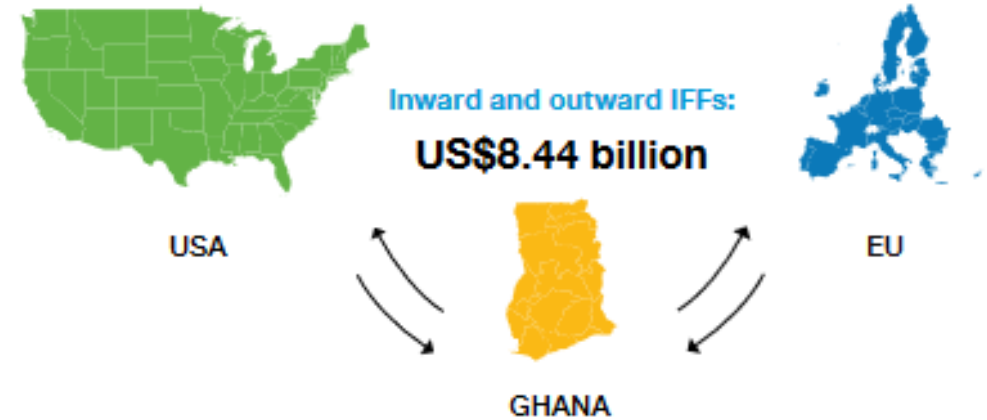
Method 2
Price Filter Method Plus
These methods were used to produce estimates of IFFs for the period 2012-2021



Experience with the methods shows PFM is easy to use since it does not require trade data from partner countries.

4. Magnitude of IFFs

For the period 2000-2012, preliminary estimates for gold, cocoa and other extractive industries show that between Ghana, the US and the EU, inward and outward IFFs amounted to **US\$8.44 billion**.



The way forward...

This project has generated interest among policymakers and academics who want to understand the impact of IFFs, locally, and so take the necessary steps to prevent further damage.

Data availability has been the biggest challenge so far, with detailed, item-level (HS10) trade data needed from Ghana and partner countries. Efforts to collect this data from Ghana's customs are currently underway with the help of the Ministry of Finance, which will collate the figures and ensure general acceptability for all stakeholders.

Project activities

Objective: To strengthen the statistical capacities of selected developing countries in Africa to measure tax and commercial IFFs and develop evidence-based policy responses to curb them.

Outcomes

OC1: Strengthened statistical capacity to measure and disseminate selected types of tax and commercial IFF statistics (*strengthen capacities and disseminate results*);

OC2: Enhanced policy formulation and targeted action towards curbing tax and commercial IFFs: (*inform policies*);

Outputs

- **OP1.1: One regional workshop (online)**, kick-starting activities with pioneering countries and sharing the project implementation plan.
- **OP1.2: One national training workshop (in-person)** in each country
- **OP1.3: National measurement work** in pioneering countries to apply the selected methods, compile estimates of IFFs and provide analysis of the findings;
- **OP1.4: One regional workshop (in-person)** where pioneering countries sharing experience, lessons learned and challenges of the measurement of tax and commercial IFFs.
- **OP2.1: One national policy workshop (in-person)** in each country
- **OP2.2: National action plan/policy formulation work** with advisory services on data and research strategies tailored to national needs assessment
- **OP2.3: One regional workshop (in-person)** closing activities



Project timeline

Outcome	Output #	YEAR 1				YEAR 2			
		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		OC1	OP1.1	■					
OP1.2			■	■					
OP1.3				■	■	■			
OP1.4						■			
OC2	OP2.1					■	■		
	OP2.2						■	■	
	OP2.3							■	



SDG 16.4.1 reporting

Global SDGs indicators database

Objective

2 aggregated estimates:

total inward IFFs and total outward IFFs

+ Indicator 16.4.1, Series : Total value of inward illicit financial flows **DI_ILL_IN**

+ Indicator 16.4.1, Series : Total value of outward illicit financial flows **DI_ILL_OUT**

Disaggregation

IFFs type

TXC: Tax and commercial
ILL: Illegal market
COR: Corruption
ETF: Exploitation type and terrorism financing

IFFs sub-type

TXC_TMI :Trade misinvoicing
TXC_TAV: Tax evasion
....
ILL_DRG: Illicit drug
ILL_SOM: Smuggling of migrants
....
ETF_TIP: Trafficking in persons

Economic sector

ISIC4_A: Agriculture, forestry and fishing
ISIC4_B: Mining and quarrying
ISIC4_C: Manufacturing
ISIC4_D: Electricity, gas, steam and air conditioning supply
ISIC4_E: Water supply; sewerage, waste management and remediation activities
.....

Other possible disaggregation:

Geographic

Region
Subregion
Country



Policy work: Objective (s)

- Identify country specific policy measures for curbing IFFs, improve tax collection and raise domestic revenues.
 - Focus on trade-based IFFs: illegal tax and commercial IFFs (trade mis-invoicing).

Based on UNCTAD 2021 and UNODC 2015: IFFs from Illegal Tax and Commercial Practices

Level (3)	Activities	Flows
08041	A1. Activities against public revenue provisions	F1. Transfer of wealth to evade taxes, i.e., flows related to undeclared offshore wealth: <ul style="list-style-type: none"> ○ Outright undeclared (concealed e.g., in secrecy jurisdictions) ○ Undeclared via instruments (Phantom corporations or shell companies, tax havens)
08042	A2. Acts against commercial or financial regulations	
08045	A3. Market manipulation or insider trading	
07019	A4. Other acts of fraud/acts of commercial fraud	
08049	A5. Other acts against public administration or regulatory provisions/other illegal and commercial tax acts	
		F2. Mis-invoicing <ul style="list-style-type: none"> ○ Under/over pricing ○ Multiple invoicing ○ Over/under reporting of quantities ○ Misclassification of tariff categories

Focus areas for policy analysis

1. Method 1: Partner Country Method Plus
 - Tax law and tax policy reform options
 - Multiple invoicing
 - Miss-classification of Tariff codes

 2. Method 2: Price Filter Method Plus
 - Addressing over pricing/under pricing
 - Multiple invoicing
-
- Ghana specific report with relevant policy options/lessons learned

Thank you!