

Joint measurement and policy workshop on illicit financial flows

Draft guidance to the interpretation of estimates

Diana Camerini

UN trade & development (UNCTAD)

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Overview

- 1. IFFs estimates: a critical tool**
- 2. First estimates: what do they tell us?**
- 3. Interpreting tax and commercial IFFs estimates**

IFFs estimates: a critical tool

IFF metrics can:

- Be essential tools for guiding policy makers and monitoring progress on SDG 16.4 (A/RES/78/140)
- prioritize efficient allocation of resources, pointing at which source is most prone to originate IFFs
- unlock analytical potential of existing data
- help prevention, detection, investigation
- support national risk assessment on money laundering and financing of terrorism (ML/TF) and mandatory Mutual Evaluation processes
- enhance transparency and accountability at both institutional and market levels.

First estimates: what do they tell us?

➤ Evidence emerging from preliminary estimates

Early estimates, not
published (yet)!

Tax and commercial IFFs:

- early estimates reveal significant IFFs from trade misinvoicing, 5-30% of total goods trade, 2X education spending and 5X health expenditure.
- countries with high IFFs can afford 25-58% less on education and health (UNCTAD EDAR report 2020).
- Most affected commodities:
 - Burkina Faso: petroleum, ore, beverages
 - South Africa: precious metal, stones, electrical machinery
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- Sectors: extractive industries, such as mining (gold, diamonds, copper) and oil industry, particularly vulnerable to IFFs through trade misinvoicing and profit shifting by multinational enterprise groups (MNE).
- Role of tax havens!

➤ Evidence emerging from first estimates

Crime-related IFFs:

- Drug trafficking major source of IFFs
- Mexican exports of methamphetamine, heroin and cocaine to the US valued at \$12.1 billion (annually)
- Afghanistan, Colombia, Myanmar and Peru also experienced billions of dollars of IFFs from cocaine and opiates trafficking.
- Spillover effects: outward IFFs in countries neighboring major opiates production hotspot in Asia
- Smuggling of migrants, trafficking in persons significant IFF sources.

Official estimates reported on the [Global SDG Indicators Database](#)

■ Crime-related IFFs

Mexico 🇲🇽
North America

The **trafficking in drugs** (heroin, cocaine, methamphetamine) was estimated to have generated **inward IFFs** in Mexico for **\$12 084 million** on average per year, between 2015 and 2018. In addition, the **smuggling of migrants** generated **\$1 116 million in inward IFFs** and **\$13.8 million in outward IFFs** on average per year between 2016 and 2018.

Colombia 🇨🇴
South America

Cocaine trafficking was estimated to have generated **inward IFFs between \$1 152 and \$8 619 million** annually between 2015 and 2019. **Cocaine trafficking** was estimated also to have generated value of **outward IFFs** from the import of inputs used in cocaine production **between \$197 million and \$267 million** per year, between 2015 and 2019.

Ecuador 🇪🇨
South America

The **smuggling of migrants** was estimated to have generated **outward IFFs** for an average of **\$13.6 million** per year, between 2016 and 2018.

Peru 🇵🇪
South America

Cocaine trafficking inward IFFs were estimated at an annual average of **\$1 482 million** between 2015 and 2017.

Bangladesh 🇬🇧
Asia

Drug trafficking is estimated to have generated an annual average of **\$481 million in outward IFFs** between 2017 and 2021. This estimate includes the trafficking in methamphetamine tablets, heroin and synthetic opioids such as buprenorphine and phensidyl.

Maldives 🇲🇻
Asia

Drug trafficking is estimated to have generated **outward IFFs** from the Maldives estimated at **\$16.4 million** on average per year, between 2020 and 2021. The estimate includes the trafficking in cannabis, heroin, cocaine and ecstasy.

Nepal 🇳🇵
Asia

Heroin trafficking was estimated to have generated **outward IFFs** from Nepal at annual average of **\$4.6 million** between 2019 and 2021. In addition, the recruitment of Nepali migrants exploited in **forced labour** abroad was estimated to have generated **inward IFFs** for **\$3.3 million** in 2021.

Afghanistan 🇦🇫
Asia

The potential **exports of opiates** from Afghanistan were estimated to have generated **between \$1 300 and \$2 233 million in inward IFFs** on average between 2018, 2019 and 2021.

Myanmar 🇲🇲
Asia

The potential **exports of opiates** from Myanmar were estimated to have generated **between \$508 and \$1 347 million in inward IFFs** on average between 2018 and 2022.

➤ SDG 16.4.1 reporting framework

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

Optional

Economic sector

ISIC4_A: Agriculture, forestry and fishing
ISIC4_B: Mining and quarrying
ISIC4_C: Manufacturing
.....

Commodity

HS 01, HS 02, ... HS 99

Other possible disaggregation:
Geographic
Region
Subregion
Country

➤ What can they tell us?

SDG 16.4.1 estimates can tell us directly:

- Amount
- Direction of the flows
- Activity at the source
- Depending on the disaggregation: most affected products, sectors, countries of origin and destination.
- Reflecting the past.

What they cannot tell us(directly):

- How much IFFs have been actually detected (other data sources?)
- How much has been/can be seized and confiscated
- How much has been/can be returned and recovered.

From observation to action!

- Identify policy and legislative frameworks which can be linked to estimates
 - Country-specific?
 - Role of disaggregated estimates
- Understand which mechanisms can be used to allow estimates to inform specific policy recommendations
- Understand potential of estimates to monitor policy effectiveness
 - > trends measurement for SDG 16.4.1

Statistical and policy expert collaboration is key!

Thank you

