

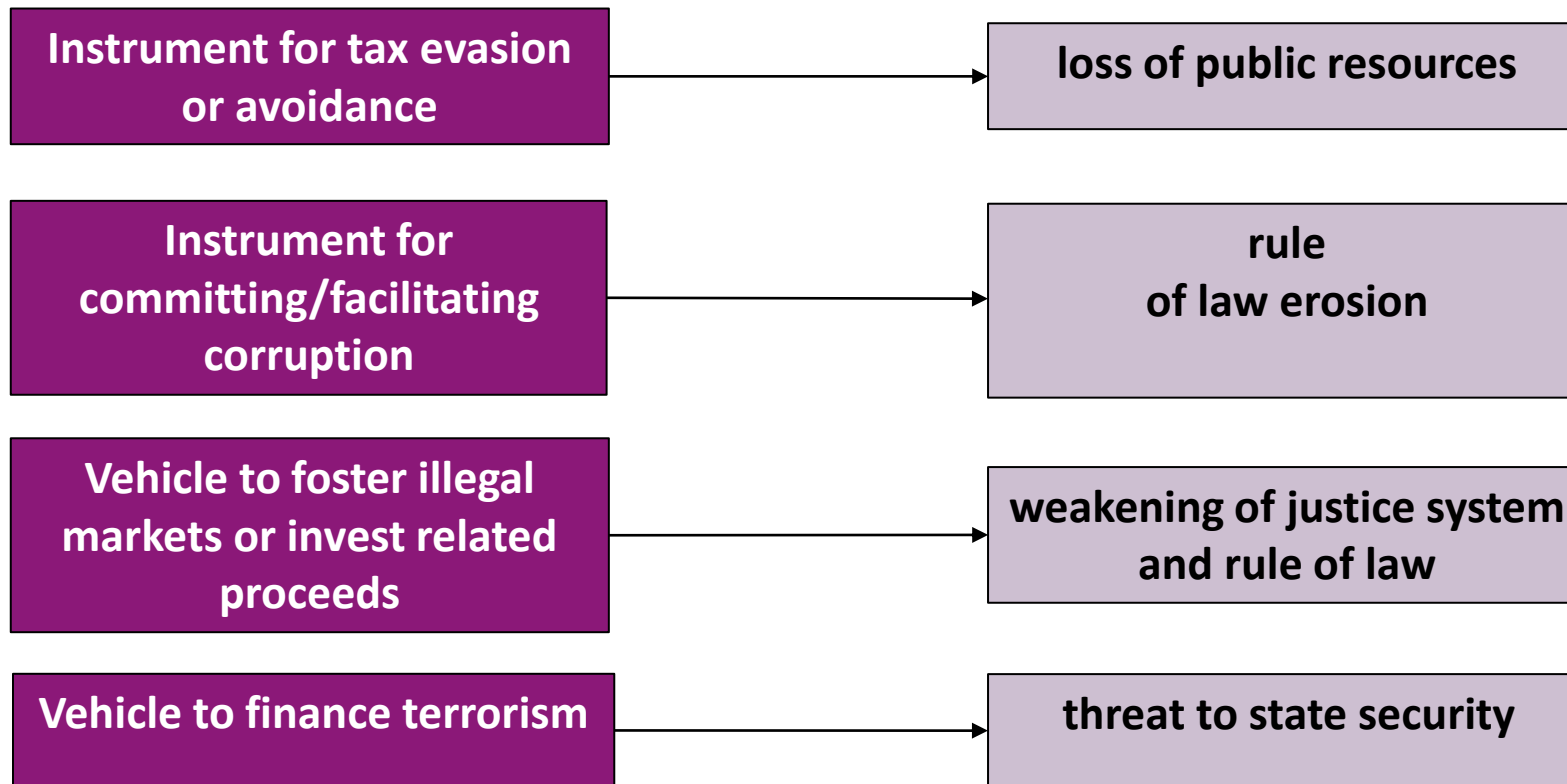
# Conceptual framework for the statistical measurement of Illicit Financial Flows

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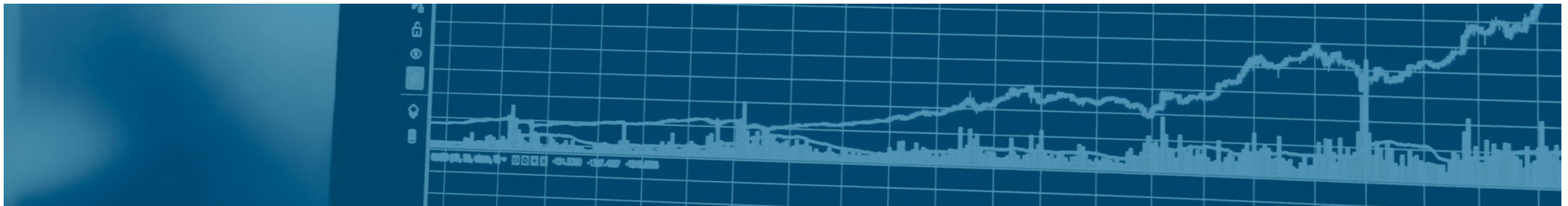
**Illicit financial flows related to trade, tax, and criminal activities**  
7 September 2022

# IFFs at the crossroad of multiple policy agendas



# Why is it important to measure IFFs?

- 1) Quantify resources to mobilize for the financing of the **2030 Agenda for Sustainable Development**
- 2) Define the **magnitude of the different sources** of IFFs and allow proper comparison
- 3) **Understand channels** of cross-border illicit transactions, to guide policy makers to define and improve tackling measures
- 4) **Monitor** impact of different policy actions to tackle IFFs



# 2030 Agenda



**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)

## UNCTAD and UNODC

- As co-custodians of SDG 16.4.1, the two agencies are mandated to collect and report statistics on IFFs
- SDG 16.4.1: previously Tier III, no agreed statistical definition and methods to measure IFFs



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



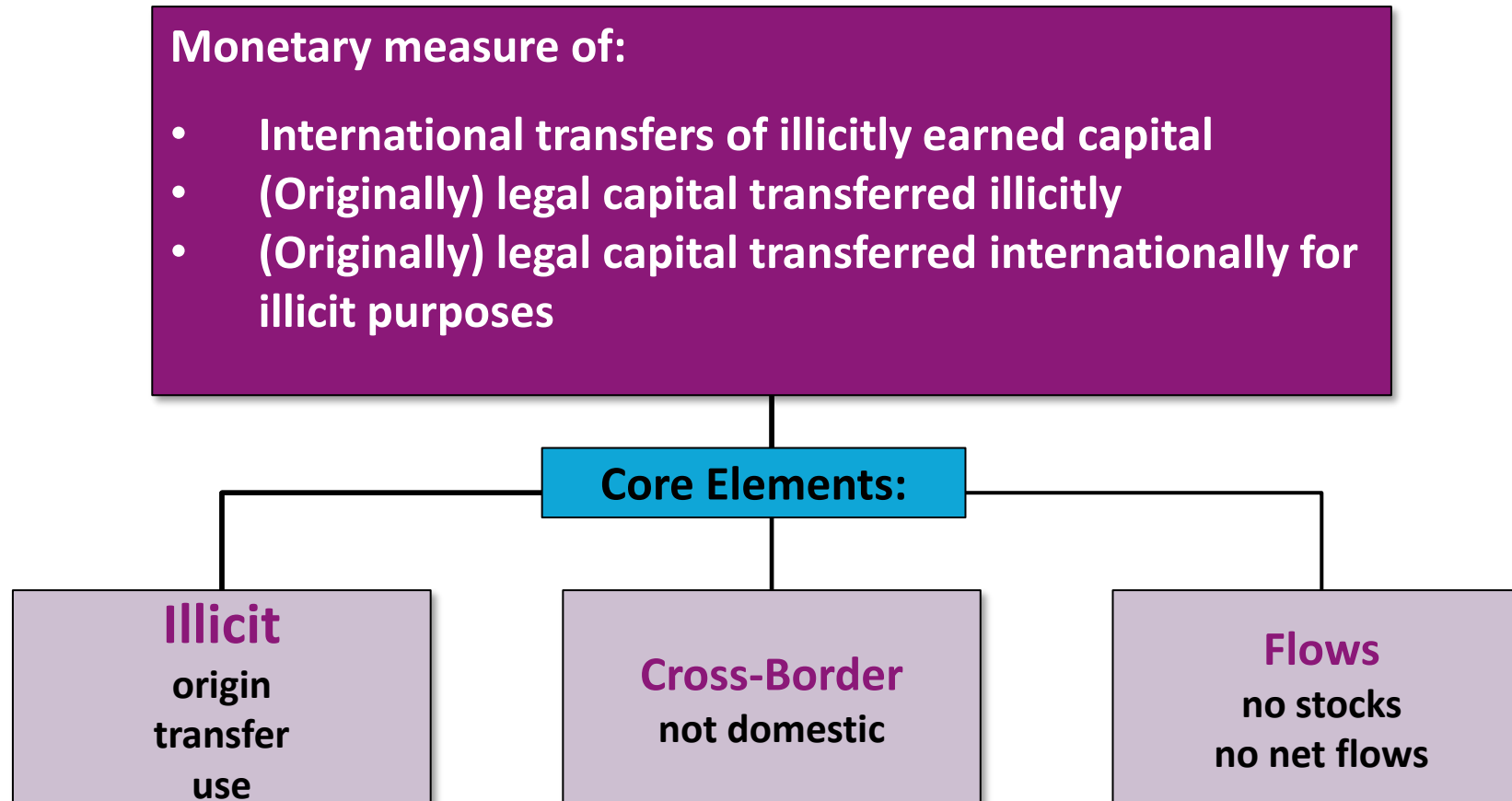
CONCEPTUAL FRAMEWORK FOR THE  
STATISTICAL MEASUREMENT OF  
ILLICIT FINANCIAL FLOWS

October 2020

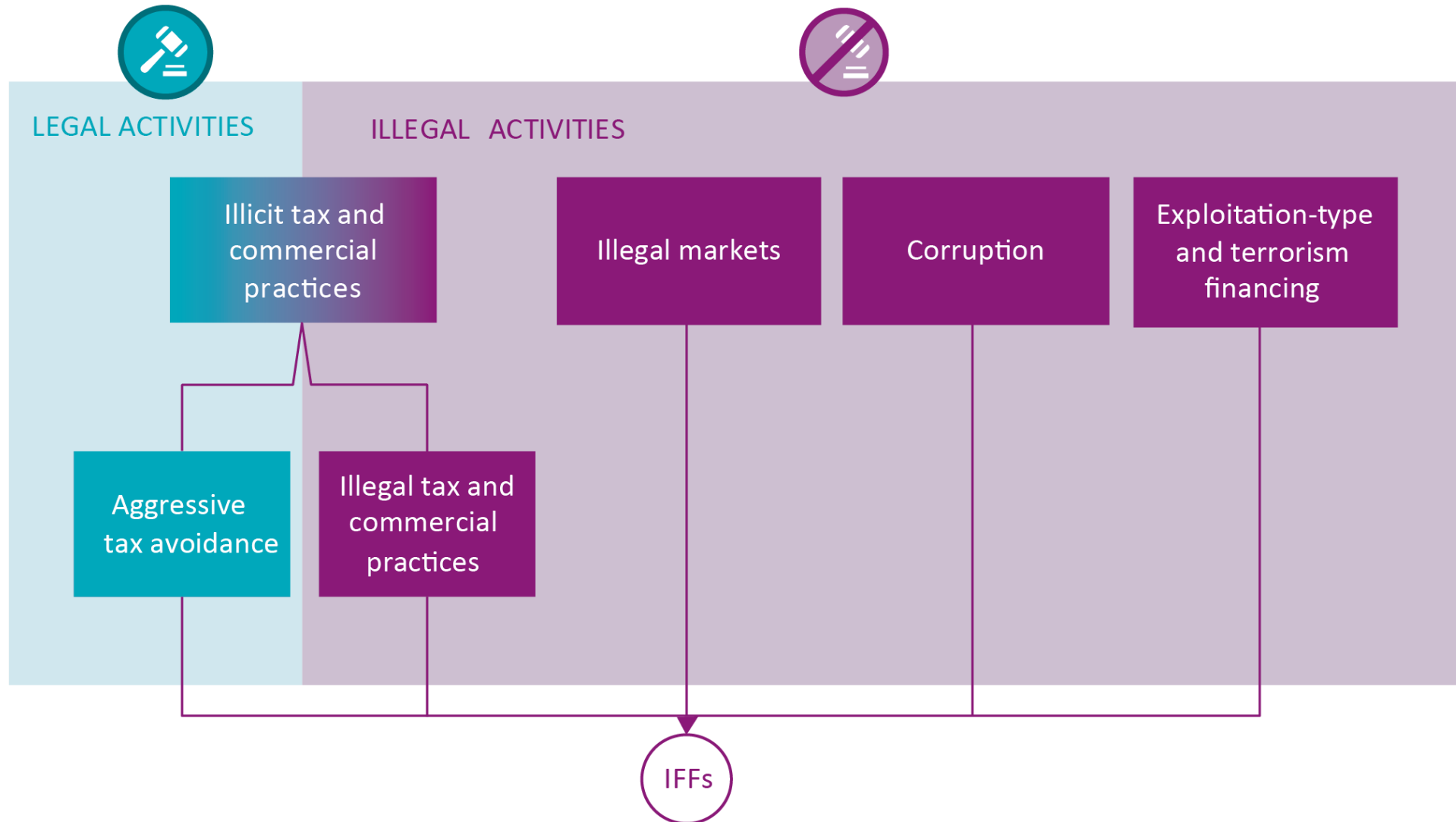


# IFFs for statistical purposes

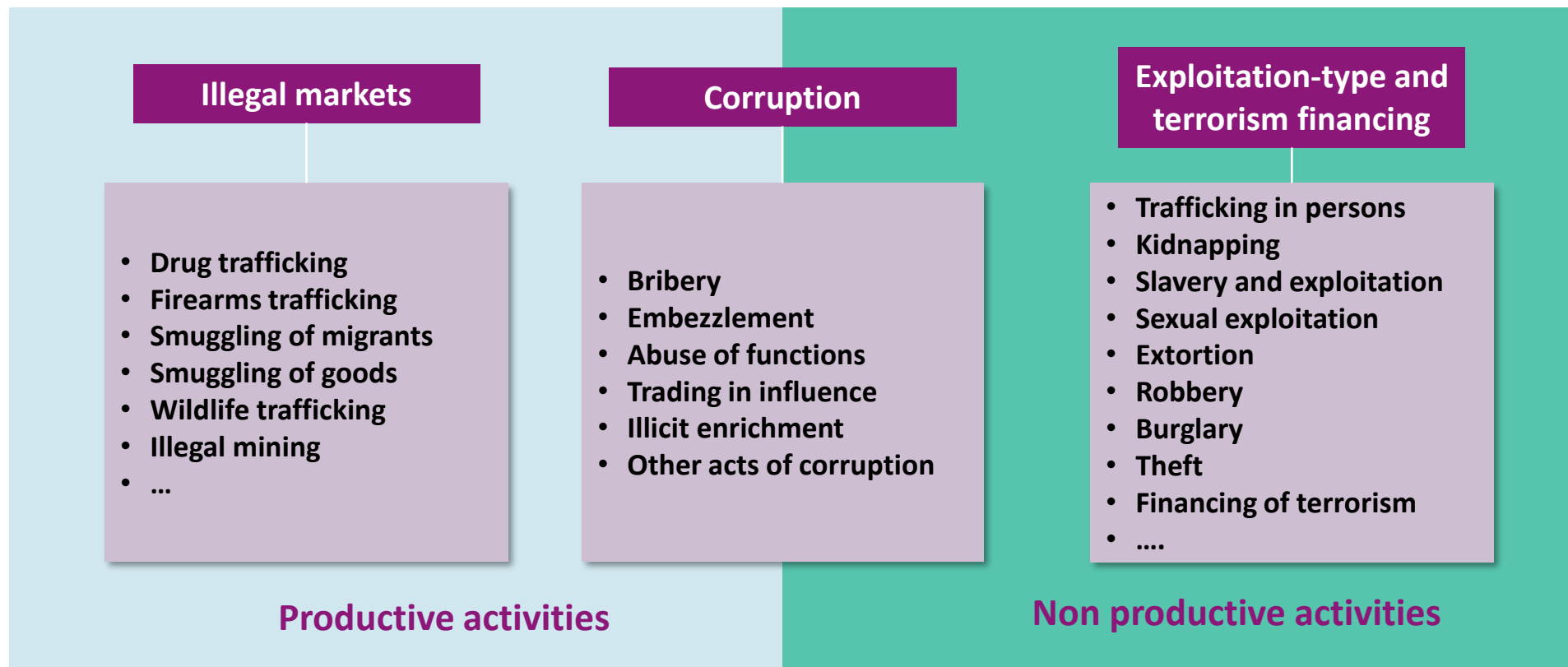
*“Financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.”*



# Four types of IFFs



# IFFs from illegal markets/activities



# Dual focus in Measuring IFFs

## Income Generation

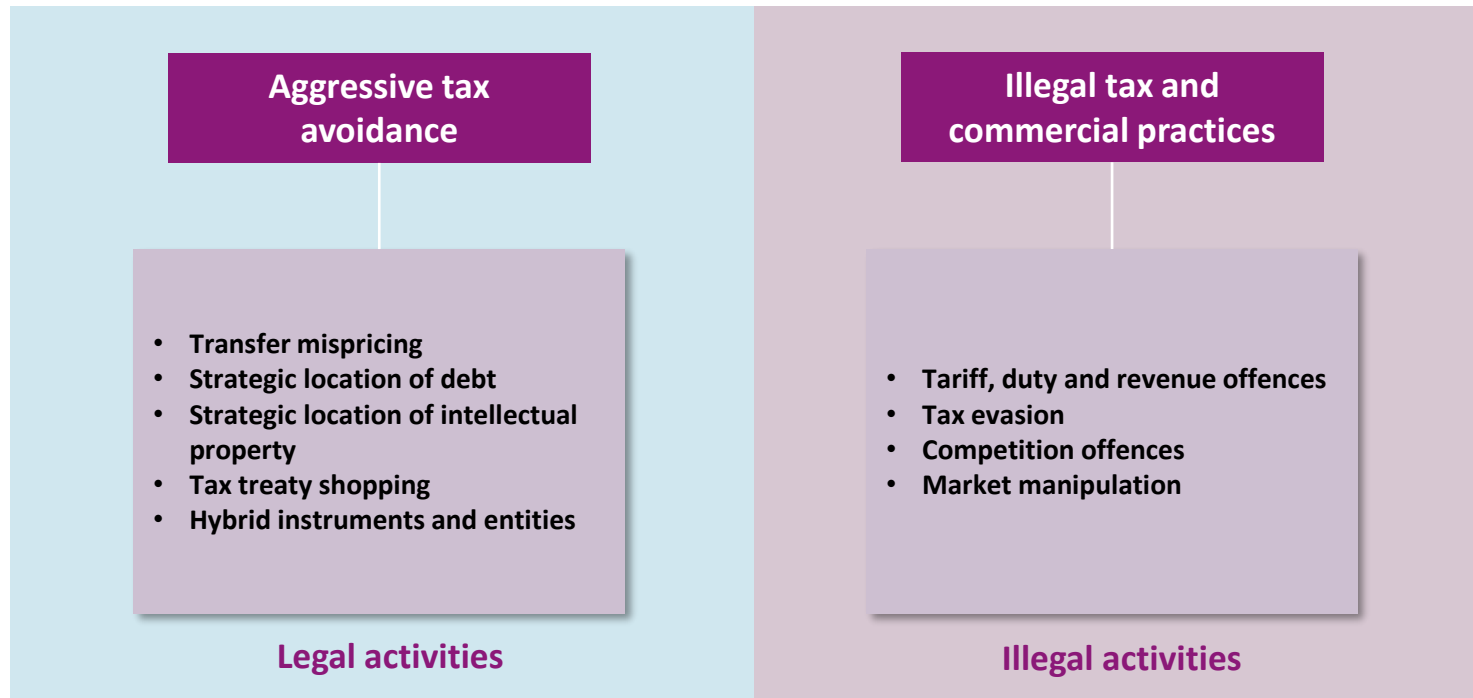
- Illicit financial flows connected to illicit markets and their functioning
- Linked to transnational supply and demand of illicit goods and services

## Income Management

- Illicit financial flows to manage income generated from illicit activities
- Linked to consumption and investment patterns of illicit actors



# IFFs from tax and commercial practices



# Illegal vs illicit

## Boundaries of aggressive tax planning

Using tax provisions  
in the spirit  
of the law

Rearrange international  
flow to avoid  
repatriation taxes

Reallocate the tax  
base to a  
lower-tax country

Reduce the base  
via a double  
deduction or double  
non-taxation

Illegal measures,  
e.g. non  
disclosure of income

Tax planning



Aggressive  
tax planning

Tax evasion



Source: Institute for Advanced Studies (2017).

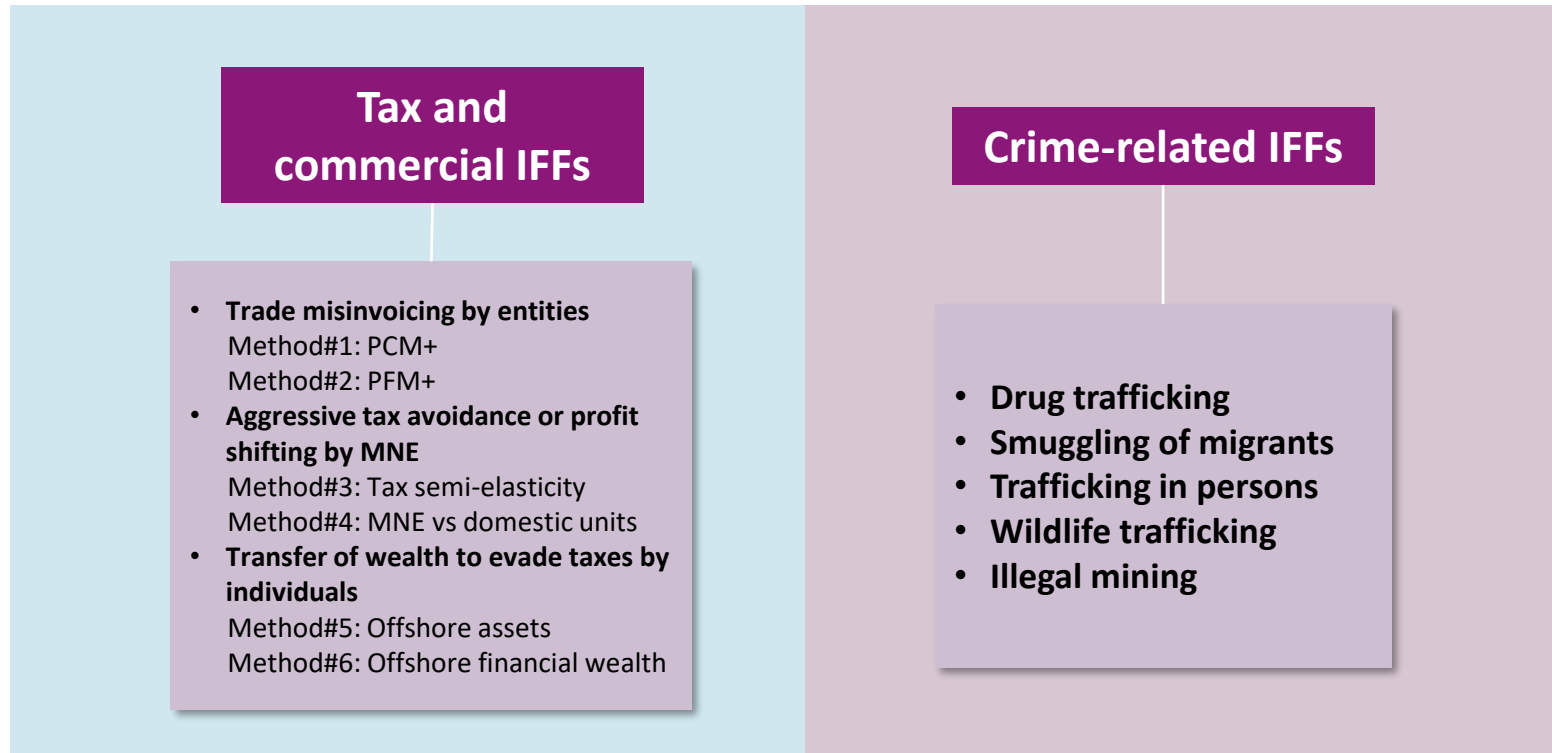
# Conceptual Framework for Measuring IFFs

- **Country-Level:** Allows to measure IFFs at the level of countries (in line with SDG indicator framework)
- **Disaggregated:** separate estimates for each IFF type
- **Comprehensive:** Encompasses main types of illicit activities that cause IFFs
- **Compatible:** Aligned to established concepts and standards from economics and accounting
- Endorsed by **UN Statistical Commission** in March 2022



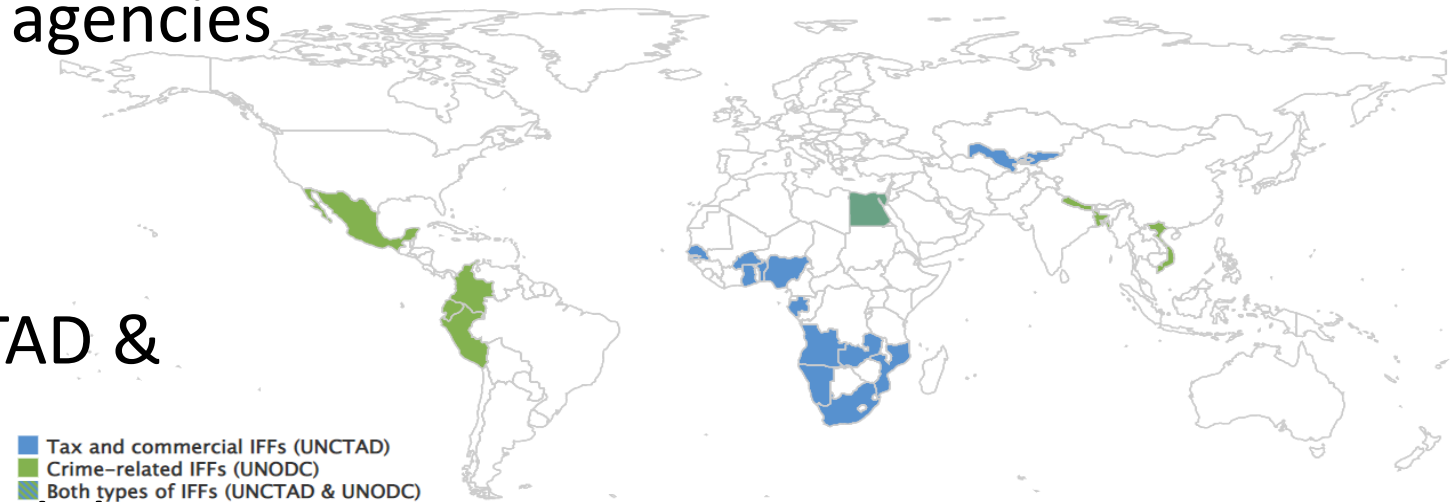
# Methodological Guidelines

- **UNCTAD/UNODC Task Force** on statistical measurement of IFFs



# Pilot testing methodologies

- **Multi-stakeholder process**, led by statistical authorities
- **Data scattered** across many agencies
- Pilots in several countries
- 22 countries by end 2022
- Supported by UNODC/UNCTAD & ECA, ECLAC, ESCAP
- Early results to refine methodologies



# Co-custodians to promote statistical work

- Conceptual **transparency**: Conceptual Framework
- Robust and **statistically sound** estimates: Methodological Guidelines
- Support countries and enhance **statistical capacity**
- Provide **evidence base** for policy formulation and action

# What the future brings?

- Continue working with Task Force
- Continue working with countries: express need to receive support
  - UN Development Account global project on IFFs 2023-2026
  - Technical cooperation
- Statistical Framework for the measurement of IFFs
- SDG reporting and monitoring on SDG indicator 16.4.1

# More information

[UNODC](#)

[UNCTAD](#)

[UNCTAD SDG Pulse](#)

[UNCTAD-ECA Africa project](#)

[UNODC-UNCTAD-ESCAP IFF Asia Project](#)

[UNODC-UNCTAD IFF Latin America project](#)