## IFF risk assessment template

*Depending on the focus of pilots, the risk assessment can address selected types of IFFs only, like tax and commercial IFFs or illegal mining etc. Please state such limitations of scope in the introduction.*

### I. Identification – environment for IFFs

#### Formal and informal economy, illegal markets

*Identify and take stock of existing research, knowledge, information and statistics, including estimates, on formal and informal economy, illegal markets, corruption and exploitation-type activities, deemed relevant for IFFs. These include, but are not limited to, tax rates, international trade flows, business statistics, including activities of MNEs[[1]](#footnote-2), financial cross-border transactions, illegal economy, informal economy, non-observed economy, etc. Make note of sources used (e.g., authors of research papers, interviews with experts, statistics collected).*

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#### Financial system and its vulnerabilities

*Explore the setup of financial system in a country, its integration into international system, with particular focus on reporting and respecting standards, such as reporting to Bank of International Settlement, the International Monetary Fund, participation in OECD’s Common Reporting Standard, etc. Identify who is required to report financial transactions crossing border and to whom. Make note of sources used (e.g., authors of research papers, interviews with experts, statistics collected).*

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#### Major trade and investment flows and partners

*Identify major[[2]](#footnote-3) import and export flows, including re-export, with partner country attribution, of goods and services accounting for approximately 75 per cent of specific trade flow. In a similar manner, observe inflows and outflows of foreign direct investment. Add relevant collected information not directly observable in the data, e.g., from interviews with customs experts. Make note of sources used (e.g., authors of research papers, interviews with experts, statistics collected).*

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#### Tax collection and tax gap

*Observe information, including audit reports and tax-expert knowledge, and statistics on tax base, collected taxes, broken down by types of taxes, and estimates of tax gap, ideally also broken down by domestic and cross-border tax gap (only the latter is relevant for IFFs)[[3]](#footnote-4). Make note of sources used (e.g., authors of research papers, interviews with experts, statistics collected).*

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### II. Analysis – assessment of IFFs

#### Categories and types of activities generating IFFs present in the country

*Based on obtained information, which of the four main categories of IFFs are present in the country? Which specific activities or flows of IFFs are relevant and prevalent in the country? Refer to provided table of activities and flows.*

*Provide, for each category, brief explanation and further information on the types of IFFs present in that category, as well as, if possible, information on which national institutions are active in each category in terms of regulatory or policy work, data collection and dissemination, providing expertise, or other. List supporting documentation, such as research papers, statistics, interviews, etc.*

Table 1. Activities that may generate illicit financial flows and types of flows

|  |  |  |  |
| --- | --- | --- | --- |
| **Categories** | **Activities** | **Flows** | **Comments or notes** |
| **Illicit commercial and tax activities - A. IFFs from** **illegal commercial** **and tax activities**  | **A1** Acts against public revenue provisions [08041]**A2** Acts against commercial or financial regulations [08042]**A3** Market manipulations or insider trading [08045]**A4** Acts of commercial fraud [07019]**A5** Other illegal commercial and tax acts [08049+] | **F1** Transfer of wealth to evade taxes, i.e., flows related to undeclared offshore wealth * + Outright undeclared (concealed e.g., in secrecy jurisdictions)
	+ Undeclared via instruments (Phantom corporations or shell companies, tax havens)

**F2** Misinvoicing * + Under/over pricing
	+ Multiple invoicing
	+ Over/under reporting of quantities
	+ Misclassification of tariff categories
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| **Illicit commercial and tax activities - B. IFFs from aggressive tax avoidance** | **B1** Acts departing from the arm’s length principle**B2** Acts related to strategic location of debt, assets, risks, or other corporate activities**B3** Other acts of aggressive tax avoidance | **F3** Transfer mispricing **F4** Debt shifting * + Intracompany loans
	+ Interest payments

**F5** Assets and intellectual property shifting* + Strategic location of intellectual property
	+ Strategic location of other assets
	+ Cost-sharing agreements
	+ Royalty payments
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| **Illegal markets** | ICCS includes a long list of activities, including for example: drug trafficking [060132], firearm trafficking [090121], illegal mining [10043], smuggling of migrants [08051], smuggling of goods [08044], wildlife trafficking [100312] | Flows related to illegal market acts listed in ICCS, including for example: drug trafficking [060132], firearm trafficking [090121], illegal mining [10043], smuggling of migrants [08051], smuggling of goods [08044], wildlife trafficking [100312] | Click or tap here to enter text. |
| **Corruption** | Bribery [07031]Embezzlement [07032]Abuse of functions [07033]Trading in influence [07034]Illicit enrichment [07035]Other acts of corruption [07039] | Flows related to corrupt acts listed in ICCS, including for example: Bribery [07031]Embezzlement [07032]Abuse of functions [07033]Trading in influence [07034]Illicit enrichment [07035]Other acts of corruption [07039] | Click or tap here to enter text. |
| **Exploitation-type activities and terrorism financing** | Kidnapping [020221]Slavery and exploitation [0203]Trafficking in persons [0204]Sexual exploitation [0302]Extortion [02051]Robbery [0401]Burglary [0501]Theft [0502]Financing of terrorism [09062] | Flows related to illegal market acts listed in ICCS, including for example: Kidnapping [020221]Slavery and exploitation [0203]Trafficking in persons [0204]Sexual exploitation [0302]Extortion [02051]Robbery [0401]Burglary [0501]Theft [0502]Financing of terrorism [09062] | Click or tap here to enter text. |

Source: UNCTAD (2021)[[4]](#footnote-5) and UNCTAD and UNODC (2020)[[5]](#footnote-6).

Note: Whenever possible, activities are based on categories of the ICCS[[6]](#footnote-7) [with corresponding codes in square brackets].

[ ]  IFFs from illicit commercial and tax practices

Click or tap here to enter text.

[ ]  IFFs from illegal markets

Click or tap here to enter text.

[ ]  IFFs from corruption

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[ ]  IFFs from exploitation-type activities and financing terrorism

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Additional or general comments:

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#### Commodities and service categories prone to IFFs

*Provide the list of identified products (commodities and service categories, ideally identified by the detailed level product classification, such as 6-digit HS[[7]](#footnote-8) or below) being particularly prone to IFFs. Make reference to sources of the information.*

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#### Enablers, likelihood, magnitude and effects of IFFs

*Make reference to and descriptions of sources of the information and potential tools, policy actions or responses, as well as research to either identify, measure the size or effect, or curb IFFs.*

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### III. Evaluation – response to IFFs

#### Legislative, governance and operational infrastructure

*Describe briefly the main legislation, policies and practices (including enforcement) that are in place related to IFFs, in particular those with relevance for statistical measurement. What are the needs for improvement, e.g., platforms for collaboration and information sharing between institutions?*

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#### Priorities for statistical work

*Analyse findings of the IFF risk assessment, identify gaps in statistics (e.g., which data would be needed, observing also their quality aspects and quality of results as per evaluation framework in Part IV of UNCTAD, 2021) and national statistical system (observing relevant national agencies with administrative data, statistics, mandate to collect and/or access statistics, provide expertise and methodological, infrastructure and other support) to suggest priorities for IFF statistical work in the short (1-5 years) and long (more than 5 years) terms.*

Short-term priorities:

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Long-term priorities:

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1. Multinational Enterprise Groups. [↑](#footnote-ref-2)
2. Provide most recent, but can also refer to a longer period, depending on data availability and suitability. [↑](#footnote-ref-3)
3. In terms of gathering the IFFs risk assessment, the purpose here is to identify whether there is a significant tax gap and, to the extent possible, how much of it can be attributed to the IFFs. [↑](#footnote-ref-4)
4. UNCTAD (2021): Methodological Guidelines on Tax and Commercial Illicit Financial Flows – Methods for pilot testing. Geneva, 2021. [↑](#footnote-ref-5)
5. UNCTAD and UNODC (2020). Conceptual Framework for the Statistical Measurement of Illicit Financial Flows. Vienna, 2020. [↑](#footnote-ref-6)
6. UNODC (2015). International Classification of Crime for Statistical Purposes (ICCS), Version 1.0. Vienna: UNODC, 2015. [↑](#footnote-ref-7)
7. The Harmonized Commodity Description and Coding System. [↑](#footnote-ref-8)