



Expert meeting on statistical methodologies for measuring illicit financial flows

Concept note

Countries lose substantial resources through illicit financial flows (IFFs). These flows differ across countries and regions, and may originate from several sources, such as illegal activities, tax avoidance, profit shifting, trade misinvoicing, corruption and other activities. IFFs divert resources and raise serious problems for the financing of development programmes. They may also undermine governance, hamper structural transformation and affect overall economic activity.

These risks have been recognized in the 2030 Agenda for Sustainable Development, especially in target 16.4 of the Sustainable Development Goals (SDGs) that calls to, “[b]y 2030, significantly reduce illicit financial flows and arms flow, strengthen the recovery and return of stolen assets and combat all forms of organised crime.” The Addis Ababa Action Agenda on financing for development also calls for a redoubling of efforts to substantially reduce IFFs by 2030. In addition, the Action Agenda invites the “appropriate international institutions and regional organizations to publish estimates of the volume and composition of illicit financial flows”.

However, there is no globally-accepted methodology to monitor IFFs. In fact, SDG indicator 16.4.1, “total value of inward and outward illicit financial flows”, of which UNCTAD and UNODC are joint custodians, is currently categorized as a Tier III indicator, meaning that its methodology still needs to be developed and agreed upon. The lack of statistical indicators on IFFs reduces clarity about how large these flows are, where they originate from and what consequences they have on institutions and economic activity. The absence of reliable, objective information undermines the ability to tackle the problems caused by these flows.

UNODC and UNCTAD, in collaboration with the UN Economic Commission for Africa (ECA) and the UN Economic Commission for Latin America and the Caribbean (ECLAC), have developed a programme of coordinated actions to develop, review and test a statistical methodology to monitor IFFs. Selected countries in Africa and Latin America will participate in the pilot phase of this programme. The goal is to develop general guidelines that can be used at the national and international levels to estimate the SDG indicator and monitor IFFs in general. The organisations held an initial expert consultation in December 2017 to gather global expertise on IFFs and initiate a technical discussion on the statistical approaches for the measurement of this type of flows. The upcoming consultation will build on the outcome of the previous meeting and further advance the development of the measurement methodology.

The aim of the meeting is to gather expert knowledge to develop the statistical measurement framework on IFFs and prepare guidance for the compilation of statistics on IFFs, including the SDG indicator 16.4.1. The meeting will:

- Advance the global work to develop and agree on the indicator methodology for the SDG indicator 16.4.1.
- Take stock of the outcomes of previous work and recent research on the possible measurement approaches.
- Discuss proposals on a comprehensive statistical measurement framework on IFFs, including concepts and definitions, methodologies, data requirements and sources.
- Address remaining open issues, such as development of methodologies to capture and measure profit shifting, corruption, etc.
- Review issues at stake at the countries and different regions that should be taken into account in a globally-accepted measure of IFFs.
- Agree on future methodological work, pilot implementation of the methodologies in different countries and regions, and discuss capacity gaps and needs for support.

Researchers and practitioners from international and regional organizations, national authorities, thinktanks and academia with expertise on the different types of illicit financial flows, their measurement and data sources, will be invited to participate. The meeting will be structured around interactive discussions among the participating experts. Background material is currently being prepared to initiate and guide the discussions during the meeting.

The expert meeting will be held on 20-22 June 2018 in the Room IV of the Palais des Nations in Geneva, Switzerland. The written material and discussions will be in English and no translation will be available. Please address any request for additional information to fernando.cantu@unctad.org