

# ECOSOC Financing for Development Forum, New York, 17-21 April 2023

## Side event “Measuring Illicit Financial Flows (IFFs) to finance development.”

18 April 2023, 8:00am-9:30am NY time

Organized by UNCTAD, ECA, ESCAP

Concept note

### **Abstract**

Illicit financial flows (IFFs) present themselves in the form of aggressive tax avoidance and tax evasion, trade mis-invoicing and profit shifting, corruption and transnational organised crime. Global leaders have recognised the impact of IFFs on sustainable development financing. Specifically, IFFs deprive countries of the much-needed revenue to finance sustainable development endeavours such as mitigating the effects of climate change, education, green economy, poverty eradication, health, gender inclusion among others. It is therefore important to quantify and analyse IFFs from various sources, and design and implement relevant policies within integrated national financing frameworks for sustainable development. To support policy efforts and countries reporting towards Agenda 2030, UNCTAD and UNODC, co-custodians of SDG Indicator 16.4.1 “total value of inward and outward illicit financial flows” have pilot tested methodological guidelines to measure and estimate tax and commercial IFFs as well as crime related IFFs in 22 countries, in collaboration with UN Regional Commissions. Their expertise guides further work on policy formulation to curb IFFs.

### **Full description**

The United Nations General Assembly adopted the indicator framework for the monitoring of progress towards SDGs with indicator 16.4.1 on the “total value of inward and outward illicit financial flows (in United States dollars)” selected as one of two indicators to measure progress towards target 16.4 to “significantly reduce illicit financial (and arms) flows by 2030, strengthen the recovery and return of stolen assets and combat all forms of organized crime”. UNCTAD and UNODC are custodian agencies of indicator 16.4.1 and their respective statistical sections jointly developed a Conceptual Framework for the Statistical Measurement of Illicit Financial Flows in 2020. The Framework was endorsed by the UN Statistical Commission in March 2022.

To date, methodologies to measure IFFs have been tested by 22 countries on three continents in efforts coordinated by UN regional commissions and UNODC field Offices (on crime related IFFs), alongside UNCTAD and UNODC statistics. This includes 12 African countries, 4 Latin American and 6 Asian countries that have produced first estimates of commercial or crime-related IFFs. As lessons are learned and estimation methods are tested and refined, interest from countries to systematically and regularly measure IFFs is growing, and a global effort by all UN regional commissions and the custodian agencies starts in 2023. During the first quarter of the year, for SDG reporting, UNODC has provided the first ever data on crime-related IFFs for SDG indicator 16.4.1.

On 7 December 2022, a resolution A/RES/77/154 by the 2nd Committee of the General Assembly on IFFs recognized the significant progress and availability of concepts and tested methods to measure IFFs and encouraged “all Member States to report on Sustainable Development Goal indicator 16.4.1, using the methodology adopted by the Statistical Commission, and called upon the United Nations system entities, international organizations and donors to work in coordination with the custodian agencies to train national statistical offices and other entities in charge of reporting on illicit financial flows on these agreed methods”. Building on this, further work is ongoing on designing appropriate policy actions to identify and address IFFs to achieve sustainable development for all.

The side event, co-organized by UNCTAD, ECA and ESCAP will showcase success stories in the measurement of IFFs and share key lessons that are critical to regularizing the production of data on SDG 16.4.1 and how it can support policy actions. Conceptual and methodological work, both in measurement and policy formulation, will be presented by the UN, and the successes and lessons will be presented by two pioneering country experts.

## Agenda

<b>When</b>	<b>What</b>	<b>Who</b>
8:00-8:10	<b>Introductions</b>	UNCTAD, ECA, ESCAP
8:10-8:40	<b>Measuring tax and commercial IFFs – countries’ experiences and results</b>	UNCTAD, ESCAP (Kyrgyzstan), ECA (Namibia and Zambia)
8:40-9:25	<b>Connecting IFF measurement and policy</b>	UNCTAD, ECA, ESCAP
9:25-9:30	<b>Closing</b>	UNCTAD, ECA, ESCAP