

Evidence based DRM reforms building on qualitative and quantitative research

Presented by

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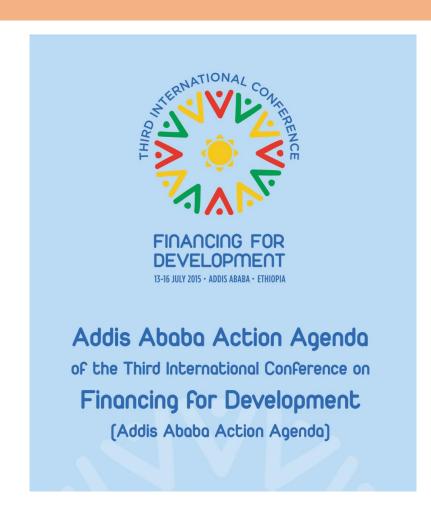
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Domestic resource mobilization as the critical element of AAAA

National Ownership

Stability



Country Priorities

Self-sufficiency/equity/strong institutions

Examples of financing policy areas in the context of INFFs

PUBLIC FINANCE (AAAA Action Areas A and C):

Public revenue
Public borrowing
Public expenditure
Public investment
Illicit Financial Flows
International Development Cooperation

PRIVATE FINANCE AND INVESTMENT (AAAA Action Area B):

Commercial investment

Private investment Impact investment

Non-commercial

Remittances
Philanthropic giving

MACROECONOMIC/ SYSTEMIC CONDITIONS (AAAA Actions Areas E and F):

Debt sustainability

Macroeconomic and financial sector stability

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The HLP on IFFs/ Mbeki Panel recommendation

Of the 21 recommendations of the Mbeki Panel report, two specific ones were:

- Study potential methodologies for addressing IFFs; and
- ECA to produce operational measures against IFFs.



Monetary and nonmonetary aspect



Africa loses \$50 billion/year in IFFs, an equivalent to...



3/4 the yearly amount required to progress on SDG 3



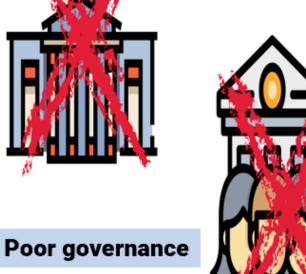
1 ¼ the amount needed per year to achieve SDG 4



1/3 the annual funding needed to achieve SDG 9









Compromised rule of law

Steps taken to prepare for country work

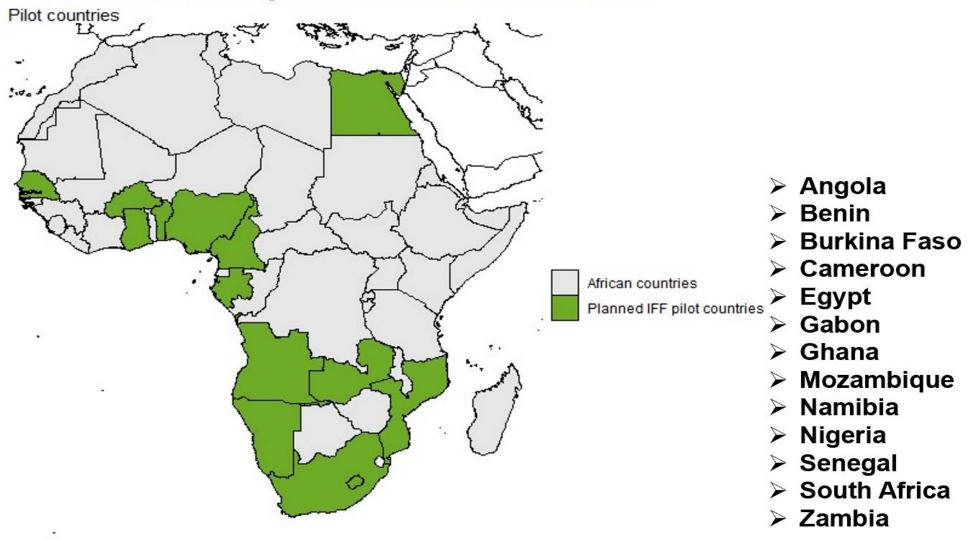
- July 2017: UN General Assembly adopted the SDG indicator framework / UNCTAD and UNODC as custodians of SDG 16.4.1
- 2017-2018: IFF expert consultations and a stock take of IFF research
- January 2019: Task Force on the Statistical Measurement of IFFs launched by UNECA, UNCTAD and UNODC
- October 2019: <u>SDG metadata</u> on concepts and methods was approved by IAEG-SDGs and UN Statistical Commission
- October 2020: <u>Conceptual Framework</u> for the Statistical Measurement of IFFs
- Methodological Guidelines (being finalised)



- In February, a questionnaire has been sent to countries to express their interest.
- Launch pilots in a continental workshop on statistical methodologies to measure IFFs in Africa
- Make available global guidelines, instructions and training material
- Provide continuous technical support and a help desk for the duration of pilot testing in countries
- Allocate funds to cover limited direct costs or assign an expert to guide and coordinate work

Countries expressing interest

Pilot activities for measuring illicit financial flows in African countries



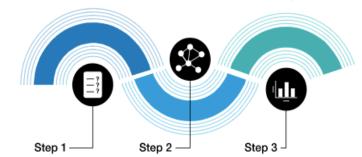
Project milestones



Support national authorities in the pilot testing of the measurement of selected **IFFs**

- > IFF Risk Assessment
- Mapping of agencies
- > Technical Working Group (TWG) on IFFs
- > Training and resources
- Data availability review
- Support during pilot testing
- Wrap-up meeting and action plan

Step-by-step journey to start measuring IFFs



Self-assessment with an initial IFFs risk assessment

As the types and extent of IFFs differ by country, it is essential to assess the local situation before starting the measurement journey.

A useful and crucial first step is to conduct an IFF risk assessment to review existing statistics and information.

This will help to:

- Highlight priorities and challenges
- Allow the pilot project team to tailor the measuring process to the country's particular needs

To ensure the ideal combination of technical skills, it is vital to identify and involve the relevant national institutions in the measurement process. These may include:

- National statistical authority
- · Policy-making bodies
- · Tax and regulatory bodies
- Financial intelligence centres/ intelligence and security services
- Law enforcement/ prosecutorial authorities
- Ministries of foreign affairs and trade
- Chambers of commerce
- International/ foreign partners.

This step involves determining what data is available and assessing its usefulness and quality.

As IFFs are clandestine in nature, accessing accurate data is often a challenge and should be factored in when undertaking a statistical measurement process. The availability of data also determines which flows can be measured and which methods are chosen, thus affecting the next steps in the

Self-assessment questionnaire to prepare for the measurement of

IFF risk assessment template

Tools used

Tools used Mapping of national

Tools used

Data availability and quality review by method

Step-by-step measurement journey



Method selection

Method selection is based on the availability and quality of data on tax and commercial flows in a specific country. Useful tools include:

- A tier-classification assessment, suggested for choosing the most appropriate method for the local situation.
- Method fact sheets, which have been made available to further refine the selection process.

To ensure reliable and robust results, it is recommended that, if possible, more than one method be applied when measuring IFFs.

(Other countries to be added) The national statistical authority, with input from experts and stakeholders, draws up a pilot testing plan based on the country's

Measuring all IFFs in a. country is a near-impossible task, therefore the focus should be on identifying:

- · The most prevalent and detrimental types of flow
- The most crucial data needs of that country

An operational definition is a clear, concise and detailed description of what an indicator is attempting to capture

This step involves testing the chosen measurement methods with the available data in one or two aspects or sectors to produce initial estimates of the flows. specific circumstances.

> Through iteration and testing, the process can then be refined until it is possible to conduct a comprehensive analysis of the IFFs at country

Estimates can be shared with other participating pilot countries and later published in a clear and transparent manner at an appropriate time.

Criteria for assigning points in the quality assessment framework

Tools used

Method fact sheets



Action plan template Additional tools: Pilot study report template Additional tools: Proposed work plan Additional tools: Terms of reference

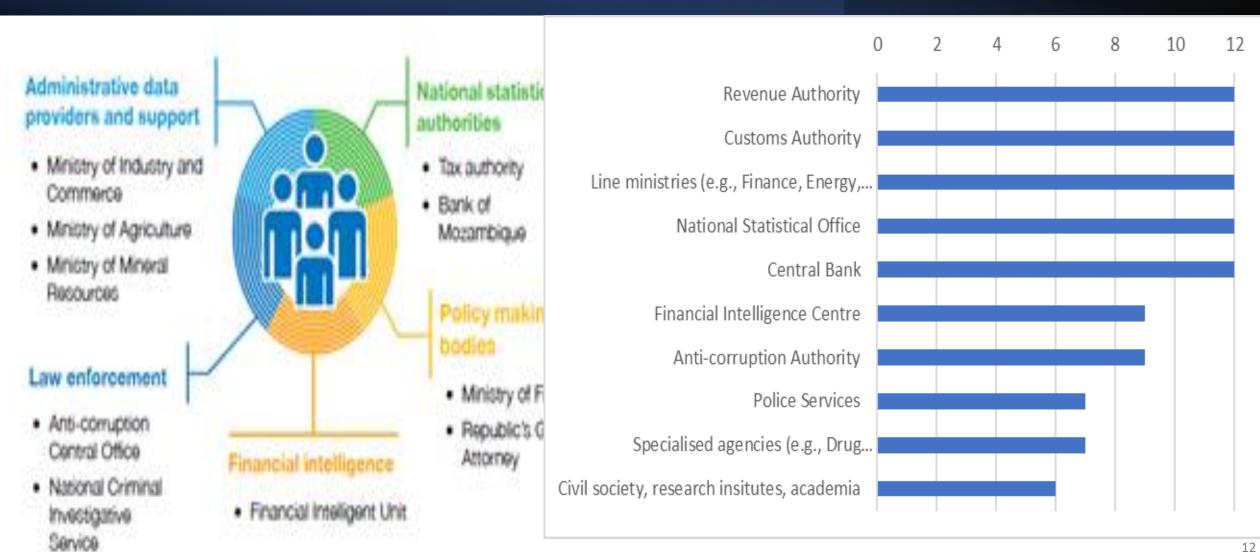






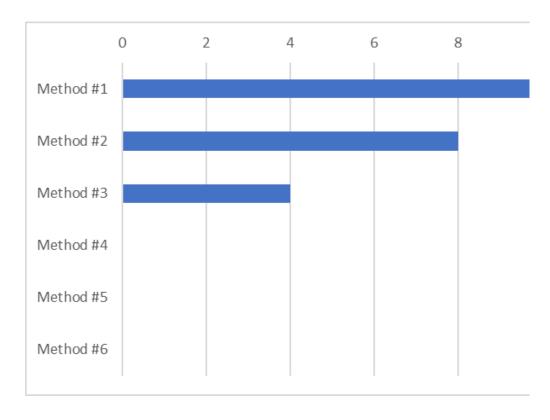


TWG Key Members



Choice of methods

- Method 1: Partner Country Method
- Method 2: Price Filter Method
- Method 3: Global distribution of multi-national enterprise groups' (MNEs) profits and corporate taxes
- Method 4:MNE versus comparable non-MNE profit shifting
- Method 5: Flows of undeclared offshore assets indicator
- Method 6: Flows of offshore financial wealth by country



What have we learned from this exercise?

- Definitions, Methodologies and Concepts
- Data Access, Data Quality, Data Confidentiality
- Learning, Iteration, and Transparency
- Building Communities of Practice to Encourage Learning and Sustainability
- Validation is Key
- Formalisation or Operationalisation of the TWGs and Resources to Fund

What's next?

- Measurement of IFFs is the first step in identifying threats and risks from IFFs.
- The next step is to conduct a country risk profile on the IFFs.
- This will inform the policy processes to curb IFFs, which is the next stage of the process and is part of the global programme to curb IFFs through DA15 and partnering with the African Union Commission (AUC), the African Tax Administration Forum (ATAF), the African Development Bank (AfDB), the Tax Justice Network-Africa (TJNA), and the African Union High Level Panel on IFFs
- A holistic approach to economic governance and public finance



THANK YOU

