REGIONAL TRAINING ON MEASURING SDG16 IN AFRICA PEACE, JUSTICE AND STRONG INSTITUTIONS

MEASURING SDG 16.4.1 UNCTAD-UNODC CONCEPTUAL FRAMEWORK FOR THE STATISTICAL MEASUREMENT OF ILLICIT FINANCIAL FLOWS

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IFFs at the crossroad of multiple policy agendas

- **Instrument for tax evasion or avoidance** → **loss of public resources**
- **Instrument for committing/facilitating corruption** → **rule of law erosion**
- **Vehicle to foster illegal markets or invest related proceeds** → **weakening of justice system and rule of law**
- **Vehicle to finance terrorism** → **threat to state security**
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)

• UNODC and UNCTAD, as co-custodians of indicator 16.4.1, are mandated to develop the statistical methodology
Monetary measure of:

- International transfers of illicitly earned capital
- (Originally) legal capital transferred internationally for illicit purposes
- (Originally) legal capital transferred illicitly

Core Elements:

- Illicit
- Cross-Border not domestic
- Flows no stocks no net flows
Distinguishing four types of IFFs

- **LEGAL ACTIVITIES**
  - Illicit tax and commercial practices
  - Aggressive tax avoidance

- **ILLEGAL ACTIVITIES**
  - Illegal markets
  - Corruption
  - Exploitation-type and terrorism financing

IFFs
IFFs from illegal markets/activities

- Illegal markets
  - Drug trafficking
  - Firearm trafficking
  - Illegal mining
  - Smuggling of migrants
  - Smuggling of goods
  - Wildlife trafficking
  - ...

- Corruption
  - Bribery
  - Embezzlement
  - Abuse of functions
  - Trading in influence
  - Illicit enrichment
  - Other acts of corruption

- Exploitation-type and terrorism financing
  - Kidnapping
  - Slavery and exploitation
  - Trafficking in persons
  - Sexual exploitation
  - Extortion
  - Robbery
  - Burglary
  - Theft
  - Financing of terrorism

- Productive activities
- Non productive activities
Example: IFFs emerging from drug trafficking

Drug importing and consumption country

IFF

Drug processing, wholesale and retail sale

Value is generated

IFF

IFF
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
Value (in billion USD) of trade in agricultural products vs opiates trafficking
Afghanistan (2018)

Source: UNODC Estimates (Opiates trafficking), FAOstat (Trade in agricultural products)
Key features:

- **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
THANK YOU FOR YOUR ATTENTION


UNODC Data: https://dataunodc.un.org/

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