Statistical measurement of illicit financial flows and asset recovery data

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The Sustainable Development Goals and illicit financial flows

❖ Target: 16.4: “By 2030 significantly reduce illicit financial and arms flows, strengthen 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 United States dollars)”

❖ Co-custodians: UNODC and UNCTAD, mandated to collect and disseminate data on IFFs

❖ In 2015: No agreed definition of IFFs, nor measurement scope
UNODC-UNCTAD key activities and achievements

1. From 2017
   Identify a definition and a measurement framework through:
   • Global expert consultations
   • Task Force on the statistical measurement of illicit financial flows

2. October 2020
   Launch of the Conceptual Framework for the Statistical Measurement of IFFs

3. March 2022
   Conceptual framework endorsed by the UN Statistical Commission at its 53rd Session
Statistical definition and classification of IFFs

Definition for statistical purposes:

Illicit financial flows are “Financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.”

Core elements

✓ Illicit -> not only illegal
✓ Cross-border -> not domestic
✓ Exchange of value -> not limited to financial assets. Any transaction form (cash, barter, remittances...) involving any type of assets (real estate, precious metals, equities...)

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Income generation vs income management

**Income generation IFFs**
- IFFs connected to illicit markets and their functioning
- Linked to transnational supply and demand of illicit goods and services

**Income management IFFs**
- IFFs to manage income generated from illicit activities
- Linked to consumption and investment patterns of illicit actors
**Main methodological features**

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<th>Feature</th>
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<td>Disaggregated: separate estimates for each IFF type</td>
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<td>Bottom-up approach: starts from estimation of the value generated by illicit activities, to derive the amount of criminal proceeds available for domestic and cross-border laundering (IFFs)</td>
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<td>Comprehensive: encompasses all main types of illicit activities that cause IFFs</td>
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<td>Country-Level: Allows to measure IFFs at the level of countries (in line with SDG indicator framework)</td>
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<td>Compatible:Aligned to established concepts and standards from economics and accounting (system of national accounts and balance of payments)</td>
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Example: Measuring IFFs from drug trafficking

Estimating income generation IFFs

Export of drugs

INWARD IFF

Value = quantity * price

Demand-supply balance

PRODUCTION + IMPORTS – SEIZURES = CONSUMPTION + EXPORT

Import of drugs

OUTWARD IFF

Collected by LEA/intelligence
Data requirements – income generation IFFs (optional slide)

Production
- Cultivation
- Manufacturing
- Purities (wholesale/retail)
- Prices (wholesale/retail)

Consumption
- Quantity of used drugs
- Prevalence of drug use

Exports
- Production
- Exports

Imports
- Imports
- Consumption

Axioms:
1. Exports = Production + imports - seizures - consumption
2. Imports = exports + seizures + consumption - production
Measuring income management IFFs

- Measurement of IFFs linked to money laundering activities
- Methodology under development
- A number of potential indirect indicators are considered, from different data sources

Potential data sources:
- Suspicious transaction reports
- Seized and confiscated assets data
- Cash transfer reports
- Data from business registries/complex ownership structures/BO
- Media news and open-source intelligence
Asset recovery data and IFFs measurement

✓ Asset recovery data are essential to measure illicit financial flows related to income management
✓ Data on recovered assets reveal patterns of criminal investments and infiltration (location of cross-border investments, type of assets....)

Possible useful indirect indicators from asset recovery databases:
• Total value of seized and confiscated assets
• Proportion of seized and confiscated assets by predicate offence
• Proportion of assets seized and confiscated to criminal organizations operating across the borders
• Proportion of cross-border seizures and confiscation of criminal assets (cross-border asset recovery)
• Proportion of seized and confiscated assets by type of assets (cash, real estate, businesses)

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Thank you for listening.

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