16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Thematic discussion 4 - Collection of information on international asset returns, including challenges, good practices and lessons learned

Statistical measurement of illicit financial flows and asset recovery data

9 November 2022

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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

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UNODC-UNCTAD key activities and achievements

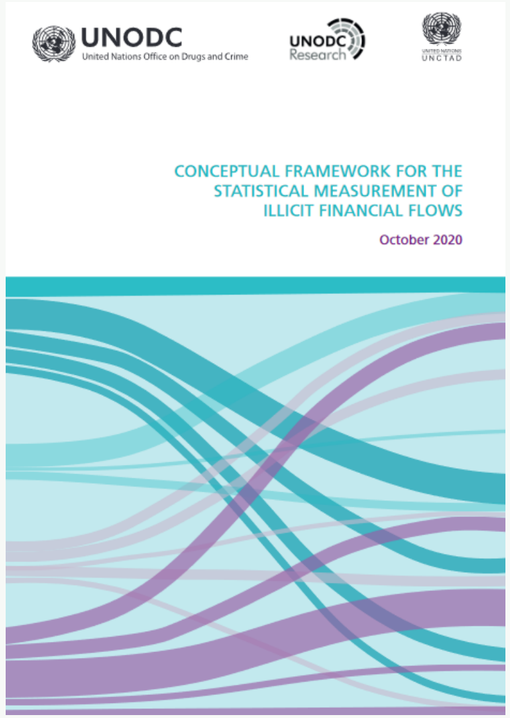
1 From 2017

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



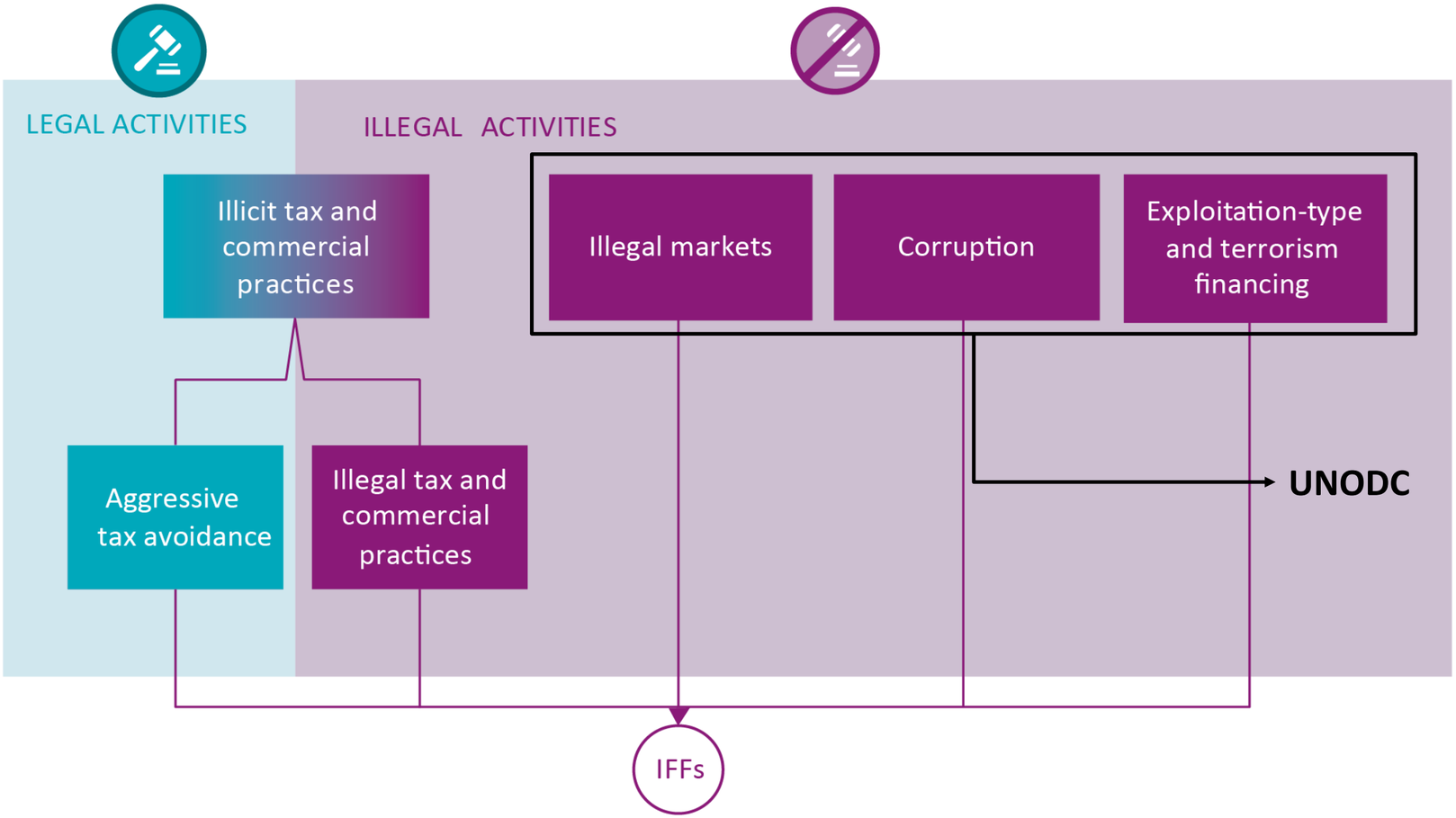
3 March 2022

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 <u>**any type of assets**</u> (real estate, precious metals, equities…)

Income generation vs income management

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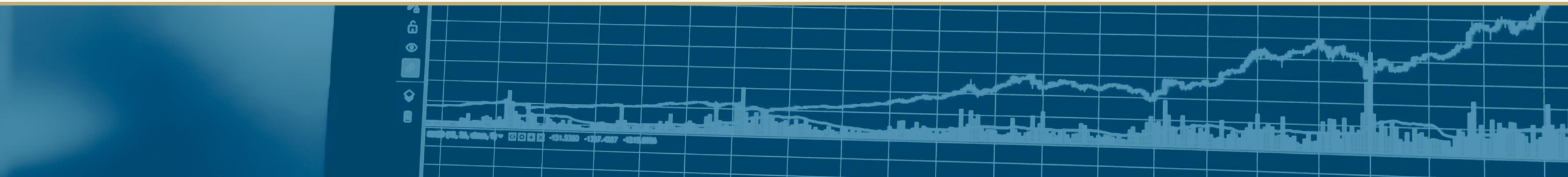
Income generation IFFs

- 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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Disaggregated: separate estimates for each IFF type

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)

Comprehensive: encompasses all main types of illicit activities that cause IFFs

Country-Level: Allows to measure IFFs at the level of countries (in line with SDG indicator framework)

Compatible: Aligned to established concepts and standards from economics and accounting (system of national accounts and balance of payments)

Example: Measuring IFFs from drug trafficking

Estimating income generation IFFs

Export of drugs

Import of drugs

INWARD IFF

OUTWARD IFF

Value = quantity * price

Collected by LEA/intelligence

Demand-supply balance

PRODUCTION + IMPORTS – SEIZURES = CONSUMPTION + EXPORT

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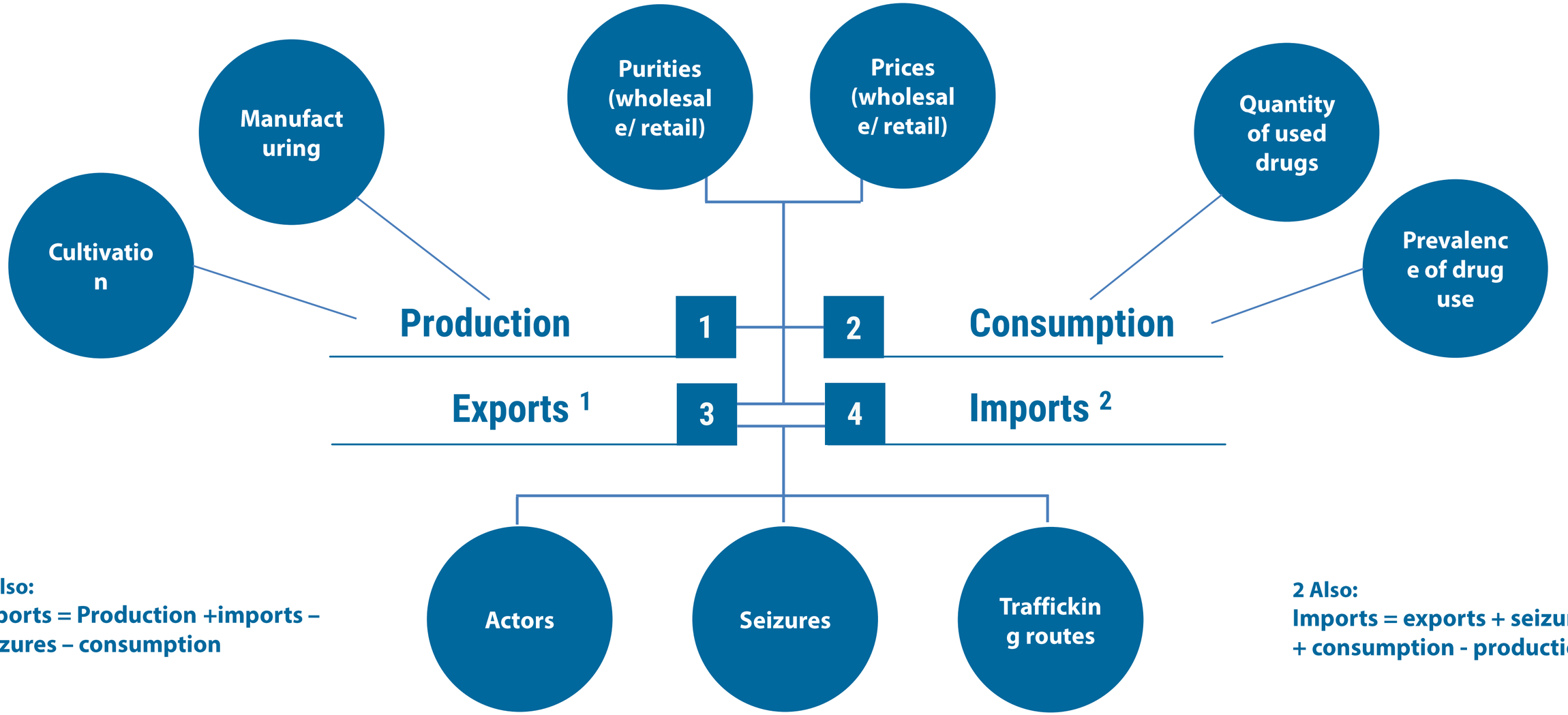
Data requirements – income generation IFFs (optional slide)



1 Also:
Exports = Production +imports – seizures – consumption

2 Also:
Imports = exports + seizures + consumption - production

Income management IFF data sources

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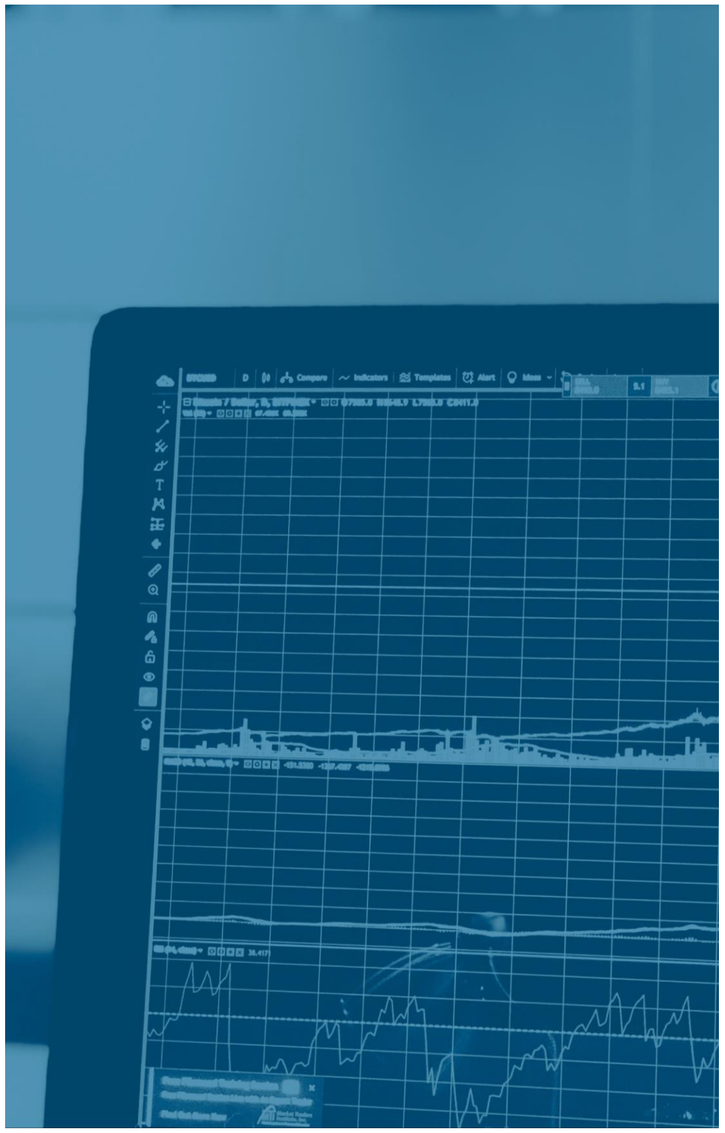
Measuring income management IFFs

- 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

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- ✓ 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)

…

Thank you for listening.

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