

Goal 16

Target Number: 16.4

Indicator Number and Name: 16.4.1 Total value of inward and outward illicit financial flows (in current USD)

Agency: UNODC and UNCTAD

Has work for the development of this indicator begun?

Yes. A number of technical consultations have been held with experts from national statistical authorities, international agencies and individual experts by both UNODC and UNCTAD. Thus, a network of relevant agencies and parties has been identified and a number of methodological approaches have been discussed.

Two expert consultations were jointly organized by UNODC and UNCTAD:

- UNODC-UNCTAD Expert Consultation on the SDG Indicator on Illicit Financial Flows (IFF) (Vienna, 12-14 December 2017, <http://www.unodc.org/unodc/en/data-and-analysis/statistics/expert-consultation-iff.html>)
- Second UNCTAD -UNODC Expert Meeting on "Statistical methodologies for measuring illicit financial flows" (Geneva, 20-22 June 2018, <https://www.unodc.org/unodc/en/data-and-analysis/statistics/Expert-Meeting-Measuring-Illicit-Financial-Flows.html>)

The expert consultations clarified that this is a multidimensional indicator covering financial flows from different sources and transferred using a variety of channels. To facilitate the methodological development of the indicator, the work has been divided in two streams: one related to financial flows originating from illegal activities/trafficking (lead agency: UNODC) and another on illicit flows associated with tax-related and commercial practices (lead agency: UNCTAD). The two streams will be developed in a parallel but coordinated manner by the two agencies. The outcome from both areas of work will be consolidated into an integrated measure of illicit financial flows for the purpose of the SDG indicator.

UNODC and UNCTAD are currently implementing two Development Account projects - jointly with ECLAC, the UNODC-INEGI Centre of Excellence on Crime Statistics and ECA - to develop the statistical framework and the methodologies for this indicator. The projects contemplate expert consultations and methodological development, as well as pilot projects in countries in Latin America and Africa.

Who are the entities, including national and international experts, directly involved and consulted in developing the methodology/and or data collection tools?

At national level, a number of agencies has been involved, including National Statistical Offices, Central Banks, Financial Information Units and tax authorities; at international level, relevant agencies include IMF, UN DESA, ECA, ECE, UNICRI, Eurostat, and OECD; international experts from the academia and from relevant NGOs has also been involved as a number of relevant research initiatives have been developed outside official statistics.

What is the involvement of or how do you plan to involve National Statistical Systems in the development of the methodology?

Two work streams will focus on the two components of this indicator (IFFs related to illegal activities and to tax practices, respectively) and representatives of National Statistical Systems will form the main constituency in each work stream. The development work will build on national experiences that have implemented methodologies in associated areas, such as estimates of illegal economy, tax evasion or profit shifting. Within national statistical systems, a mix of expertise will be involved to develop the methodology for estimating IFFs, including from crime and drugs statistics, national accounts, and tax, financial and balance of payment statistics.

An initial set of interested countries have been identified through consultation with the network of UN-CTS National Focal Points (the national Focal Points on crime statistics designated by Member States to complete the annual data collection UN Crime Trends Survey), the expert consultation meetings and the implementation of the two Development Account Projects.

Please briefly describe the process of developing the methodology for the indicator

Six steps are envisaged:

1. Review existing methodologies to produce estimates of IFFs and of related activities.
2. Develop an operational statistical framework for IFFs
3. Develop methodological approaches to estimate Illicit Financial Flows (respectively for IFFs related to illegal activities and those linked to tax practices)
4. Conduct pilot studies in interested countries to test suitable methodologies to measure selected components of IFFs.
5. Review results of the testing and identify next steps to refine the methodology, also in view of broadening the scope to additional IFFs components
6. Conduct additional round of pilot studies and finalise the methodology to estimate IFFs, together with guidelines for implementation respectively for national, regional and global estimates.

The first two steps have been accomplished (see documentation of two expert consultations).

Please indicate new international standards that will need to be proposed and approved by an intergovernmental process (such as UNSC) for this methodology.

Once finalised, the methodology will be submitted to National Statistical Systems through the network of UN-CTS National Focal Points for their review. Additionally, the network of national representatives in the Trade and Development Board will be consulted to provide user and expert feedback. The IAEG-SDG will also be consulted in relation to the methodological approach and the process used to develop it.

When do you expect the methodological work on this indicator to be completed?

Subject to the availability of financial resources, the methodological work on the indicator is expected to be completed by end-2019. Pilot testing of the methodologies will start during the 4th quarter of 2018.

Are data and metadata already being collected from the National Statistical System for one or more components of this indicator?

No. Relevant data items may be available in some countries from national accounts and balance of payments, as part of the measurement of some types of illegal economic activities.

If yes, please describe:

How do you plan to collect the data?

Data on IFFs and related variables will be collected at national level through existing channels of data collection.

If the indicator involves multiple components from different data sources, please describe how each individual component of the indicator will be collected here.

Computing IFFs requires estimates on a number of interlinked variables, as for example illegal economic activities and transfers related to tax evasion and avoidance practices. Data collection will gather data on all relevant components, with the exclusion of those already available from other national sources (e.g. national accounts). Therefore, a series of different components of IFFs will be available, that would then be aggregated into national and global figures for the SDG indicator.

With what frequency is data expected to be collected?

Periodicity of national data used to compute IFFs is expected to be highly variable. Frequency will depend on national data collection related to each component of the indicator. The tax-related processes are typically annual but follow varying timelines depending on the country.

Is there a process of data validation by countries in place or planned for this indicator?

Yes

If yes, please briefly describe:

UNODC and UNCTAD have an established policy to ask Member States to review the compiled data through the designated national focal points. Comments received from Member States are dealt with and resolved through one to one communication with the responsible entities in the Member States before data are published.

(as of July/August 2018)