

**Counting the Cost:
Defining, estimating
and disseminating
statistics on illicit
financial flows
in Africa**



ECA



UNITED NATIONS
UNCTAD

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SECTION

I

Background and introduction

Introducing the types of illicit financial flows, the measurement methods available and how this project is structured.

Countries with high IFFs spend on average (UNCTAD, 2020):

25% less on health



58% less on education



Introduction

Illicit financial flows (IFFs) have a substantial and crippling effect on societies and economies, not only on the African continent, but also around the world. The COVID-19 pandemic, the war in Ukraine and the increasing costs of climate change and environmental challenges have had a particularly devastating impact on developing economies, highlighting the critical need for addressing the financing gap.

IFFs drain resources that would be needed to fulfil human rights and pursue sustainable development. Domestic resource mobilisation, assets recovery and curbing IFFs is more critical than ever.

Illegal practices such as trade misinvoicing, tax evasion and corruption, as well as some legal practices, such as tax avoidance are often used to divert funds earmarked for social development to tax and financial havens.

Those most affected are the poor, who have no choice but to rely on the government for social services. Research found that countries with high IFFs spend an average of 25% less on health and 58% less on education (UNCTAD, 2020)¹.

The 2030 Agenda for Sustainable Development, specifically Target 16.4 of Sustainable Development Goal (SDG) 16, outlines the impact and risk of IFFs to countries. The indicator aims to “significantly reduce IFFs and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organised crime” by 2030. Echoing this, the Addis Ababa Action Agenda on financing for development, calls for participating countries to prioritise efforts to reduce IFFs by 2030.

Reducing IFFs requires the global community to work collectively to understand the overall problem, the extent of the flows, their origins, routes and destinations, and country-specific circumstances. This information is key to taking action to curb IFFs. However, the absence of a globally accepted, standardised method for measuring these flows has been a persistent obstacle to working together.

¹ United Nations Conference on Trade and Development. Tackling IFFs for Sustainable Development in Africa. Economic Development in Africa Report, 2020.

“By 2030, [Target 16.4 of SDG 16 aims to] significantly reduce IFFs and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime.”

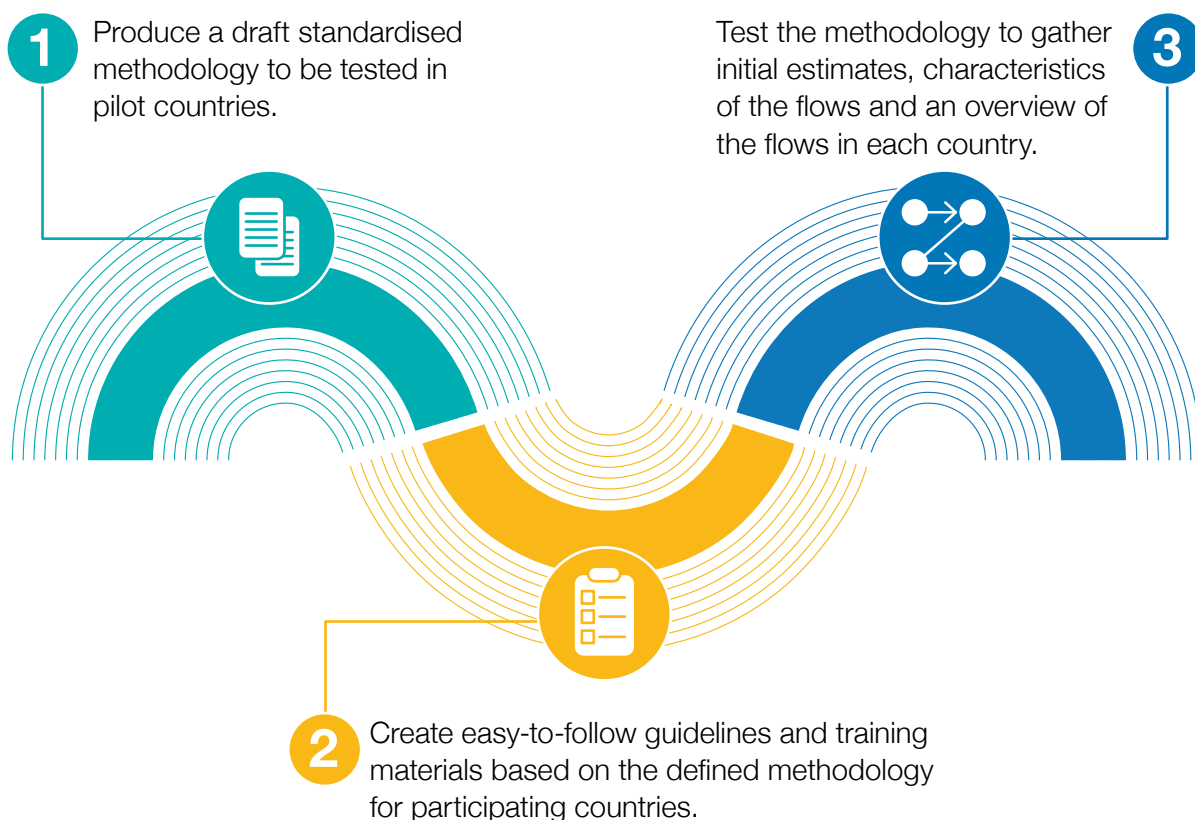
Project plan

A United Nations Development Account Project on **Defining, estimating and disseminating statistics on illicit financial flows in Africa** was initiated to address the lack of accepted standards in measuring flows. The project has led to globally agreed definitions, methodology and tools for producing more reliable and comparable estimates of the flows. This in turn has strengthened the statistical capacity of African countries and empowered them to develop more effective policies for measuring and tackling these flows. [IS2]

These resources are now available at the UNCTAD [website](#) for all countries dedicated to tackling IFFs and to enable them to measure and report on SDG indicator 16.4.1 “*Total value of inward and outward illicit financial flows*”.















Project activities

The project's activity plan comprises of three steps:



Project custodians and key organisations

The United Nations Conference on Trade and Development (UNCTAD) and the United Nations Economic Commission for Africa (UNECA) have jointly coordinated the IFF project in Africa, which is mirrored by similar projects in other regions. These projects include:

Region	Latin America	Africa	Asia-Pacific
Project	Developing indicator on illicit financial flows and monitoring them in Latin America	Defining, estimating and disseminating statistics on illicit financial flows in Africa	Statistics and data for measuring illicit financial flows in the Asia-Pacific region
Start/end date	July 2017 – December 2020	January 2018 – June 2022	July 2020 – December 2022
Focuses on	 Criminal activities	 Tax and commercial activities	 Criminal activities and tax and commercial practices
Pilot countries	Colombia, Ecuador, Mexico, Peru	Angola, Benin, Burkina Faso, Gabon, Ghana, Mozambique, Namibia, Nigeria, Senegal, South Africa, Zambia	Bangladesh, Maldives, Nepal, Viet Nam, Kyrgyzstan, Uzbekistan
Key organisations	   	   	  

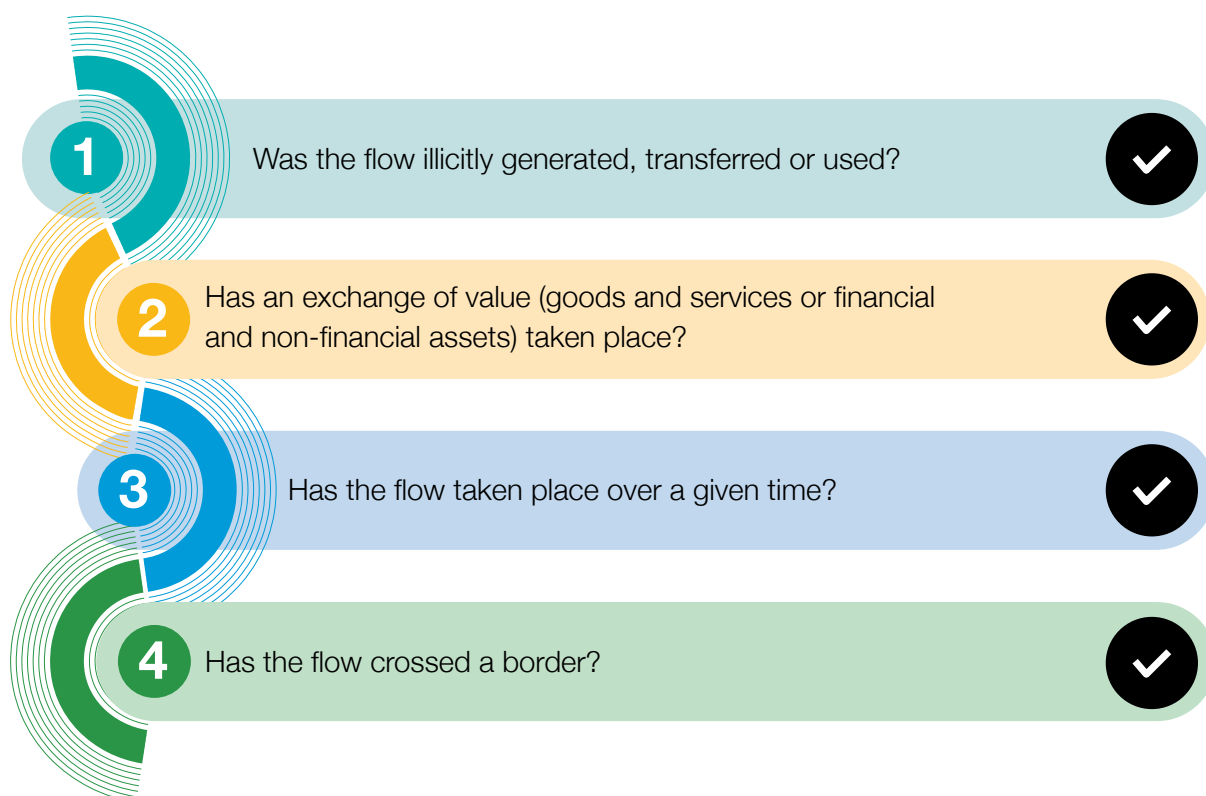
Conceptual Framework

Defining illicit financial flows

The definition of illicit financial flows in SDG indicator 16.4.1 (see right) was endorsed by the UN Statistical Commission in March 2022 as part of the [Conceptual Framework for the Statistical Measurement of Illicit Financial Flows](#).

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

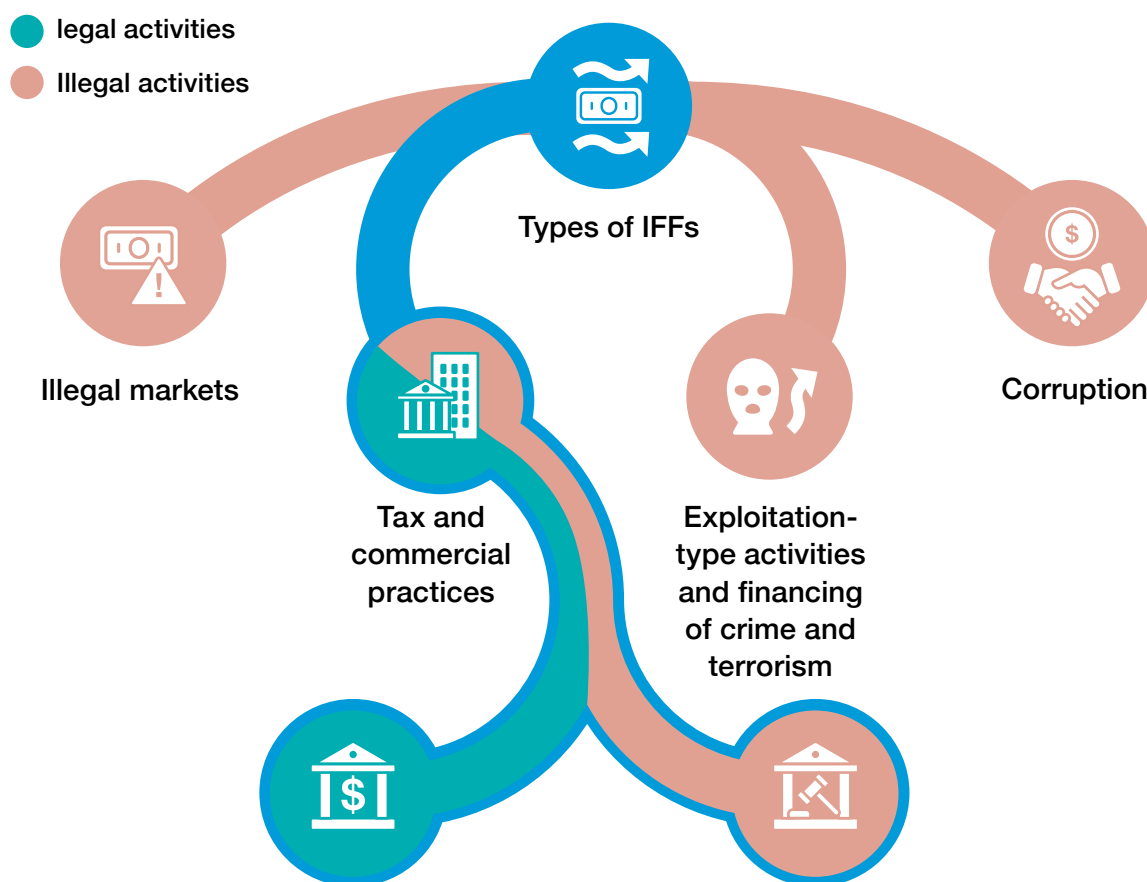
Main features for defining illicit financial flows



Types of illicit financial flows

SDG indicator 16.4.1 calls for the measurement of the “total value” of IFFs, which is useful for gaining an overall, high-level view of the problem. However, for deeper insights into the IFFs at country levels, it is useful to categorise the flow by type and source.

IFFs can be classified into four types: tax and commercial activities, illegal markets, corruption, exploitation-type activities and financing of crime and terrorism. The pilot studies in Africa focused on the measurement of tax and commercial IFFs, which is also the focus of this report (see Annex 1 for ‘Decision tree for IFF taxonomy’).



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https://www.yunbaogao.cn/report/index/report?reportId=5_32091

