



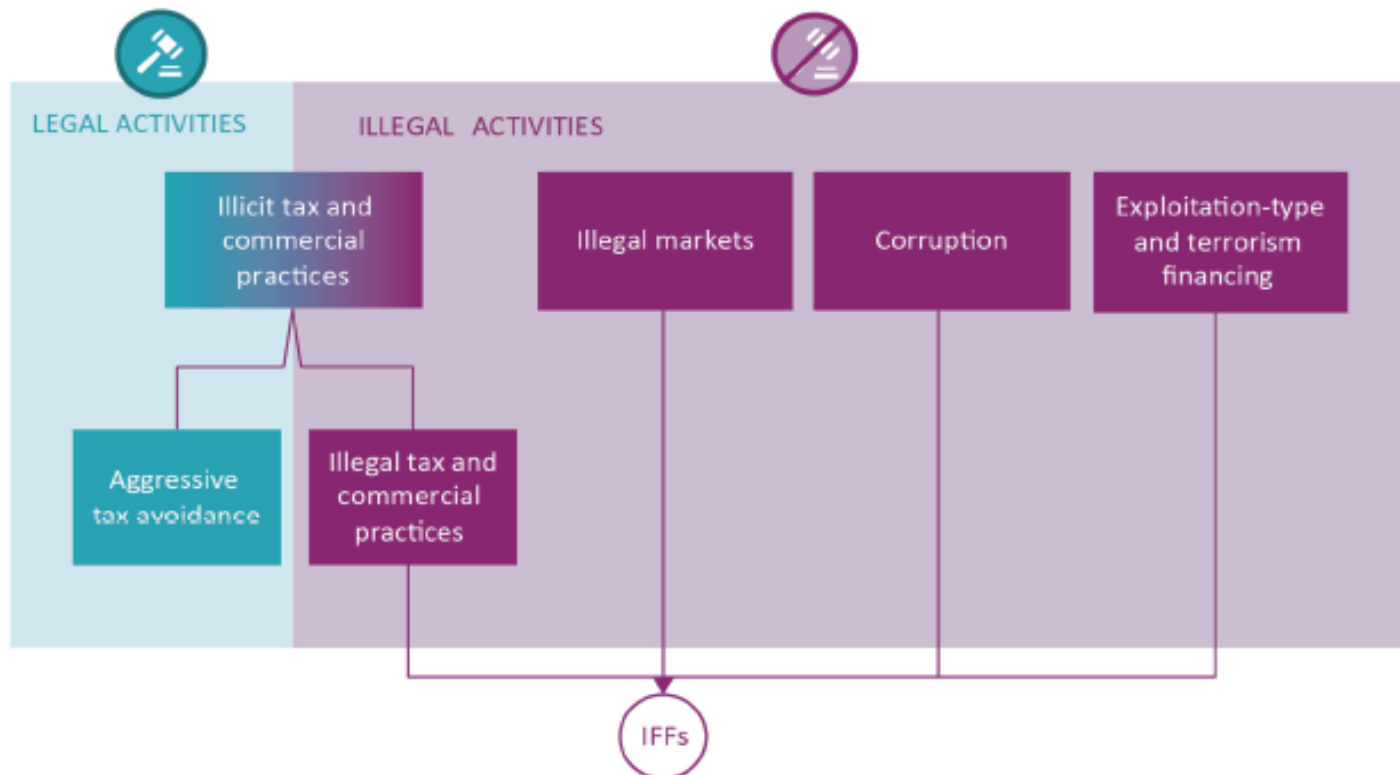
TAX AND COMMERCIAL ILLICIT FINANCIAL FLOWS

Methodological Guidelines

Bojan NASTAV

Conceptual framework

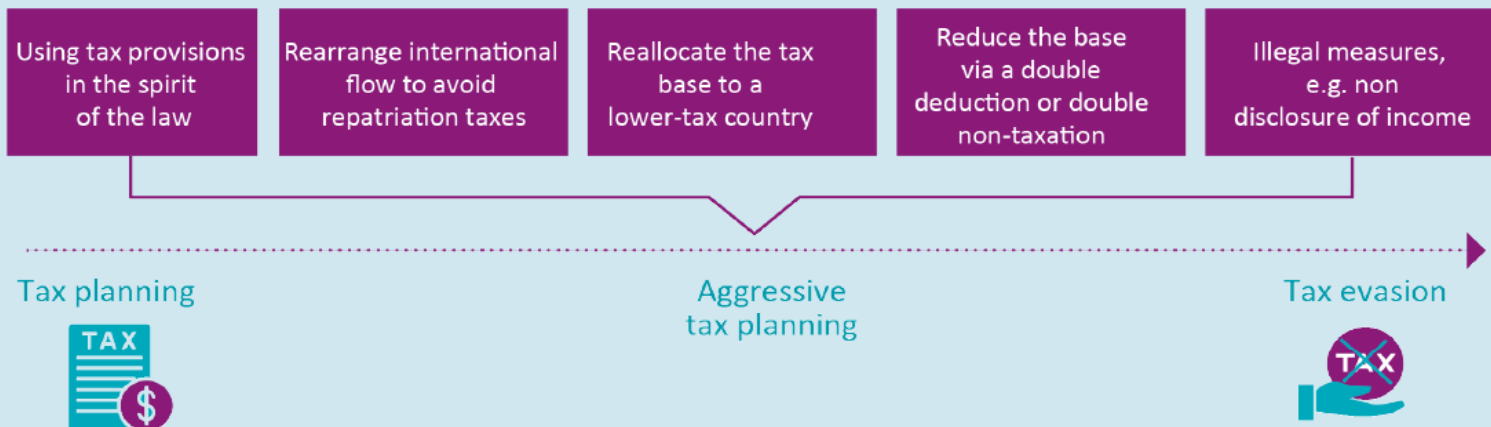
- Financial **flows** that are illicit in **origin, transfer or use**, that reflect an **exchange of value** and that **cross country borders**



Source: UNCTAD and UNODC

Illegal vs illicit

Boundaries of aggressive tax planning



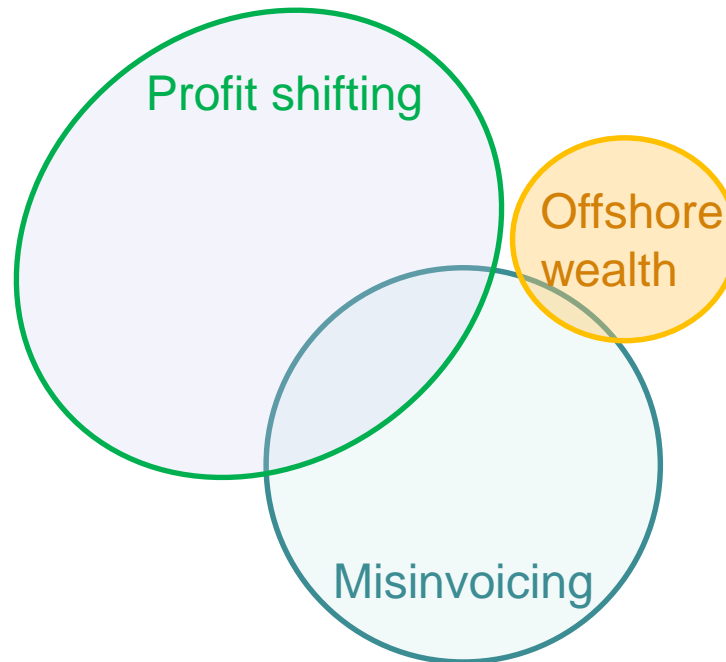
Source: Institute for Advanced Studies (2017).

Selecting methods

- Econometric vs statistical approach
- Comprehensive, comparable, applicable
- Criteria for selection:
 - Soundness of methods
 - Source data
 - Results

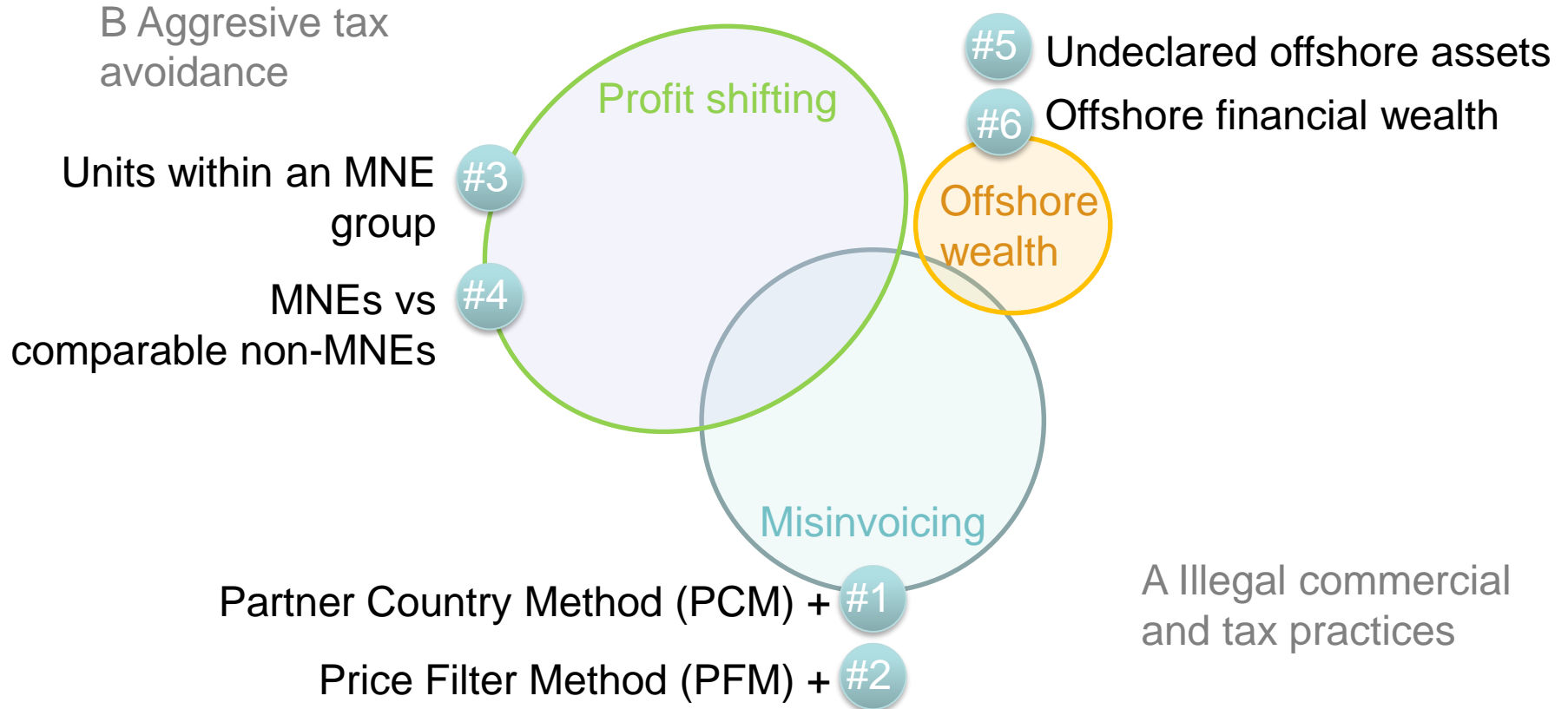
Suggested methods

B Aggressive tax avoidance



A Illegal commercial and tax practices

Suggested methods



Guidance to national authorities

- IFF risk assessment
- Mapping of agencies
- Data availability
- Operational definition
- Tier classification of methods
- Compilation and dissemination
- Recommendations

Guidance to national authorities

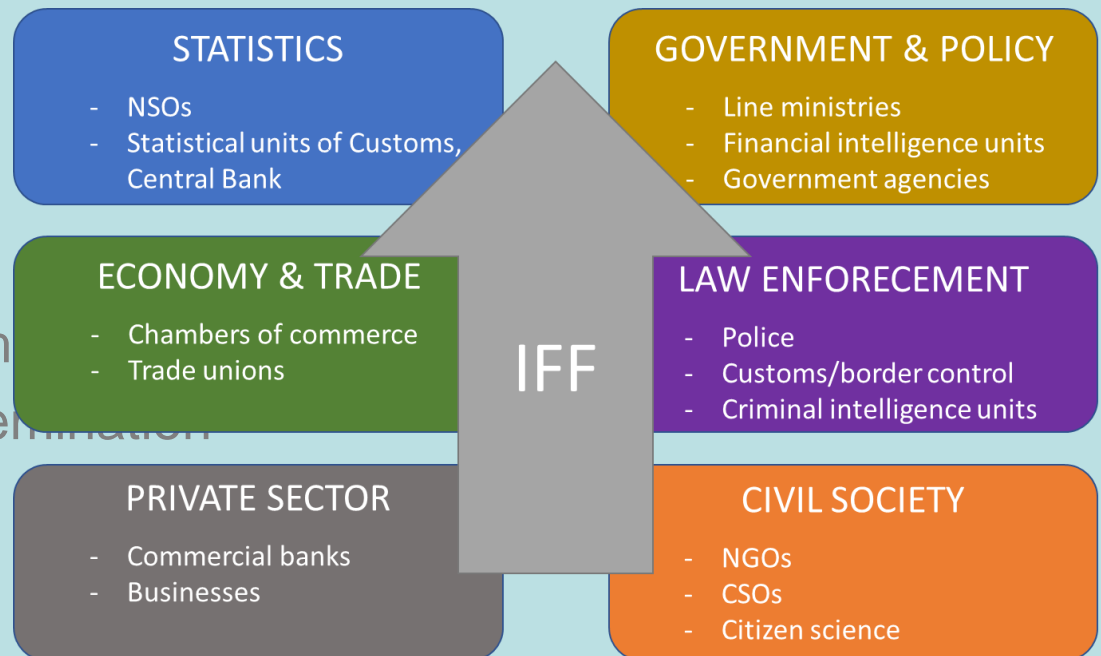
- IFF risk assessment
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Source: FATF (2013).

Guidance to national authorities

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- Recommendations



Guidance to national authorities

CASE STUDY

Quality and availability of indicators related to illicit financial flows in Nigeria

- IFF risk assessment
- Mapping of agencies
- **Data availability**
- Operational definition
- Tier classification of measures
- Compilation and dissemination
- Recommendations



Source: UNECA briefing on the pilot mission with Nigeria.

Guidance to national authorities

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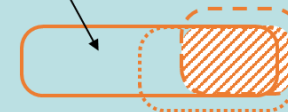
IFFs concepts

Transfer of wealth to evade taxes

Misinvoicing

Profit shifting

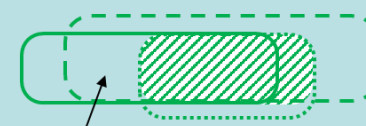
Data undercoverage



Method overcoverage



Data overcoverage



Method undercoverage

Data availability



Methodologies



Operational definitions



Guidance to national authorities

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Tier classification of methods

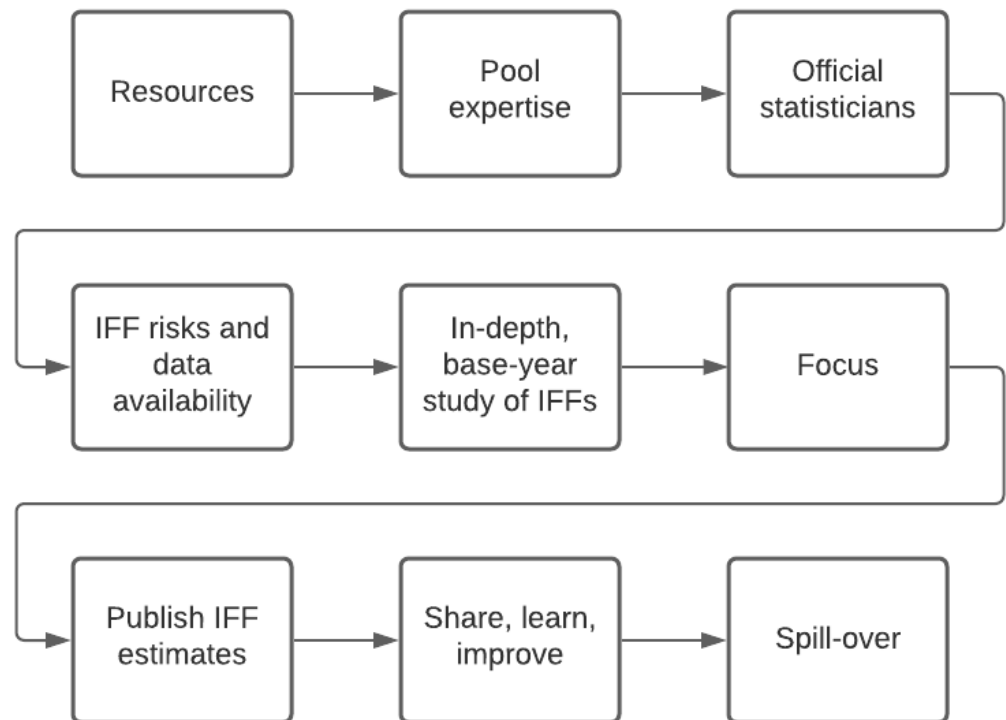
- Three tiers
 - Tier 1: Preferred method
 - Tier 2: Fallback option
 - Tier 3: Last resort

Guidance to national authorities

- IFF risk assessment
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 - **Compilation and dissemination**
 - Recommendations
- **SDG reporting requirements**
 - **Fundamental Principles of Official Statistics**

Guidance to national authorities

- IFF risk assessment
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- Data availability
- Operational definitions
- Tier classification of risks
- Compilation and dissemination
- **Recommendations**





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AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

Conference on IFFs and Debt amidst the
Covid-19 Pandemic
Measurement of IFFs and Policy
Interventions

23 March 2021