



TRACKING ILLICIT FINANCIAL FLOWS FOR EFFECTIVE ACTION

Key messages

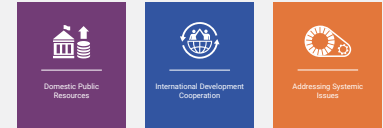
- **Pilots reveal significant IFFs from trade misinvoicing, early estimates reaching 5-30% of total goods trade¹, worth over two times these governments' education spending and five times their health expenditure.** These illicit flows can be double the annual SDG financing gap² needed for gender equality or transforming food systems, for instance. This is just one of many IFF types, not contributing taxes, tariffs, or other revenues.
- **Redirecting IFFs to the official economy could increase financing reducing reliance on external debt,** and help to mobilize domestic resources, address instability, environmental crisis, and inequalities. In Africa, many countries with high IFFs can afford 25-58% less on education and health. Illicit financial flows enable organized crime by offering funding and money laundering channels.
- **Lack of data hampers action while concepts and methods to track IFFs exist.** UN Trade and Development (UNCTAD) and UN Office on Drugs and Crime (UNODC), custodians of SDG indicator 16.4.1, have supported 22 country pilots³ to use data to identify IFF risks and priorities.
- **Efforts must be scaled up to empower all governments to track IFFs,** as over 40 countries request training, tools, guidance and sharing of experience to measure IFFs and report the SDG data.

1. Early estimates from pilot studies, 2023 SDG Pulse: unctad.org/system/files/official-document/stat2023d3_en.pdf

2. These refer to the SDG costing estimates: unctad.org/sdg-costing

3. The first 22 pilots to measure selected IFFs included Angola, Bangladesh, Benin, Burkina Faso, Colombia, Ecuador, Egypt, Gabon, Ghana, Kyrgyzstan, Maldives, Mozambique, Mexico, Namibia, Nepal, Nigeria, Peru, Senegal, South Africa, Uzbekistan, Viet Nam, and Zambia, and now 13 pilots are measuring many IFF types in Bangladesh, Burkina Faso, Costa Rica, Egypt, Gabon, Ghana, Kyrgyzstan, Mexico, Namibia, Nigeria, Senegal, Uzbekistan, and Zambia.

RELEVANT ACTION AREAS



ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: <https://financing.desa.un.org/iatf/report/financing-policy-brief-series>



Problem statement

Illicit financial flows (IFFs) cause significant losses of wealth and erode countries' tax base, yet they continue to leak out of economies hampering efforts to achieve the 2030 Agenda. IFFs drain domestic public resources and place considerable pressure on fiscal space which is needed to deliver essential public services and meet social protection needs. **IFFs hinder the ability of many governments to implement effective fiscal policies, undermining the achievement of sustainable development goals and impeding the fulfillment of human rights obligations.** This weakens public trust and social contracts between government and citizens.

The impacts of IFFs ripple throughout the real economy - undermining fiscal, trade, financial and governance systems. **The effects are especially severe for vulnerable populations, including women and children, who suffer disproportionately when public resources are diverted away from essential services and programs, such as those promoting gender equality.** Consumption taxes to offset losses from IFFs further burdens women, who typically spend a greater share of their income on basic goods and services.

Furthermore, IFFs exacerbate financial vulnerabilities, contributing to the accumulation of public debt and worsening access to financial markets. This risk is particularly acute for developing countries, many of which face unsustainable debt levels, as highlighted in the UN Secretary-General's policy brief on liquidity and debt solutions. The current revision of **The Pact for the Future calls for strengthening ongoing efforts to prevent and combat illicit financial flows, corruption, money laundering, and tax evasion, eliminate safe havens and recover and return assets derived from illicit activities, and scaling up efforts in addressing transnational organized crime and related financial flows through comprehensive strategies, including prevention, early detection, investigation, protection and law enforcement, tackling the drivers, and engagement with relevant stakeholders.**

Systematic tracking of IFFs is key to enabling comprehensive strategies to address IFFs and for their prevention. This refers to data on the types, channels, sources and destinations of IFFs. Otherwise, it is difficult to know if closing one loophole leads to another opening elsewhere. This lack of informed action delays responses, making them inefficient. Curbing IFFs can significantly limit funding for criminal activities, thus preventing crime. But lack of data is most pronounced in countries with significant financing gaps for sustainable development. For instance, UNCTAD's Economic Development in Africa Report (2020)⁴ finds that, in African countries with high IFFs risks, governments spend 25 per cent less than other countries on health and 58 per cent less on education.

While tested methods exist to track IFFs using existing data, these approaches need to be expanded globally. **IFFs typically leave detectable traces in official records maintained by government agencies and banks.** Investing in statistical capacity to monitor these flows can significantly enhance efforts to curb IFFs and recover resources to bridge financing gaps. **To effectively target actions, the world needs comparable and reliable data on IFFs to shed light on the activities, sectors, and channels most prone to illicit finance.**

Policy solutions

In the 2030 Agenda and the Addis Ababa Action Agenda, member States committed to eliminating IFFs due to their harmful consequences. As IFFs are hidden, reliable data and analytical capacity are crucial for effective tracking and response.

Pilots across 22 member States, supported by UNCTAD, UNODC, and UN Regional Commissions, have demonstrated that while measuring IFFs is challenging, it is possible using common concepts and methods. The 2023 United Nations General Assembly resolution [A/RES/79/234](#) recognized the significant progress made in developing agreed concepts and testing methods to measure IFFs and called for stronger support to national

4. <https://unctad.org/publication/economic-development-africa-report-2020>



authorities. Member States were encouraged to report data on SDG indicator 16.4.1 applying the agreed methods.

To assess countries' needs, UNCTAD and UNODC conducted a global survey in 2023, with responses from 63 member States. In the survey, over 40 countries requested technical training, tools, financial support, and sharing of experience to enable IFF tracking for informed policy. The lack of technical capacity, common tools and data coordination within governments emerged as major obstacles to curbing IFFs. The pilot studies have also demonstrated the value of a whole-of-government approach.

The proposed policy reforms include:

- **Build a data-first strategy to combat IFFs.** Better data is essential for eliminating unknowns, preventing IFFs and crime, and enabling risk-based approaches, as recommended by the Financial Action Task Force (FATF). Data pilots have led to tangible policy changes, such as establishing a department for regular IFF tracking, improving trade records with trading partner countries to identify illicit flows, and tracking high-risk export destinations, seeking to reallocate funds to public services. Guidance for policy metrics and globally endorsed concepts are provided in the UNCTAD-UNODC (2020) *Conceptual Framework for the Statistical Measurement of Illicit Financial Flows*⁵.
- **Establish national IFF mechanisms with a whole-of-government approach.** IFFs require a coordinated response across multiple agencies. Country pilots have shown the effectiveness of inter-agency groups involving central banks, ministries of finance, revenue and customs offices, tax authorities, statistical offices, relevant ministries, and financial intelligence units, in pooling data and expertise for comprehensive policy responses to IFFs. These groups conduct risk assessments, guide and inform interventions, and foster awareness about the risks and impacts of IFFs, promoting transparency. Their analysis can help target efforts to sectors particularly prone to IFFs,

such as real estate, extractive industries, or public procurement, depending on **country's specific threats and vulnerabilities.**

- **Leverage global approaches to build capacity and exchange experience.** Addressing IFFs effectively requires global collaboration, common tools, approaches, and training to reduce national costs and ensure coherent action. Methodologies were refined based on pilots across three continents to enable measuring IFFs from crimes, tax, and trade⁶. Investment in regular global and regional training, toolkits, and mechanisms for reporting data on SDG 16.4.1 is necessary to enable access to these resources.

A well-informed society is better equipped to recognize, address and resist illicit practices. Technological advances have made digital data sources accessible for the analysis of illicit flows, but without the institutional capacity to track, monitor and prevent IFFs, developing economies remain

Specific recommendations for FFD4

highly vulnerable.

We urge negotiators to consider strengthening international cooperation and sharing of innovations on evidence-based policies to curb IFFs with the following recommendations for the FfD4 outcome document:

- **Promote a data-first strategy** as a priority in combating IFFs to recover resources for sustainable development and strengthen domestic resource mobilization, reducing reliance on external debt. Early estimates show significant resource leakage, with IFFs related to trade alone often ranging from 5% to 30% of total goods trade flows in pilot countries.
- **Consider ways to strengthen the work to scale up global IFF measurement** based on progress made and common concepts and methods tested in pilot studies with UN support to ensure that all member

5. <https://unctad.org/publication/conceptual-framework-statistical-measurement-illicit-financial-flows>

6. <https://sdgpulse.unctad.org/illicit-financial-flows/>



States, especially developing economies, have access to agreed concepts, tested methods, technology, and training for evidence-based approaches to IFFs.

- **Promote whole-of-government approaches** to strengthen institutional capacities, improve data governance, and digitize information systems to better track IFFs, including:
 - Developing integrated digital platforms for data sharing across government agencies, implementing digital tax systems to improve tax collection, and digitizing trade systems to monitor cross-border transactions and detect price manipulation.
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 - Leveraging emerging technologies, such as blockchain, AI, and automated customs procedures to identify discrepancies in pricing and suspicious activities, ensuring transparency and improving the
 - accuracy and timeliness of reporting.
 - Encouraging investment in statistical capacities, applying agreed methodologies, to inform national action to address IFFs and enhance global efforts.
- **Encourage reporting of data to SDG indicator 16.4.1** as soon as possible by developed and developing economies to fulfill the commitments of the 2030 Agenda and its indicators, enabling effective policy action.
- **Consider establishing a platform** to share best practices, technologies, and results for effectively tracking and curbing IFFs. Encourage all member States, international organizations, and relevant stakeholders to align efforts, apply global concepts and approaches, and share results.