Expert meeting on statistical methodologies for measuring illicit financial flows (IFFs) (SDG 16.4.1)

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Technical framework and issues for the estimation of illicit drugs market related IFFs

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Estimating illicit drugs markets and related IFFs

• The role(s) that a country can play in illicit drugs market
  – Production/manufacturing
  – Transit (some transformation may be involved)
  – Destination (where the drugs are consumed)

• Several actors undertake transactions along the supply chain in the illicit drugs markets:
  – Grower/Manufacturer
  – Exporter
  – International wholesale trader
  – Domestic wholesale trader
  – Retail trader
  – Facilitators (local transporters, public officials taking bribes, licenced trader selling precursors illegally...)
Estimating illicit drugs markets and related IFF

Why is it essential to consider country role and actors?

**COUNTRY**

Differences in the
- nature
- amount
- direction (inward/outward)

of IFF along the illicit drug supply chain.

**ACTORS**

Different income

Different income management needs (propensity to consume/invest)

Different likelihood to move income abroad
Statistical Framework for Measuring IFFs at Country-Level

Income Generation

Illicit Intermediate Expenditure
- Drugs
- SoM
- Wildlife
- [...]

Illicit Net Output
- Domestic
- Imports
- Domestic
- Exports

Non-Value Added Illicit Activities
- Theft
- Extortion
- Terror Financing
- [...]

Income Management

Illicit Income
- Domestically generated illicit income
- Illicit income from abroad

IFF - Outflows
- Illicit Imports (Final Goods/Services)
- IFF - Outflows
- IFF - Outflows
- IFF - Inflows
- IFF - Inflows
- IFF - Inflows
IFF associated with illicit drugs market

(1) Production/manufacturing role

Income Generation

Country producing illicit drugs

Illicit Intermediate Consumption

- Transportation services
- Precursors
- Fertilizers
- Seizures
- ... Imports of precursors, fertilizers, other non-durable inputs
- Consumption of fixed capital (e.g. machinery)
- ...

Illicit Net Output

Direct export of illicit drugs

Income Management

Illicit Income

Income of:
- Grower/Manufacturer
- Exporter
- Facilitators

IFF - Inflows

IFF - Outflows
IFF associated with illicit drugs market

(2) Transit role

**Income Generation**

- **Country of transit of illicit drugs**
  - **Illicit Intermediate Consumption**
    - Transportation services
    - Cutting agents
    - Seizures
    - …
    - **Imports of illicit drugs**
    - Cutting agents
    - Consumption of fixed capital (e.g. machinery)
    - …
  - **Illicit Net Output**
    - Export of illicit drugs

**Income Management**

- **Illicit Income**
  - Income of:
    - International wholesale trader
    - Exporter
    - Facilitators

IFF associated with illicit drugs market

(2) Transit role
UNODC
United Nations Office on Drugs and Crime

IFF associated with illicit drugs market

(3) Destination/consumption role

Income Generation

Country of destination/consumption of illicit drugs

Illicit Intermediate Consumption

Illicit drugs
Transportation services
Cutting agents
Seizures
...

Imports of illicit drugs
Cutting agents
....

Illicit Net Output

Domestic wholesale and retail sale of illicit drugs

Income Management

Illicit Income

Income of:
- International wholesale trader
- Domestic wholesale trader
- Retail trader
- Facilitators

IFF - Outflows
## IFFs from drug markets – Requirements and challenges to estimate income generation IFFs

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<td>Illicit crop monitoring data Cross border seizures LEAs data on wholesale prices, trafficking routes Statistics on drugs traffickers Case studies</td>
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<td><strong>Prices</strong>: domestic wholesale and retail prices</td>
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