



UNODC

United Nations Office on Drugs and Crime



Center of Excellence in
STATISTICAL INFORMATION ON GOVERNMENT,
CRIME, VICTIMIZATION AND JUSTICE



Preliminary results of the pilot to measure Illicit Financial Flows in Latin America



Sustainable Development Goals

The Sustainable Development Goals (SDGs) are 17 global targets endorsed by the United Nations General Assembly in 2015 for the year 2030.

The SDGs are the blueprint for a better and more sustainable future for all.



Indicator 16.4.1 of the 2030 Agenda

Goal 16:

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Target 16.4.:

By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime

Indicator 16.4.1:

Total **value** of inward and outward **illicit financial flows** (in current United States dollars)



Conceptual framework



- Statistical definition of IFFs and concepts to enable their measurement.
- The custodian agencies (UNCTAD and UNODC) developed common statistical definitions and methods for measuring different types of IFFs in one indicator.
- It identifies different types of IFFs and lays out a framework based on existing statistical definitions, classifications and methodologies, in line with the System of National Accounts (SNA) and the balance of payments.



IFFs from illegal markets/activities

Illegal markets

- Drug trafficking
- Firearm trafficking
- Illegal mining
- Smuggling of migrants
- Smuggling of goods
- Wildlife trafficking
- ...

Corruption

- Bribery
- Embezzlement
- Abuse of functions
- Trading in influence
- Illicit enrichment
- Other acts of corruption

Exploitation-type and terrorism financing

- Kidnapping
- Slavery and exploitation
- Trafficking in persons
- Sexual exploitation
- Extortion
- Robbery
- Burglary
- Theft
- Financing of terrorism



The statistical framework for measuring IFFs

INCOME GENERATION



- Economic operations carried out along the **value chain** of the illicit market studied.
- Production, import and export of illicit goods
- Purchase/sale of intermediate goods and services

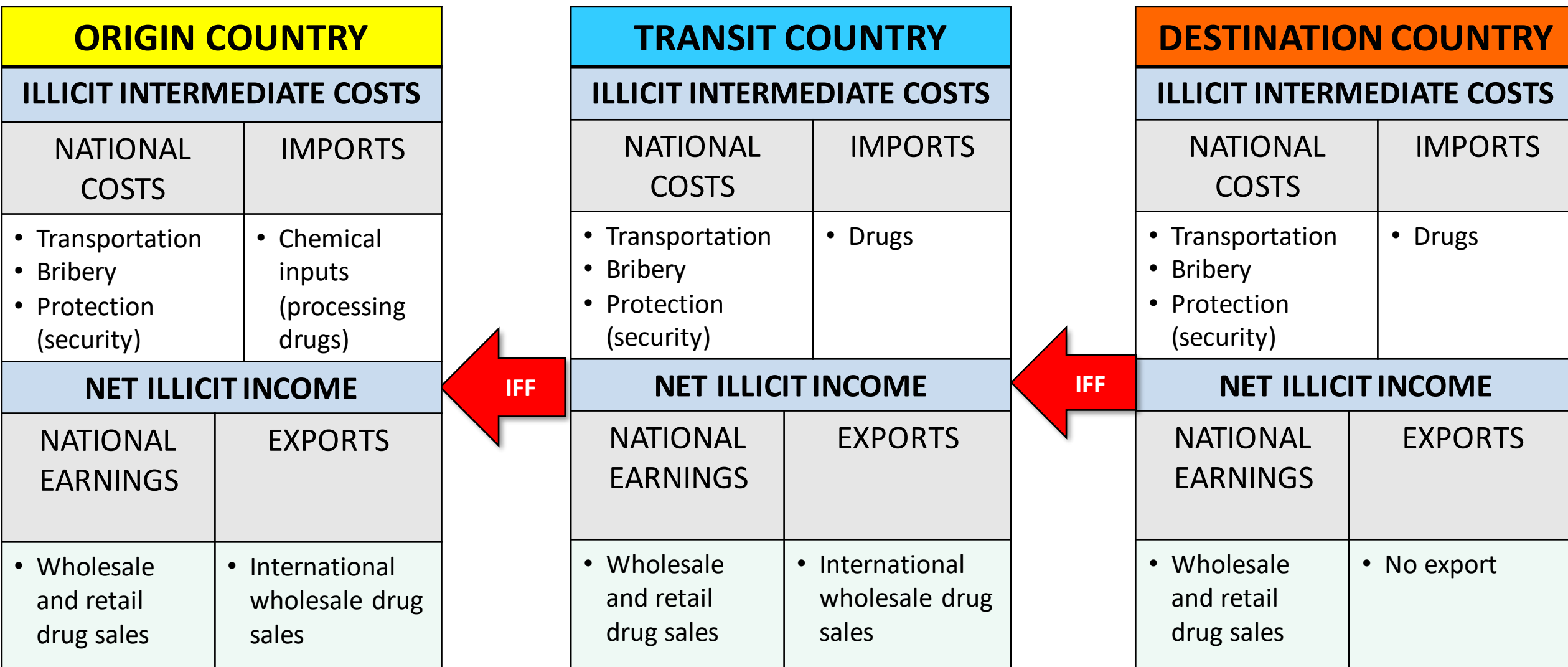
INCOME MANAGEMENT



- Economic operations that generate **investment and consumption** in countries other than where the illicit income was generated.
- Consumption and investment patterns of the key actors in the market studied



Methodology overview: the drug supply chain





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Statistical Framework for measuring IFFs

Key features:

- **Country-Level:** Allows to measure IFFs at the level of countries (in line with SDG indicator framework)
- **Disaggregated:** separate estimates for each IFF type
- **Comprehensive:** Encompasses main types of illicit activities that cause IFFs
- **Compatible:** Aligned to established concepts and standards from economics and accounting



Objective:

Adapt the conceptual framework and test the methodology to measure IFFs

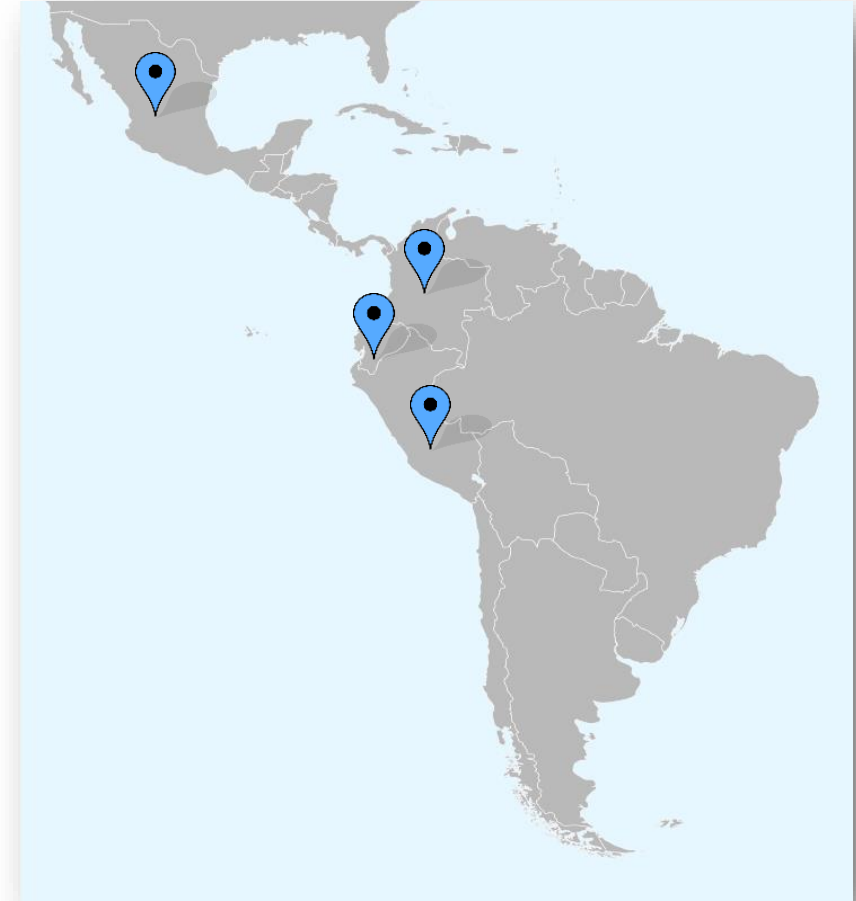
Timeframe: 2018-2020

Participating countries:

- Colombia
- Ecuador
- Mexico
- Peru

Illicit markets :

- Drugs
- Trafficking in persons
- Smuggling of migrants
- Illegal mining



Technical regional meeting on the measurement of illicit financial flows

Date: November 20-22, 2018, Mexico City

Objective: Discuss and select illegal markets for the participating countries,

Participation: Seven countries and three international organizations participated.

Result: National work plans were developed and agreed to conduct pilot IFF measurement activities starting in 2019





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Preliminary results of Mexico: smuggling of migrants



Variables

| | SOURCE |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Number of irregular migrants apprehended in Mexico (by nationality) • Number of irregular migrants apprehended by U.S. Border Patrol (by nationality) | <ul style="list-style-type: none"> • Ministry of the Interior of Mexico • US Department of Homeland Security, US Border Patrol |
| <ul style="list-style-type: none"> • Approximate % of irregular migrants who pay to cross Mexico • Approximate % of irregular migrants who pay to enter the U.S. irregularly | <ul style="list-style-type: none"> • Colegio de la Frontera Norte, Migration Surveys on the Southern and Northern Borders (EMIF) |
| <ul style="list-style-type: none"> • Prices paid by irregular migrants to cross Mexico • Prices paid by irregular migrants to enter the United States illegally | |



Formulas

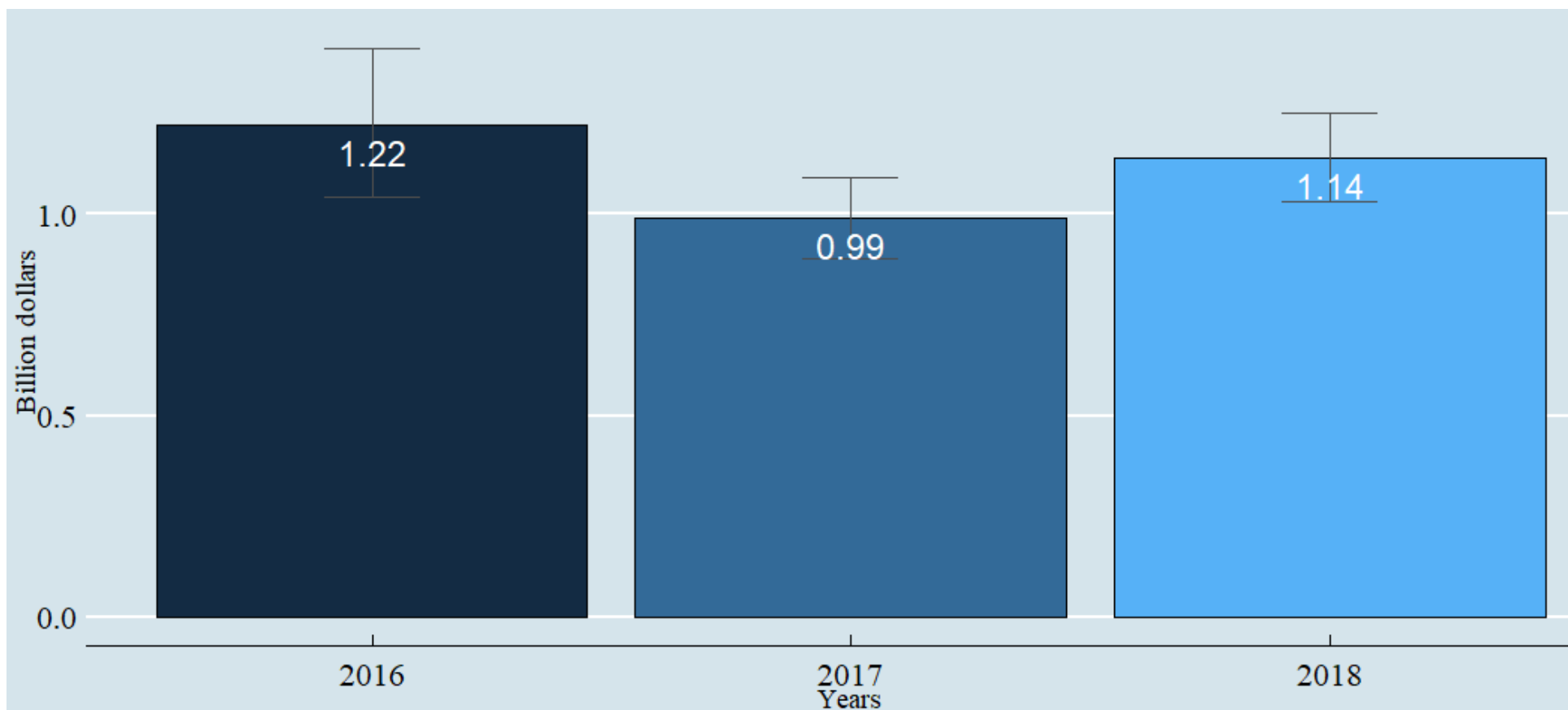
$$\begin{aligned} \text{OUTWARD} \\ \text{IFFs} &= \# \text{ of national irregular migrants} \\ &\times \\ &\% \text{ who hired a smuggler} \\ &\times \\ &\$ \text{ fee} \\ &\times \\ &\% \text{ earned by non resident smugglers} \end{aligned}$$



SoM: Estimated range of inward IFFs in billion USD (2015-2018):

| MINIMUM | AVERAGE | MAXIMUM |
|---------|---------|---------|
| 0.99 | 1.12 | 1.25 |

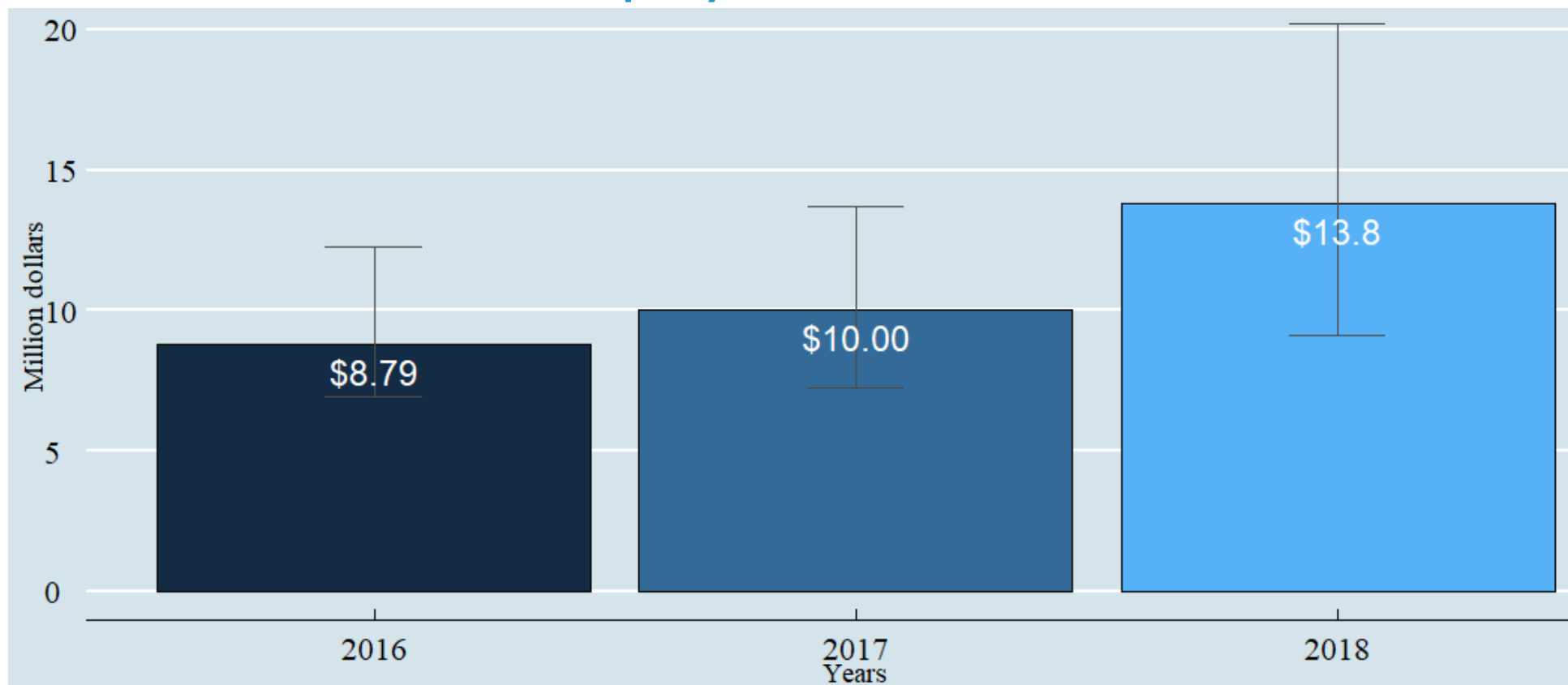
Inward IFFs per year in billion USD:



SoM: Estimated range of outward IFFs in million USD (2015-2018):

| MINIMUM | AVERAGE | MAXIMUM |
|---------|---------|---------|
| 7.75 | 10.86 | 15.37 |

Outward IFFs per year in million USD:



Preliminary results in Mexico: drug trafficking



Variables

| VARIABLES | COLLECTED DATA | Sources |
|-------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Domestic production | Areas under illicit crop cultivation Conversion factors | UNODC Annual Report Questionnaires |
| Domestic consumption | Size of the 15-65 population (number of habitants) | UNODC, Ministry of Health of Mexico |
| Destination countries' consumption | Annual prevalence rate (%) Quantity consumed per capita (milligram, gram) | |
| National seizures | | UNODC Annual Report Questionnaires, General Attorney Office of Mexico |
| Destination countries' seizures | Seized quantities (kg) and trafficking routes | |
| Prices | Domestic wholesale/retail prices Destination countries' wholesale/retail prices | |
| Purity | Domestic wholesale/retail Destination countries' wholesale/retail | |





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Formulas

Supply-based model (heroin)

Exports x export prices

**INWARD
IFFs**

=

Where: Exports = Production – Seizures – Consumption

Demand-based model (cocaine, metamphetamine)

(destination country's consumption + destination country's seizures)

x

producing country's market share x prices

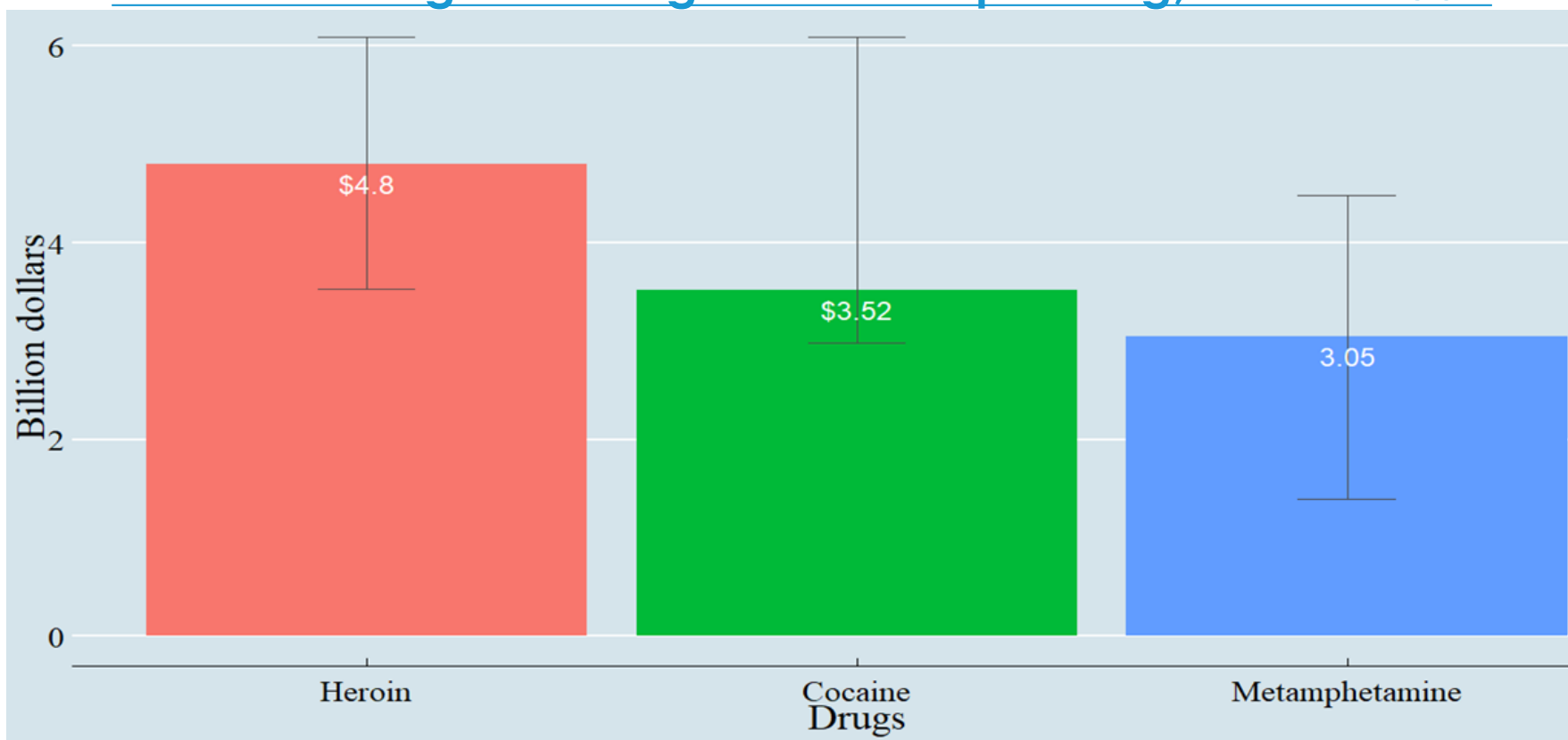




Range of estimated inward IFFs from drug trafficking in Mexico, in billion USD

| IFF TYPE | MINIMUM | AVERAGE | MAXIMUM |
|---------------------------|---------|---------|---------|
| Inward IFFs | 7.24 | 11.38 | 15.32 |
| Outward IFFs (cocaine) | 0.99 | 1.49 | 2.24 |

Estimated drug trafficking inward IFFs per drug, in billion USD:



CHALLENGES

Methodological

- Adapt the methodology to the regional and national context as well as the specific illicit market

Cooperation

- Raise awareness about indicator 16.4
- Consider the diversity of the relevant institutions
- Institutional engagement

Data collection

- Scarcity
- Confidentiality

BENEFITS

Data collection

- Use data for something that has never been done before
- Identify data gaps

Increased capacity

- Analytical capacities to understand how the markets work

Partnership development

- Awareness on the importance of public policies to address IFFs
- Start dialogues between countries on measuring IFFs



Pilot Report

The pilot report with the countries' results will be published during the first semester of 2021.





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Thank you for your attention



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