



UNODC

United Nations Office on Drugs and Crime



Estimating illicit financial flows related to drug trafficking activities

General guidelines

17 June 2021

Diana Camerini

*Regional Kick-off Workshop of pilot activities for
measuring Illicit Financial Flows (IFFs) in Africa*



Income generation vs income management IFFs



CONCEPTUAL FRAMEWORK FOR THE
STATISTICAL MEASUREMENT OF
ILLICIT FINANCIAL FLOWS

October 2020



Income generation IFFs

Cross-border transactions that are performed in the context of the production of illicit goods and services (...).

Example on drug trafficking-related IFFs: transactions finalized to payments of illicit drug exported to another country

Income management IFFs

Cross-border transactions finalized to use the (illicit) income for investment in (legal or illicit) financial and non-financial assets or for consuming (legal or illegal) goods and services.

Example on drug trafficking-related IFFs: cross-border investments of proceeds of crime in legitimate businesses

ILLICIT FINANCIAL FLOWS

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



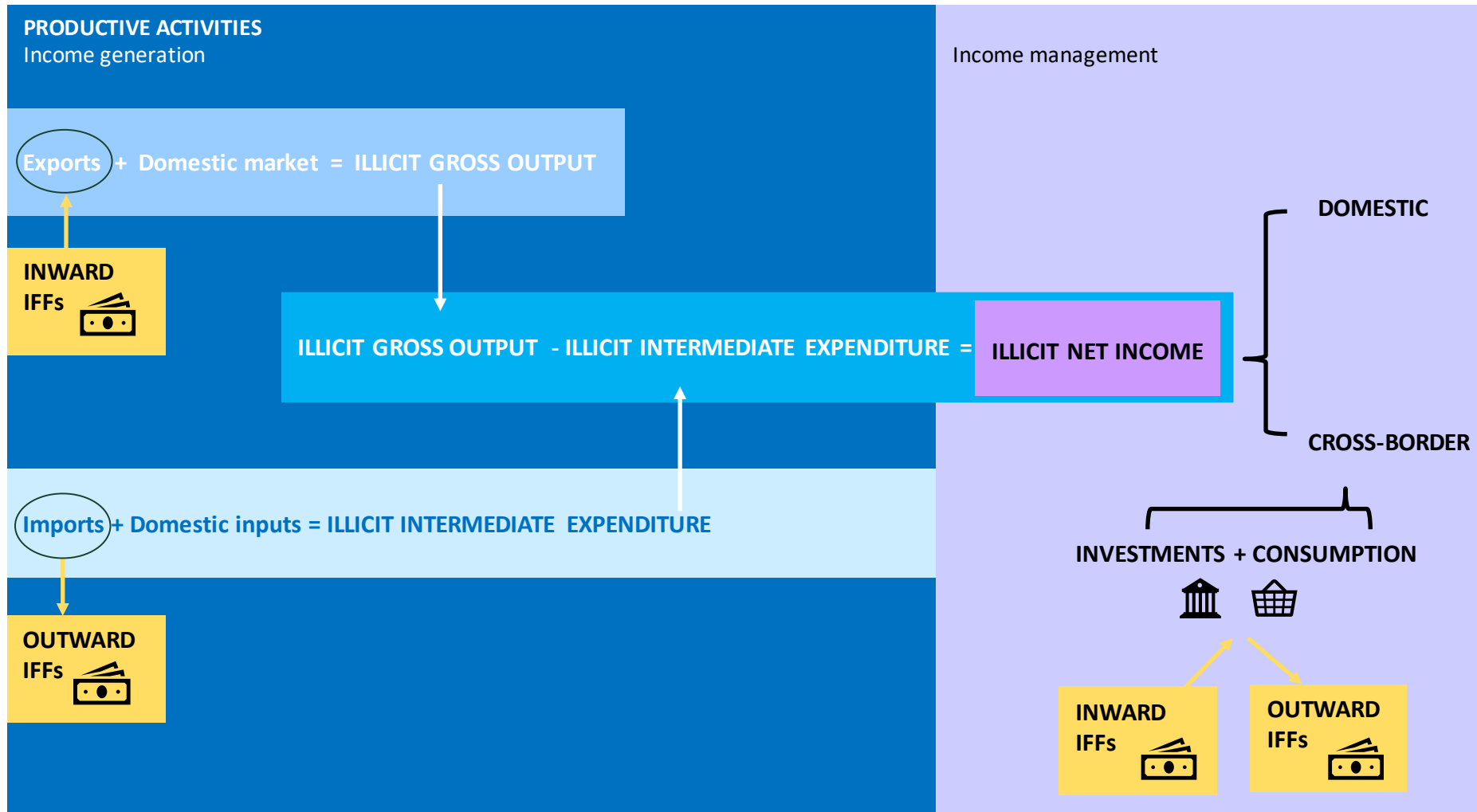
Income generation IFFs and illicit drug market value

- IFF concept -> compatible with the framework of system of national account (SNA) and the balance of payments (BoP).
- The **economic value of an illicit drug market** (“market size”) measures the income generated by drugs trafficking.¹
- Drug trafficking -> productive activity (production of goods and provision of services) aimed at making profits
- Three main economic aggregates:
 - **Revenues: Illicit gross output**
 - **Costs: (Illicit) intermediate expenditure** or intermediate costs
 - **Profits: Illicit net output/income** (or value added)

Illicit gross output – illicit intermediate expenditure = illicit net output/income



Main estimation aggregates and IFFs





UNODC

United Nations Office on Drugs and Crime



Illicit drug market value

Calculating the value of relevant aggregates





Estimating illicit drug quantities

The demand-supply equation balance helps in the process of estimating drug quantities

SUPPLY-DEMAND EQUATION BALANCE

$$\text{PRODUCTION}_t + \text{IMPORTS}_t - \text{SEIZURES}_t = \text{CONSUMPTION}_t + \text{EXPORTS}_t$$

Losses and **inventories** would be also part of the supply side of the equation. However, due to lack of information on such aggregates, these are not estimated.

Generate
OUTWARD
IFFs



Generate
INWARD
IFFs





Estimating illicit drug production

Agricultural sector - cultivation

Key indicators

- Area under illicit crops cultivation
- Crop yield
- Production = yield x cultivated area



Illicit products

- Coca leaves
- Opium gum
- Cannabis herb or hashish
- Other (e.g. khat)

(Agro-)industrial sector - manufacturing

Key indicators

- Chemical inputs
- Chemical process yield



Illicit products

- Coca paste/Coca base/Cocaine salts (pure)
- Synthetic opioids/morphine/heroin (pure)
- Amphetamine-type substances (pure)
- Other

Wholesale and retail trade sector - adulteration

Key indicators

- Cutting agents
- Purity (wholesale and retail)

Illicit products

- Cocaine salts/pasta base (impure)
- Synthetic opioids /Morphine/heroin (impure)
- Amphetamine-type substances (impure)
- Other



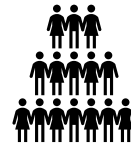
Estimating illicit drug consumption

(For each relevant illicit drug, annual consumption)

$$\text{Consumption} = \text{number of users} \times \text{amount used per capita}$$

Number of users:

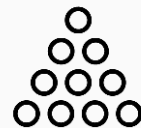
Estimating drug consumption make use primarily of survey data (survey among the general population). When these data are not available, in certain cases, data on drug registries or on people in treatment may be used.



Prevalence of illicit drug use

Amounts used per capita:

Amounts consumed: most challenging indicator. Sometimes surveys collect such data, but often they have limited reliability. Data on amounts spent on drugs use per capita may be more reliable.






Average amounts of used drugs per capita



Frequency of illicit drug use

Key data

For each illicit drug market selected, check availability of **data or qualitative information** on:

 Quantities	\$ Prices	 Actors	 Routes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Cultivation or production	<input type="checkbox"/> Domestic wholesale prices	<input type="checkbox"/> Residence of traffickers	<input type="checkbox"/> Drug trafficking route (if any)
<input type="checkbox"/> Seizures	<input type="checkbox"/> Domestic retail prices	<input type="checkbox"/> Role of traffickers by residence	<input type="checkbox"/> Distribution of exports
<input type="checkbox"/> Consumption	<input type="checkbox"/> Export wholesale prices	<input type="checkbox"/> Modus operandi	<input type="checkbox"/> Distribution of imports
<input type="checkbox"/> Purities (wholesale and retail)	<input type="checkbox"/> Import wholesale prices		
	<input type="checkbox"/> Farmgate prices*		



Geographical coverage:

- national
- data from bordering countries or origin/destination countries -> drug trafficking routes analysis
- Sub-national, in case regional specificities are detected



UNODC

United Nations Office on Drugs and Crime



Thank you!