



**UNODC**

United Nations Office on Drugs and Crime



**UNCTAD Illicit Trade Forum**  
**4 February 2020**

# Measuring illegal economic activities and illicit financial flows: challenges and progress

Enrico Bisogno,  
UNODC



**UNODC**

United Nations Office on Drugs and Crime



# The Sustainable Development Goals

## Sustainable Development Goals



### **Goal 16 Peace, Justice and strong institutions**

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



**UNODC**

United Nations Office on Drugs and Crime



## Illicit financial flows in the Sustainable Development Goals

### **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 (UNCTAD and UNODC)**

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



## Defining IFF for statistical purposes

### Core elements

IFFs are **cross-border flows** of resources that are **illicitly generated** (e.g., originating in criminal activities or tax evasion), **illicitly transferred** (e.g., violating currency controls), or **illicitly used** (e.g., for financing terrorism).

- IFFs concern the exchange of value.
- IFFs are to be measured at the country level.

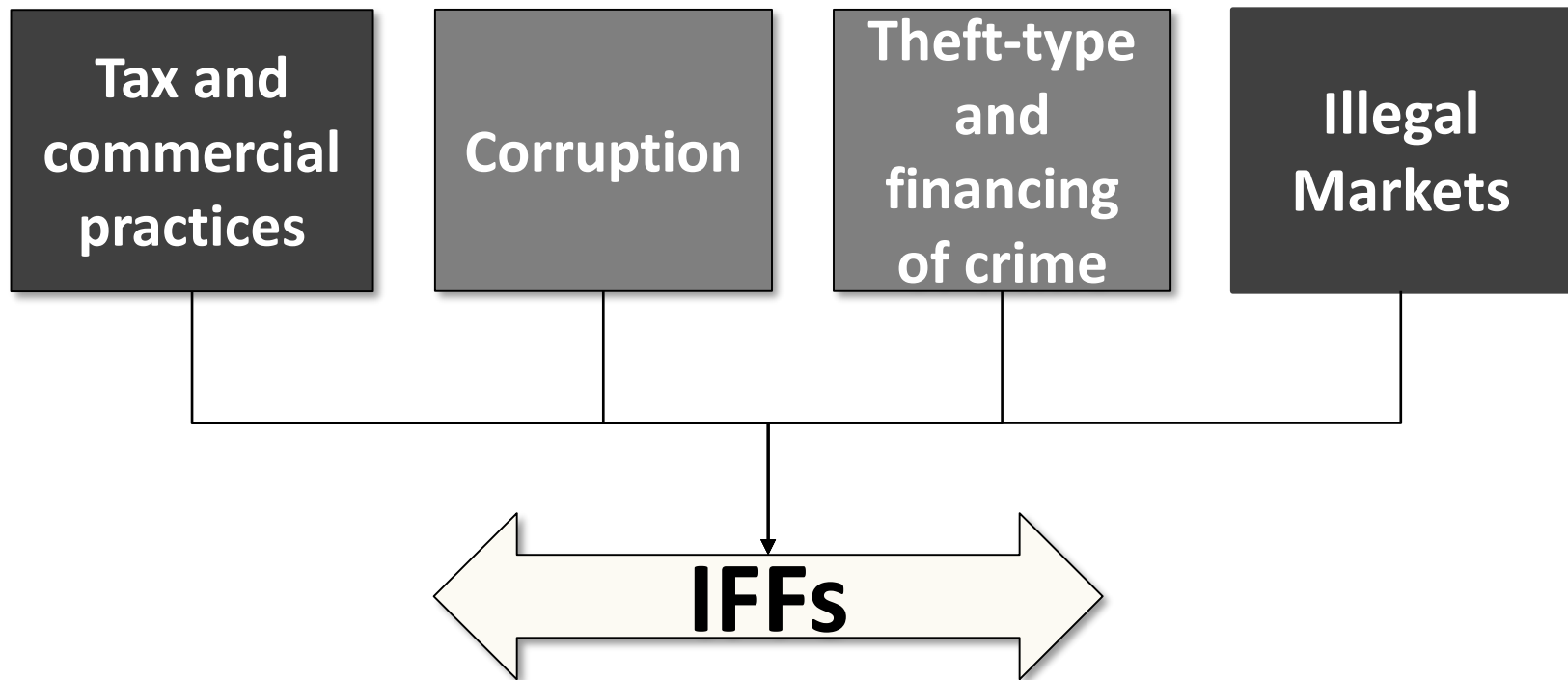


**UNODC**

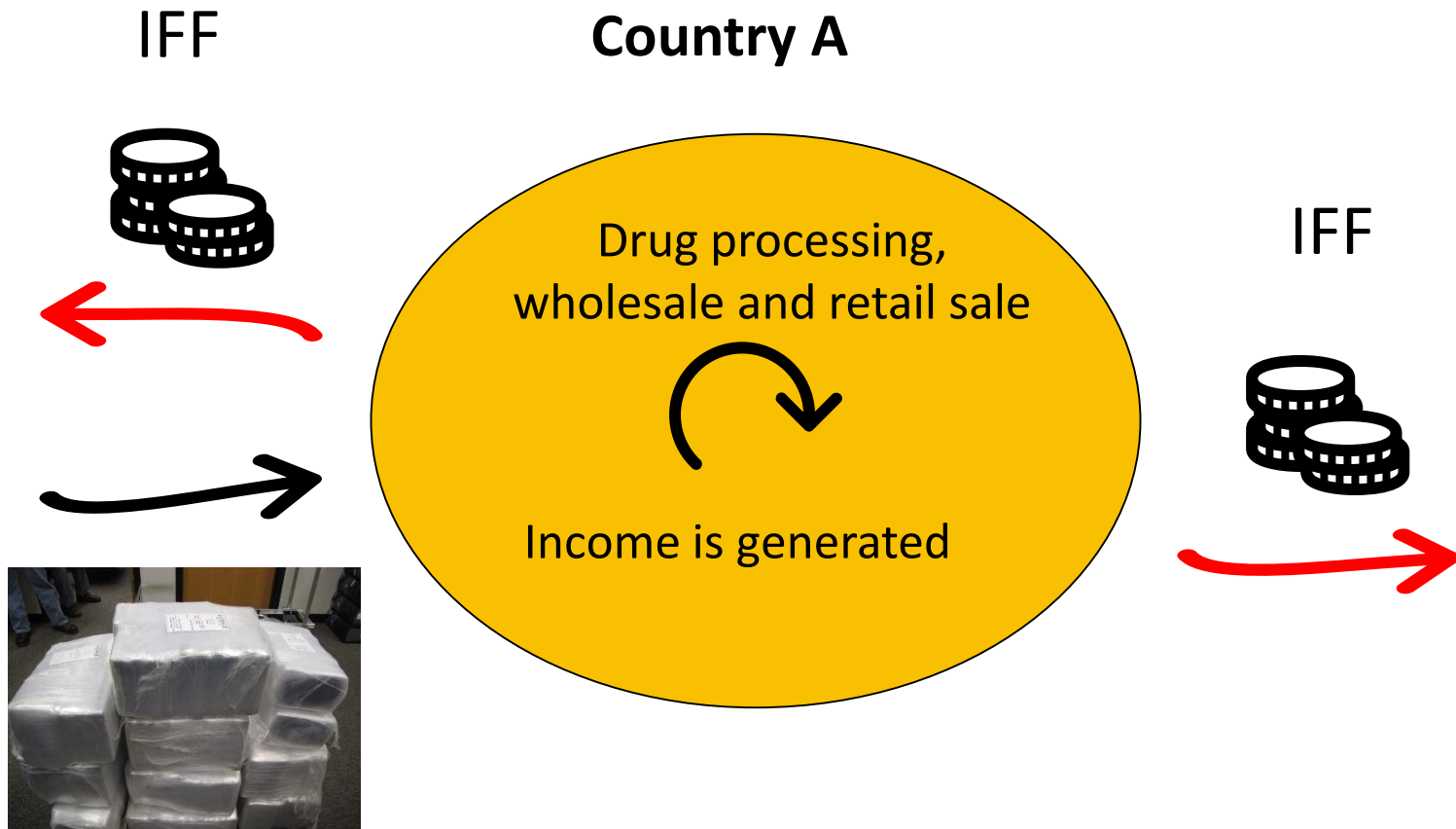
United Nations Office on Drugs and Crime



## Various activities can be at the origin of IFFs



# Measurement framework – Illegal Markets





## IFFs can occur at 2 separate stages

### Income generation

- IFFs generated in connection with illegal trade of illicit goods and services

#### Data needs:

- Prices of illicit goods and services
- Functioning of illicit value chains

### Income management

- IFFs generated when income is invested.

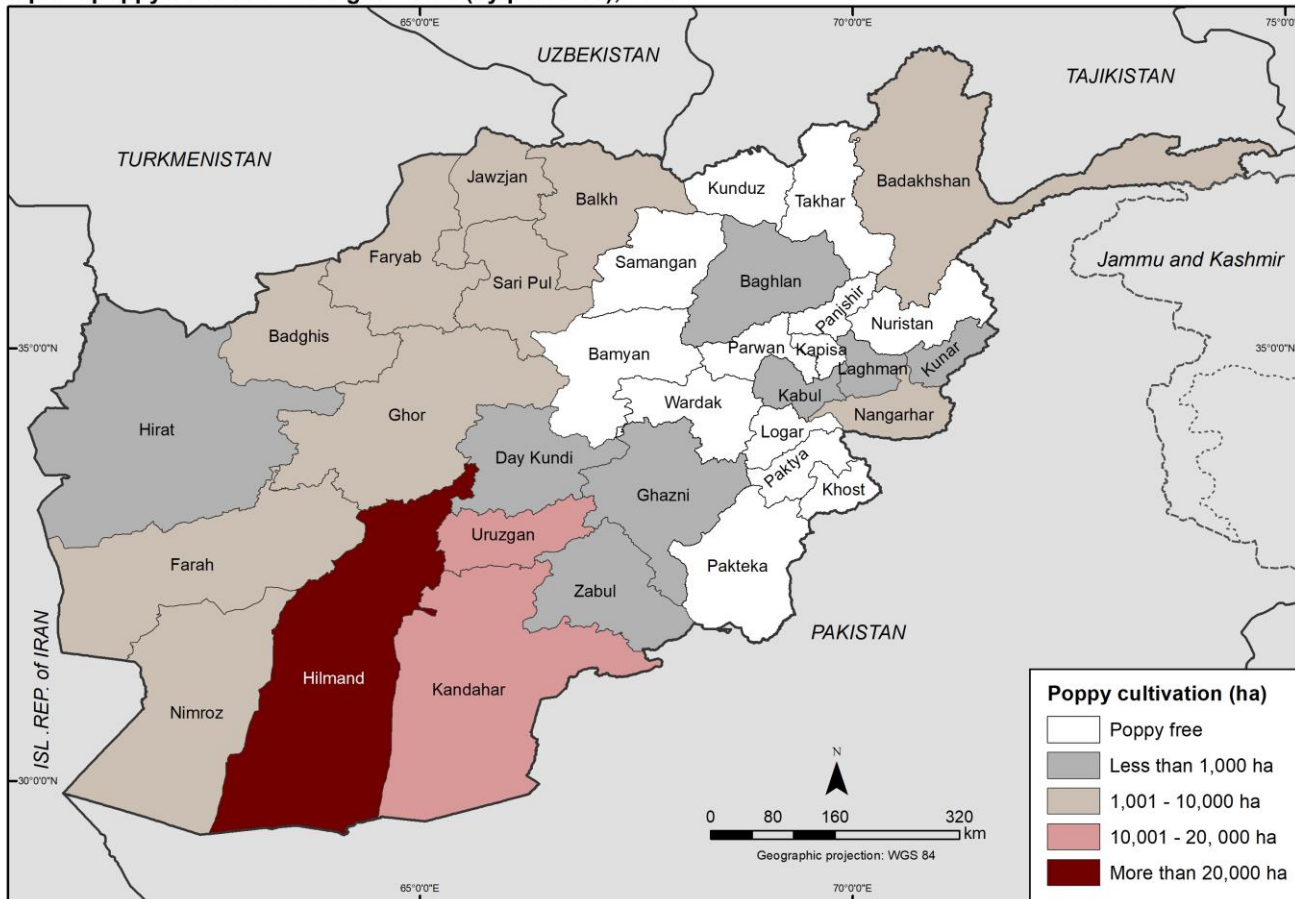
#### Data needs:

- Investment patterns of illicit actors (percent invested abroad)
- Destination of illegal funds transferred abroad



## Country case: opiates trafficking from Afghanistan

Opium poppy cultivation in Afghanistan (by province), 2019



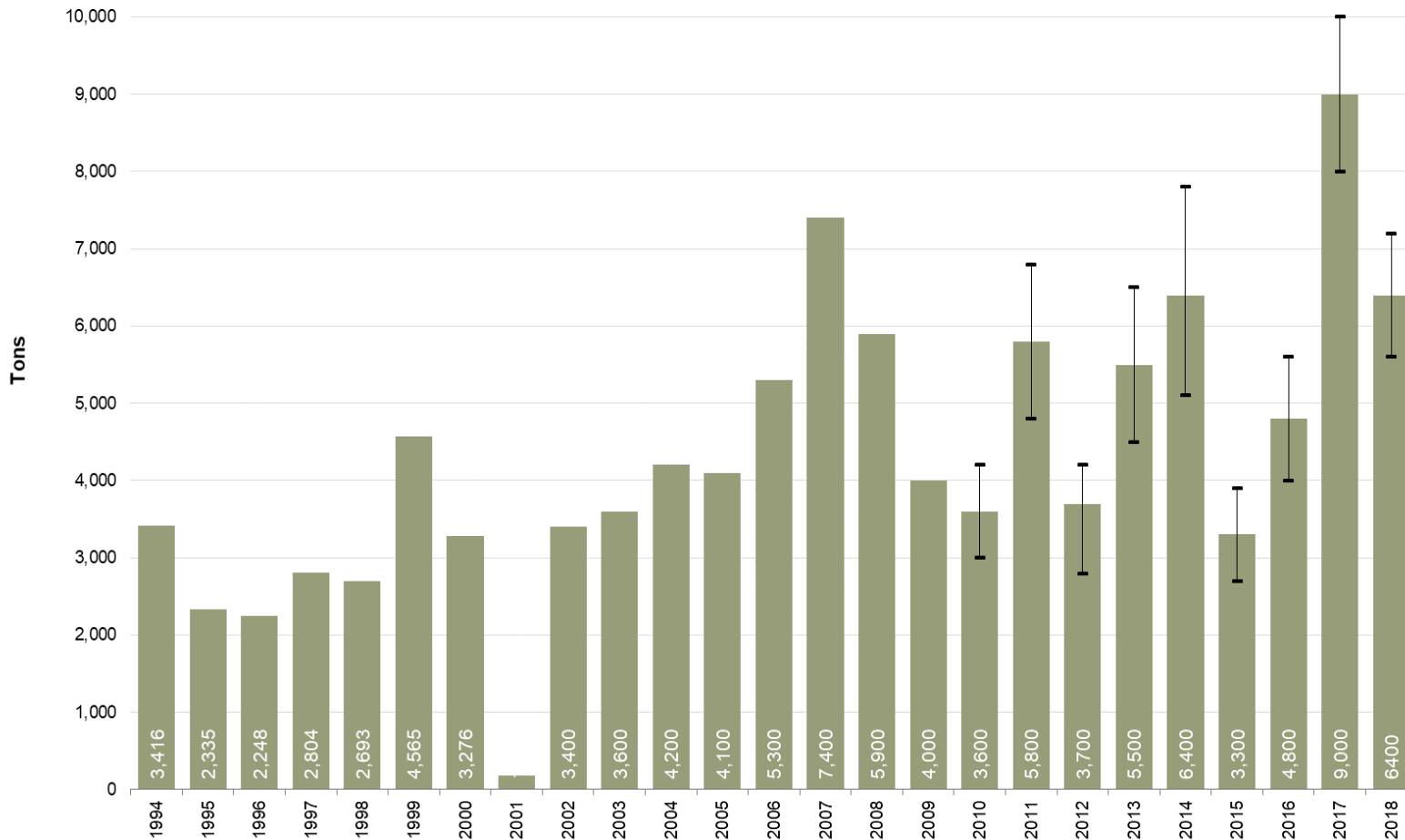
Source: Government of Afghanistan - National monitoring system implemented by UNODC/MCN  
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.  
The dotted line represents approximately the line of control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.







# Afghanistan, opium production estimates (1994-2018)





# Direct, bottom-up measurement approach

## Necessary data requirements

- Opium production per year
- Amounts of heroin and opium consumed per year and domestic prices
- Amounts exported as heroin and opium per year:  
*Exports = Production – Seizures – Consumption*
  - Conversion rates
  - Purity
  - Shares exported as heroin/opium
- Export prices



## **Illicit financial flows: income generation**

### **Gross income**

1.2 – 2.2 billion (6 – 11% of GDP)

### **Domestic use market**

90 million

### **Value of exports – IFF inflow**

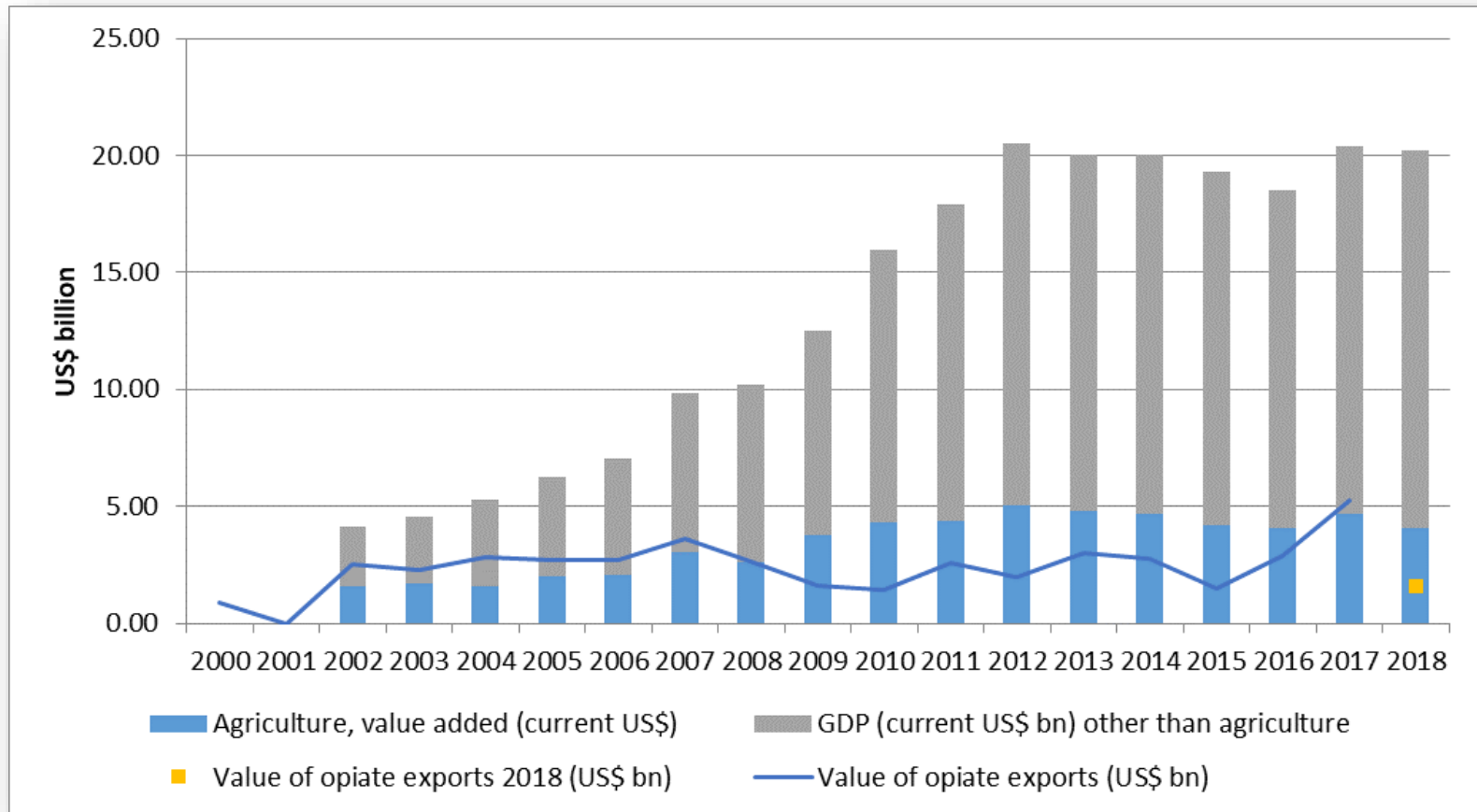
1.1 – 2.1 billion (5 – 10% of GDP)

### **Value of imports (precursors) – IFF outflow**

USD 88 - 184 million



# Illicit financial flows from opiates export in Afghanistan (income generation)





**UNODC**

United Nations Office on Drugs and Crime



## Recent and on-going work

- Statistical framework to measure SDG indicator 16.4.1 (IFFs) discussed and approved by SDG Inter-Agency Expert Group in October 2019
- On-going pilot studies in 5 countries in Latin America:
  - Colombia (cocaine trafficking, trafficking in persons, illegal mining)
  - Ecuador (cocaine, trafficking in persons)
  - Mexico (cocaine, heroine, Smuggling of migrants)
  - Panama (cocaine)
  - Peru (cocaine)



 SUSTAINABLE DEVELOPMENT GOALS



## To conclude

- A disaggregated approach to measure activities leading to IFFs is appropriate and feasible
- Consistent with the approach recommended internationally (and already regulation in EU) to measure value generated by illegal activities and include them in national GDP
- Encouraging results from pilot studies, soon to be replicated in selected countries of Africa and Asia