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# Measuring IFF from Crime

## Developing a statistical framework



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## **Illegal markets and theft-type activities**

### **Theft-type activities and terrorism financing**

Voluntary or involuntary transfer of funds (with borderline cases), outside of the production boundary

Examples: Theft, extortion, kidnapping, terrorism financing and similar, trafficking in persons

### **Illegal markets**

Trade in illegal goods and services, considered being productive. Includes drugs, firearms, wildlife goods, etc, and smuggling of migrants

### **Corruption**



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# Measuring IFF from illegal markets

## Pilot activities

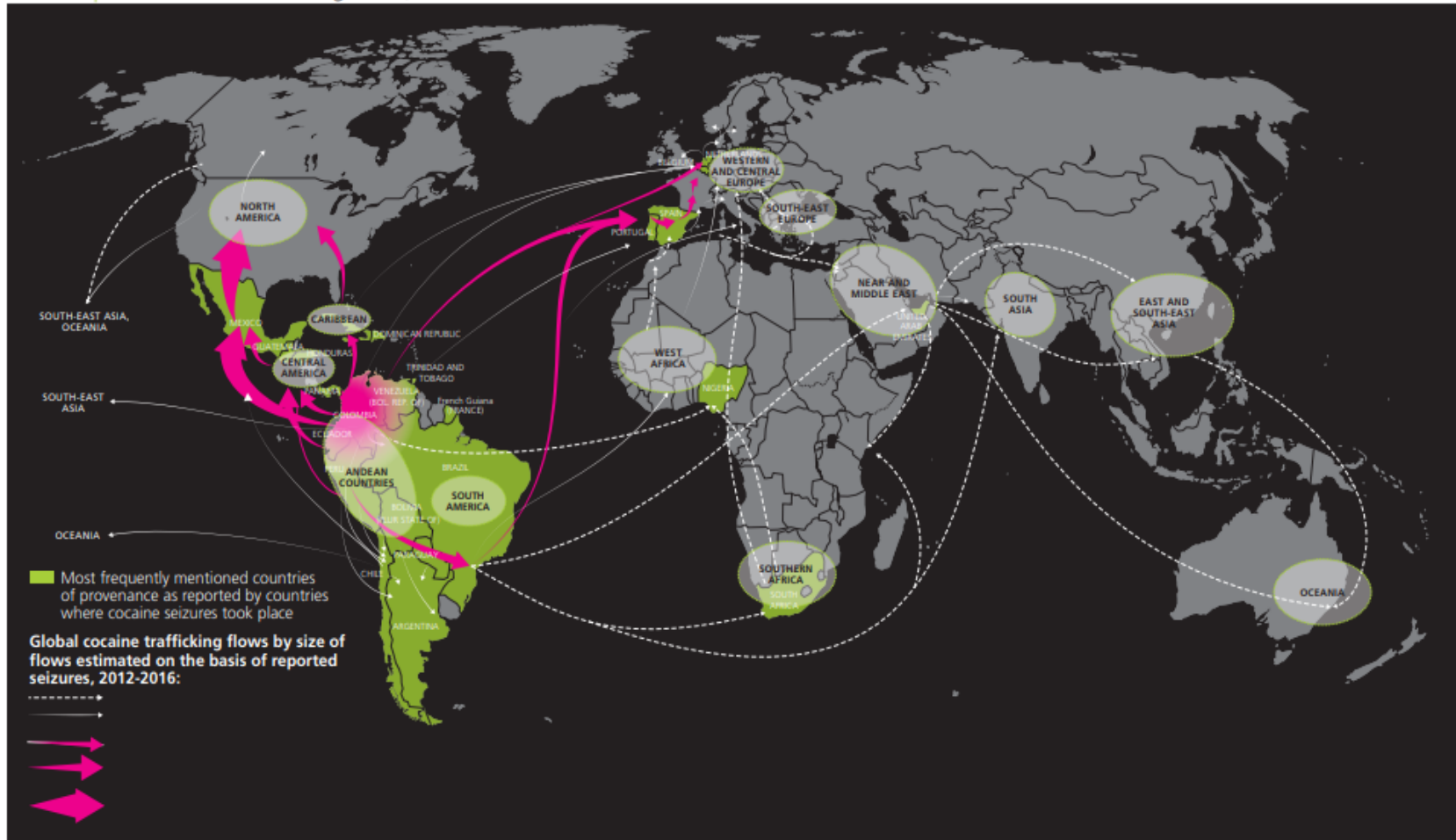
- Illicit drugs
- Smuggling of migrants
- Trafficking in persons
- Illegal mining





# Illicit financial flows from illegal markets

**MAP 1** | Main cocaine trafficking flows, 2012–2016



Sources: UNODC, responses to the annual report questionnaire and individual drug seizure database.



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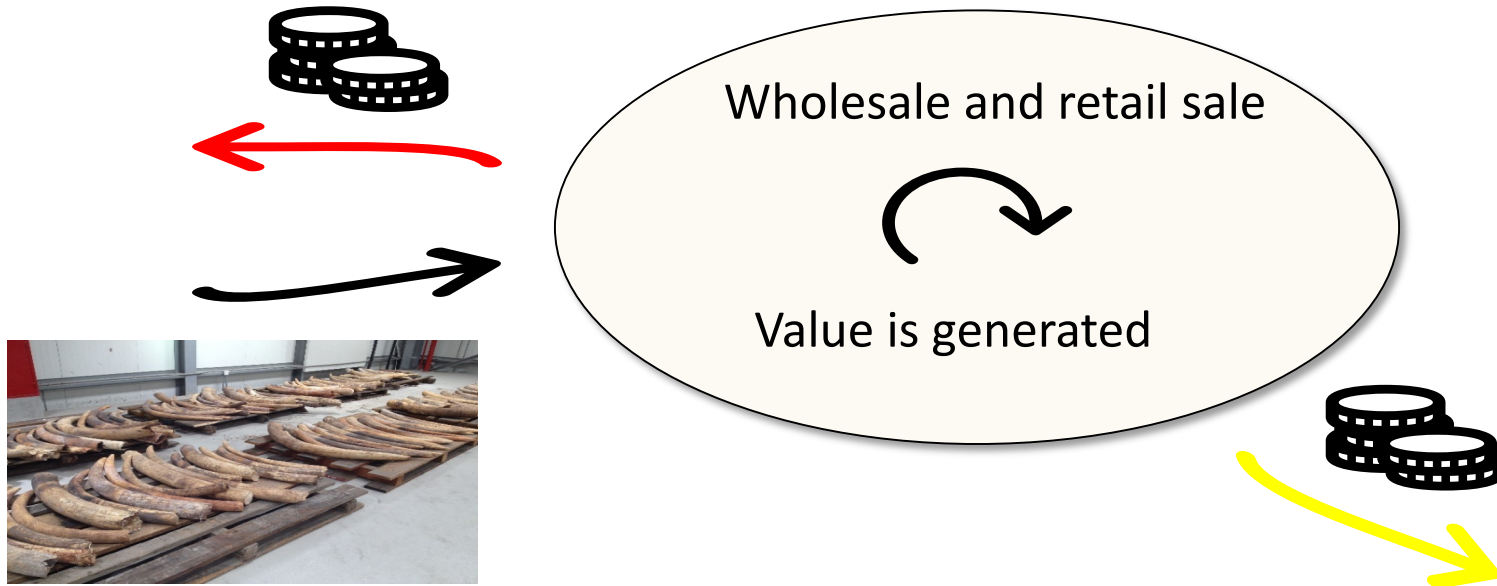
## Illegal markets

### Income Generation

- Illicit financial flows connected to the supply chain of illegal goods
- Trade with illicit goods and services generate cross-border financial flows

### Income Management

- IFF related to the management of illicitly generated income
- Consumption and investment patterns of illicit actors
- Illicit finance and wealth management



Financial flows are transferred in various ways, including cash, formal and informal banking systems (hawala, mobile payments) and more sophisticated methods like trade based money laundering and complex financial constructs



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## **Measuring IFF in illegal markets: case of illicit drugs**

- Member States signatory to the UN conventions on narcotic drugs need to report to UNODC on their situation with drugs annually
- This includes data on: Demand, supply, prices (wholesale and retail), purity, seizures including details like quantity, origin and destination of shipments
- All major coca and opium producing countries conduct annual surveys on drug production



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## Trade flows of illicit drugs

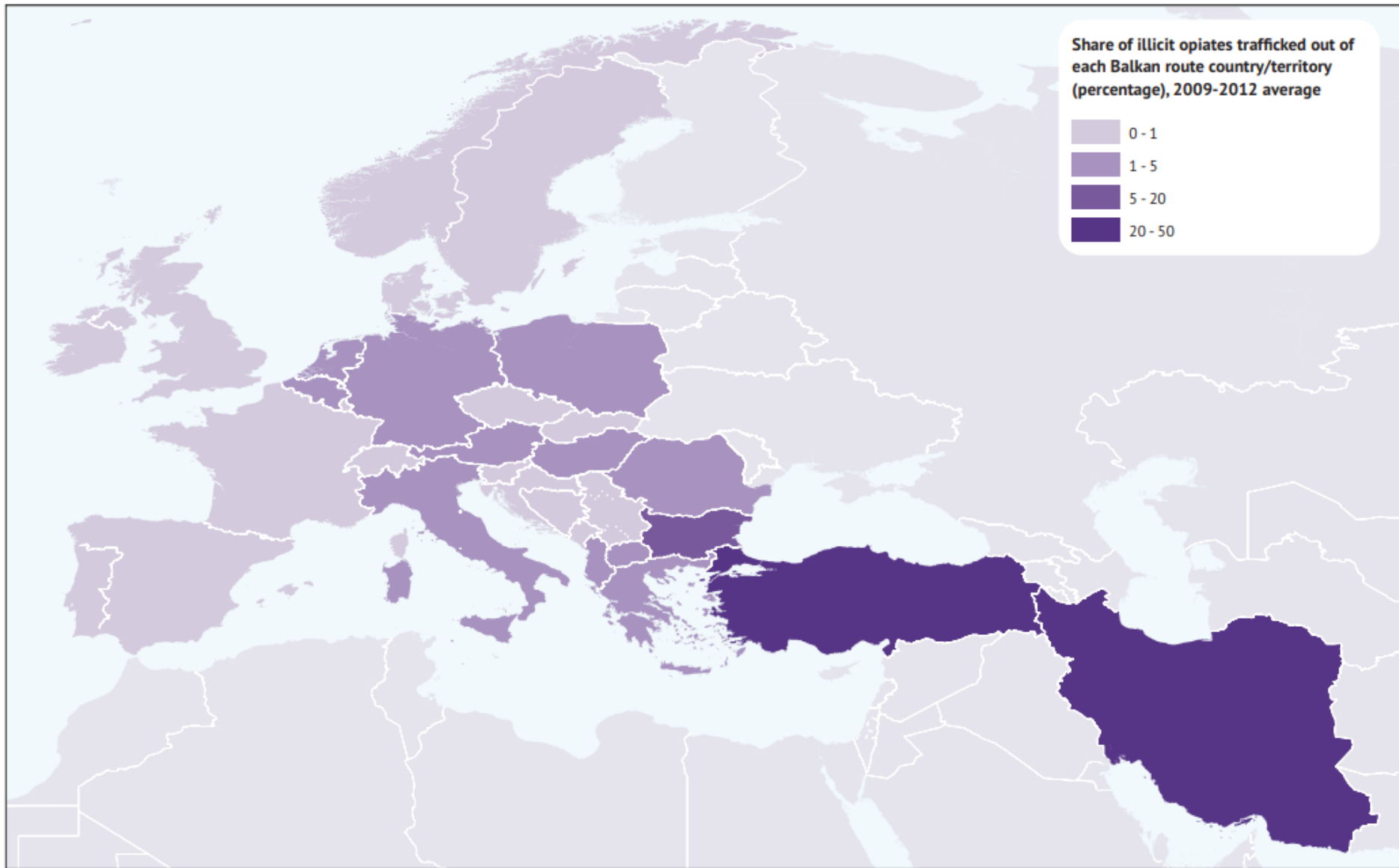
- By using the identity that:

$$\textit{Production + imports = exports + seizures + consumption}$$

In combination with international price data, flows of drugs and their value can be assessed (under some circumstances)

- These flows yield income generation flows
- Subtracting costs yield net income, which is relevant for income management





*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 map does not represent Afghanistan. Afghanistan is the source of several opiate trafficking routes<sup>53</sup> and the share of exports to the Balkan route countries is not representative of the country's actual export share. The map represents the best estimate.*



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## **Illicit income generation**

**Challenge:** Comprehensively measuring economic activities related to transnational, organized crime and similar

**Data needs:** demand and supply for illicit goods and services, trafficking and market prices

## **Illicit income management**

Measuring international transfers and investments of illicit proceeds. estimates of per-person income, income distribution among actors

**Data:** case studies/investigations, qualitative and quantitative information on organized crime, data collected from financial investigations; goal is a systematic data collection that ensures comparability across countries



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## Conceptual challenges

**Forced labour:** how to value theft of services?

**Illicit goods in licit markets:** until when is a flow illicit?  
(e.g. illegal mining of gold, illicitly logged timber or other wildlife products)