

First Training for Measuring Illicit Financial Flows associated with drug trafficking in the Maldives

21 February 2022

Group Exercise 2 – Understand the conceptual framework to measure illicit financial flows associated with drug trafficking activities

EXERCISE 1

Scenario 1:

In Italy, the Aziani group is producing cocaine. The group imports precursors for the production of cocaine from Mexico for 3,000 USD. The Aziani group also sells directly 40% of the production to the local retail markets for 35,000 USD, whereas the other 60% is directly exported to Germany for 51,000 USD.

In Germany, the Kamprad group is importing all cocaine from Italy for 51,000 USD. All cocaine imported is directly re-exported to Mexico for 63,000 USD. The Kamprad transportation costs within the country amount to 1,000 USD.

In Mexico, the Sanchez group imports all cocaine for 63,000 USD and resells to the local retail market for 80,000 USD. Mexico exports to Italy precursors for the production of cocaine for 3,000 USD.

1.1. IDENTIFY THE ILLICIT FINANCIAL INFLOWS AND OUTFLOWS

Please read the scenario 1 of exercise 1 above and fill the below table with the illicit financial flows (outflows and inflows) taking place between the 3 countries of Scenario 1. Please only fill in the white cells for this scenario.

		Outflows		
		Italy	Germany	Mexico
Inflows	Italy		51,000	
	Germany			63,000
	Mexico	3,000		

Guidance note:

- **Illicit Financial Outflows** correspond to the import of illicit goods and services that are used for generating illicit final products.
- **Illicit Financial Inflows** correspond to the export of final goods and services.

1.2. IDENTIFY THE MAIN ECONOMIC AGGREGATES OF THE CONCEPTUAL FRAMEWORK

For scenario of exercise 1, for each country, please identify:

- **Illicit gross output:**

Value of the illicit goods or services produced in a given period. The value is determined as quantity-times-price (where the price is, for example, the retail price in the domestic market, or the export price if goods are exported).

- **Illicit intermediate expenditure:**

Value of (licit and illicit) inputs acquired to produce illicit goods and services over a given period. The value of inputs is determined as quantity-per-price (where the price is, for example, the domestic price if the goods are bought from a resident, or the import price if the goods are bought from a non-resident).

- **Illicit net output/value added/net income**

The economic result of the productive process. It is determined as gross output-minus-intermediate expenditure. It also represents the net income (income after accounting for costs) earned by all actors carrying out the illicit activity.

Fill out the tables below according to the conceptual framework illustrated in Figure 1 and 2 (below).

Italy

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure		3,000 USD		3,000 USD
Illicit gross output	35,000 USD		51,000 USD	86,000 USD
Illicit net output				83,000 USD

Germany

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure	1,000 USD	51,000 USD		52,000 USD
Illicit gross output			63,000 USD	63,000 USD
Illicit net output				11,000 USD

Mexico

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure		63,000 USD		63,000 USD
Illicit gross output	80,000 USD		3,000 USD	83,000 USD
Illicit net output				20,000 USD

Figure 1

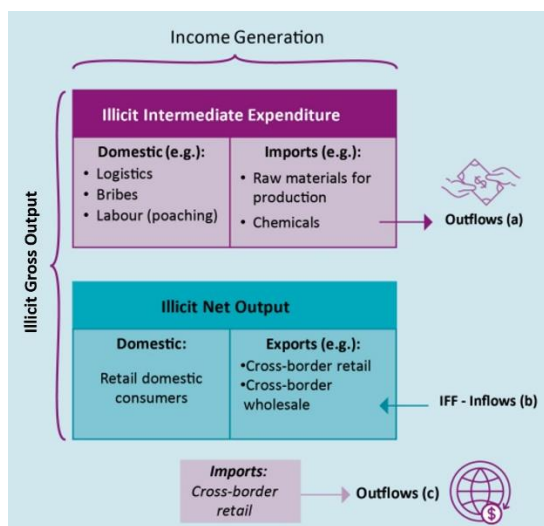
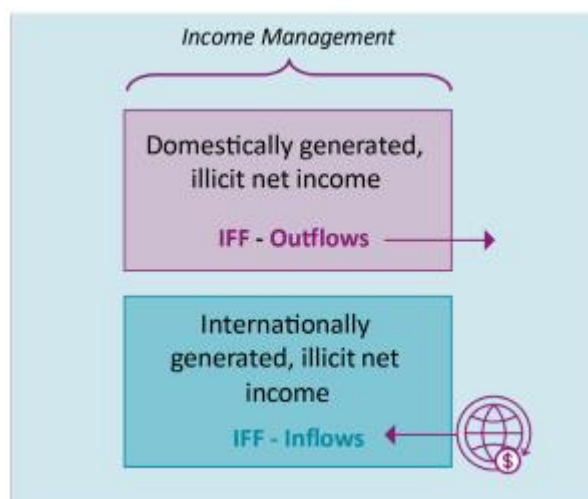


Figure 2



Source: UNCTAD and UNODC, Conceptual Framework for the Statistical Measurement of Illicit Financial Flows (Vienna, 2020)

EXERCISE 2

Scenario 2:

In Bangladesh, there is one organised crime group, the Prakash. The Prakash is active in trafficking of cannabis to Maldives for 26,000 USD. For their activities, they buy a car from a local dealer for 6,000 USD.

The Saudulla group is active in the Maldives, importing ecstasy from Netherlands for 30,000 USD and selling them in the local retail markets for 10,000 USD. The Saudulla group buys financial assets in the Netherlands for 5,000 USD. Additionally, Saudulla group exports for 40,000 USD to Bangladesh.

The Horby group is based in the Netherlands to produce ecstasy where 50% of their production is sold in the local retail markets for 20,000 USD. They export to the Maldives for 30,000 USD but they need to bribe the local authorities for 7,000 USD. Please remind that the Saudulla group buys financial assets in the Netherlands for 5,000 USD.

2.1. IDENTIFY THE ILLICIT FINANCIAL INFLOWS AND OUTFLOWS

Please read the scenario 2 of exercise 2 above and fill the below table with the illicit financial flows (outflows and inflows) taking place between the 3 countries of Scenario 2. Please only fill in the white cells for this scenario.

		OUTFLOWS		
		Bangladesh	Maldives	Netherlands
INFLOWS	Bangladesh		\$26,000	
	Maldives	\$40,000		
	Netherlands		\$30,000 + \$5,000 = \$35,000	

Guidance note:

- **Illicit Financial Outflows** correspond to the import of illicit goods and services that are used for generating illicit final products.
- **Illicit Financial Inflows** correspond to the export of final goods and services.

2.2. IDENTIFY THE MAIN ECONOMIC AGGREGATES OF THE CONCEPTUAL FRAMEWORK

For scenario of exercise 2, for each country, please identify:

• **Illicit gross output:**

Value of the illicit goods or services produced in a given period. The value is determined as quantity-times-price (where the price is, for example, the retail price in the domestic market, or the export price if goods are exported).

• **Illicit intermediate expenditure:**

Value of (licit and illicit) inputs acquired to produce illicit goods and services over a given period. The value of inputs is determined as quantity-per-price (where the price is, for example, the domestic price if the goods are bought from a resident, or the import price if the goods are bought from a non-resident).

• **Illicit net output/value added/net income**

The economic result of the productive process. It is determined as gross output-minus-intermediate expenditure. It also represents the net income (income after accounting for costs) earned by all actors carrying out the illicit activity.

Fill out the tables below according to the conceptual framework illustrated in Figure 1 and 2 (below).

Bangladesh

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure	6,000 USD			6,000 USD
Illicit gross output			26,000 USD	26,000 USD
Illicit net output				20,000 USD

Maldives

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure		30,000 USD + 5,000 USD		35,000 USD
Illicit gross output	10,000 USD		40,000 USD	50,000 USD
Illicit net output				15,000 USD

The Netherlands

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit intermediate expenditure	7,000 USD			7,000 USD
Illicit gross output	20,000 USD		30,000 USD +5,000 USD	55,000 USD
Illicit net output				48,000 USD

Figure 2

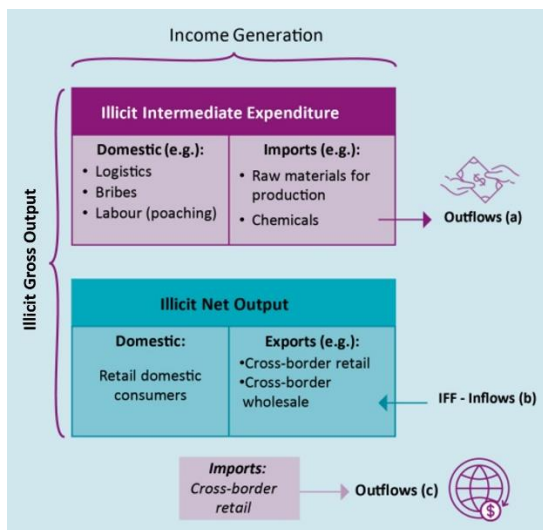
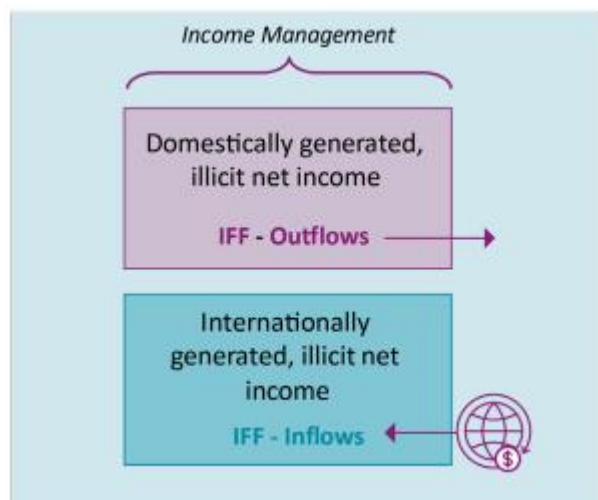


Figure 2



Source: UNCTAD and UNODC, Conceptual Framework for the Statistical Measurement of Illicit Financial Flows (Vienna, 2020)