



**UNODC**

United Nations Office on Drugs and Crime



# **Estimating illicit financial flows related to drug trafficking activities**

## **General guidelines**

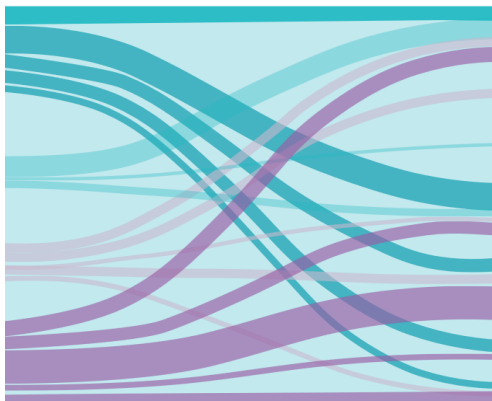
First online training for the measurement of illicit financial  
flows related to criminal activities in the Maldives

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## Income generation and income management IFFs

**“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.**”



**Total IFFs =**

**income generation IFFs**

Cross-border transactions performed in the context of the production of illicit goods and services (...). In drug trafficking, transactions finalized to payments of illicit drug exported to another country

**+**

**income management IFFs**

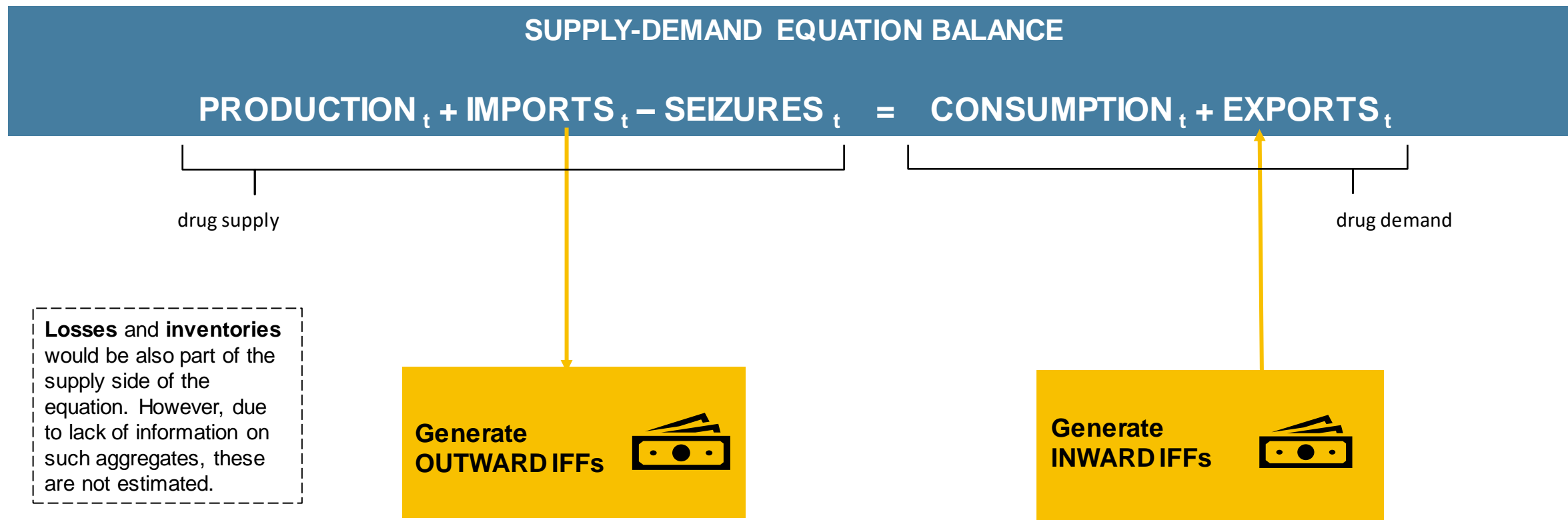
Cross-border transactions finalized to use the (illicit) income for investment in (legal or illicit) financial and non-financial assets or for consuming (legal or illegal) goods and services. In drug trafficking: cross-border investments of proceeds of crime in legitimate businesses.

## Income generation IFFs and illicit drug market value

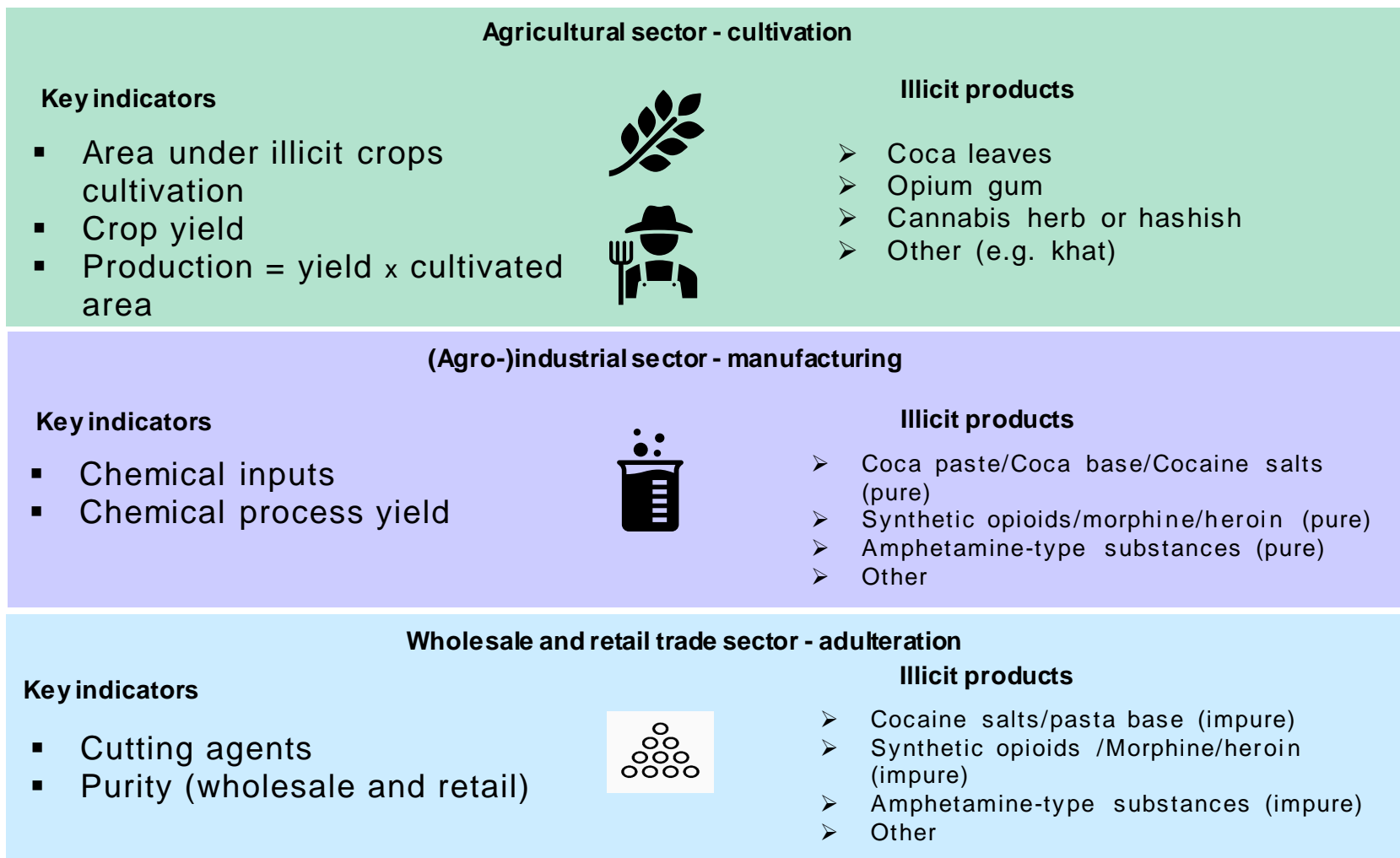
- IFF concept -> compatible with the framework of system of national account (SNA) and the balance of payments (BoP).
- **Drug trafficking**
  - productive activity (production of goods and provision of services)
  - Actors: play in an illegal market to make profits
- Measuring drug-related income generation IFFs requires to estimate the **economic value** of a number of drug market components
- Three main economic components (or 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**

- Revenues and costs: **domestic + cross-border**



# Estimating illicit drug production



# Estimating illicit drug consumption

(For each relevant illicit drug, annual consumption)

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

## Number of users:

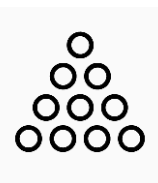
Estimating drug consumption make use primarily of survey data (survey among the general population). When these data are not available, in certain cases, data on drug registries or on people in treatment may be used.



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

☐

☐ Seizures

☐ Consumption

☐ Purities

### \$ Prices

☐

☐ Wholesale prices

☐ Retail prices



### Routes

☐

☐ Drug trafficking routes

☐ Distribution of exports

☐ Distribution of imports



### Geographical coverage:

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

## Practical approaches to the estimates

- **Demand side approach** → starts from demand (e.g. consumption of drugs) to derive imports
- **Supply side approach** → start from production to derive exports

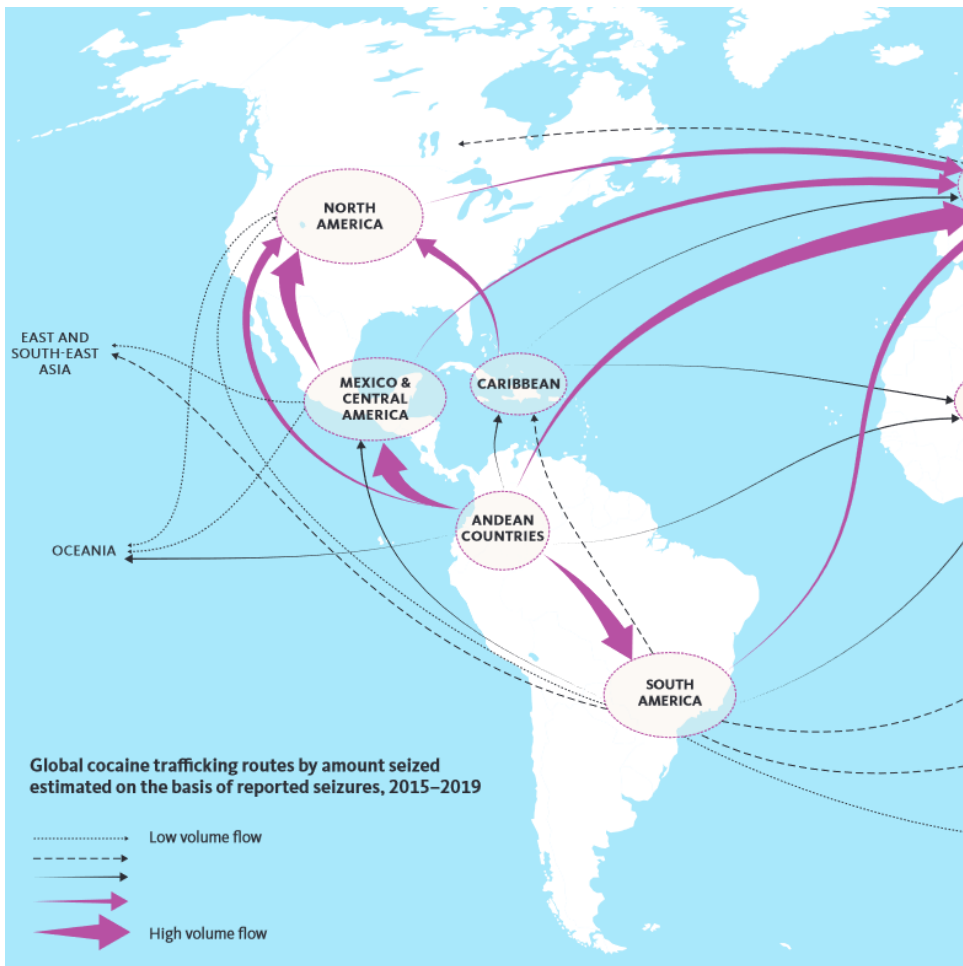
Decision based on:

- Country profile (e.g. production of drugs in the country exists)
- Availability of data (both in the country and in main origin/destinations)
- Timeliness of data



## Example

### Estimating IFFs from cocaine trafficking in Mexico



Source: UNODC World Drug Report 2021

Mexico:

- Transit country for cocaine destined (mostly) to North America and Europe
- Route: South America -> Central America -> Northern America
- Mexican cartels: actors of trafficking from origin to destination

Mexico:

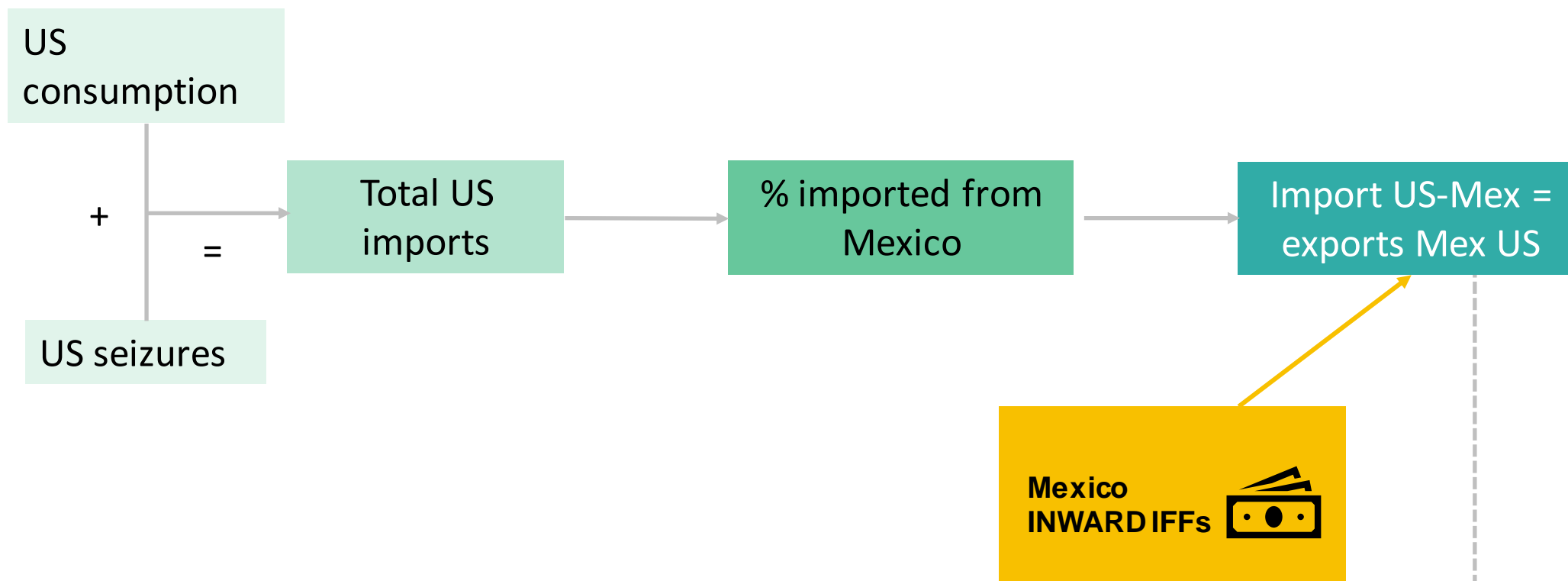
- ✓ **COCAINE IMPORT = outward IFFs**
- ✓ **COCAINE EXPORT = inward IFFs**

## Methodology to estimate IFFs from cocaine trafficking activities in Mexico

Mexico-US route

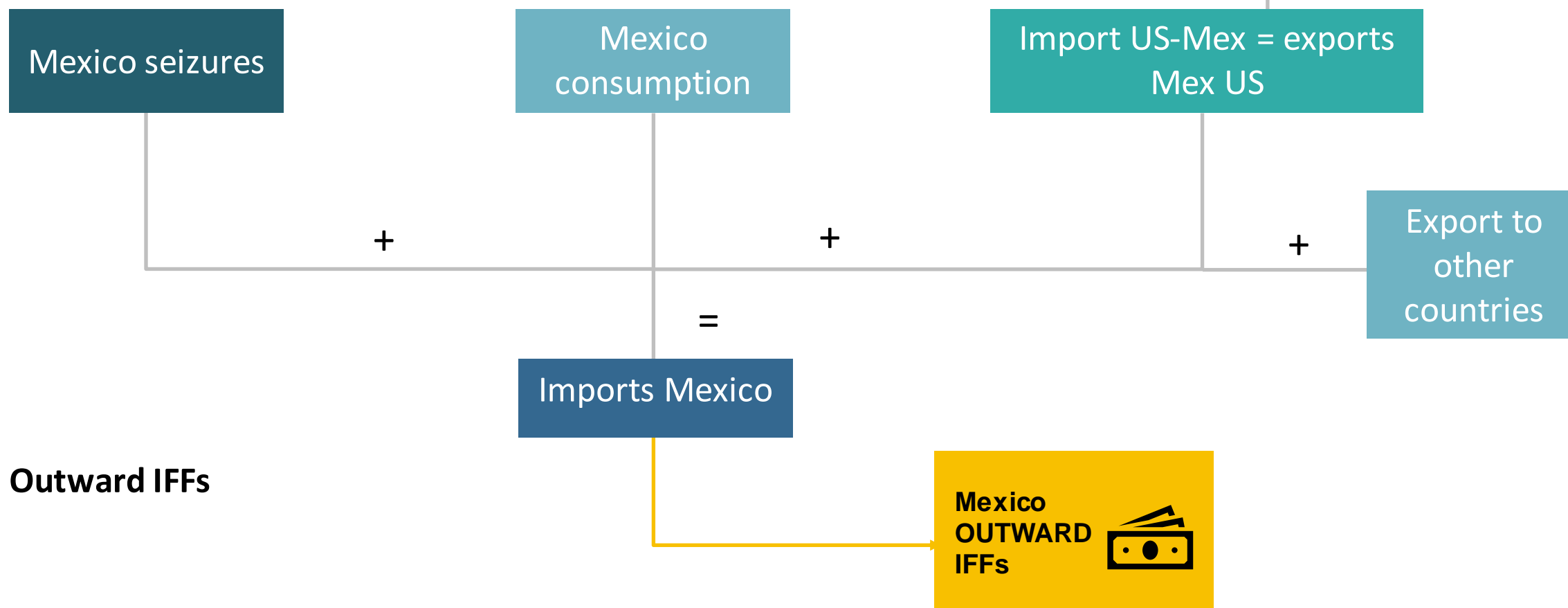
### Inward IFFs

*Demand-based approach*



## Methodology to estimate IFFs from cocaine trafficking activities in Mexico

Mexico-US route





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# Thank you!



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