



First National Workshop on Measuring Illicit Financial Flows Associated with Trafficking in Persons in Nepal

22 March 2022 – Radisson Hotel Kathmandu

Group Exercise 1 – Understanding the statistical definition of illicit financial flows (IFFs) and the Conceptual Framework, with an application to trafficking in persons activities

Exercise 1.1 – Definition of IFFs for statistical purposes and income generation/income management IFFs

For each scenario described below, please indicate if the transaction entails an IFF (by marking the “IFF” or “No IFF” column). If YES, please indicate in the last column (“IGO/IMO”) if the IFF represents a flow associated with an Income Generation Operation (“IGO”) or an Income Management Operation (“IMO”).

Scenario	IFF	No IFF	IGO/IMO
1. Example: An organised crime group based in the Maldives pays recruiters based in India to have victims trafficked into the Maldives for sexual exploitation.	X		IGO
2. A local organized group in Kathmandu exploits local victims for forced labour activities, and all proceeds are invested in local legitimate businesses.		X	
3. In order to recruit persons to be employed in forced labour, an employment agency based in country A pays 500 USD to a recruitment agency based in country B.	X		IGO
4. A Nepali recruiter of Nepali forced labour victims is paid by Maldives-based exploiters for sending them to the Maldives.	X		IGO
5. An international group engaged in trafficking in persons based in Nepal deposits illicit cash proceeds on a bank account in India.	X		IMO
6. A tourist in Nepal pays 20 USD to a local sexual exploiter, for a sexual service.	X		IGO
7. A Nepali temporary worker is exploited in the construction sector in Qatar by Qatari nationals.	X		IGO
8. Lured with a promise of regular domestic jobs in Doha, a Nepali worker pays recruitment fees to a recruiter of victims based in Doha.	X		IGO



Exercise 1.2 - Case study

Scenario 1:

The Saudulla group is active in the Maldives, by exploiting non-residents for constructing a series of new touristic resorts. The group contacts the Prakash, recruiters in Bangladesh, for recruiting Bangladeshi workers to be transferred to the Maldives. The Saudulla group pays 3,000 USD to the Prakash. The extra saving earned from exploitation of these Bangladeshi workers in the Maldives is 7,000 USD. The Saudulla group also pays 2,000 USD to a Sri Lankan group for recruiting new victims.

In Bangladesh, the Prakash earn 10,000 USD from the exploitation of local victims under various modalities. Please remind that the Saudulla group (based in the Maldives) pays 3,000 USD to the Prakash. There is also an outflow of 7,000 USD from Bangladesh to the Maldives due to the exploitation of Bangladeshi workers in the Maldives.

In Sri Lanka, a criminal group is paid 2,000 USD from the Saudulla group (based in the Maldives) for sending them victims of forced labour. The fees paid to the local Sri Lankan recruiters by the Sri Lankan criminal group are 500 USD.

Scenario 2:

In India, the Ahmed group is active in sexual exploitation in guest houses and beauty salons. They pay 4,000 USD to recruiters based in Nepal, the Smith, for recruiting Nepali victims lured with a promise of regular domestic jobs. The Ahmed group also pay transportation costs to a local transporter for 2,000 USD. The extra savings earned by the Ahmed group from the Nepali (non-resident) victims are estimated at 10,000 USD. Ahmed group earns also 7,000 USD from the exploitation of resident victims in the country. In addition, the Ahmed group recruitment agencies pay to Bhutan recruitment agencies 5,000 USD for recruiting new victims.

In Nepal, the Smith has a recruitment network specialized in targeting and recruiting potential victims of sexual exploitation. They earn 10,000 USD by recruiting Nepali victims in the country. Their intermediate costs to run their website and advertise their activities are 1,500 USD (paid locally). Please remind that they are paid 4,000 USD by Ahmed group based in India for recruiting the victims. There is also an outflow of 10,000 USD from Nepal to India as a result of the exploitation of Nepali

In Bhutan, there is a group of intermediaries, the Taylor. They are paid by local recruitment agencies 2,000 USD for putting them in contact with potential victims. The Taylor intermediate costs for paying their own recruitment agents are 700 USD. Please recall that Bhutan recruitment agencies are paid 5,000 USD by India recruitment agencies for the recruitment of these victims to be transferred and exploited in India.



A. IDENTIFY THE ILLICIT FINANCIAL INFLOWS AND OUTFLOWS

Based on scenarios 1 and 2 above, fill in the below tables with the illicit financial flows (outflows and inflows) taking place between the 3 countries of each scenario, assuming that the scenarios all refer to the same time period *t*. Please only fill in the white cells of the tables below.

Scenario 1:

		Outflows		
		Maldives	Bangladesh	Sri Lanka
Inflows	Maldives		\$7,000	
	Bangladesh	\$3,000		
	Sri Lanka	\$2,000		

Scenario 2:

		Outflows		
		India	Nepal	Bhutan
Inflows	India		\$10,000	
	Nepal	\$4,000		
	Bhutan	\$5,000		

B. IDENTIFY THE MAIN ECONOMIC AGGREGATES OF THE CONCEPTUAL FRAMEWORK ON IFFs

For scenarios 1 and 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 (or value added or illicit net income)**

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.



Scenario 1

Maldives

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output			\$7,000	\$7,000
Illicit intermediate expenditure		\$3,000 +\$2,000		\$5,000
Illicit net output				\$2,000

Bangladesh

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output	\$10,000		\$3,000	\$13,000
Illicit intermediate expenditure		\$7,000		\$7,000
Illicit net output				\$6,000

Sri Lanka

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output			\$2,000	\$2,000
Illicit intermediate expenditure	\$500			\$500
Illicit net output				\$1,500

Scenario 2

India

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output	\$7,000		\$10,000	\$17,000
Illicit intermediate expenditure	\$2,000	\$4,000 +\$5,000		\$11,000
Illicit net output				\$6,000

Nepal

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output	\$10,000		\$4,000	\$14,000
Illicit intermediate expenditure	\$1,500	\$10,000		\$11,500
Illicit net output				\$2,500



Bhutan

	Domestic	Imports/outflows	Exports/inflows	TOTAL
Illicit gross output	\$2,000		\$5,000	\$7,000
Illicit intermediate expenditure	\$700			\$700
Illicit net output				\$6,300

-----End of Group Exercise 1-----