

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

22 March 2022 – Radisson Hotel Kathmandu

Objective of this exercise: Understand the methodology to estimate illicit financial flows (IFFs) associated with trafficking in persons. The focus of the exercise is on income generation IFFs emerging from cross-border operation, in the phases of both victims' recruitment and exploitation. This exercise aims to apply a basic methodology to obtain country-level estimates on total (domestic and cross-border) transactions associated with this crime. Simulated information on prices and number of victims to estimate the revenues and profits of relevant actors will be used.

Please read the scenario below and follow the guidelines at the end to calculate the total value generated by trafficking in persons (in terms of revenues and profits) as well as the corresponding IFFs.

Please round the results to 2 decimal places. You can use a calculator for this exercise.

You will be guided by UNODC to conduct this exercise.

Scenario

- *Number of victims, modality and location of exploitation*

In a given year, it has been estimated that a total of 3,000 Nepali seasonal workers are victims of forced labour in the construction sector of a Gulf country. There is no evidence of other countries of exploitation of Nepali forced labour victims abroad.

- *Countries of residence of the actors*

All the Nepali victims are temporary workers in the Gulf country. Therefore, they maintain residence in Nepal. Exploiters are all based in the Gulf country, and some of these make use of victim's recruitment services located in Nepal.

- *Exploitation phase*

In the Gulf Country, the victims are paid an average salary of 200 USD per month. The average duration of exploitation is 6 months. The monthly added value (before salaries) generated at the company level in the construction sector, before payments of salaries, in the Gulf country is 550 USD.

- *Recruitment phase*

An estimated 78% of Nepali victims exploited in the Gulf country were recruited in their country of origin by local actors.¹ The recruitment fees, paid by the Gulf country-based exploiters to the recruiters² is 600 USD per victim. To have Nepali granted their visa abroad, the Gulf country exploiters also pay 300 USD to Nepali actors (residents of Nepal) for falsifying labour permits (for all victims, no matter if they have been recruited or not). On the other hand, for obtaining the job in the Gulf country, each Nepali victim pays 250 USD to the Nepali recruiters.

¹ This means that some of the victims were directly engaged by the exploiters, without the involvement of "recruitment" actors.

² For recruitment of victims and transportation to the country of exploitation.

- *Intermediate costs*

Nepali recruiters pay 10,000 USD for a sophisticated web recruitment platform and 100 USD for its monthly maintenance, for one year.

<i>Overview of the steps to resolve the exercise</i>
Step 1: Review of known data (data collection)
Step 2: Estimate IFFs
2.1. Inward IFFs
2.2. Outward IFFs
Step 3. Estimating Nepal illicit gross output and illicit net income from trafficking in persons
3.1. Nepal illicit gross output
3.2. Nepal intermediate costs
3.3. Nepal illicit net income

CALCULATIONS GUIDELINES

Step 1: Review of known data (data collection)

Please **review the list** of all relevant information of the scenario:

Estimated number of victims	
Variable	Data
Total number of victims	3,000
Country of residence	
Variable	Data
Percentage of seasonal workers (not resident) among all Nepali exploited in the Gulf country	100%
Conditions of exploitation	
Variable	Data
Monthly actual salary paid to the victims	200 USD
Duration of exploitation	6 months
Added value	
Variable	Data
Monthly added value generated at the company level in the construction sector in the Gulf country	550 USD
Recruitment fees	
Variable	Data
Fees paid by the Gulf country exploiters to the Nepali recruiters per each victim recruited	600 USD
Proportion of recruited victims	78%
Fees paid by each victim to the recruiters for obtaining the job	250 USD
Costs of falsifying working permits	
Variable	Data
Cost paid by Gulf country exploiters to Nepali recruiters for obtaining false labour permits	300 USD/victim
Intermediate costs	

Variable	Data
Cost of purchasing the web recruitment platform	10,000 USD
Monthly cost to maintain the web platform	100 USD per month (over 12 months period)

Step 2: Estimate IFFs

Please calculate inward and outward IFFs following the below formulas:

2.1. Nepal inward IFFs

Nepal inward IFFs are represented by the cross-border inflow of money received by Nepali recruiters for recruiting victims and for producing fake labour permits, as paid by the Gulf country-based exploiters. Therefore, the calculation requires to estimate:

- **Inward IFFs related to the recruitment phase**

Inward IFFs = number of victims x % of victims recruited x fees paid to the Nepali recruiters

$$= 3,000 \times 0.78 \times 600 \text{ USD}$$

$$= 2,340 \times 600$$

$$= 1,404,000 \text{ USD}$$

- **Inward IFFs related to fake labour permits**

= number of victims x fees paid by the Gulf country exploiters for obtaining fake labour permits

$$\text{Inward IFFs} = 3,000 \times 300 \text{ USD}$$

$$= 900,000 \text{ USD}$$

- **Total inward IFFs**

= Inward IFFs related to the recruitment of victims + Inward IFFs related to the purchase of fake documents

$$= 1,404,000 \text{ USD} + 900,000 \text{ USD}$$

$$= 2,304,000 \text{ USD}$$

2.2. Nepal outward IFFs related to the exploitation phase

Considering that Nepal outward IFFs related to forced labour consist in the exploitation of Nepali victims by Gulf country exploiters, the following applies:

Outward IFFs

= number of victims x (monthly added value – monthly salary paid to the victims) x number of months exploited

$$= 3,000 \times (550 \text{ USD} - 200 \text{ USD}) \times 6$$

$$= 3,000 \times 350 \text{ USD} \times 6$$

$$= 6,300,000 \text{ USD}$$

Step 3: Estimating Nepal illicit gross output and illicit net income

3.1. Nepal illicit gross output

Recalling that Nepal illicit gross output is the value illicitly generated from the recruitment of Nepali victims and from the issuance of fake labour permits to the Gulf country exploiters, it follows that:

- **Nepal Illicit gross output related to recruitment fees paid by the exploiters** (*see above*)

= number of victims x % of victims recruited x fees paid to the Nepali recruiters = Inward IFFs related to the recruitment phase = 1,404,000 USD

- **Nepal Illicit gross output related to fake labour permits** (*see above*)

= number of victims x fees paid by the Gulf country exploiters for obtaining fake labour permits = 900,000 USD

- **Nepal illicit gross output related to the recruitment fees paid by the victims**

= number of victims recruited by Nepali recruiters x fees paid by Nepali victims

= number of victims x % of victims recruited by Nepali recruiters x fees paid by Nepali victims

= 3,000 x 0.78 x 250 USD

= 585,000 USD

- **Nepal total illicit gross output**

= Illicit gross output related to the recruitment fees paid by the exploiters + Illicit gross output related to falsifying fake documents + Illicit gross output related to the recruitment fees paid by the victims

= 1,404,000 USD + 900,000 USD + 585,000 USD

= 2,889,000 USD

3.2. Intermediate costs

Bearing in mind that, in this scenario, Nepal recruiters' pay intermediate costs for obtaining and maintaining a web recruitment platform for one year:

Intermediates costs = cost of purchasing the web platform + monthly maintenance of the web platform

= 10,000 USD + (100 USD x 12)

= 10,000 USD + 1,200 USD

= 11,200 USD

3.3. Nepal illicit net income

Nepal Illicit net income = Nepal total illicit gross output – Nepal intermediate costs

= 2,889,000 USD – 11,200 USD

= 2,877,800 USD

----- End of exercise 2 -----