



Crime-related illicit financial flows: latest progress



UNODC

United Nations Office on Drugs and Crime



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Contact: UNODC Data, Analytics and Statistics Section: unodc-dass@un.org

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Definition of illicit financial flows

As defined in the Conceptual Framework for the Statistical Measurement of Illicit Financial Flows,¹ Illicit Financial Flows (IFFs) are “financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.” IFFs may arise from criminal activities, but also from some behaviours related to tax and commercial practices. Such flows are either directly generated by illicit income, including cross-border transactions performed in the context of illicit trade of goods such as drugs, or the management of illicit income through investment in financial and non-financial assets.

National data on IFFs remain limited worldwide, but significant progress has been made since 2017, when the UN Assembly adopted indicator 16.4.1. (“Total value of inward and outward illicit financial flows”) for the monitoring of progress towards Sustainable Development Target 16.4, which aims to significantly reduce illicit financial and arms flows by 2030.² The United Nations Office on Drugs and Crime (UNODC) was entrusted, alongside the United Nations Commission on Trade and Development (UNCTAD), with the custodianship of SDG indicator 16.4.1.

The International Classification of Crime for Statistical Purposes (ICCS)³ provides definitions of illegal activities generating IFFs. Moreover, since 2017, UNODC and UNCTAD have taken a series of coordinated actions leading to a conceptual framework for the statistical measurement of IFFs, the implementation of pilot measurement exercises and the development of methodological guidelines to measure IFFs from selected illegal market activities.

Additionally, in October 2019, the 10th session of the Inter-agency and Expert Group on Sustainable Development Goals Indicators,⁴ held in Addis Ababa, reviewed the methodology and reclassified the indicator from Tier III to Tier II, meaning that the indicator is conceptually clear and has set out internationally established standards, although data are not yet regularly produced by countries. This document details the crime-related IFF estimates resulting from the engagement of UNODC with countries to implement the methodology outlined in the UNODC-UNCTAD conceptual framework.



Figure 1. Availability of crime-related illicit financial flow estimates, by country



● Countries with crime-related IFF estimates

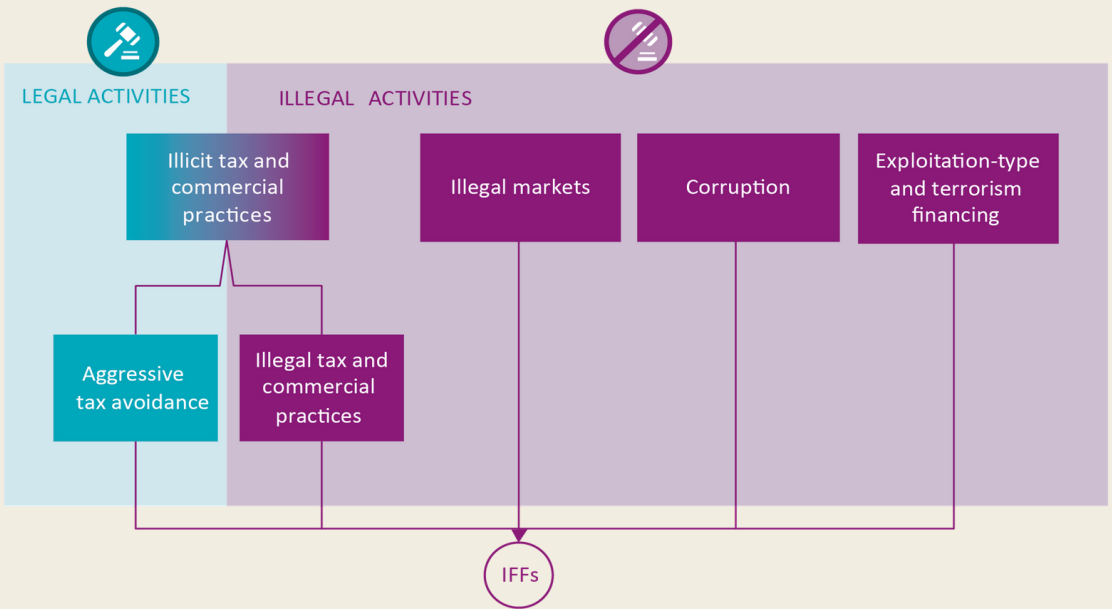
Source: UNODC. Note: the boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.



IFF Conceptual Framework

Illicit financial flows are multi-dimensional, arising from several different kinds of activities, such as trafficking of drugs and firearms, trafficking in persons, corruption, kidnapping and cross-border tax avoidance. Not all IFFs stem from illegal activity. For example, IFFs may arise from aggressive tax avoidance, as it can be considered detrimental to sustainable development in many countries, even though such activities are generally not illegal.

Figure 2. Categories of activities that may generate IFFs



Source: UNODC and UNCTAD.



When illicit goods or services are sold, one can conceive of a financial value flowing from the buyer to the seller. Similarly, extortion generates income for the perpetrator. If the money is spent abroad, the cross-border operation is considered an **outward IFF**. If the income stems from illicit activity taking place outside a jurisdiction but is spent or invested in the domestic jurisdiction, then an **inward IFF** is generated. For example, a shipment of drugs sold by a resident of a drug producing country, and purchased by a resident of a country where the drugs will be consumed or trafficked, generates an outward IFF from the perspective of the country of import and an inward IFF from the perspective of the country of export.

There is one more important distinction to be borne in mind when considering IFFs. When a set of cross-border operations directly generate illicit income for an actor involved in the context of the production of illicit goods and services or generate illicit income for an actor during a non-productive illicit activity*, the resulting IFFs relate to **income generation**. On the other hand, when the illicit income derived from cross-border operations are used for investment in legal or illegal financial and non-financial assets or to consume goods and services, the resulting IFFs relate to **income management**. Therefore, IFFs can be classified into four different types: inflows and outflows from illicit income generation and inflows and outflows from illicit income management.

UNODC has provided technical assistance to support measurement of IFFs following these definitions in selected countries in Africa, the Asia-Pacific region and Latin America. In several of these countries these efforts culminated in IFF estimates which are summarized below. The expectation is that the production of these data, in addition to ongoing work in other countries, will further inform the methodological development of IFF measurement, culminating in a statistical framework to be finalized by the custodian agencies.

*According to the System of National Accounts (SNA), while only productive activities generate value added, non-productive activities can also transfer value from one actor to another. Illegal markets and exploitation-type activities clearly include, respectively, productive and non-productive activities.



Latin America

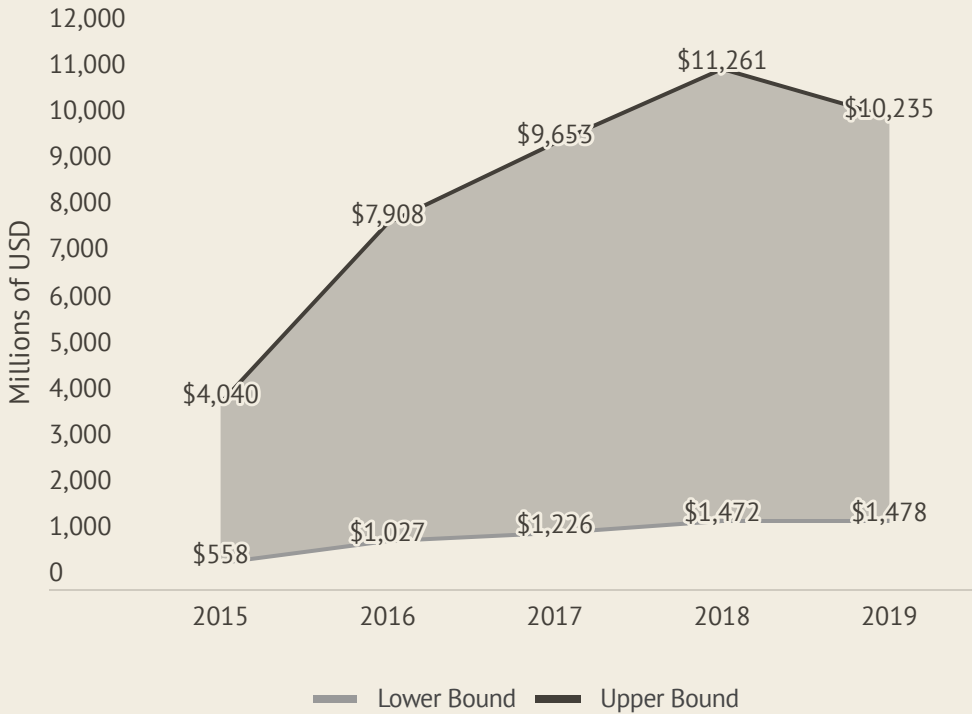
Pilot studies for the measurement of IFFs have been conducted in four different countries from the Latin American region (Colombia, Ecuador, Mexico and Peru). These studies gathered data from illegal drug markets as well as exploitation-type activities such as smuggling of migrants. The concepts and the methodology adopted in these pilot studies are in line with the definition of IFFs as formulated in the Conceptual Framework, and the estimates are valid for the measurement of SDG indicator 16.4.1.

Colombia

Colombia continues to account for the largest share of coca bush cultivation and cocaine manufacture worldwide.⁵ In Colombia, inward IFFs are generated when the cocaine produced is exported, and also may arise when resident citizens derive income from their participation in the international cocaine trafficking chain. Outward IFFs are generated when the intermediate inputs (mainly chemical substances) required for the production process are imported from abroad.



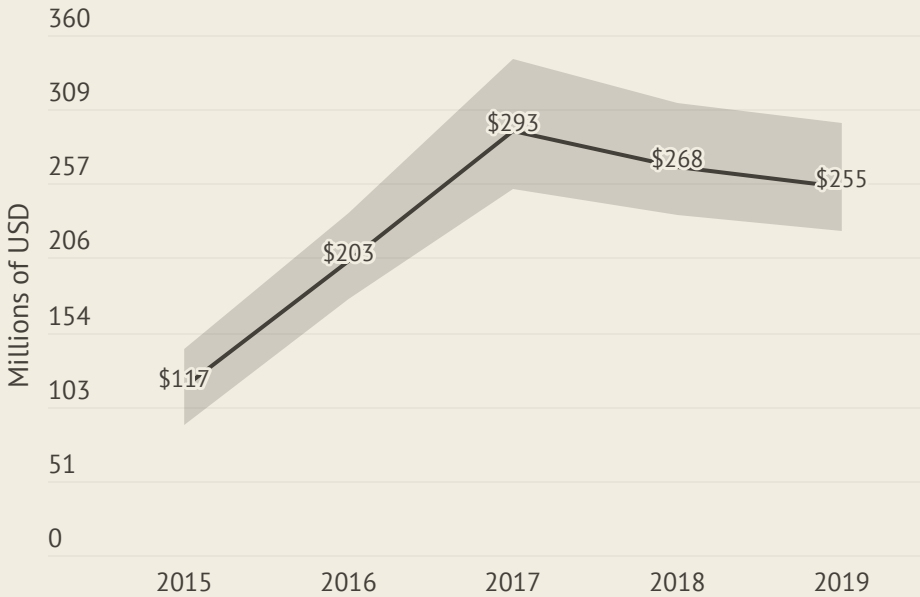
Figure 3. Estimated total inward IFFs (ranges, in millions of USD) resulting from cocaine trafficking in Colombia, 2015-2019



Source: Pilot estimates conducted by UNODC Colombia Country Office for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of possible values.



Figure 4. Total outward IFFs (estimates, in millions of USD) resulting from cocaine trafficking in Colombia, 2015-2019



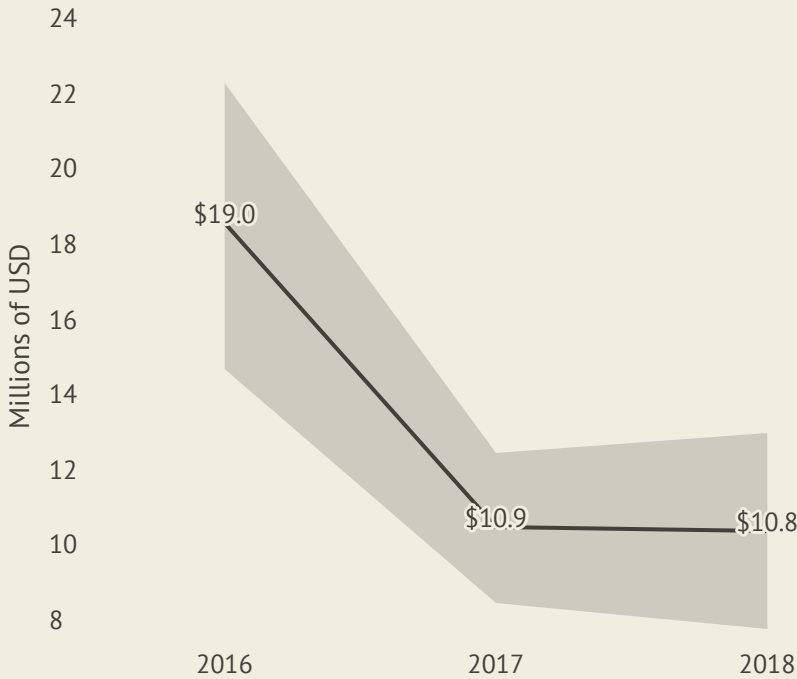
Source: Pilot estimates conducted by UNODC Colombia Country Office for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of upper and lower bound estimates.

Ecuador

Ecuador is a transit country and a country of origin for migrants, many of which make use of smuggling services. Transnational criminal organizations also seek to operate in the country due to its proximity to the main producers of cocaine in the Andean region (especially Colombia).



Figure 5. Total outward IFFs (estimates, in millions of USD) resulting from smuggling of migrants in Ecuador, 2016-2018



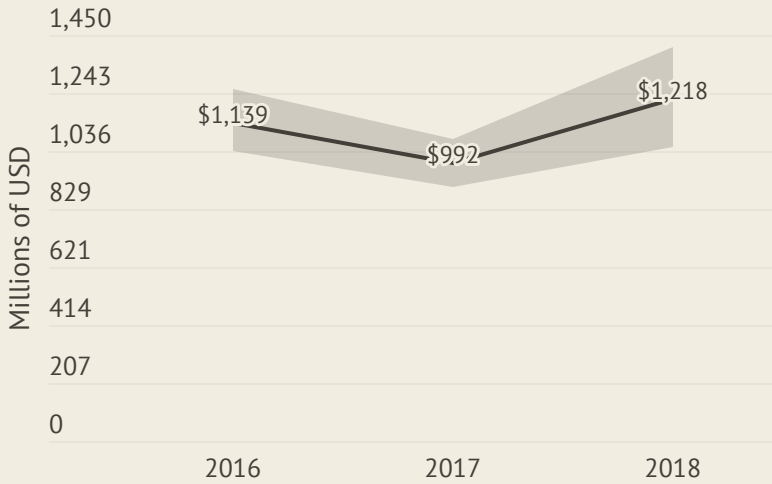
Source: UNODC estimates based on pilot study conducted in Ecuador by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area for IFFs resulting from smuggling of migrants represents the range of upper and lower bound estimates.

Mexico

Smuggling of migrants into the United States takes place predominantly across the country's southern border with Mexico, involving more than 800,000 smuggled migrants per year.⁶ At the same time, drug trafficking from Mexico to the United States is a very lucrative business, with methamphetamine, cocaine and opiates/opioids comprising a large share of the illicit market for drugs in the region.⁷

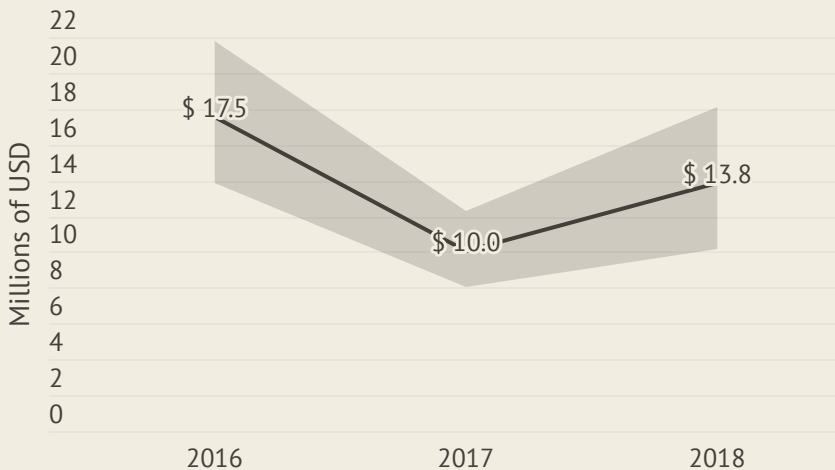


Figure 6. Total inward IFFs (estimates, in millions of USD) resulting from smuggling of migrants in Mexico, 2016-2018



Source: UNODC estimates based on pilot study conducted in Mexico by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of upper and lower bound estimates.

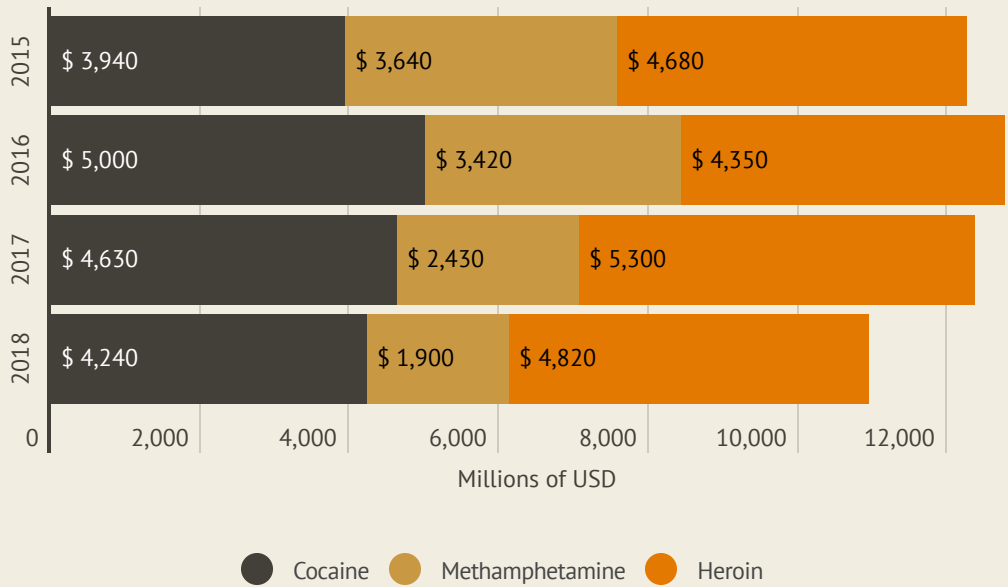
Figure 7. Total outward IFFs (estimates, in millions of USD) resulting from smuggling of migrants in Mexico, 2016-2018



Source: UNODC estimates based on pilot study conducted in Mexico by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of upper and lower bound estimates.

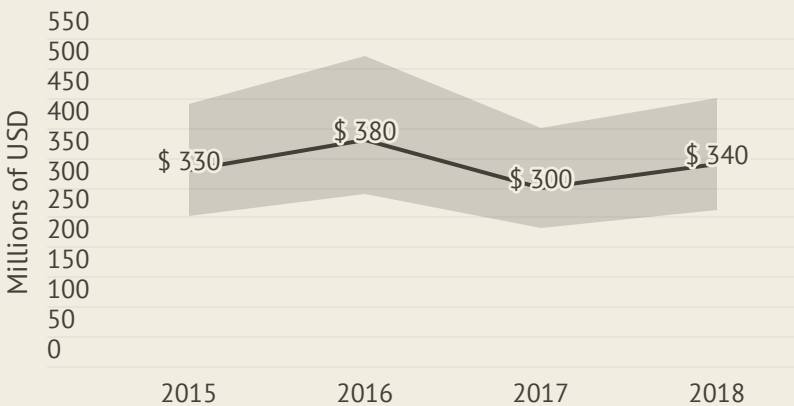


Figure 8. Inward IFFs (estimates, in millions of USD) resulting from drug trafficking from Mexico to the United States, by drug type, 2015-2018



Source: UNODC estimates based on pilot study conducted in Mexico by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America".

Figure 9. Total outward IFFs (estimates, in millions of USD) resulting from cocaine trafficking in Mexico, 2015-2018



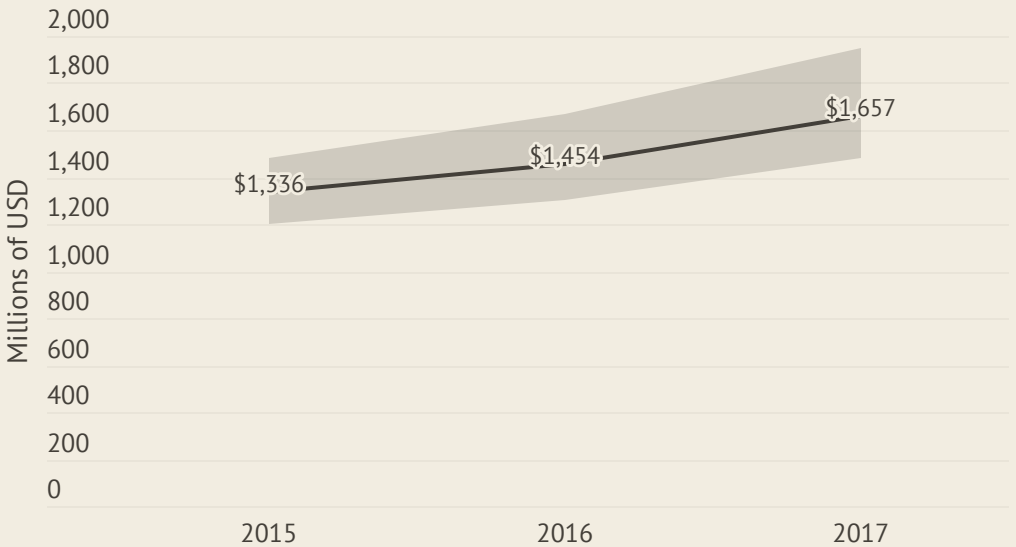
Source: UNODC estimates based on pilot study conducted in Mexico by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of upper and lower bound estimates.



Peru

Peru accounts for the second largest share of the world's supply of cocaine. Traffickers resident in Peru export cocaine to markets in South America, and additional income is generated by selling cocaine to non-resident drug trafficking organizations in Europe involved in the extra-continental export of the drug.⁵

Figure 10. Total inward IFFs (estimates, in millions of USD) resulting from cocaine trafficking in Peru, 2015-2017



Source: UNODC estimates based on pilot study conducted in Peru by UNODC-INEGI Center of Excellence for Statistical Information on Government, Crime, Victimization and Justice for the UNODC project "Developing indicator on illicit financial flows and monitoring them in Latin America". Note: the shaded area represents the range of upper and lower bound estimates.



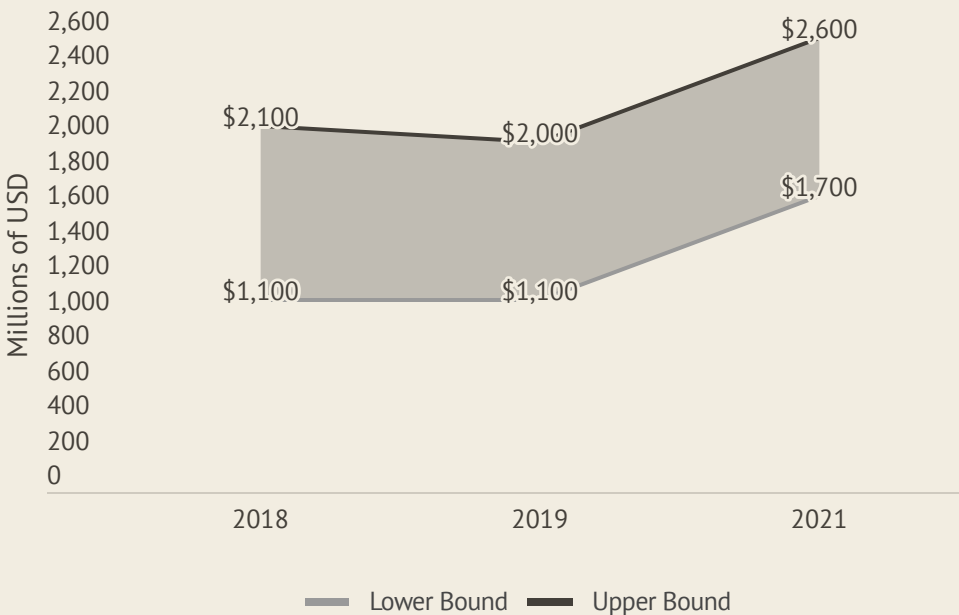
Asia-Pacific

In 2020, UNODC, together with ESCAP (Economic and Social Commission for Asia and the Pacific) and UNCTAD, began the implementation of a new project on measuring IFFs in the Asia-Pacific region. Along the lines of the previous activities in Latin America, the main objective was to implement the existing guidelines to measure IFFs.

Afghanistan

The production of opiates (opium, morphine, and heroin) is arguably Afghanistan’s largest illegal economic activity. Recently, opium poppy cultivation dramatically declined across all parts of the country and almost disappeared entirely in some provinces where opium poppy had been illicitly cultivated for many years. Nationally, the area under cultivation declined by 95% to a total of just 10,800 hectares, indicating that farmers were adhering to the ban that was announced in April 2022.⁸

Figure 11. Estimated total inward IFFs (ranges, in millions of USD) resulting from opiates trafficking in Afghanistan, 2018-2021



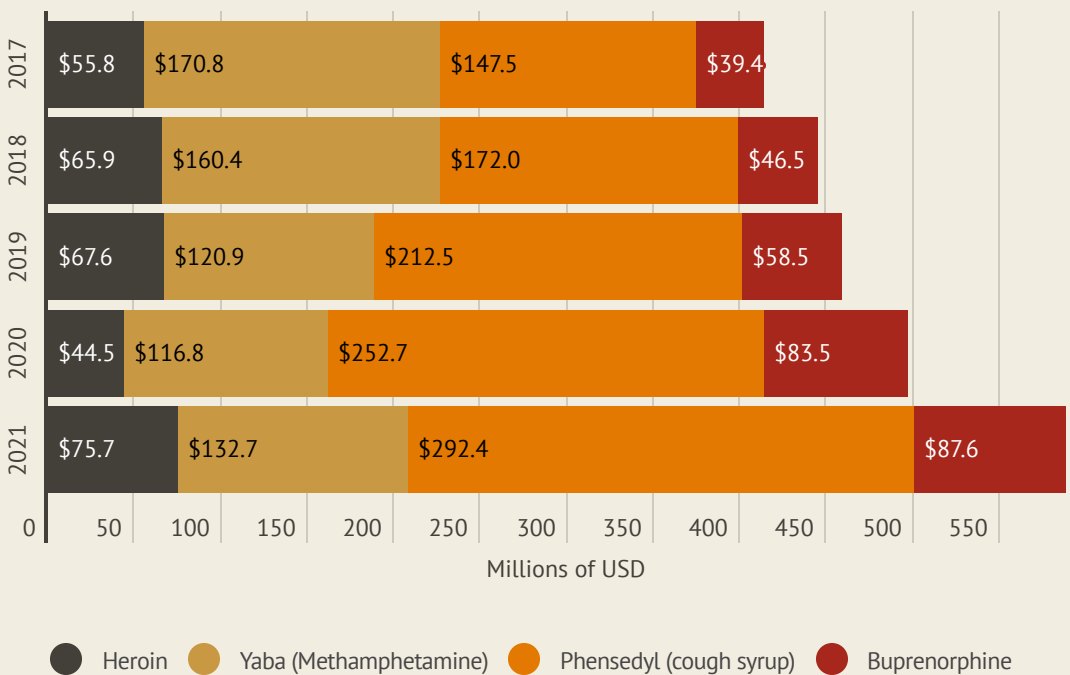
Source: UNODC Afghanistan opium surveys. Note: the shaded area represents the range of possible values.



Bangladesh

Bangladesh is a large market for illicit drugs, with significant consumption of substances such as heroin, methamphetamine tablets (commonly known as “yaba”), and the non-medical use of pharmaceutical opioids such as buprenorphine and phensedyl (a cough syrup containing codeine). Most of these drugs seem not to be produced within the country’s borders but rather supplied by traffickers based in nearby countries, such as methamphetamine in Myanmar.²

Figure 12. Outward IFFs (estimates, in millions of USD) resulting from drug trafficking in Bangladesh, by drug type, 2017-2021



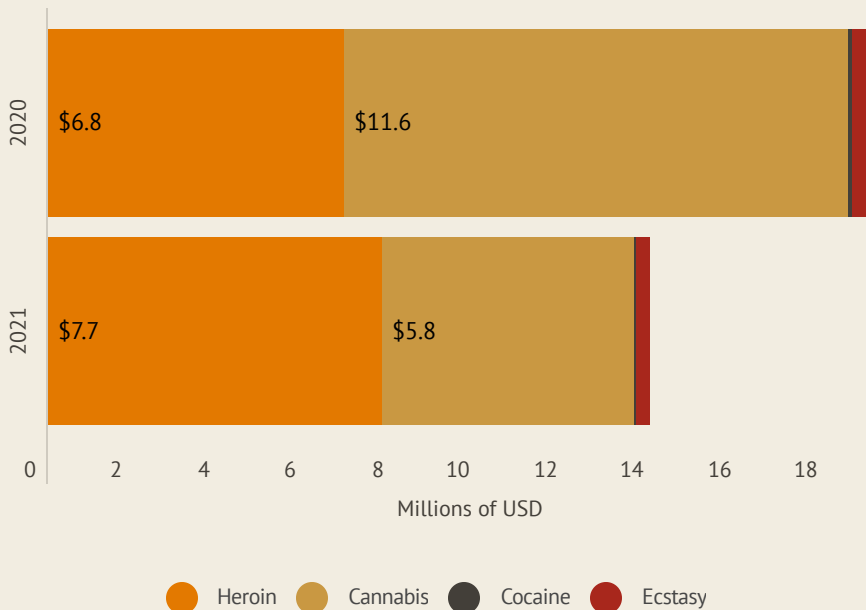
Source: Pilot estimates in Bangladesh supported by UNODC.



Maldives

Trafficking of different types of drugs have been observed in the Maldives in recent years, with the country being used as a transit point for drug trafficking.⁵

Figure 13. Outward IFFs (estimates, in millions of USD) resulting from drug trafficking in Maldives, by drug type, 2020-2021



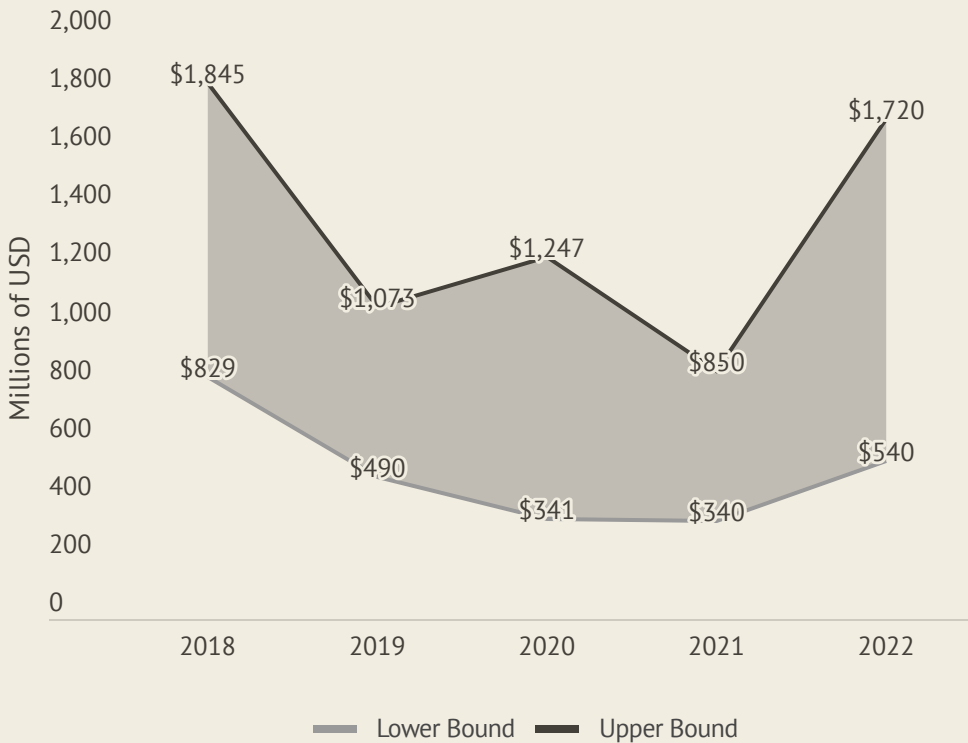
Source: Pilot estimates in Maldives supported by UNODC. Note: underlying estimates of drug consumption were obtained from data on wastewater analysis data, with the exception of heroin, for which an average between estimates based on wastewater analysis and survey data was used.

Myanmar

Myanmar accounts for the world's second largest share of opium poppy cultivation. In 2022, the area under opium poppy cultivation in Myanmar was estimated at 40,100 hectares. This estimate is 33%, or about 10,000 hectares, more than in 2021, reversing the downward trend that started in 2014.¹⁰



Figure 14. Estimated total inward IFFs (ranges, in millions of USD) resulting from opiates trafficking in Myanmar, 2018-2022



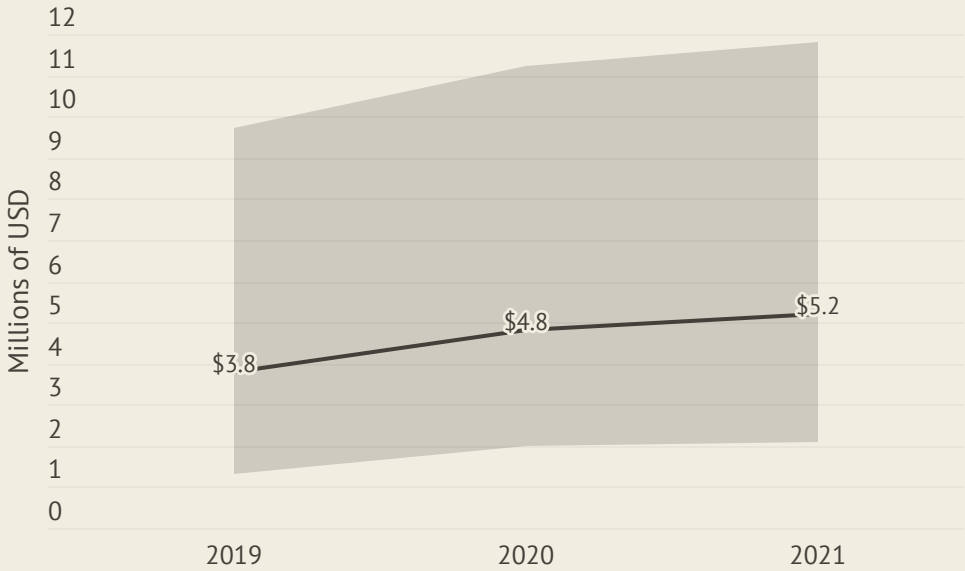
Source: UNODC Myanmar opium surveys. Note: the shaded area represents the range of possible values.

Nepal

In Nepal, heroin is a main drug of concern, likely trafficked into the country from other source countries. Also, the issue of Nepali victims of forced labour is closely related to the long-standing phenomenon of outward migration of Nepali migrant workers who face a risk of being exploited once abroad.¹¹ For instance, income-generation inward IFFs related to forced labour in Nepal in 2021 were estimated at USD\$3.3 million (range: USD\$1.5-5.9 million).



Figure 15. Total outward IFFs (estimates, in millions of USD) resulting from heroin trafficking in Nepal, 2019-2021



Source: Pilot estimates in Nepal supported by UNODC. Note: the shaded area represents the range of upper and lower bound estimates.



Summary

The available estimates of IFFs are limited to a selection of countries, and hence do not allow a global analysis. Nevertheless, a wide variation across these countries can be observed, reflecting the realities of the specific countries.

Drug Trafficking

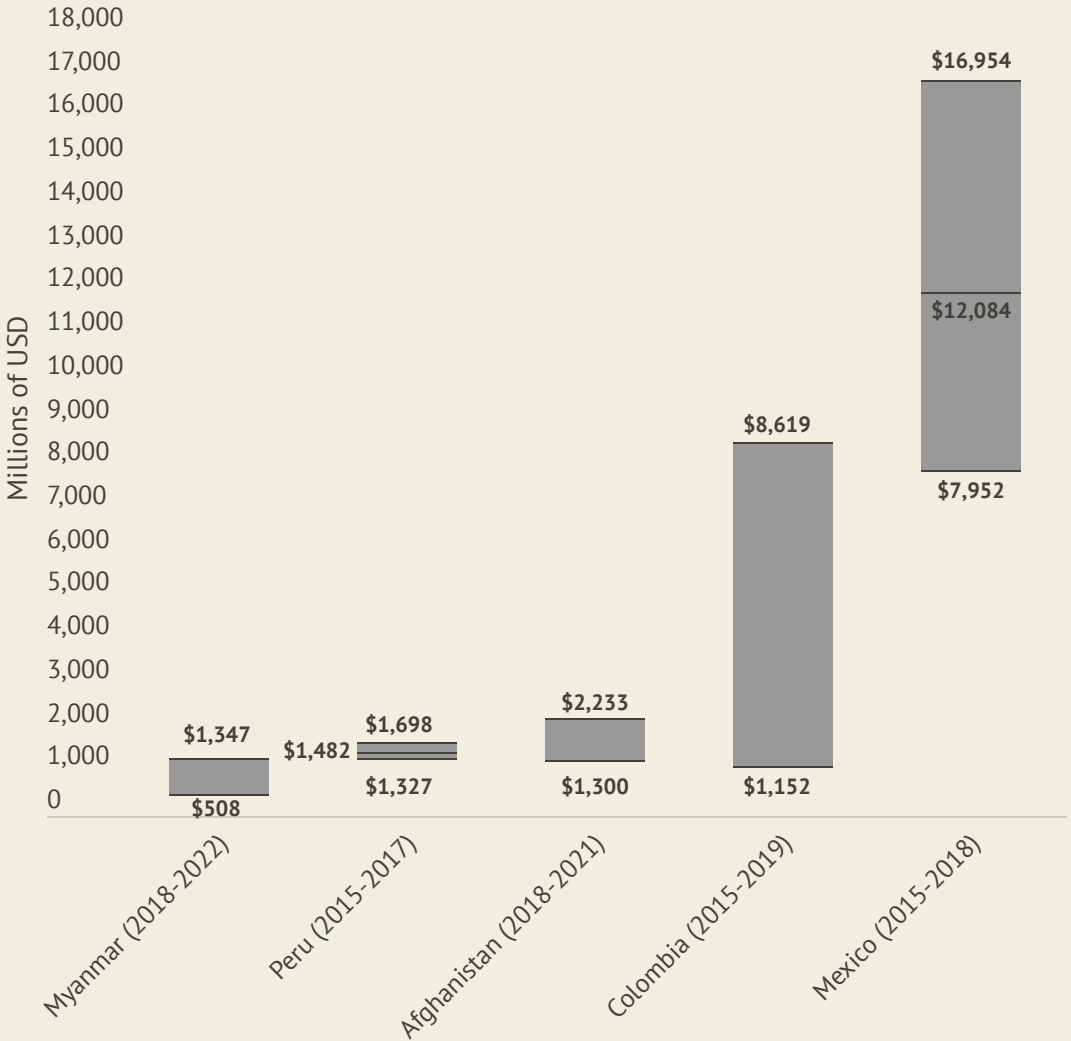
The magnitude and relative importance of inward and outward IFFs resulting from drug trafficking are heavily influenced by the location of the given country on the supply chain. For production countries, outward IFFs reflect mainly the cost of importation of goods needed for the production process, and tend to be overshadowed by inward IFFs. For example, inward IFFs related to cocaine trafficking out of Colombia were estimated in a range of USD\$1.2-8.6 billion in average per year from 2015-2019, while outward IFFs resulting from cocaine trafficking were estimated at USD\$227 million in average (USD\$197-267 million) annually during the same period.

For transit countries with a relatively limited domestic market, inward IFFs also tend to exceed outward IFFs by a significant margin, due to a large extent to the difference between importation and exportation prices. For example, inward IFFs related to cocaine trafficking in Mexico were estimated at an annual average of USD\$4.5 billion (USD\$3.2-6.3 billion) from 2015-2018, compared with an estimate of outward IFFs from cocaine trafficking averaging USD\$338 million (USD\$258-453 million) per year for the same period.

Moreover, proximity to a destination market may also be a strong driver for high levels of IFFs in transit and production countries, by virtue of the sharp price markups typical in the later stages of the supply chain. In the case of Mexico, overall inward IFF estimates related to drug trafficking reveal that trafficking of heroin, cocaine and methamphetamine combined generated inward IFFs averaging USD\$12.1 billion (USD\$8-17 billion) annually during 2015-2018. As a basis for comparison, this amounts approximately to the annual total average of Mexican agricultural exports in the same period (USD\$12.6 billion). And this is higher than inward IFF estimates for production countries such as Afghanistan, Colombia and Myanmar.



Figure 16. Annual average inward IFFs (best estimates and/or ranges, in millions of USD) resulting from drug trafficking, derived from selected country pilots



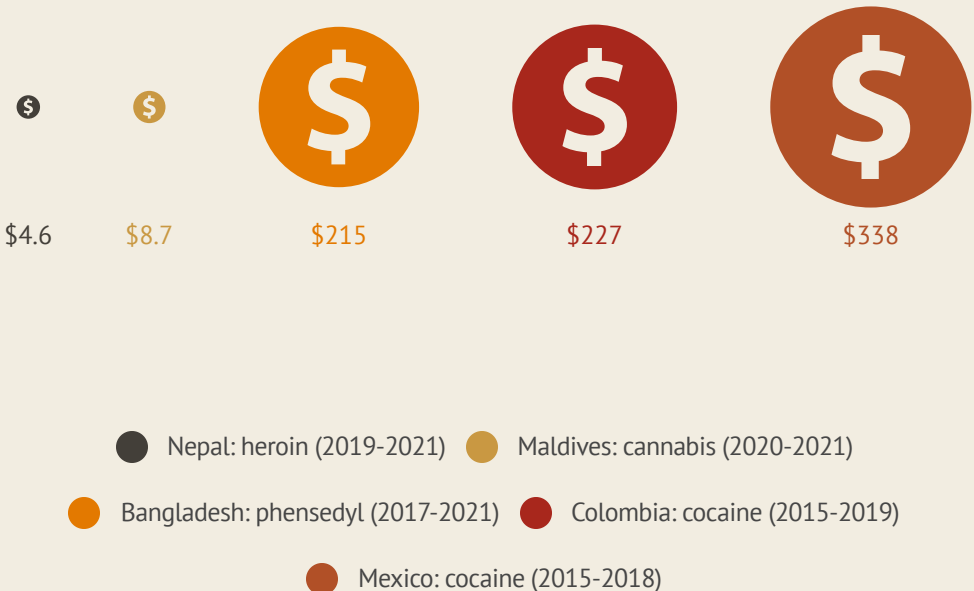
Source: UNODC. Note: IFF estimates resulting from drug trafficking are provided in relation to only cocaine for Colombia and Peru. In Mexico, a combined annual average of IFF estimates resulting from cocaine, methamphetamine, and heroin trafficking was used. For Myanmar and Afghanistan, IFF estimates associated with drug trafficking are based solely on opiates trafficking.



For destination and transit countries, outward IFFs reflect to a large extent the costs of importation of the drug, and the fact that the highest prices are paid by traffickers importing into the destination countries. The volume of drugs consumed in destination markets clearly also has an impact on the magnitude of the outward IFFs they incur.

In Bangladesh, it is estimated that, during 2017–2021, cross-border trafficking in heroin, yaba, and pharmaceutical opioids such as buprenorphine and phensedyl combined generated an annual average of USD\$481 million (range USD\$100-2,423 millions) in outward IFFs. Compared to legal trade flows, this amounts to approximately the total annual exports of crustaceans, fresh, chilled or frozen, during July 2020 up to June 2021. The highest amount of outward IFFs is generated in association with the import of phensedyl, a codeine-based cough syrup widely abused in countries of South Asia, including Bangladesh.

Figure 17. Annual average outward IFFs (best estimates, in millions of USD) resulting from drug trafficking for selected drug markets derived from country pilots



Source: UNODC. Note: for each country, only the drug with the largest available outward IFF estimate is shown. See the sections on Bangladesh and Maldives for complete available data on all drugs.



Smuggling of migrants

Smuggling of foreign irregular migrants by Mexican-based smugglers in the Mexican territory and across Northern and Southern land borders is estimated to have generated an annual average of USD\$1.1 billion (range: USD\$1.0-1.3 billion) in inward IFFs into Mexico during the period 2016–2018. This value is comparable to the value of air passenger transportation services exports (USD\$1.1 billion on average during the same period). Outward IFFs associated with smuggling of migrants related to the Mexico-United States route are also substantial, with annual average IFF estimates obtained from Ecuadorian and Mexican migrants corresponding to more than USD\$13 million in each country.

Figure 18. Annual average outward IFFs (best estimates, in millions of USD) resulting from smuggling of migrants, derived from selected country pilots



Source: UNODC.



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