

*Pilot Study on Measuring Illicit Financial Flows (IFFs)  
Drugs and Persons in Trafficking in Nepal*

*Dilli Raj Joshi*

*Joint Secretary*

*National Statistics Office, Nepal*

## *Outline of Presentation*

### *A. Drugs Trafficking*

- *Pilot activities (background)*
- *Nepal context and drug flows estimates*
- *Methodology for calculation of Illicit Financial Flows (IFFs)*
- *Data sources*
- *Major Findings*
- *Limitations*

## ***Pilot activities (background)***

### ***National counterparts:***

#### ***a. National focal point:***

*National Statistics Office/ then Central Bureau of Statistics (CBS)*

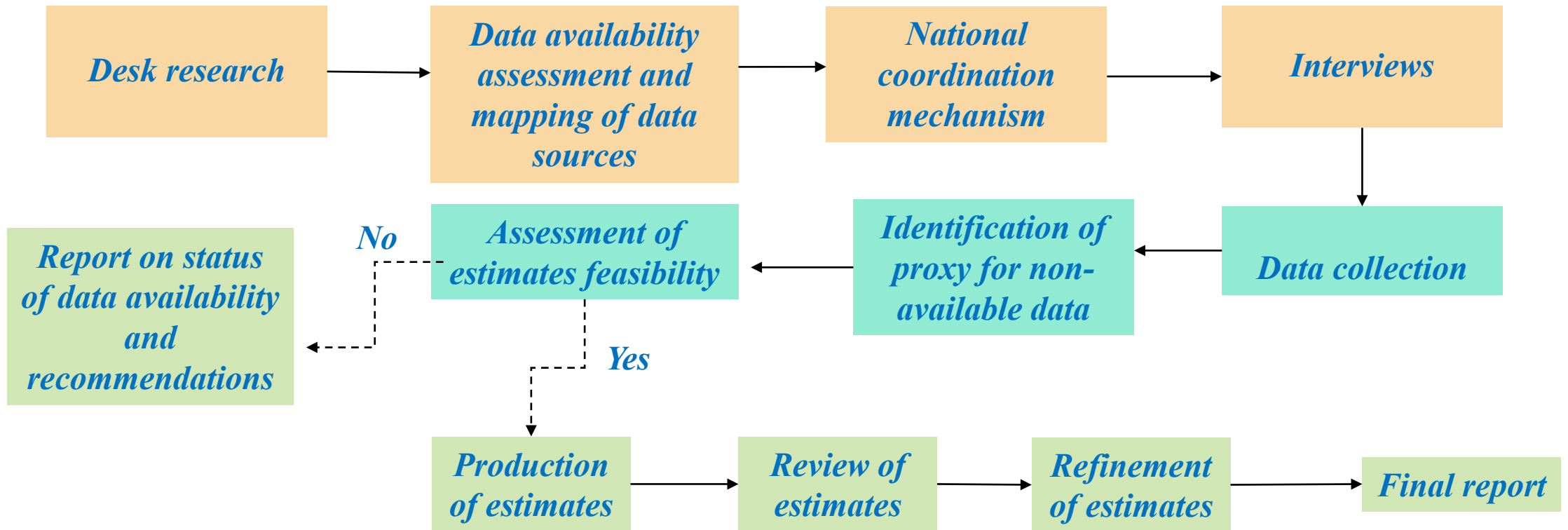
#### ***b. Key stakeholders and data providers:***

*Narcotics Control Bureau (NCB) & drug treatment centers*

#### ***c. Local support:***

*United Nations Office on Drugs and Crime (UNODC), Nepal Office*

## *Estimation process*





## *Nepal Drugs Situation*

### *Opiates:*

- *Nepal has cultivation of opium poppy. However, there is few number of evidence to transform opiates into heroin. Here consumption focuses on raw product. Heroin is imported from India.*

### *Cannabis:*

- *Multiple varieties of cannabis products are found in the country, from cannabis herb to cannabis resin. Being the favorable climatic conditions in the hilly and tarai (plane area) regions, cannabis can be grown easily.*

### *Cocaine and methamphetamine-type stimulants:*

- *Cocaine is imported in Nepal from Latin American countries like from Brazil and Bolivia etc. International drug smugglers use Nepal as a transit point for smuggling.*
- *100% of the methamphetamine ( powder in the form of yaba tablets) and the amphetamine (powder) comes from Myanmar, however the demand for amphetamine-type stimulants in the country is low, with a lifetime prevalence 37 times lower than that of cannabis-type product.*

## *Nepal Drugs Situation*

### *Tranquilizers:*

- *Tranquilizers are diazepam, nitrazepam, dormin, nitrosun, alprazolam. They are imported from India & produced domestically. About 55% of pharmaceuticals drugs are imported mainly from India and 45% domestic production.*
- *Drug users misuse narcotics and psychotropic drugs without medical prescription. In recent years there is an increasing trend of using these drugs by drug users in Nepal.*

### *Inhalants:*

- *Inhalants refer to dendrite, paint-thinner, varnish, petrol. Local consumption is mainly by young persons.*

### *Hallucinogens:*

- *Hallucinogens refer to LSD, DMT (N, N-Dimethyltryptamine), ketamine. Local consumption.*

## *Methodology to calculate IFFs from drug trafficking activities*

*Focus: income generation IFFs*

*Income generation IFFs -> value of exports (inward IFFs) & imports (outward IFFs) of drugs and drug-related services (transportation, surveillance, storage etc)*

$$\text{Value} = \text{quantity} * \text{price}$$

*Considering IFFs from purchase and sale of drugs:*

*Quantity of drugs in country level i at time t -> demand-supply equation balance is,*

$$\text{Production} + \text{imports} - \text{seizures} = \text{consumption} + \text{exports}$$

*Price of drugs: wholesale drug prices at the border (import and export prices)*



## *Drug trafficking cross-border flows and IFFs*

### *Heroin:*

- *IFFs generated by import of heroin from India. No further exports documented -> Outward IFFs*

### *Cannabis:*

- *Cannabis local production. No indication or estimation of local cannabis production -> IFFs from cannabis trafficking estimation not carried out*

### *Cocaine:*

- *IFFs generated by import of cocaine from South American countries. No indication or estimation of the local consumption-> Estimation not carried out.*

### *Amphetamine-type stimulants:*

- *Tablets and crystal meth are imported from Myanmar/India. No estimation of the local consumption-> Estimation not carried out.*

### *Tranquilizers:*

- *An important part of the tranquilizers illegally consumed in Nepal come from India -> Outward IFFs. Local consumption can be estimated but IFFs estimation was not carried out*

## *Estimating outflows of drugs (quantities)*

*Heroin: (included in pilot study)*

*Outward IFFs: Production = 0, imports = ? (to be estimated), export = 0*

*Quantity Imports = consumption + seizures\**

*Value of imports = outward IFFs*

*\* Seizures of the substance which was destined to Nepal*

## Reference Drug: Heroin

Data Collection Period 2019 - 2022

	<i>Consumption</i>	<i>Seizures</i>	<i>Drug trafficking routes</i>	<i>Prices</i>
<i>Formula</i>	<i>No. of users * quantity used (1) * (2)</i>	-		<i>Expert interviews on prices at 3 different levels: - Import wholesale - Domestic wholesale - Domestic retail</i>
<i>Indicator (1)</i>	<i>Prevalence of substance use among the general population</i>	<i>Aggregated nationwide seizures</i>	<i>% distribution of seizures by country of origin</i>	<i>Domestic and import wholesale prices</i>
<i>Data sources</i>	<i>Nepal Drug User Survey 2019</i>	<i>Narcotics Control Bureau</i>	<i>Narcotics Control Bureau</i>	<i>The consultant interviewed on various occasions from officials of Narcotics Control Bureau</i>
<i>Indicator (2)</i>	<ul style="list-style-type: none"> <li>• <i>Quantity</i></li> <li>• <i>Frequency</i></li> <li>• <i>Expenditure</i></li> </ul>		<i>% distribution of seizures by country of destination</i>	<i>Retail prices</i>

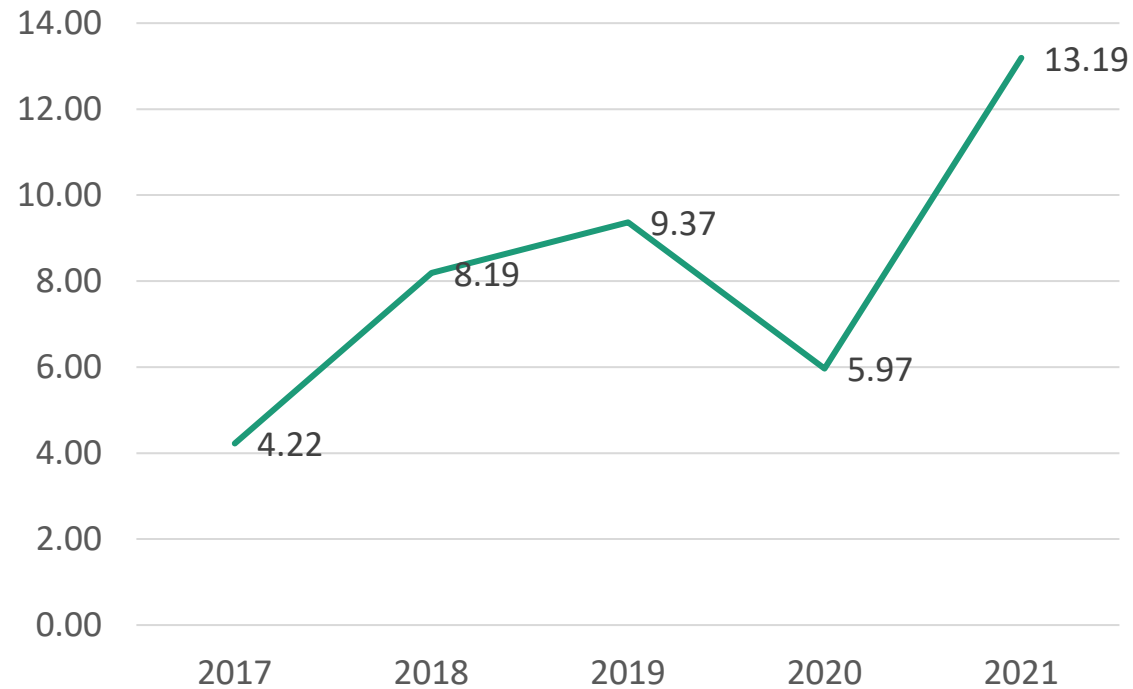
# Reference Drug: Heroin

# Data Collection Period 2019 - 2022

<i>Consumption</i>		<i>Seizures</i>	<i>Drug trafficking routes</i>	<i>Prices</i>
<i>Data sources</i>	<i>Interviews with experts: 1) from drug treatment centers (reporting on people in treatment and problematic drug users) + 2) Narcotics Control Bureau for occasional users</i>	<i>Narcotics Control Bureau</i>	<i>Narcotics Control Bureau</i>	<i>The consultant interviewed on various occasions from officials of Narcotics Control Bureau</i>

## *Baseline data - Seizures*

*Heroin seizures in kg (impure)*



*Heroin seizures in kg (purity-adjusted)*



*Source: Narcotics Control Bureau*

*Purity used: 51.62 % average (India)*

## *Baseline Data – Estimating Consumption/User*

- *Consumption data hardly collected by countries, as gathering such information is very challenging.*
- *Consumption information can be derived from:*
  - *User-level information based on surveys/interviews*
  - *Aggregated information based on wastewater analysis*

### *Nepal methodology -> survey/interviews:*

1. *Preliminary interviews with experts*
2. *In-depth survey with questions on 3 indicators:*
  - *Quantity of drug use (per dose and in a typical month)*
  - *Frequency of drug use (per day and in a typical month)*
  - *Expenditure on drugs (in a typical months)*
3. *Institutions interviewed: Treatment centers, Narcotics Control Bureau (occasional users)*

## *Baseline estimates – estimating drug consumption/user*

- Results are based on interviewing with 12 experts and 32 drug users from 3 institutions.*
- The answers were weighted by specific weights , based on the proportion of those who take one dose per day (occasional) and the proportion of those who use more than one dose per day (severe/problem drug users) from Nepal Drug User Survey 2019.*

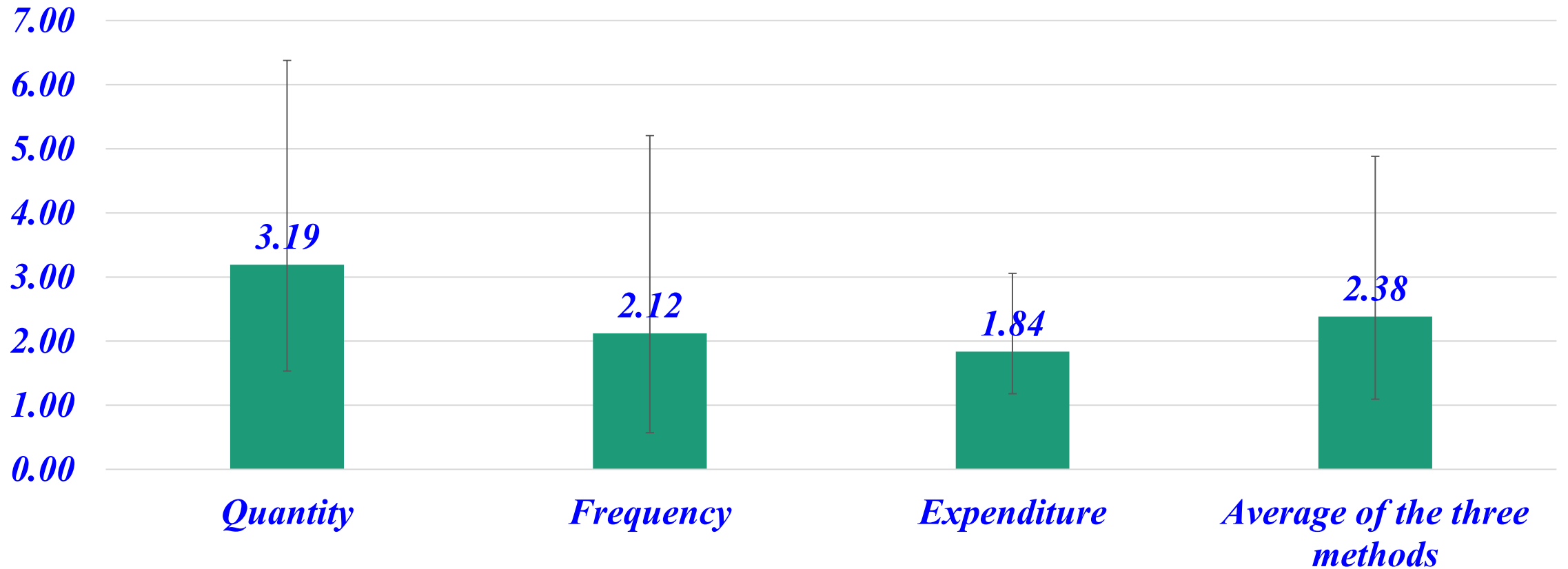
## *Indicators of annual heroin pure consumption per user (gram)*

<i>Method 1</i>	<i>Method 2</i>	<i>Method 3</i>	<i>Total average of the 3 methods</i>
<i>Quantity of heroin use (direct question)</i>	<i>Frequency of heroin use per day and in a typical month</i>	<i>Based on expenditure on heroin consumption in a typical month</i>	
<i>3.19 (1.53 - 6.38)</i>	<i>2.12 (0.57 – 5.21)</i>	<i>1.84 (1.18 – 3.06)</i>	<i>2.38 (1.10 – 4.8)</i>

*Source: Narcotics Control Bureau, Maya Nepal, Afno Nepal, Ministry of Home Affairs*

*Baseline data – consumption/user/year*

*Heroin consumption (pure grams/user/year)*



*Source: Narcotics Control Bureau, Maya Nepal, Afno Nepal, Ministry of Home Affairs*



## *Baseline data*

*Consumption of heroin (past 12 months) – average 2019-2021*

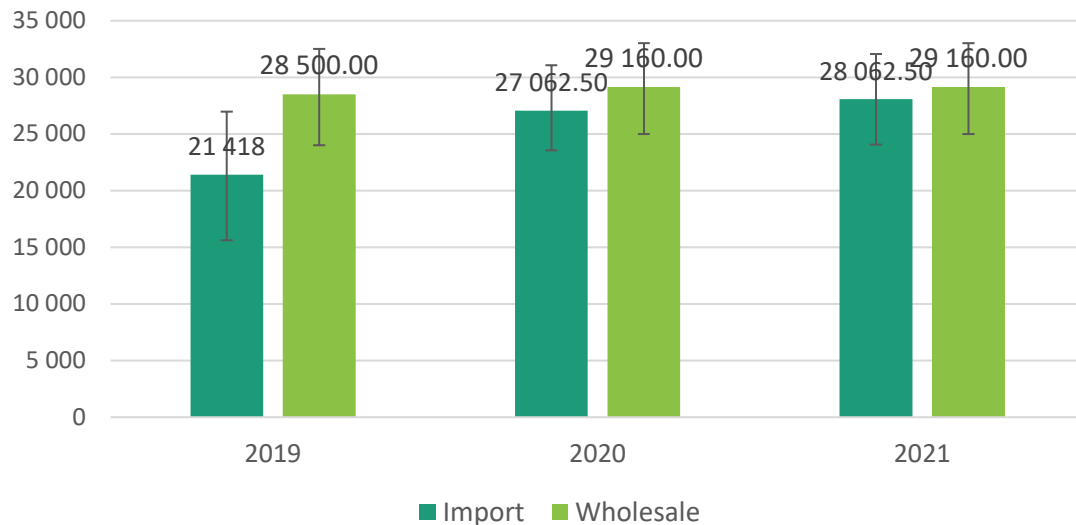
<i>Estimated number of users</i>	<i>Quantity of drug per user per year in gram</i>	<i>Total quantity consumed per year in Kg*</i>		
		<i>Min.</i>	<i>Average</i>	<i>Max.</i>
<i>58,225</i>	<i>2.38 (1.10 – 4.8)</i>	<i>63.77</i>	<i>138.71</i>	<i>284.20</i>

*\* Pure heroin equivalent*

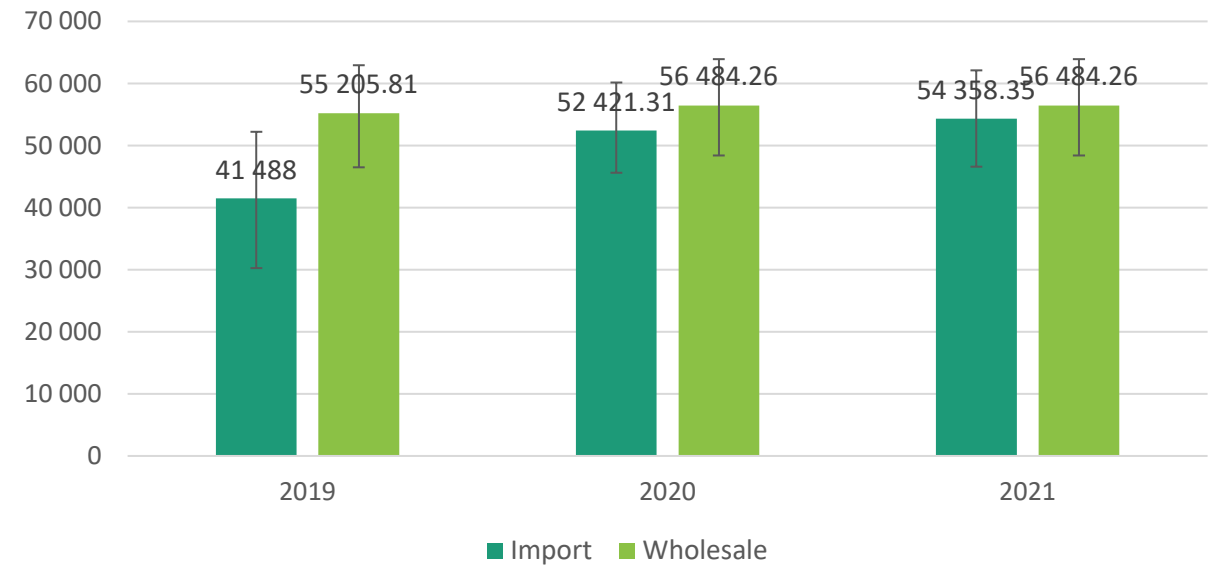
## Baseline data – heroin prices

Prices - heroin border/import, wholesale domestic and retail prices (purity vs non-purity adjusted)

Import and wholesale prices (not purity-adjusted), in USD per kg



Purity-adjusted import and wholesale prices, in USD per kg



Notes: Import prices when the delivery is in Nepal increase from 100 to 150 USD per kg, in comparison when the delivery is in India.

There have been no change between the wholesale prices of 2020 and 2021

Data sources: Narcotics Control Bureau

## *Estimated inflows of heroin*

*Inflows are the quantities in kg flowing into Nepal (only seizures destined to Nepal market were included)*

Inflows of heroin - purity-adjusted								
Year	Consumption			Seizures destined to Nepali importers	Exports	Inflows		
	Min	Av	Max			Min	Av	Max
A	B	C	D	E	F	G= B + E + F	H= C + E + F	I=DC + E + F
2019	63.18	137.42	281.55	4.38	0	67.56	141.80	285.93
2020	63.77	138.71	284.19	2.79	0	66.56	141.50	286.98
2021	64.37	140.00	286.84	6.17	0	70.53	146.17	293.01

*Data sources: Narcotics Control Bureau*

*Purity used: 51.62 % average (India)*

## *Estimated imports of heroin*

*Imports are the quantities in Kg that Nepal-based importers purchase from India.*

<b>Average imports</b>			
<b>Year</b>	<b>Average inflows</b>	<b>% of resident traffickers</b>	<b>Average imports</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D = B x C</b>
2019	141.80	0.65	92.17
2020	141.50	0.65	91.97
2021	146.17	0.65	95.01

*Data sources: Narcotics Control Bureau*

*Purity used: 51.62 % average (India)*

## *Estimated import, per place of delivery*

*Imports were estimated by taking into account two scenarios based on the places of delivery of heroin.*

<b>Year</b>	<b>Average imports</b>	<b>% bought by Nepali in India</b>	<b>% delivered by Indians to Nepal</b>	<b>Imports when bought by Nepali in India</b>	<b>Imports when delivered by Indians to Nepal</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E = B x C</b>	<b>F = B x D</b>
2019	92.17	0.95	0.05	87.56	4.61
2020	91.97	0.95	0.05	87.37	4.60
2021	95.01	0.95	0.05	90.26	4.75

*Data sources: Narcotics Control Bureau*

*Purity used: 51.62 % average (India)*

### *Estimated outward IFFs (in million USD)*

*Outward IFFs were estimated by taking into account the differences between the two import prices (in India or in Nepal).*

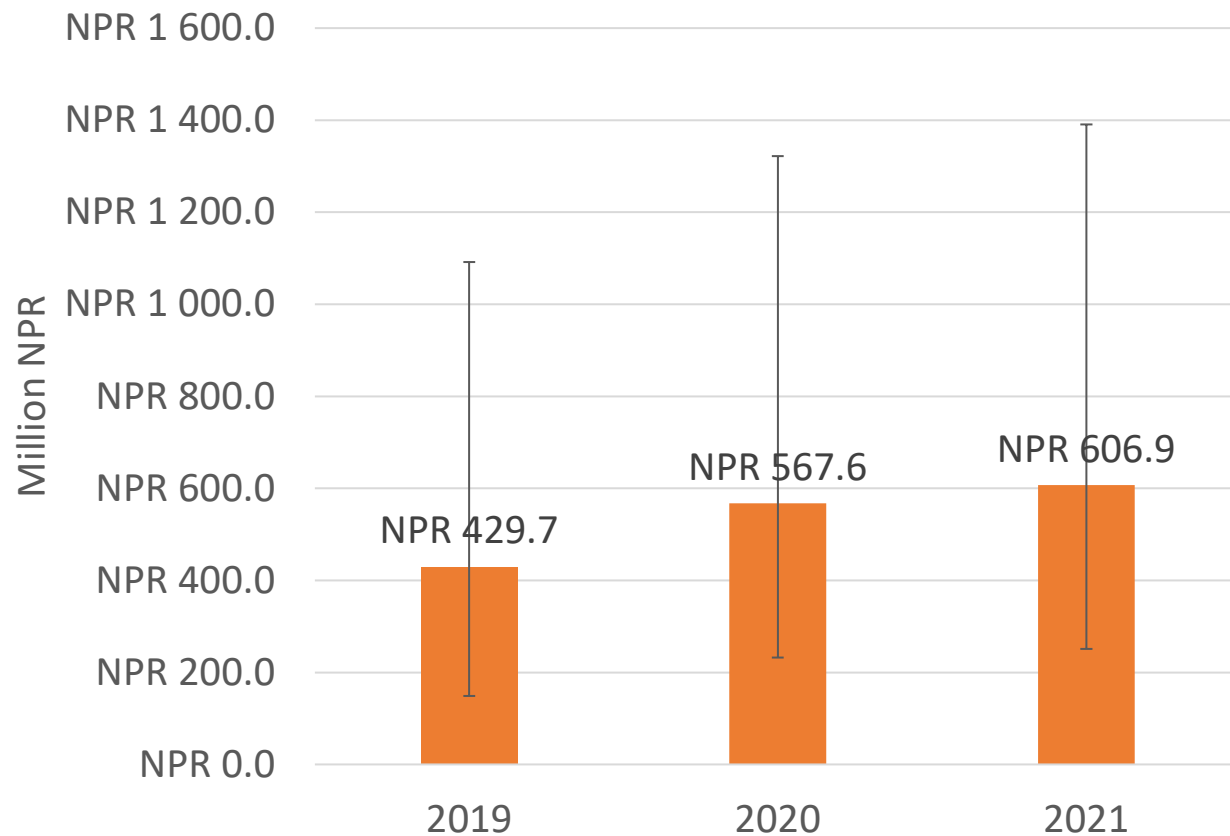
<b>Year</b>	<b>Imports when bought by Nepali in India</b>	<b>Imports when delivered by Indians to Nepal</b>	<b>Prices when bought by Nepali in India</b>	<b>Prices when delivered by Indians to Nepal</b>	<b>IFFs when bought by Nepali in India</b>	<b>IFFs when delivered by Indians to Nepal</b>	<b>IFFs</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F = B x D</b>	<b>G = C x E</b>	<b>H = (F + G) / 1000000</b>
2019	87.56	4.61	41,367.07	41,609.20	3,622,153.06	191,755.49	3.81
2020	87.37	4.60	52,300.24	52,542.37	4,569,646.34	241,621.16	4.81
2021	90.26	4.75	54,237.29	54,479.42	4,895,364.52	258,800.99	5.15

*Data sources: Narcotics Control Bureau*

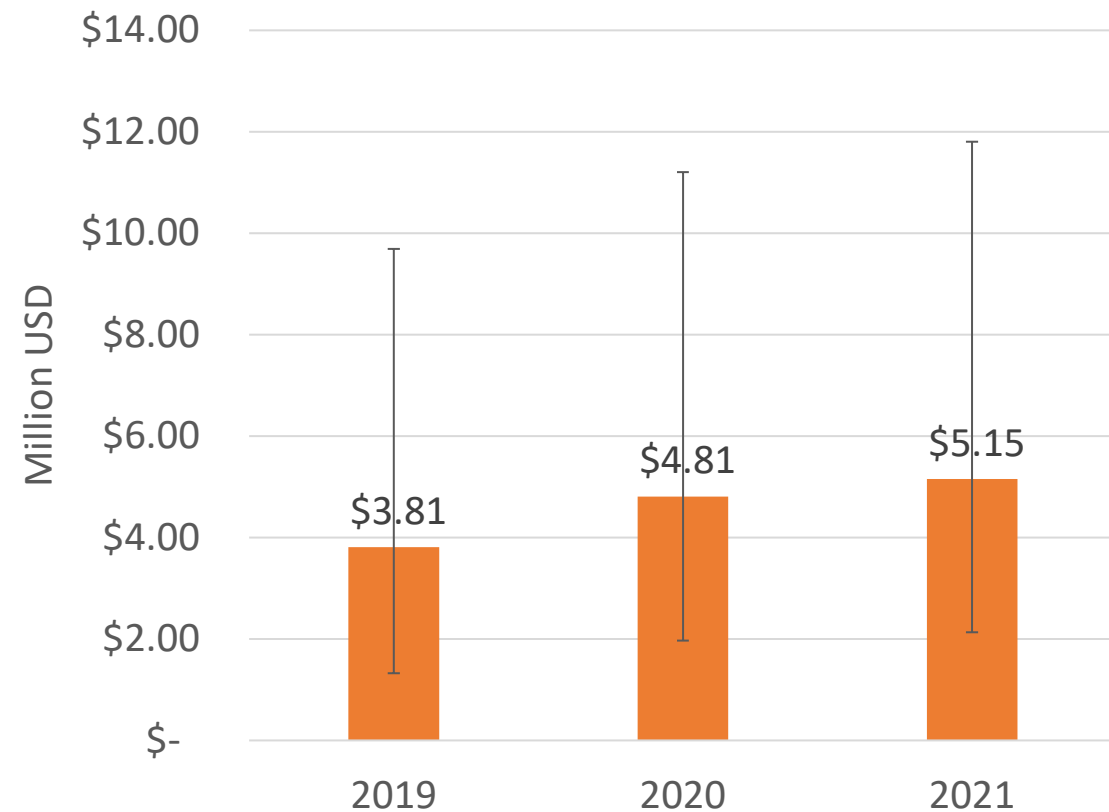
*Purity used: 51.62 % average (India)*

## *Outward illicit financial flows from heroin trafficking*

*Outward IFFs (in million NPR)*



*Outward IFFs (in million USD)*



*Source: UNODC calculation based on the United Nations exchange rates.*

***Outward IFFs estimates on heroin trafficking (in million USD and million NPR)***

*Average 2019-2021*

<i>Outward IFFs – min</i>	<i>Outward IFFs – avg</i>	<i>Outward IFFs – max</i>
<i>\$ 1.81</i>	<i>\$ 4.59</i>	<i>\$ 10.90</i>
<i>NPR 210.9</i>	<i>NPR 534.8</i>	<i>NPR 1,268.0</i>

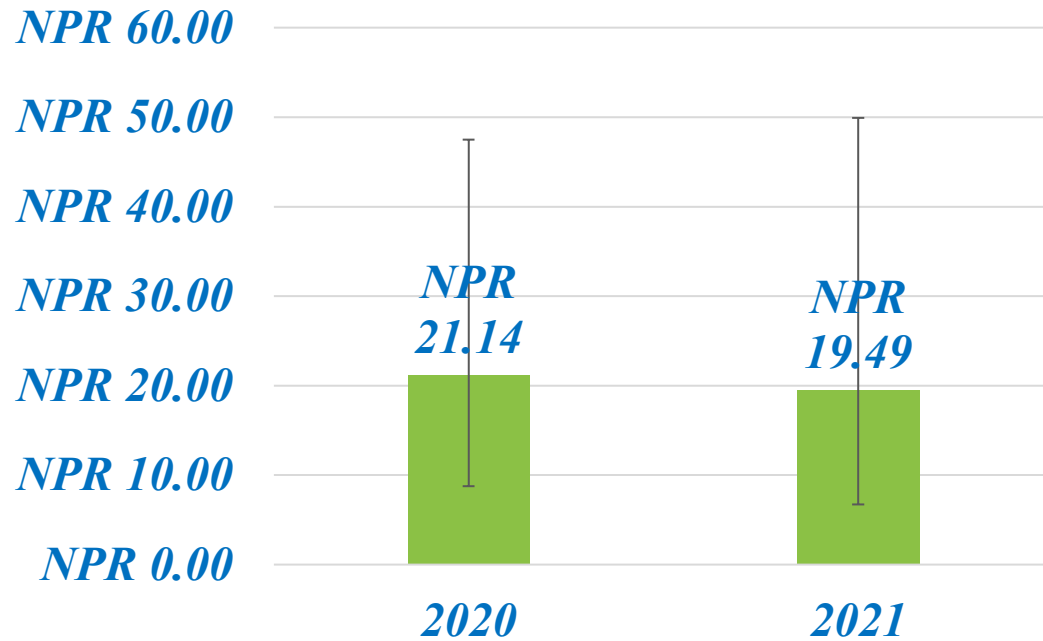
*Source: UNODC calculation is based on the United Nations exchange rates.*



*Time frame: 2020-2021*

## *Heroin domestic market*

*Domestic market (in billion NPR)*



*Domestic market (in million USD)*



*Source: UNODC calculation based on the United Nations exchange rates.*

## *Limitations for estimating IFFs related to drug trafficking*

### *Trafficking:*

- *Trafficking flows: hard to get at the regional level.*
- *Incomplete time series on some indicators e.g., wholesale prices (only for 2019-2021), retail prices (only for 2020-2021).*

### *Consumption:*

- *Few information on the quantity consumed per drug user per year.*  
*The information extracted from the expert consultation on heroin is consistent, but the information on cannabis is too high.*

### *Traffickers network:*

- *Information is needed about their structure.*

### *Tranquilizers trafficking:*

#### *Explore:*

- *Annual production of tranquilizers in Nepal*
- *Percentage of this production destined for illicit consumption*

## *Outline of Presentation*

### *B. Trafficking in persons :*

*Pilot activities background*

*Nepal context and trafficking in persons flows estimates*

*Methodology to calculate IFFs for trafficking in persons activities*

*Data Sources*

*Major Findings*

*Limitations*

*Key experiences*

*Way forward*

## *Pilot activities (background)*

### *National counterparts (trafficking in persons):*

#### *National focal point:*

- *National Statistics Office (then Central Bureau of Statistics)*

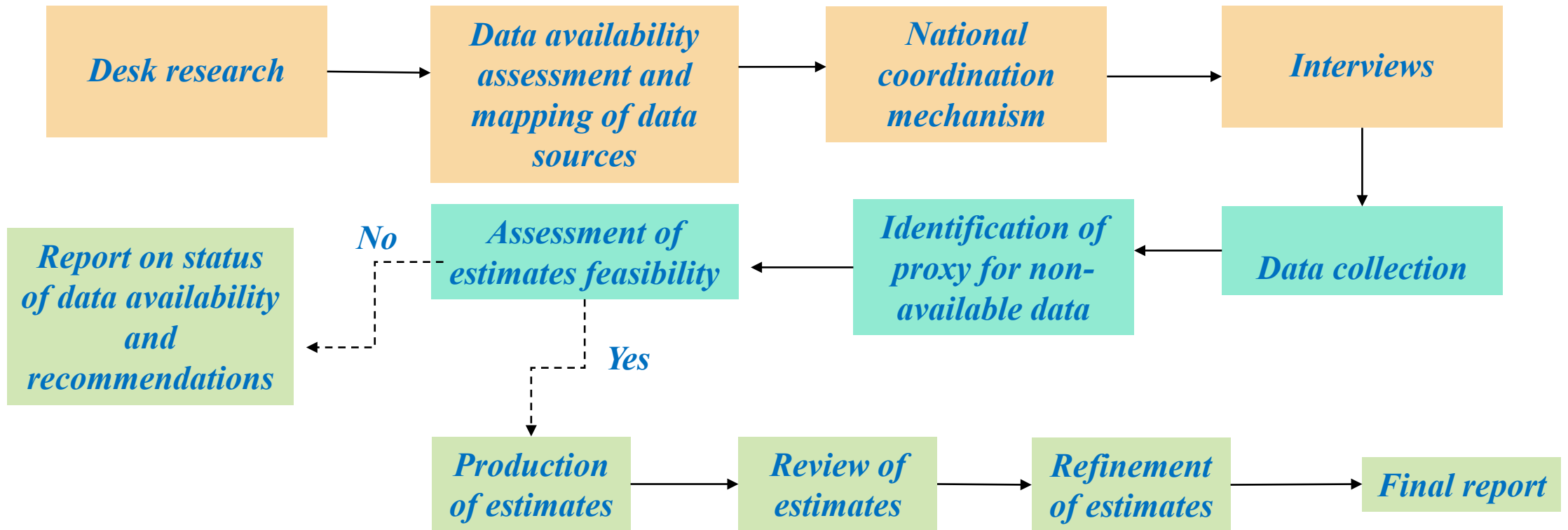
#### *Key stakeholders and data providers:*

- *Aprabasi Mahila Kamdar Samuha (AMKAS)*
- *Nepal Institute of Development Studies (NIDS)*
- *Maiti Nepal*

#### *Local support:*

*UNODC Nepal Office*

## *Estimation process*



## *Nepal context and trafficking in persons cross-border payments*

### *Nepal trafficking in persons situation:*

#### *Forced labour:*

- *Forced labour is closely related to the phenomenon of outward migration of Nepali migrant workers who face a risk of being exploited once abroad.*
- *Individuals are victims of forced labour when they have been recruited against their will (deceived) and are working under means of pressure, which represents two fundamental phases of trafficking in persons, i.e., the recruitment and the exploitation.*
- *The aspects regarding which the victims are mainly related to salary amount, the type of job offered, work hours.*
- *The aspects associated with the exploitation are the excessive number of working days, the retention of passports.*

## *Nepal context and trafficking in persons cross-border payments*

*Nepal trafficking in persons situation:*

*Sexual exploitation:*

- *Overseas sexual exploitation for lucrative/profitable purpose mostly involves the trafficking of Nepali women and girls to India.*
- *However, in recent years, the destinations for trafficking have grown and expanded outside India and the Gulf region to other countries in North America, Europe, and Africa.*
- *The victims are trafficked through the open border between Nepal and India.*

## *Methodology to calculate IFFs from trafficking in persons (TiP) activities*

### *Focus: income generation IFFs*

*Income generation IFFs -> value of inflows (inward IFFs) & outflows (outward IFFs) of money for*

- Recruitment services (recruitment phase)*
- Exploitation of the victim (exploitation phase)*

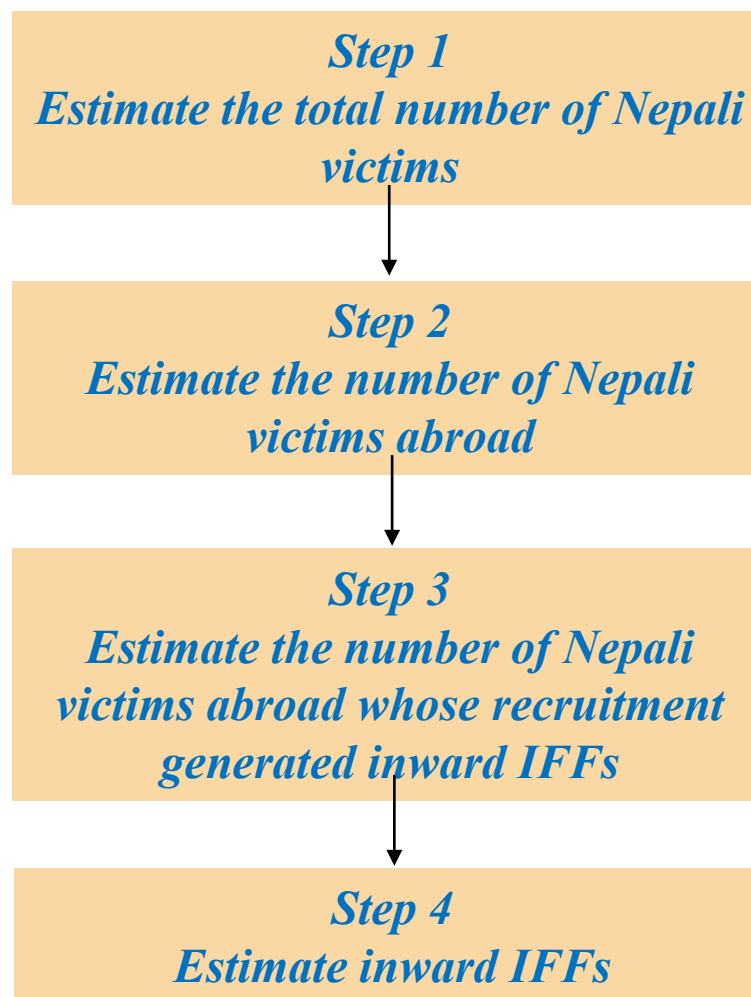
$$\text{Value} = \text{number of victims} * \text{price}$$

*The number of victims can be estimated through:*

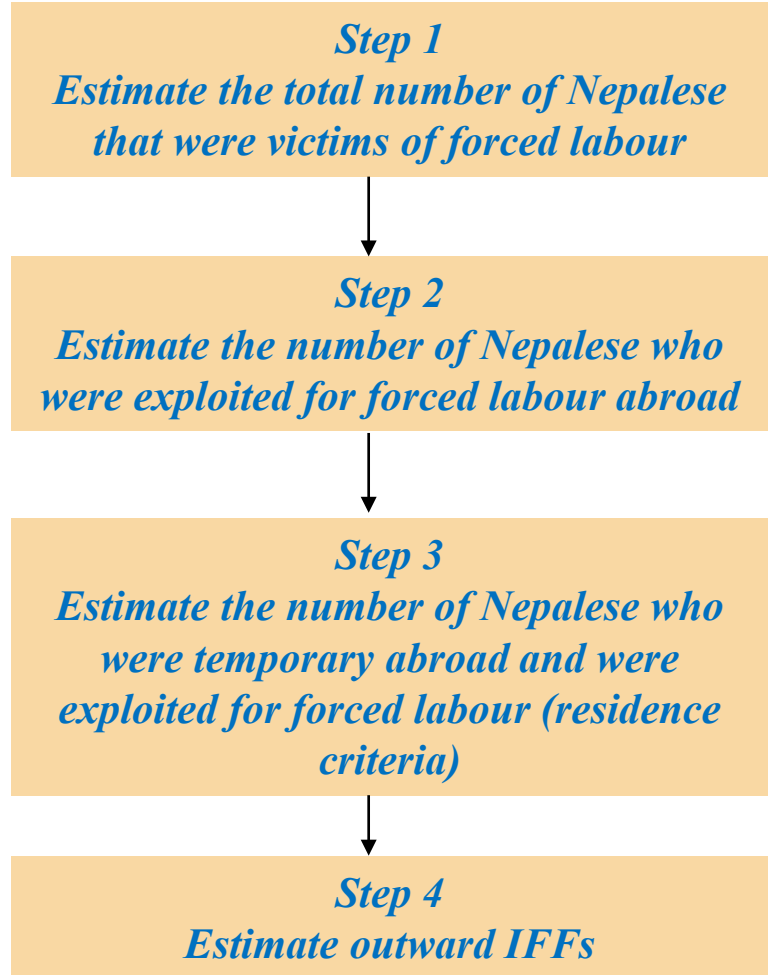
- Multiple System Estimation (capture-recapture method), with at least 3 lists of victims*
- An estimated prevalence rate*



*Methodology to estimate IFFs associated with the recruitment phase of forced labour victims  
(implemented)*



*Methodology to estimate IFFs associated with the exploitation phase of forced labour victims  
(not yet implemented – lack of data)*



## *Estimating inward and outward IFFs of forced labour*

### *Nepal inward IFFs related to the recruitment phase:*

#### *Inward IFFs:*

*= number of victims \* % of victims generating inward IFFs \* fees paid to the Nepali recruiters*

*Where number of victims = prevalence rate \* population*

### *Nepal outward IFFs related to the exploitation phase:*

#### *Outward IFFs:*

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

*Where number of victims = prevalence rate \* population*

## *Trafficking in persons cross-border flows and IFFs*

### *Forced labour:*

#### *In the recruitment phase:*

- *From employers based abroad to Nepal-based recruiters for recruiting victims in the countries of destination-> Inward IFFs (estimated).*
- *Recruiters based in Nepal do not deal with victims from other countries, so there are no additional inward IFFs from non-Nepali victims.*
- *From recruitment agencies through bribes to destination-country human resource managers or labour outsourcing companies. -> Outward IFFs (not estimated due to insufficient data).*

#### *In the exploitation phase:*

- *From the non-resident victims to the employers based abroad.*
- *The victims who stay less than 6 months in the countries of destination -> outward IFFs (not estimated due to insufficient data).*

## *Trafficking in persons cross-border flows and IFFs*

*Forced labour:*

*Sexual exploitation:*

*In the recruitment phase:*

- *Recruitment of Nepali female victims to India for the purpose of exploitation in Indian brothels  
-> Inward IFFs (not estimated due to insufficient data).*

*In the exploitation phase:*

- *Sexual exploitation of the victims. The numbers of hours of exploitation can range from 2-3 hours per day (when customers come in small numbers) to 16 hours per day (especially during the Indian Ganapati fair festival), with an average of 8 hours per day.  
-> Outward IFFs (not estimated due to insufficient data).*

## Data collection

-> Data time frame: 2017-2021\*

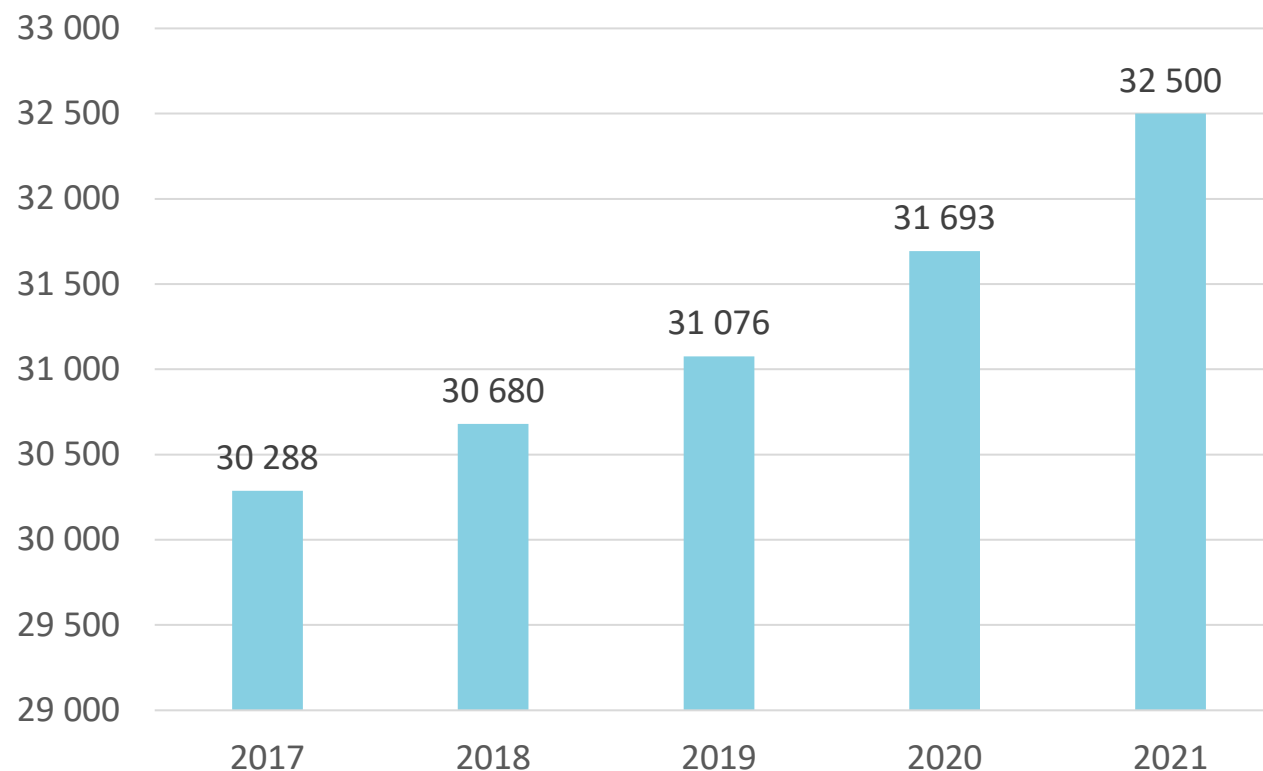
\* For the number of victims

	<i>Number of victims</i>	<i>% of victims recruited, generating inward IFFs</i>	<i>Recruitment fees paid by victims to recruiters</i>	<i>Recruitment fees paid by employers to recruiters</i>
<i>Formula</i>	<i>Population size * prevalence rate</i> (1) * (2)	-	-	
<i>Indicator (1)</i>	<i>Prevalence Forced labour rate</i>	<i>% of victims whose recruitment by Nepal-based recruiters for employers based abroad generates a payment to Nepal-based recruiters</i>	<i>Fees paid by to the local recruiters (brokers and/or recruitment agencies) for obtaining a job abroad.</i>	<i>Fees at which the actors based abroad pay for recruiting new victims for exploitation purpose in the countries of destination</i>
<i>Data sources</i>	<i>Nepal Labour Force Survey (NLFS), 2017/18</i>	<i>Expert NGOs and research centers: AMKAS, NIDS</i>	<i>Expert from national institutions, NGOs and research centers: AMKAS, NIDS, Ministry of Women, Children and Senior Citizens, Asia Foundation.</i>	<i>Expert NGOs and research centres: AMKAS, NIDS</i>

## *Estimated number of victims of forced labour*

*Estimates of the number of Nepalese victims of forced labour are based on CBS Nepal Labour Force Survey 2017\**

*Estimated annual number of Nepali victims under forced labour*



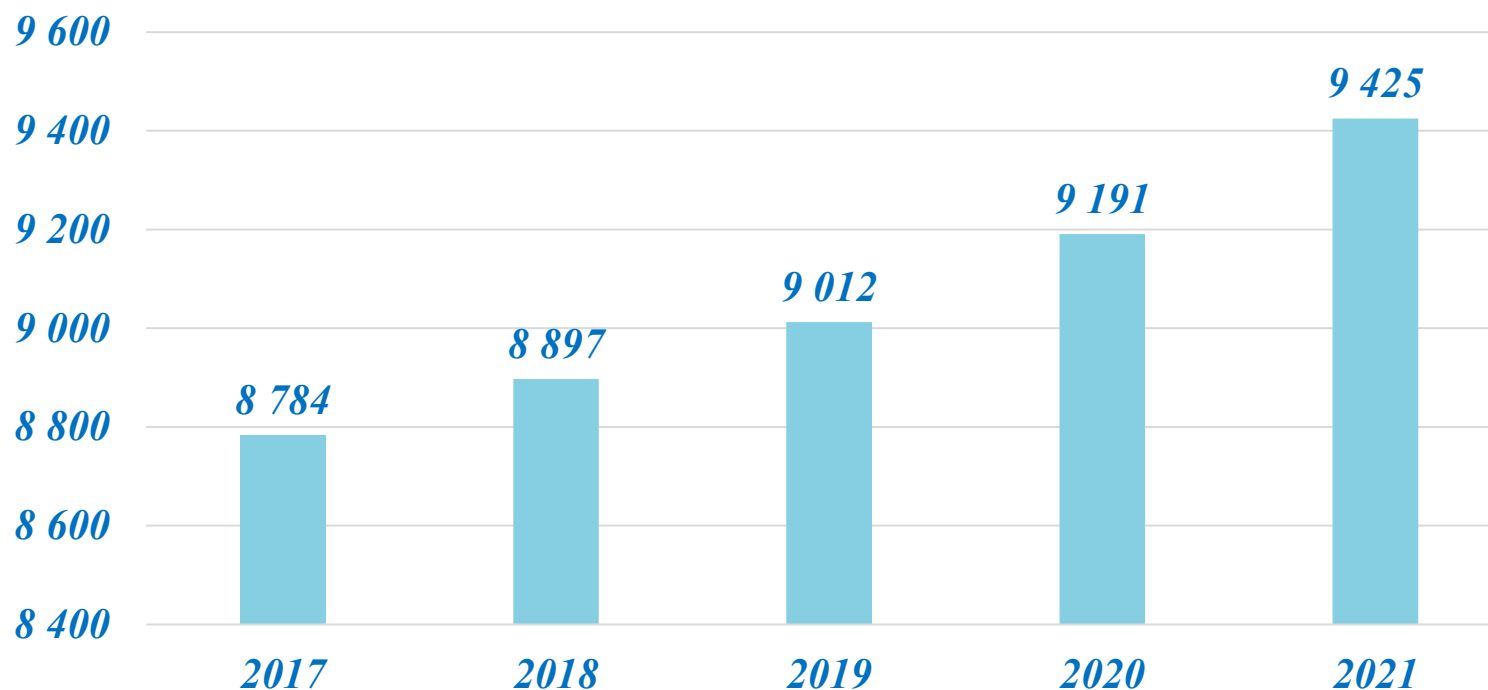
*\* No. of victims = Prevalence rate (1.2 per 1,000 persons) \* population size (5 years and above)*

*Source: UN Population Division,*

## *Estimated number of victims of forced labour abroad*

*Estimates of the number of Nepali victims of forced labour abroad is based on the proportion of the victims having experienced such situation abroad (29%).*

*Estimated number of Nepalese victims of forced labour abroad*



*Source: CBS, NLFS 2017*

*The estimated average figure of Nepali victims of forced labour abroad for period 2018-2019 (8,955) is in line with the figure produced by Nepal Human Right Commission corresponding to fiscal year 2018-2019 (12,000 victims of foreign employment).*



## *Results: Inward IFFs*

*Estimating inward IFFs was performed by multiplying the recruitment fees paid by exploiters abroad by the number of victims exploited abroad whose recruitment generated inward IFFs. The fees were available only for the year 2021.*

<i>Estimated number of victims whose recruitment generated inward IFFs</i>	<i>Estimated average recruitment fees (USD) paid by foreign exploiters to local recruiters</i>	<i>Average inward IFFs (million USD)</i>
<i>A</i>	<i>B</i>	<i>C = (A x B) / 1,000,000</i>
5,655	\$ 588.5	\$ 3.33

*Note: recruitment fees paid by the employers to Nepal-based recruiters go from 392 to 785 USD (46,161 – 92,441 NPR).*

*Baseline data sources: AMKAS, NIDS*

### *Inward IFFs estimates on forced labour*

<i>Inward IFFs – min</i>	<i>Inward IFFs – average</i>	<i>Inward IFFs – max</i>	<i>Currency*</i>
<i>\$1.5</i>	<i>\$3.3</i>	<i>\$5.9</i>	<i>Million USD</i>
<i>NPR 174.0</i>	<i>NPR 391.9</i>	<i>NPR 696.7</i>	<i>Million NPR</i>

*\* Conversion USD to Nepal Rupee is based on the United monthly exchange rate. Nations average*

*Reference year: 2021*

## *Illicit gross output related to forced labour*

*The illicit gross output from forced labour is the value illicitly generated by recruiters from the recruitment of local and foreign forced labour victims, which might be eventually exploited both in the country and abroad. In any country the illicit gross output is theoretically obtained from the sum of all revenues obtained by recruiters from:*

- Recruitment fees paid by exploiters (based abroad) to local recruiters, for the recruitment of both domestic (1a) and foreign (1b) victims*
- Recruitment fees paid by local exploiters to local recruiters, for the recruitment of both domestic (2a) and foreign (2b) victims*
- Recruitment fees paid by local victims to local recruiters for getting a job abroad*
- Recruitment fees paid by local (4a) and foreign (4b) victims to local recruiters for a domestic jobs*

## *Illicit gross output related to forced labour*

*For Nepal, illicit gross output estimates were generated for:*

*1) Nepal Illicit gross output related to recruitment fees paid by the exploiters to Nepalese victims aboard:*

*= Number of victims exploited abroad whose recruitment generated inward IFFs \* recruitment fees paid by the exploiters*

*= 5,655 \* 588.5 = 3.33 million USD*

*= Inward IFFs related to the recruitment phase*

*2) Nepal illicit gross output related to the recruitment fees paid by victims exploited abroad:*

*= Number of victims exploited abroad who were recruited locally \* recruitment fees paid by the victims*

*= 9,425 \* 669.71 = 6.31 million USD*

### *Notes:*

- There is no evidence of recruitment fee paid by exploiters (based abroad) to local recruiters for the recruitment of foreign victims (1b) because there is no evidence of foreign victims recruited in Nepal.*
- There is no evidence of recruitment fees paid by local exploiters to local recruiters, for the recruitment of both domestic (2a) and foreign (2b) victims.*
- There is no evidence of recruitment fee paid by local (4a) and foreign (4b) victims to local recruiters for domestic jobs because i) domestic victims do not pay recruiters for getting a job in the country (they themselves approach employers to find domestic jobs) and ii) there is no evidence of foreign victims in Nepal.*

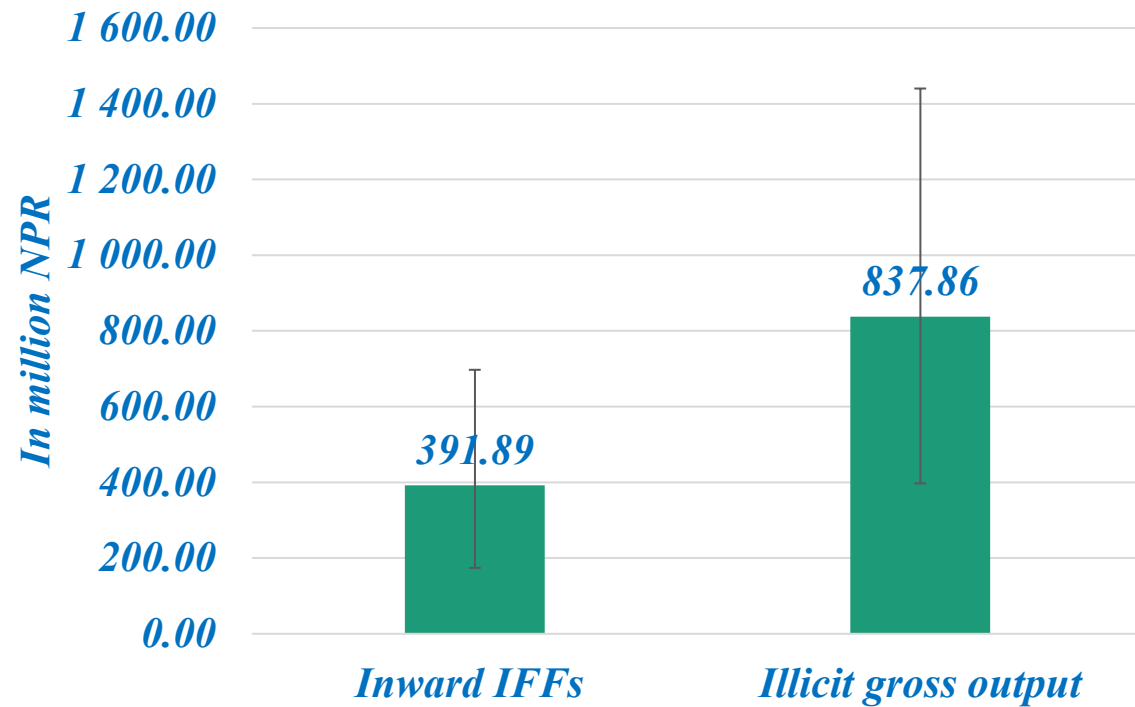
## *Nepal total illicit gross output from forced labour*

<i>Nepal Illicit gross output related to recruitment fees paid by the exploiters (based abroad) for domestic victims (1a)</i>	<i>Nepal Illicit gross output related to recruitment fees paid by the exploiters for foreign victims (1b)</i>	<i>Nepal illicit gross output related to recruitment fees paid by local exploiters to local recruiters – for both domestic and foreign victims (2a, 2b)</i>	<i>Nepal illicit gross output related to the recruitment fees paid by local victims for jobs abroad (3)</i>	<i>Nepal illicit gross output related to recruitment fees paid by local (4a) and foreign (4b) victims to local recruiters for a domestic jobs</i>	<i>Nepal total illicit gross output</i>
<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F = A + B + C + D + E</i>
<i>\$0</i>	<i>\$3.33</i>	<i>\$0</i>	<i>\$6.31</i>	<i>0</i>	<i>\$9.64</i>
<i>NPR 0</i>	<i>NPR 391.89</i>	<i>NPR 0</i>	<i>NPR 445.97</i>	<i>NPR 0</i>	<i>NPR 837.86</i>

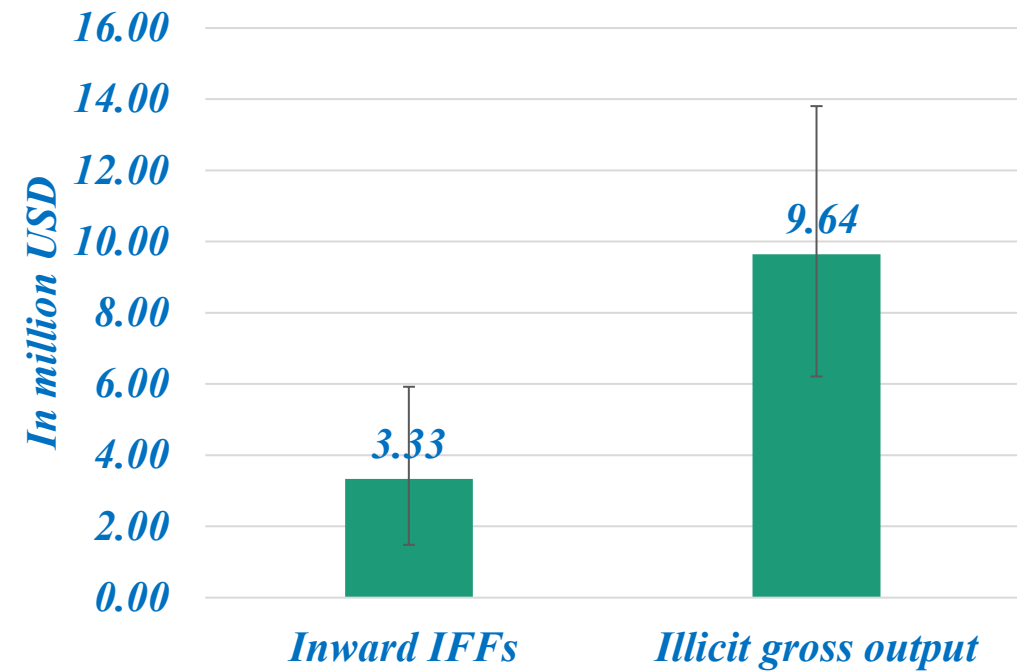
*Reference year: 2021*

## *Inward IFFs and illicit gross output related to forced labour (2021)*

*Inward IFFs and illicit gross output  
(in million NPR)*



*Inward IFFs and illicit gross output  
(in million USD)*



*IFFs, per illegal activity (million USD)*

<i>Illegal activity</i>	<i>IFFs type</i>	<i>Outward IFFs – min</i>	<i>Outward IFFs – avg</i>	<i>Outward IFFs – max</i>
<i>Forced labour</i>	<i>Inward</i>	<i>\$1.5</i>	<i>\$3.3</i>	<i>\$5.9</i>
<i>Heroin trafficking</i>	<i>Outward</i>	<i>\$2.1</i>	<i>\$5.2</i>	<i>\$11.8</i>

*Reference year: 2021*

*IFFs, per illegal activity (million NPR)*

<i>Illegal activity</i>	<i>IFFs type</i>	<i>Outward IFFs – min</i>	<i>Outward IFFs – avg</i>	<i>Outward IFFs – max</i>
<i>Forced labour</i>	<i>Inward</i>	<i>174.0</i>	<i>391.9</i>	<i>697.0</i>
<i>Heroin trafficking</i>	<i>Outward</i>	<i>251.0</i>	<i>606.9</i>	<i>1,390.5</i>

*Reference year: 2021*



## *Limitations for estimating IFFs related forced labour*

- *Unavailable range of the forced labour prevalence rate due to the small sample size in NLFS 2017/18*
- *Incomplete time series on key indicators (e.g., recruitment fees paid by the victims and recruitment fees paid by the exploiters based abroad) -> estimation for 2021 only*
- *Unreliable estimation of outward IFFs related to the exploitation phase due to the small sample of those who were exploited abroad and for less than 6 months.*
- *Small number of cases of forced labour detected in the sample (159 cases out of 69,018 individuals).*

## *Key experiences*

- *Since the activities are illegal, it's very challenging to collect accurate & reliable data for measuring IFFs.*
- *In Nepal, govt. as well as non-government organizations are involved in controlling these illicit activities & supporting victims of such illicit activities. They have collected information as per their requirements.*
- *For effective data collection, we established separate national coordination committees for both DT and TiP. Both committees were headed by of NSO and the member of concerned government and non- government organizations.*
- *We have done our best to provide the required data for estimation of IFFs related to both illicit activities.*

## *Way forward (Drugs)*

- *Strengthen data collection and compilation capacity of national institutions as per the estimation requirement of IFFs of all illicit drugs*
- *Conduct drug user's survey regularly for the estimation of IFFs incorporating each illicit drugs*
- *Initiate estimation process of IFFs associated with feasible drugs and make it regular as a part of the NSO activities.*
- *Continue technical support to NSO unless it fully materializes IFFs estimation and disseminates findings publicly.*

## *Way forward (Persons in Trafficking)*

- *Strengthen data collection and compilation capacity of national institutions as per the estimation requirement of IFFs of all forms of TiP and smuggling of migrants*
- *Conduct the specialised survey on TiP for the estimation of IFFs*
- *Possible future work: Adopt the Multiple System Estimation (MSE) with identification of at least 3 lists of victims.*
- *Initiate estimation process of IFFs associated with feasible forms of TiP, e.g., Forced labor and make it regular as part of the NSO activities.*
- *Continue technical support to NSO unless it fully materializes IFFs estimation and disseminates findings publicly.*

## *Way forward*

- *Being a SDG signatory country, Nepal has obligation to have SDG indicator 16.4.1 within 2030.*
- *The illicit activities i.e. drug trafficking and trafficking in person are potential area of illegal activities in Nepal and is relevant to study in priority basis.*
- *The illicit activities fall in production boundary of 2008 SNA and hence need to cover in compilation of GDP. In addition, Measuring IFFs is in line with BoP.*
- *Estimation of IFFs extends the coverage of GDP in Nepal because we have not yet covered explicitly such illicit activities in estimation of GDP.*
- *The knowledge of IFFs estimation helps to strengthen the system of national accounts and to manage the required data for measuring IFFs. Measuring IFFs helps to fill up gap of knowledge on IFFs and inspires to estimate different potential area of illicit activities as well.*
- *Moreover, we have internationally accepted guidelines to estimate the IFFs and have good coordination with international organizations.*

## *Way forward*

- *Measuring IFFs helps to fill up gap of knowledge on IFFs and inspires to estimate different potential area.*
- *All the members of the committees owned the pilot study project and provided the related information as well. However, there may be data gap in both areas of study. It's challenging because IFFs includes set of cross-border transactions.*
- *The methods adopted to estimate the inward and outward illicit financial flows related to both drugs trafficking & trafficking in person are OK, but the size of IFFs might have been questioned due to gap of accurate, reliable and consistent data.*
- *Measuring IFFs helps to fill up gap of knowledge on IFFs and inspires to estimate different potential*
- *Technical capacity building is required for the participating institution for systematic data gathering as per requirement of measuring IFFs.*
- *International support would be appreciated to overcome the challenges in measuring IFFs.*

*Thank You*