Pilot to measure illicit financial flows in Latin America
The pilot to measure illicit financial flows

**Objective:** Adapt and test the methodology to measure IFF

**Participating countries:**
- Mexico
- Colombia
- Ecuador
- Peru

**Illicit markets:**
- Drugs
- Trafficking in persons
- Smuggling of migrants
- Illegal mining

**Timeframe:** 2018-2020
The methodology

**UNCTAD focus**
- Tax evasion and tax avoidance

**UNODC focus**
- Corruption
- Theft-type activities
- Illicit markets
The statistical framework for measuring IFF

**ILLICIT INTERMEDIATE COSTS**

<table>
<thead>
<tr>
<th>NATIONAL COSTS</th>
<th>IMPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>Drugs</td>
</tr>
<tr>
<td>Bribery</td>
<td>Chemical inputs</td>
</tr>
<tr>
<td>Protection</td>
<td>Equipment</td>
</tr>
</tbody>
</table>

**NET ILICIT INCOME**

<table>
<thead>
<tr>
<th>NATIONAL EARNINGS</th>
<th>EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and retail drug sales</td>
<td>Wholesale drug sales</td>
</tr>
<tr>
<td></td>
<td>Migrants smuggling service</td>
</tr>
</tbody>
</table>

**ILICIT INCOME**

Use of the income of key actors in the illicit market:
- Exporters
- Wholesalers

Incoming flows of illegal income from abroad.
Result 1: Smuggling of migrants in Mexico

Methodology to estimate the IFFs through Mexico (2016 map):
Estimated inward and outward IFFs from smuggling of migrants in Mexico

<table>
<thead>
<tr>
<th>Year</th>
<th>Inward</th>
<th>Outward</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1.13</td>
<td>$0.01</td>
</tr>
<tr>
<td>2017</td>
<td>$0.99</td>
<td>$0.01</td>
</tr>
<tr>
<td>2018</td>
<td>$1.21</td>
<td>$0.01</td>
</tr>
</tbody>
</table>
Result 2: Drug trafficking in Mexico

Estimated gross inward IFFs per drug in Mexico (2015-2018 average):

- Cannabis: $8.08 billion
- Heroin: $4.96 billion
- Cocaine: $3.52 billion
- Metamphetamine: $3.05 billion
Estimated inward IFFs from drug trafficking in Mexico
**CHALLENGES**

- **✓ Methodological**
  - Adapt the methodology to the specific market

- **✓ Cooperation**
  - Raise awareness about indicator 16.4
  - Take into account the diversity of the relevant institutions
  - Engage with the institutions in the exercise

- **✓ Data collection**
  - Confidentiality
  - Scarcity

**BENEFITS**

- **✓ Data collection**
  - Identify available data for something that had never been used before
  - Data collection exercises beneficial for the institutions (pilot data forms)

- **✓ Increased capacity**
  - Analytical capacities to understand how the markets work

- **✓ Partnership development**
  - Awareness on the importance of public policies to address IFFs
  - Start dialogues between countries on measuring IFFs
Thank you for your attention

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