

# Measuring illegal activities - country practices

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## Country practices

- Practical difficulty to measure
- Unreliable or no data sources
- 13 countries from the UNECE survey measure (often on an experimental basis): Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, FYR of Macedonia, Mexico, Poland, Serbia, Sweden, Ukraine
- very few countries include in their GDP estimates: Croatia, Czech Republic, Estonia, Hungary - because difficult to get reliable data on a consistent basis

## Types of illegal activities – covered by countries in UNECE survey

- Prostitution
- Production and sale of drugs
- Smuggling
- Sale of stolen goods (fencing)
- Production and sale of counterfeit goods (abuse of copyright)
- Production of alcohol and tobacco
- Human trafficking
- Corruption

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## Share of illegal activities in GDP

	year	Share in NOE	Share in GDP
Bulgaria	98/99		1.3
Croatia*	2000-03	9	1.02
Czech Republic	2000	2.4	0.2
Hungary	2000	11	1.4
Latvia	2000	9.7	1.5
Lithuania	2002		0.9
Poland	2002	3.8	0.6
Serbia	2003	6.6	0.96
Sweden	2005		0.15
Ukraine*	2005		2.2

\*Croatia: prostitution - 0.19, drugs - 0.27, human trafficking - 0.04, abuse of copyright - 0.01, corruption - 0.5

\*Ukraine: prostitution - 0.3, drugs - 0.1, smuggling - 0.7, alcohol - 1.1

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## Production and sale of drugs

- Sources: health authorities, Ministry of Interior, police, Customs, Internet, media, international surveys, expert opinion
- Supply side: quantity and rate of drug seizures, percentage destined for domestic use and transit, purity of imported drugs and drugs sold on the street, and prices of drugs sold on the street => final consumption from supply side
- Demand side: number of drug users, average daily and annual consumption, price of drugs sold on the street by kinds of drugs => final consumption from demand side
- Compare demand and supply estimations

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## Prostitution

- Sources: Ministry of Interior, police, media (research of journalists), special studies, health authorities
- Supply side: number of persons working in prostitution, number of days worked, services provided and price per service
- Intermediate consumption – often estimated at 20%
- Exports: if customers are foreigners (the rest as household final consumption) or the services of prostitutes abroad

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## Smuggling

- Illegal imports and exports of goods for resale
- Sources: Customs, border guards, police, media, expert opinion
- Estimated on the basis of
  - confiscated quantities and seizure rate
  - difference between supply and use (consumption) – alcohol, tobacco
- For NA purposes, need to estimate trade margins, intermediate consumption, GVA, salaries of intermediaries and traders, household consumption, imports, exports

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## Fencing (sale of stolen goods)

- Sources: Ministry of Internal Affairs, police, payments of insurance claims, media, expert opinion
- estimate trade margins based on the number and value of thefts
- subtract the trade margins for legal sales (already taken into account)
- often estimated for sale of stolen cars only

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## Copyright offences

- Production and sale of counterfeit goods – pirated CD-s, DVD-s, audio and video cassettes, software, etc.
- Sources: police, Customs, agencies of copyright protection
- Estimated on the basis of confiscated quantities and the rate of seizure, production cost estimated at 15% of sale price

## Conclusion

- In principle should be included in National Accounts
- More and more countries are producing estimates
- Production and trade of drugs and prostitution most often estimated by countries
- Methods of estimating production and trade of drugs and prostitution sufficiently well established
- In countries who are estimating illegal activities, these make up around 1% of GDP