



On approval of the Methodology for Assessing the Volume of Illegal Activities

Unofficial translation

Order of the Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan dated September 8, 2017 No. 125. Registered with the Ministry of Justice of the Republic of Kazakhstan on October 5, 2017 No. 15848.

Unofficial translation

In compliance with paragraph 5) of Article 12 of the Law of the Republic of Kazakhstan of March 19, 2010, sub-paragraph 5) and sub-paragraph 258) of paragraph 17 of the Regulation on the Ministry of National Economy of the Republic of Kazakhstan, approved by Decree of the Government of the Republic of Kazakhstan No. 1011 dated September 24, 2014 , I DO HEREBY ORDER:

1. That the enclosed Methodology for Assessing the Volume of Illegal Activities shall be approved.

2. In the manner prescribed by the legislation, the National Accounts Directorate, jointly with the Legal Directorate of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, shall:

1) ensure the state registration of this order with the Ministry of Justice of the Republic of Kazakhstan;

2) within ten calendar days from the date of the state registration of this order, send a copy hereof in paper and electronic form in the both Kazakh and Russian languages to Republican State Enterprise on the Right of Economic Management “Republican Center of Legal Information” for official publication and inclusion into the Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan;

3) within ten calendar days after the state registration of this order, direct a copy hereof for official publication in periodicals;

4) place this order on the Internet resource of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

3. The control over the execution of this order shall be assigned to the Deputy Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, (G. Kerimkhanov).

4. This order shall become effective ten calendar days after the day of its first official publication.

*Chairman of the Committee
on Statistics of the Ministry
of National Economy
of the Republic of Kazakhstan*

N. Aidapkelov

"AGREED"

Minister of Healthcare
of the Republic of Kazakhstan

_____ Y. Birtanov

of September 14, 2017

"AGREED"

Minister of Finance
of the Republic of Kazakhstan

_____ B. Sultanov

of September 18, 2017

Approved by
Order of the Chairman of
the Committee on Statistics
of the Ministry of National
Economy of the
Republic of Kazakhstan
№ 125 of September 8, 2017

Methodology for Assessing the Volume of Illegal Activities

Chapter 1. General Provisions

1. The Methodology for Assessing the Volume of Illegal Activities (hereinafter referred to as the Methodology) refers to the statistical methodology, which has been formed in accordance with international standards and approved in compliance with the Law of the Republic of Kazakhstan dated March 19, 2010 “On State Statistics”.

2. This Methodology is used by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as the Committee) when assessing the volume of illegal activities in accordance with international standards and for the purposes of the System of National Accounts (hereinafter - SNA).

3. The purpose of this Methodology is to assess the impact of illegal activities on sectors of the economy.

4. The 2008 SNA, prepared by the International Monetary Fund, the Organization for Economic Co-operation and Development, the Statistical Office of the European Communities, the United Nations and the World Bank, as well as the unified Commodity Nomenclature for Foreign Economic Activity of the Eurasian Economic Union, approved by Decision of the Council of the Eurasian Economic Commission No. 54 of July 16, 2012 have been used as the methodological basis.

5. The following definitions are used in this Methodology:

1) intermediate consumption - the value of goods and services that are transformed or completely consumed in the production process in the reporting period;

2) gross value added (hereinafter referred to as GVA) - characterizes the final result of production activities and represents the value added by processing in this production process. It shall be calculated at the industry level as the difference between output and intermediate consumption, shall include the cost of fixed capital consumed in the production process;

3) gross domestic product (hereinafter referred to as GDP) is one of the most important indicators of the system of national accounts characterizing the final result of the country's economic activity;

4) institutional unit - an economic unit that is capable of owning assets on its own behalf, accepting obligations, participating in economic activities and entering into transactions with other units;

5) SNA - is a system of statistical indicators built in the form of a specific set of accounts and tables characterizing the results of the country's economic activity.

6. The information base for assessing the volume of illegal activities shall be:

1) official statistical information;

2) administrative data of administrative sources.

Chapter 2. Methodological approach to assessing the volume of illegal activities in accordance with the System of National Accounts 2008

7. Unobservable activities shall include activities that are not covered in the collection of information from the main sources used in compiling national accounts.

8. Unobservable activities shall be divided into the following groups: hidden (shady), illegal, informal.

9. Illegal activities shall include the production of goods and services that are prohibited by law or which are illegal, when they are carried out by manufacturers who do not have an appropriate license (permit).

10. The criteria for illegal activity shall be the general criteria for classifying the type of activity in GDP calculations. The criteria for classifying activities as illegal shall be as follows:

1) coverage of the type of activity by the boundaries of the SNA production sphere:

the production of individual or collective goods and services provided to institutional units that are not their producers, or intended to be provided, including the production of goods and services used in the production of goods and services;

production for own final use of goods held by their producers for their own final consumption or gross capital formation;

production for own final consumption of housing services by persons living in their own housing, as well as domestic and personal services provided by paid servants;

2) нарушение законодательства Республики Казахстан.

11. Illegal activities shall be classified into the following two categories:

1) production of goods and services, the sale or possession of which is prohibited by the legislation of the Republic of Kazakhstan;

2) production of goods and services by manufacturers who do not have an appropriate license (permit) or are not registered in the manner established by the legislation of the Republic of Kazakhstan.

Chapter 3. Assessment of the volume of illegal activity Section 1. Calculation of indicators of the production of goods and services, the sale or possession of which is prohibited by the legislation of the Republic of Kazakhstan

12. The following types of production of goods and services, the sale or possession of which is prohibited by the legislation of the Republic of Kazakhstan, shall be considered in this Methodology:

drug business (production and distribution of heroin, cannabinoids, opium);
prostitution.

13. Illicit drug-related activities shall include domestic drug production, export and import, as well as activities for their delivery and sale to addicts.

14. Calculation of heroin consumption:

$$C = N \times D$$

,

(1)

where:

C

– drug use by all drug addicts per year (gr);

N

– number of drug addicts (persons);

D

– the average amount of drugs used per year by one drug addict (gr).

Next, the volume of imports into the country shall be estimated:

$$I = C \times \frac{P_r g}{P_w g}$$

,

(2)

where:

I

– import (gr);

C

– consumption of heroin (gr);

P_rg

– heroine street frequency (%);

P_wg

– wholesale heroine frequency (%).

The main resulting indicator, which is compared with GDP, is GVA:

$$GVA = TM - IC$$

(3)

where:

GVA – gross added value (million, tenge);

TM – trade margin (million tenge);

IC – intermediate consumption (million tenge).

The intermediate consumption in the drug business is insignificant and is estimated at 10% of the trade margin.

To determine the trade margin, the consumption and import of drugs shall be recalculated in value terms. Drug imports shall be estimated at wholesale prices; the consumption shall be estimated at retail prices.

$$TM = C \times P_r - I \times P_w$$

(4)

where:

TM – trade margin (tenge);

C – consumption (gr);

I – import of heroin (gr);

P_r – retail price (tenge per gr);

P_w – wholesale price (tenge per gr);

15. The calculation of the production of cannabinoids shall be formed on the condition that all domestic consumption of cannabinoids is satisfied through domestic production.

$$D_p = N \times D \times P_w$$

(5)

where:

D_p

– domestic production of marijuana and anasha/cannabis (tenge);

N

– number of drug addicts (persons);

D

– average amount of drugs consumed per year by one drug addict (gr);

P_w

– wholesale price of marijuana and anasha/cannabis (tenge per gr).

$$GVA = D_p + TM - IC$$

, (6)

where:

GVA

– gross value added (million tenge);

D_p

– domestic production (million tenge);

TM

– trade margin (million tenge);

IC

– intermediate consumption (million tenge).

$$TM = C \times (P_r - P_w)$$

, (7)

where:

TM – trade margin (tenge);

C – consumption (gr);

P_r – retail price (tenge per gr);

P_w – wholesale price (tenge per gr);

16. The calculation of the release of opium shall be formed on the condition that the amount of drugs consumed is fully imported.

$$I = N \times D \times P_w$$

,

(8)

where:

I

– import of opium (tenge);

N

– number of drug addicts (persons);

D

– the average amount of drugs consumed per year by one drug addict (grams);

P_w

– wholesale price (tenge per gr).

The approach to determining GVA and trade margins shall be the same as in other types of drugs.

$$GVA = TM - IC$$

,

(9)

where:

GVA

– gross value added (million tenge);

TM

– trade margin (million tenge);

IC

– intermediate consumption (million tenge).

$$TM = I \times (P_r - P_w)$$

,

(10)

where:

TM – trade margin (tenge);

I

– import (gr);

P_r

– retail price (tenge per gr);

P_w

–wholesale price (tenge per gr);

17. Illegal activities related to prostitution shall be calculated on the basis of indicators: gross output, intermediate consumption, GVA.

The calculations shall be made from the bottom to the top due to the difference in prices for this type of service between different regions.

The main way to determine the output of prostitution services shall be to determine it from the supply side (resources) based on the data on the number of employees and their average earnings.

The output of prostitution services shall be determined in the amount of revenue for the services rendered.

$$O_{\text{prost}} = N_{\text{wcs}} \times P_a \times N_{\text{sc}} \quad (11)$$

where:

O_{prost}

– output of prostitution services (tenge);

N_{wcs}

– number of employees (persons);

P_a

– average price for a service (tenge);

N_{sc}

– number of visits per year (units).

The calculations shall use official data on registered employees and those who are within the file, as well as additional counts on the number of people who are most likely to be engaged in this type of activity. The intermediate consumption of prostitution shall include:

- 1) rent for an apartment used in customer service;
- 2) rent for premises paid by holders of intim salons, saunas, massage parlors;
- 3) the cost of clothing, cosmetics, contraceptives and special equipment;

4) the cost of transportation, equipment and advertising (newspaper ads, site maintenance)

The share of intermediate consumption shall be estimated for this type of service at 30% of the output. The GVA shall be determined by subtracting intermediate consumption from output.

The calculation of the production of narcotic goods and prostitution services is provided in Appendix 1 to this Methodology.

Section 2. Calculation of indicators of the production of goods and services by manufacturers who do not have a license (permit) or are not registered in the manner established by the legislation of the Republic of Kazakhstan

18. The following types of production of goods and services rendered by manufacturers who do not have an appropriate license (permit), or are not registered in the prescribed manner, shall be considered in this Methodology:

poaching;
production of illegal alcoholic beverages;
production of unauthorized copies of creative originals;
smuggling.

19. Poaching. This type of activity shall be divided into the following sub-types:

- 1) illegal logging;
- 2) illegal hunting;
- 3) illegal fishing.

The output of illegal logging and illegal hunting shall be estimated based on the data on seized products (wood, animals), taking into account market prices:

$$O = Q_{cg} \times P_a \quad (12)$$

where:

O
– output (tenge);

Q_{cg}
– volume of confiscated products (m^3 or pieces);

P_a
– average price (tenge per $1 m^3$ or piece).

The data on intermediate consumption in the legal production of the relevant industry shall be used as a share of intermediate consumption. The GVA shall be calculated as the difference between output and intermediate consumption.

The assessment of illegal fishing shall be based on the data on production, export, import and consumption of fish in the country. Data on illegal fishing shall be calculated using the ratio of consumption on the one hand (use) and the balance of exports and production within the country on the other hand (resources).

The products in question shall include the following headings: “Live Fish”, “Fresh or Chilled Fish, except for the Fish Fillets and other Fish Meat”, “Frozen Fish, Except for Fish Fillets and Other Fish Meat”, “Fish Fillet and Other Fish Meat (including Minced Meat), Fresh, Chilled or Frozen”, “Fish, Dried, Salted or in Brine; Hot or Cold Smoked Fish; Fine and Coarse Fish Meal and Fish Pellets Suitable for Human Consumption”.

When determining production, the data on production in the manufacturing industry shall be used for the position “Fish, Fresh, Chilled or Frozen”.

When calculating the volume of illegal fishing, the volume of legal production of fish products shall be determined:

$$L_p = D_p + I - E + C$$

,

(13)

where:

L_p

– legal production of fish products in the country (thousand tons);

D_p

– domestic production (thousand tons);

I

– import (thousand tons);

E

– export (thousand tons);

C

– catch of fish (thousand tons).

The total consumption of fish products in a country shall be determined on the basis of data on fish consumption per capita.

$$IL_p = CC - L_p$$

,

(14)

where:

IL_p

– illegal fishing (thousand tons);

CC

– total fish consumption in the country (thousand tons);

L_p

– legal production of fish products in the country (thousand tons).

The structure of fish consumption obtained from household surveys shall be used, when distributing illegal fishing by region,

In assessing the illegal capture of fish in value terms, an expert estimate of the value of the fish shall be used. When calculating intermediate consumption, the share of intermediate consumption shall be used for the type of activity “Fishing and Aquaculture”. GVA shall be defined as the difference between gross output and intermediate consumption.

20. Production of illegal alcoholic beverages. The assessment of illegal production of alcoholic beverages shall be based on the data on production, export, import and consumption of alcoholic beverages in the country. The data on illegal production of alcohol products shall be calculated by the ratio of consumption on the one hand (use) and the balance of exports and production within the country on the other hand (resources). When evaluating the illegal production of alcoholic beverages, the following headings shall be considered: “Whiskey”, “Rum and Tafia”, “Gin and Juniper Tincture”, “Other Alcohol Drinks”.

The physical volume of alcoholic beverages shall be converted to alcohol with a 40% alcohol content.

The volume of legal production of alcoholic beverages shall be determined when calculating the volume of illegal production of alcoholic beverages:

$$L_p = D_p + I - E$$

,

(15)

where:

L_p

– legal production of alcohol in the country (thousand litres);

D_p

– domestic production (thousand litres);

I

– import (thousand litres);

E

– export (thousand litres);

$$IL_p = CC - L$$

, (16)

where:

IL_p

– illegal production (thousand litres);

CC

– total consumption (thousand litres);

L_p

– legal production (thousand litres);

The structure of household spending on alcohol, obtained as a result of household surveys, shall be used, when distributing illegal production of alcohol products by region

In cost terms, illegal production of alcoholic beverages shall be estimated by region in terms of vodka prices below market prices. When calculating the intermediate consumption, the share of intermediate consumption shall be used for the type of activity “Production of Beverages”. GVA shall be defined as the difference between gross output and intermediate consumption. The calculation of the production of goods and services by manufacturers who do not have a license (permit) or are unregistered in the prescribed manner is given in Appendix 2 to this Methodology.

21. Production of unauthorized copies of creative originals. The SNA shall reflect illegal copying of copyrighted material carried out for the purpose of subsequent sale. An output shall be the cost of seized counterfeit goods seized in accordance with the legislation of the Republic of Kazakhstan. The shares of intermediate consumption from legal production in the Information and Communication industry shall be used when calculating intermediate consumption. The GVA shall be determined by the difference between output and intermediate consumption.

22. Smuggling. The data on the amount of goods seized shall be used as an output. The intermediate consumption of trade in smuggled goods shall be estimated as a share of the output, and the corresponding value of the GVA as the difference between the output and

intermediate consumption. When calculating the intermediate consumption of contraband goods, the share of intermediate consumption from the sector: "Wholesale and Retail Trade; Repair of Vehicle and Motorcycles" shall be used. The calculation of indicators of seized counterfeit goods and unauthorized copies of creative originals and seized contraband goods is given in Appendix 3 to this Methodology.

Appendix 1
to the Methodology for Assessing
the Volume of Illegal Activities

Calculation of the production of narcotic goods and prostitution services

1) Heroin

Heroin	Number of drug addicts	Dosage	The average amount of drug consumed per year by one drug addict	Consumption	Street frequency	Wholesale frequency	Wholesale price	Retail price
	persons	gr	gr	gr	%	%	tenge	tenge
	1	2	3=365 дней×2	4=1×3	5	6	7	8

Continuation

Heroin	Import volume	Import	Trade margin	Final consumption	Intermediate consumption costs	GVA
	gr	million tenge	million tenge	million tenge	million tenge	million tenge
	9=4×(5/6)	10=9×7/1,000,000	11=(4×8-7×9)/1,000,000	12=4×8/1,000,000	13=11×0.1	14=11-13

2) Cannabinoids (hash, marijuana)

Cannabinoids (hash, marijuana)	Population aged 7-55	1.4% of the population aged 7-55 years	The number of drug addicts who use cannabinoids intensely	The number of drug addicts who use cannabinoids regularly	Dose for drug addicts who use cannabinoids intensely	Dose for drug addicts who use cannabinoids regularly	The average amount of drug consumed per year by one drug addict (intensively)	The average amount of drug consumed per year by one drug addict (regularly)
	persons	persons	persons	persons	gr	gr	gr	gr
	1	2	3	4=2-3	5	6	7=312 days×5	8=52 days×6

Continuation

Consumption	Wholesale price	Retail price	Domestic production	Trade margin	Final consumption	Intermediate consumption costs	GVA
gr	tenge	tenge	million tenge	million tenge	million tenge	million tenge	million tenge

$9=3 \times 7 + 4 \times 8$	10	11	$12=9 \times 10 / 1,000,000$	$13=9 \times (11-10) / 1,000,000$	$14=9 \times 11 / 1,000,000$	$15=13 \times 0.1$	$16=12 + 13 - 15$
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3) Opium

Opium	Number of drug addicts	Dosage	The average amount of drug consumed per year by one drug addict	Consumption	Wholesale price	Retail price
	persons	gr	gr	gr	tenge	tenge
	1	2	$3=365 \text{ дней} \times 2$	$4=1 \times 3$	5	6

Continuation

Opium	Import	Trade margin	Final consumption	Intermediate consumption costs	GVA
	million tenge	million tenge	million tenge	million tenge	million tenge
	$7=4 \times 5 / 1,000,000$	$8=4 \times (6-5) / 1,000,000$	$9=4 \times 6 / 1,000,000$	$10=9 \times 0.1$	$11=8-10$

4) Prostitution

Prostitution	Persons engaged in prostitution	Average price for a service	Number of visits per year (expert)	Output	Intermediate consumption costs	GVA
	persons	Tenge	units	million tenge	million tenge	million tenge
	1	2	$3=300 \text{ days} \times 3 \text{ visits per day}$	$4=1 \times 2 \times 3 / 1,000,000$	$5=4 \times 30\%$	$6=4-5$

Appendix 2
to the Methodology for Assessing
the Volume of Illegal Activities

Calculation of indicators of the production of goods and services rendered by manufacturers

who do not have a license (permit) or unregistered in the prescribed manner

Poaching

1) Illegal logging

Illegal logging	Volume of wood seized	Average price per m ³ of wood	The cost of seized wood	Share of intermediate consumption	Intermediate consumption	GVA
	m ³	tenge	tenge	%	tenge	Million tenge
	1	2	$3=1 \times 2$	4	$5=3 \times 4\%$	$6=(5-3) / 1,000,000$

2) Illegal hunting

Illegal hunting	The number of saiga horns seized	Average price for 1 piece	Cost of seized saiga horns	Share of intermediate consumption	Intermediate consumption	GVA
	pieces	tenge	tenge	%	tenge	Million tenge

1	2	3=1×2	4	5=3×4%	6=(5-3)/1,000,000
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3) Illegal fishing

Illegal fishing	Fish production	Fish export	Fish import	Fish catch	Legal fish production	Fish consumption in the country	Illegal fishing
	thousand tons	thousand tons	thousand tons	thousand tons	thousand tons	thousand tons	thousand tons
	1	2	3	4	5=1-2+3+4	6	7=6-5

Continuation

Illegal fishing	Average price for 1 kg of fish	Structure for fish consumption by region	Illegal production	Illegal production	Share of intermediate consumption (% of legal production)	Intermediate consumption	GVA
	tenge	%	Thousand tons	Million tenge	%	Million tenge	Million tenge
	8	9	10=7×9%	11=10×8×1,000/1,000,000	12	13=11×12%	14=11-13

Illegal alcohol production

Illegal alcohol production	40% alcohol production	40% alcohol export	40% alcohol import	40% alcohol legal production	40% alcohol consumption per capita	Population of 15 years and older	Alcohol consumption	Illegal production
	thousand litre	thousand litre	thousand litre	thousand litre	litre	persons	thousand litre	thousand litre
	1	2	3	4=1-2+3	5	6	7=5×6/1,000	8=7-4

Continuation

Illegal alcohol production	Average price for 1 liter of vodka	Average price for 1 liter of vodka (expert assessment)	The structure of household spending on alcohol by region of total spending in the republic	Illegal alcohol production	Illegal alcohol production	Share of intermediate consumption (% of legal production)	Intermediate consumption	GVA
	tenge	tenge	%	Thousand litre	Million tenge	%	Million tenge	Million tenge
	9	10=9×0,9	11	12=11×8%	13=10×12×1,000/1,000,000	14	15=14×13%	16=13-15

Appendix 3
to the Methodology for Assessing
the Volume of Illegal Activities

Calculation of seized counterfeit goods and unauthorized copies of creative originals and seized contraband goods

	Cost of seized counterfeit products	Share of intermediate consumption	Intermediate consumption	GVA
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Seized counterfeit goods and unauthorized copies of creative originals and seized contraband goods	Milliom tenge	%	Million tenge	Million tenge
	1	2	3=1×2%	4=1-3

Seized contraband goods	Cost of seized counterfeit products	Share of intermediate consumption	Intermediate consumption	GVA
	Million tenge	%	Million tenge	Million tenge
	1	2	3=1×2%	4=1-3

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