

Security program

In 2013, the Security Program's activities were focused on key issues of the national security agenda.

- **Widening the scope of serious and organized crime threat assessment.** The Security Program continued its efforts to fill the existing analytical gap in the work of law enforcement agencies in their fight against organized crime including the ways organized crime is being financed in the 28 EU Member States. Best practices in investigation that leads to blocking the financing sources for criminal groups were identified.
- **Police corruption and enhancing the efficiency of anti-corruption efforts.** Methodology was developed for implementing best European practices in countering corruption in Bulgarian and Romanian police forces.
- **Monitoring and prevention of conventional crime.** The 2012 *National Crime Survey* (NCS) represents the newest chapter in a multi-annual effort. This year's NCS benefited from the experimental use of telephone interviews of respondents. A public discussion of its findings received a wide coverage in the media.
- **Assessing the interaction between public administration and the NGO sector in developing and application of anti-corruption policies.** In partnership with Romanian NGOs, best practices of participation of NGOs in developing and applying anti-corruption policies were identified.
- **Reviewing current characteristics of international terrorism.** The task of assessing the current threats of terrorism became a top priority for Bulgaria following the July 2012 terrorist act in Sarafovo. CSD hosted several discussions with leading international experts on counter-terrorism.

I. Widening the scope of serious and organized crime threat assessment

Any successful investigation and countering of organized crime requires an adequate knowledge about the ways criminal structures finance their activities. A significant body of information about the forms and methods of financing of criminal markets is already available and some criminal activities are well researched. One such example is the illegal drugs market, where all the

financial costs, involving production, transportation, trafficking and distribution to the individual consumers are already quantified.

This is not the case however with other criminal markets like human trafficking, credit cards frauds, trafficking of stolen cars, the production and distribution of counterfeits, etc.

Little, if any, progress has been made in the systemic study of people and or-



Participants in the seminar “Financing of Organized Crime Activities: Challenges of an Uncharted Area”

ganizations that are active in financing crime networks and organized crime activities. This component of organized crime is often neglected when compared to the efforts and procedures in detecting criminal acts.

Different instruments could be used for the purposes of financing criminal activities: existing modern financial systems, illegal networks of persons and lenders (who play the role of illegal banks and loan institutions), in addition to criminal groups involved in bank frauds and trading with counterfeit money.

In 2013, the CSD continued its work on assessing the linkage between financing and organized crime. The research efforts were targeted at outlining different models of financing organized crime activities, analysis of the criminal structures behind the criminal finances, comparing specific differences between the EU Member States and the potential financing of organized crime by non-EU sources.

A Manual for Investigating Organized Crime Financing is being developed in order to facilitate the specific efforts of law enforcement agencies, in addition to a methodology for analysing and assessment of the ways of organized crime financing.

A seminar held on May 31, 2013, gathered representatives of the University of Trento (IT), Teesside University (UK), INHEJS (FR), Police of Latvia, in addition to the representative of police forces and prosecution offices from Italy, France and the U.K.

Professor Michael Levi gave an overview of the main challenges facing the research and analysis of financing of criminal activities. One of the main hurdles is that all the analyses and the institutional responses are focused on money laundering of proceeds from criminal activities, ignoring the questions about the sources and mechanisms driving financial flows in the criminal world. He pointed to the following questions that future research should address:

- What kind of financing the different illegal markets are looking for?
- What are the differences between financing illegal and legal markets?
- What mechanisms exist for arranging payments in illegal markets?
- What is the impact of the measures to counter money laundering on illegal markets financing?

Various aspects of organized crime were discussed at the seminar: systemic VAT frauds, illegal drugs financing, and cigarettes contraband financing. Participants from Bulgaria, Italy, Lithuania and France shared specific cases of investigating illegal drugs trafficking and cigarettes contraband. Prosecutor Elisabeth Puliese from the National Agency "Antimafia" in Italy spoke about the activities of moneylenders who finance

different criminal activities and facilitate the infusion of criminal money into legal business. David Eres from the French National Agency for Countering Drug Trafficking presented a complex scheme for cannabis trafficking from North Africa to France that included complicated financial transactions between the different participants in the criminal network, making it extremely difficult to track the flow of funds.

The **Re-Use of Confiscated Assets for Social Purposes** is another topic that the Security Program explored in 2013. The study was carried out in partnership with the University of Palermo with the main objective to examine and analyse the existing legislation and practices in regards to management and disposal of confiscated assets

Money from Crime and Money for Crime



Michael Levi, PhD, DSc (Econ)
 Professor of Criminology
 Cardiff School of Social Sciences
 Cardiff University, Wales, UK
Levi@Cardiff.ac.uk

FINOCA seminar, 2013



Presentation by Professor Michael Levi on "Money from Crime and Money for Crime" at the seminar "Financing of Organized Crime Activities: Challenges of an Uncharted Area"

in EU Member states. Specific focus was placed on the in-depth analysis of existing legislative regimes and practices for social reuse of confiscated assets. Existing models of social re-use in six EU countries (Belgium, France, Hungary, Italy, Romania and Spain) were examined.

In 2013, CSD together with RAND Europe and the University of Trento started working on a study on paving the way for future policy initiatives in the fight against organized crime, focusing on the effectiveness of specific criminal law measures targeting organized crime. The study is assessing the impact of *Framework Decision 2008/841/JHA* and other relevant EU and national legislation on the fight against organized crime. Comparative analysis of criminal law and investigative tools and measures used at the national level for the purpose of fighting organized crime is being performed. At the same time the study will identify the main criminal law tools, specialised judicial and law enforcement agencies and legal and investigative tools that are available in the fight against organized crime, stemming both from national and EU legislation. Special focus is the extent to which available criminal law and investigative tools are being used in practice; the barriers and challenges to their use; alternative criminal law tools and investigative measures, and why alternatives are needed; the role played by specialised national judicial and law enforcement agencies in the use of criminal law tools.

In 2013, CSD started a study of the methods and guidelines to assess operational capabilities, capacity-based vulnerabilities, and measures in countering identity and document fraud. The study will improve the capacity and effectiveness of Member States authorities in the first-line of border checks.

II. Enhancing the capacity of internal security units of the Bulgarian and Romanian ministries of interior

In the last two decades, corruption among law enforcement officers is viewed as a priority concern in most of the EU Member States. Unlike countering corruption in other professional groups, such as magistrates, politicians and tax administration officers, where no standard or EU-wide approaches exist, tackling police corruption is facilitated by the fact that specialised strategies and on-going reforms, often supervised by legislative institutions, are in place in several Member States. At a European level several platforms like the *European Partners against Corruption (EPAC)* are facilitating cooperation and experience sharing between specialised institutions in countering corruption. Both Interpol and UNODC develop and propose common standards and good practices for police corruption prevention.

In 2013, CSD continued its activities on the initiative for enhancing the capacity of the internal security units of the Bulgarian and Romanian ministries of interior. The initiative provides a practical training for experts from these units, including experience sharing with representatives from the respective anti-corruption units from the U.K., Belgium and Austria. A manual of best practices and methodology of assessment of police corruption and identifying vulnerable sectors in police forces were published in Bulgarian and Romanian and made available to both institutions.

A five-day training seminar was organized at the end of January 2013, focusing on the European experience in countering police corruption. It was attended by Bulgarian and Romanian policemen and representatives from partner organizations from Belgium, Austria and



Participants in the seminar “The European experience in countering police corruption”

the U.K. The organizational structure of the interior security units and the efficient approaches and techniques in investigating corruption were discussed in detail.

Experts from the Serious and Organised Crime Agency (SOCA) presented the structure and the functions of the different anti-corruption services in the U.K. They underlined the importance of intelligence gathering as a pre-condition for the success of anti-corruption investigations. The British experts also presented the *National Intelligence Model*, applied by law enforcement units in the U.K. A special emphasis was made on the different categories of persons who provide information about criminal activities, in addition to the safety procedures for whistle blowers. Different types of integrity tests were discussed

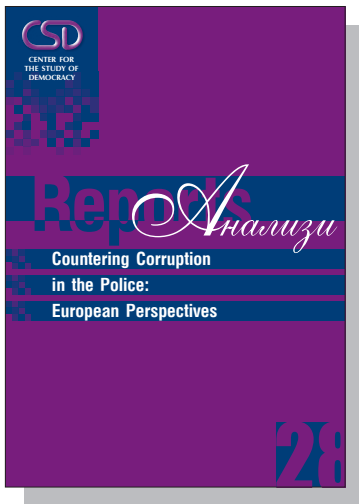
where real-time situations are recreated in order to test those officers who are suspected in corruption and abuse of office.

The Belgian experts explained the operation of the Central Office for Countering of Corruption (OCRC) and the General Inspectorate of the Federal and Local Police (AIG). The OCRC methodology in investigating public procurement frauds was discussed in more detail, in addition to the Office cooperation with OLAF. Another interesting point was the work of joint investigation teams involving law enforcement officers from two or more Member States tackling cases of international and cross-border crimes. An emphasis was made on the new data basis of the General Inspectorate for Investigation Management, which serves both as an

important statistics tool and an aid in implementing operative and administrative tasks.

The participants in the seminars had the opportunity to participate in an interactive training delivered by representatives of the Federal Bureau for Countering Corruption (BAK) at the Austrian Federal Ministry of Interior. They used a special analytical instrument for reviewing already closed investigations, which serves to identify different corruption patterns in concrete cases and their perpetrators' motives, in addition to the existing legislative and procedural gaps.

The *Countering Corruption in the Police: European Perspectives* report, published by CSD in 2013, reviews best EU practices and recommends concrete operative measures for corruption prevention.



If taken outside the proper institutional and legal context, such measures could be inefficient and useless. The report compares the anti-corruption systems and institutions of five European countries: the U.K., Belgium, Austria, Bulgaria and Romania. A special emphasis is given to the U.K. and Belgium as these coun-

tries have complex and well-functioning anti-corruption systems.

These are some of the key elements and pre-conditions for efficiency of the anti-corruption measures, analysed in the report:

- independence of the anti-corruption institutions and units;
- combining anti-corruption efforts and measures to enhance professional standards and safeguard civil rights;
- mutual control between anti-corruption institutions;
- securing resource proficiency and sufficient powers of the anti-corruption units;
- proactive approach in undertaking anti-corruption measures instead of the usual reactive approach.

III. Conventional crime

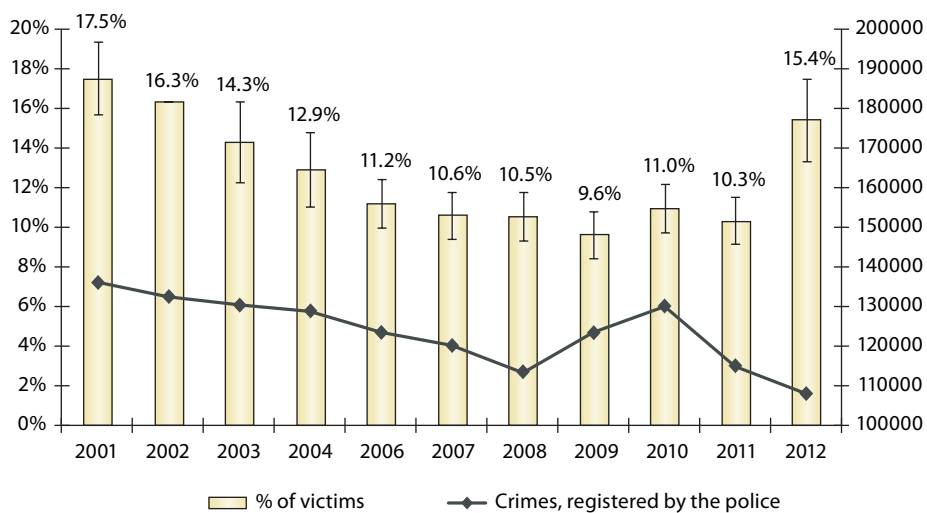
The National Crime Survey (NCS) has been conducted annually since 2001 by CSD. In 2013, in addition to the traditional method of face-to-face interviews (1000 respondents), telephone interviews were introduced for the first time, reaching 2500 respondents. The results from the survey were presented at a public discussion held on October 15, 2013.

In 2012, there was a sharp increase in both the number of victims and the number of crimes compared to 2011. At the same time, Ministry of Interior statistics of registered crimes in 2012 showed the opposite trend – a 6 % drop, from 114,781 in 2011 to 107,828 in 2012 (Figure 3). This difference is explained by the rising level of unregistered crimes that are left out of the official statistics. The current growth comes after gradual increase in the level of crime in 2009 and 2010 – a trend registered by both the NCS and the



Public discussion "Crime Trends 2012 – 2013"

Figure 3. Victimization rates and registered crimes, 2001 – 2012



statistics published by the Ministry of Interior.

One of the most important indicators that NCS is monitoring is the level of hidden, or unreported, crime – i.e. crimes that are either not reported to the police or are not included in police statistics. This indicator also shows the confidence of victims of crime in the police. According to NCS data, in 2012 the number of unregistered crimes grew, with only 42.4 per cent of all crimes being reported to the police. Every second crime victim preferred not to report the crime to the police.

Out of approximately 600,000 crimes per year, 300,000 are not reported to the police. Therefore, the remaining 300,000 crimes should be registered by the police and reflected in MoI statistics. However, the annual number of crimes in MoI statistics is only 110,000. For a variety of reasons, about 190,000 crimes that are reported to the police do not get registered and are not investigated.

The National Crime Survey’s key findings were:

- **Crime rates increased in 2012** compared to 2011: 15.4 per cent of the population compared to 10.3 per cent, respectively, were victims of crime. Both the number of victims and the overall number of crimes increased.
- **Growth of unregistered crimes:** for a third consecutive year the share of victims who did not report crimes to the police increased.
- **Growth in thefts:** despite the continuing decline in serious crimes such as murder and vehicle theft, there is an increase in crimes against property.
- **Victims of crime in South Central and South Eastern regions** of the country are least likely to report crimes to the police. These areas are also characterized by high levels of crime victimisation.

Data from 2009 onward showed that the economic decline and slow recovery are the key factors affecting crime.

Figure 4. Unregistered crime and police filters

<p>600 000</p> <p>Average number of crimes in the last 5 years</p>	<p>~ 300 000</p> <p>/ ~ 50 % /</p>	<p>Crimes not reported to the police</p>
	<p>~ 190 000</p> <p>/ ~ 32 % /</p>	<p>Crimes reported but not registered by the police</p>
	<p>110 000</p> <p>/ ~ 18 % /</p>	<p>Registered crimes</p>

Based on the high unemployment rates in 2013, it would be safe to forecast that the instability in crime dynamics would continue.

A new characteristic of the crime scene is the **sharp increase in the number of immigrants**.

- Increase in the number of certain mass crimes should be expected, in particular 'survival theft' (from food and department stores). The refugee/immigrant levels are still very low, and the number of 'immigrant crimes' are unlikely to surpass 1 % of all crimes.
- In the mid-term there may even be a fall in immigrant related crime, as immigrants will move to other countries, or integrate in the labour market.
- The relation between economic/refugee migrants and organized crime is

insignificant, and in the short to mid-term it is unlikely the immigrant refugees will be involved in organized crime activities.

- A typical survival strategy for immigrants is their involvement in the grey economy, in particular the retail distribution of pirated products, which are typically smuggled into the country by organized criminal groups.

IV. Interaction between civil society and public administration in implementing anti-corruption policies

In 2013, the Security Program began work on an initiative focused on the civil society involvement in drafting, implementing and assessing anticorruption policies. The goal is to identify best practices in countering corruption implemented in the so-called "older"



On April 15-17, 2013, CSD hosted a workshop "Development of the civil society involvement in drafting, implementing and assessing anticorruption policies"



Ms. Mina Rudarova, Inspectorate of the Ministry of Regional Development

EU Member States, to assess the applicability of these practices to Bulgaria and Romania and to prepare a manual for best practices of NGO participation in implementing anticorruption policies.

On April 15-17, 2013, CSD hosted a partners' workshop on "*Development of the civil society involvement in drafting, implementing and assessing anticorruption policies*". Its aim was to gather the project participants with practitioners from Bulgarian public authorities charged with prevention and countering corruption and to receive first-hand information about their operation. In addition, the representatives of Bulgarian public authorities described their partnership experience with the NGO sector and their views about the civil society role in the efforts to prevent corruption and the prospects of public-private partnership.

Representatives from 14 public institutions – ministries, the Specialized Prosecution, the High Judicial Council, the

Ombudsman, etc., participated in the discussions.

CSD hosted a second seminar in July 2013 *Civil society involvement in anticorruption policies: the Bulgarian experience*. Senior experts from CSD talked about the process of implementing the *Coalition 2000* initiative, the largest public private partnership against corruption in Bulgaria. Dr. Philip Gounev, Senior Analyst at CSD's Security Program, and Ruslan Stefanov, Director of the Economic Program at CSD, explained how the role of civil society in countering corruption has evolved since the initiative was launched in 1997. Dimitar Markov, Senior Analyst at CSD's Law Program, discussed the judiciary reform initiative within the *Coalition 2000* process, implemented by leading NGOs in cooperation with government institutions. He highlighted the role of the Ombudsman as a mediator between civil society and public actors, and stressed that the establishment of the



Participants in the seminar “Civil society involvement in anti-corruption policies: the Bulgarian experience”

Ombudsman institution in Bulgaria was driven by civil society organisations.

Alexander Stoyanov, CSD Director of Research, presented the *Corruption Monitoring System*, which has been used by CSD since 1998 to measure the levels of corruption in the country. He pointed to the initial resistance of government institutions and politicians to accept the results from the measurement.

Todor Yalamov, Senior Analyst at the CSD’s Economic Program, outlined the major trends and risks of civil society development in Bulgaria. The discussion focused on the phenomenon of ‘civil society capture’ and the factors which have allowed politicians and administrators to misuse NGOs as a cover for gaining illegitimate profits. Mr. Yalamov stressed the need for more transparency among NGOs, through measures for self-regulation and internal control within the sector, as well as through an NGO electronic registry.

V. Assessing current trends in international terrorism

After the July 2012 terrorist act at the Bourgas Airport, Bulgaria became part of the group of countries directly targeted by international terrorism.

One of the reasons for the country unpreparedness for such threats is the existing gap in understanding the current characteristics of international terrorism. The insufficient knowledge about the system for financing terrorist activities and organizations despite the existing international standards and national legislation also represents a serious problem.

In 2013 CSD organized a series of round tables on the current characteristics of international terrorism with a focus on the forms and methods for its financing. Leading international experts presented their views and evaluations to representatives of Bulgarian institutions.



Participants at the round table on Financing of Terrorism

On 11 April 2013, CSD held a round table dedicated to the financing of terrorism. The special guest at the event was Dr. Magnus Ranstorp, Research Director of the Centre for Asymmetric Threat Studies at the Swedish National Defence College.

With examples from his long-term research specifically related to the terrorism in the Middle East, Dr. Ranstorp elaborated on the challenges faced while detecting the complex networks for financing major organized terrorist groups. He insisted that those organizations cannot be discussed without taking into account their broader political, social and military activity. He illustrated the variety of financial sources of terrorist organizations, from fundraising to illegitimate and legitimate business activities, including real estate and currency trading. Dr. Ranstorp gave examples of the connections of terrorist organizations with the state intelligence and stressed out the impact of these connections on the terrorist activities.

He discussed their bureaucratic structure, internal hierarchy, and the role of ideology in setting their agenda.

Dr. Ranstorp touched upon the financial effect of the economic crisis on the fundraising of terrorist groups. He furthermore discussed the possible consequences of the EU response to the terrorist attack at the Bourgas Airport in Bulgaria.

On 18 June 2013 the keynote speaker of second round table on the topic was **Dr. Matthew Levitt**, Director, Stein Program on Counterterrorism and Intelligence, The Washington Institute for Near East Policy and former Deputy Assistant Secretary for Intelligence and Analysis at the U.S. Department of Treasury.

In his presentation, Dr. Levitt outlined the major changes that terrorist groups have undergone in recent years with regards to their structure and financing methods. While in the past such organi-



Dr. Magnus Ranstorp, Research Director of the Centre for Asymmetric Threat Studies at the Swedish National Defence College

zations were strictly hierarchical and had clear levels of authority, today they are mostly characterized by ad-hoc relationships facilitated by the advance in communication technologies. Therefore, understanding the way they fund their operations is much more difficult and requires a wider range of policy tools than ever before, to be used on a case-by-case basis. According to Dr. Levitt the option of seizing funds is useful in individual cases, but using intelligence to identify the key financial nodes by tracking cash flows is often more effective in the long run. These operations must be executed in conjunction with diplomatic negotiations and public-private partnership.

Drawing on various examples from his work on organizations such as Hezbollah, Hamas and Al Qaeda, Dr. Levitt presented some of the main schemes used to finance illicit operations and pointed out that terrorist attacks often don't require especially large funds. The main sources of funding for terrorist operations are other criminal

activities, often spanning across the world, such as charitable organizations acting as a cover to raise funds, credit-card bust-out schemes, money laundering and drug trafficking. Given the variety of schemes used, Dr. Levitt reiterated the importance of using intelligence to identify the sources rather than seizing isolated funds.

The keynote speaker at the round table on 30 July 2013 was Mr. Brian Jenkins, Senior Adviser to the President of the RAND Corporation and author of numerous books, reports, and articles on terrorism.

Mr. Jenkins outlined the differences in the social environment of the jihadists and the western countries, which are the major impediment in our understanding and effective countering of terrorism. He also elaborated on the Al Qaeda strategy to identify and exploit local conflicts to further their goals, instead of merely trying to create conflicts themselves.



Dr. Matthew Levitt, Director, Stein Program on Counterterrorism and Intelligence, The Washington Institute for Near East Policy and former Deputy Assistant Secretary for Intelligence and Analysis at the U.S. Department of Treasury

As at the previous round table it was argued that the financing of terrorism is usually a low-cost activity and a single terrorist act could cost a few thousand dollars. The sources of financing of terrorist groups included the use of extortion and ransoms (estimated at 500 million per year at the height of Colombia's FARC), drugs trafficking and counterfeit medicines. Mr. Jenkins also touched on the sensitive issue about the state financing of certain terrorist groups like Hezbollah and Hamas.

The discussion following the presentation benefited from the input of Ambassador Robert S. Gelbard, a former US envoy to the Balkans, and questions from participants from the intelligence community and academia. The questions discussed included:

- the possible effects of the blacklisting of the military wing of Hezbollah on EU countries and Bulgaria in particular;
- the present day importance of Al-Qaeda threats in EU and Bulgaria;
- the possible motivation of Hezbollah behind the Bourgas bombing;
- the existing strategies for countering radicalization and home-grown terrorism;
- the 'self-radicalization' and 'leaderless jihad' as the new threats.

Keynote speaker of the round table on 16 September 2013, dedicated to the latest developments regarding terrorist threats in the Middle East was again Mr. Brian Jenkins, Senior Adviser to the President of the RAND Corporation. Mr. Jenkins discussed the current situation in Egypt, the possible outcomes of the civil war in Syria and the developments within Al Qaeda.

He outlined the possible scenarios for the evolution of the Muslim



Mr. Brian Jenkins, Senior Adviser to the President of RAND Corporation



Ambassador Robert S. Gelbard, former US envoy to the Balkan



Participants in the round table "Transatlantic solidarity in times of crisis"



Mr. Frederick Kempe, President and CEO of the Atlantic Council of the United States

Brotherhood in Egypt and highlighted the generational divide that is manifesting itself within the organization. The younger members prefer legal participation in public activities, while the more conservative older members are still leaning towards the more traditional illegal activities of the organization, including cooperation with some extremist groups.

On April 19, 2013, CSD hosted a round table on “Transatlantic solidarity in times of crisis”, attended by members of government, economists, and diplomats. Mr. Frederick Kempe, President and CEO of the US Atlantic Council, was a special guest.

In his introduction Mr. Kempe explained that the current economic crisis in both America and Europe should be considered as a particularly important period

in the western world history. He even suggested comparisons with events of the magnitude of the end of both world wars and with the end of Communism. The odds are that this trend could lead to an existential crisis in Europe. Although it is still hard to forecast the extent of the negative impact, the crisis could stir major institutional changes in world governance.

The USA considers the European Union as a strategic partner in upholding democratic values. The EU, however, should solve its internal problems and define in more clear terms its foreign policy. The European entity is under threat from the growing gap between the continent’s north and south, underlined by the disintegration processes within the French-German Union and by France’s alignment with the south-European countries.



*Mr. Lubomir Christoff, Member of the Bank Stakeholder Group
at the European Banking Authority*

Therefore, one of the priorities of the Atlantic Council is to establish more consistent trade relations between the USA and the European Union, which could give a momentum to economic growth in Europe. The current American Administration hopes to introduce a Transatlantic Trade and Investment Partnership (TTIP) before the end of its tenure. Mr. Kempe expressed his conviction that the TTIP could become an important factor in keeping the U.K. within the EU. He also outlined that such a partnership could be more successful if it is joined by Turkey.

Mr. Liubomir Christoff, a member of the consultative group of the European Bank Body, stressed the importance of overcoming the crisis in the Eurozone for safeguarding the ideals shared by the Atlantic partners. He noted that financial austerity measures should not be

imposed uniformly in all the Member-States as such an approach would lead to instable public debt levels

Speaking of the high levels of unemployment and the growing gap in prices and competitiveness between the northern and southern countries, he insisted that the current EU rules-led approach should be replaced by concrete analyses and tailor-made measures.

In the following discussion former Minister of Defence Mr. Anio Angelov emphasised the link between economic cooperation and security sector priorities. He shared his impression that achieving a consensus on these issues within NATO is becoming increasingly difficult. According to Ambassador Boiko Noev, Senior Fellow in CSD Security Program, the Atlantic Pact partners should make an assessment

and draw conclusions from their experience in Afghanistan, before engaging in further conflicts. In conclusion, Mr. Todor Tagarev, Minister of Defence in the caretaker government, stated that

such a crisis could negatively impact the Member States' readiness to honour their partner commitments to the EU and NATO policies, which in turn could further weaken their capabilities.