



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



EU Grant Agreement number: 290529

Project acronym: ANTICORRP

Project title: Anti-Corruption Policies Revisited

Work Package: WP9 Organised crime and impact on vulnerable groups

Title of deliverable: D9.1 Integrated report

Due date of deliverable: 28 February, 2015

Actual submission date: 28 February, 2015

Organization name of lead beneficiary for this deliverable: European University Institute

Project co-funded by the European Commission within the Seventh Framework Programme		
Dissemination		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission	
Co	Confidential, only for members of the consortium (including the Commission	

Table of contents

Introduction	4
Executive Summary	8
Part I	
Chapter 1	
Definitions, data and methodology	
1.1 Defining the problem	23
1.1.1 The EU definitions of organised crime	
1.1.2 The EU assessment of the link between organised crime and political corruption	
1.1.3 The working definition of this study	
1.2 Methodology: unit of analysis, measurement strategies and caveats	39
1.2.1 The study of organised crime and corruption: research strategies and problems	
1.2.2 The research design of this report	
1.2.3 Sources and data acquisition	
1.3 OCC event dataset: how to explore the link	49
1.3.1 The criminal actors	
1.3.2 The political and institutional actors	
1.3.3 The link between criminal and political actors	
Chapter 2	
Public policy sectors and the criminal-political nexus	
2.1 Assessing the link between organised crime and policy arenas	58
2.2 Public procurement	60
2.2.1 Policy setting	
2.2.2 Mechanisms of infiltration	
2.3 Privatization of public services and assets	63
2.3.1 Policy setting	
2.3.2 Mechanisms of infiltration	
2.4 Management of EU funds	66
2.4.1 Policy setting	
2.4.2 Mechanisms of infiltration	
Part II	
Countries reports	
3.1 Bulgaria	86
3.1.1 Assessment of organised crime	
3.1.2 Institutional policies and initiatives against organised crime and political corruption	
3.2 Croatia	101
3.2.1 Assessment of organised crime	
3.2.2 Institutional policies and initiatives against organised crime and political corruption	
3.3 Hungary	112
3.3.1 Assessment of organised crime	
3.3.2 Institutional policies and initiatives against organised crime and political corruption	
3.4 Italy	138
3.4.1 Assessment of organised crime	
3.4.2 Institutional policies and initiatives against organised crime and political corruption	
3.5 Kosovo	167
3.5.1 Assessment of organised crime	
3.5.2 Institutional policies and initiatives against organised crime and political corruption	

3.6 Albania	181
3.6.1 Institutional policies and initiatives against organised crime and political corruption	
3.7 Georgia	190
3.6.1 Institutional policies and initiatives against organised crime and political corruption	
Part III	
Chapter 4	
Comparative assessment of the link between organised crime and political corruption	
4.1 Organised crime groups in a comparative perspective	194
4.1.1 Pathways of emergence	
4.1.2 Core business	
4.1.3 Organizational models	
4.2 Legislation and policies against organised crime in a comparative perspective	203
4.3 Policy arenas and organised crime infiltration in a comparative perspective	208
Bibliography	213
Appendix 1: Codebook	222
Appendix 2: Sample of in-depth case studies	229

The authors' contributions to this Integrated Report have been as follows: Introduction, Chapter 1 and Chapter 2 by EUI (Salvatore Sberna and Alberto Vannucci); the chapter and the in-depth case studies on Bulgaria have been written by CSD (Tihomir Bezlov, Dimitar Markov and Maria Karayotova); the chapter and the in-depth case studies on Croatia has been written by PSD (Ana Hećimović, Iva Nenadić and Munir Podumljak); the chapter and the in-depth case studies on Hungary has been written by BCE (Péter Gyimesi, Szidónia Nagy, Boróka Pápay, Zoltán Szántó and István János Tóth); the chapter and the in-depth case studies on Italy has been written by EUI (Salvatore Sberna and Alberto Vannucci); the chapter on Kosovo and Albania have been written by IKS (Edona Krasniqi); Chapter 4 has been written by EUI (Salvatore Sberna and Alberto Vannucci).

Introduction

(a) Research goals

This integrated report investigates the link between political corruption and organised crime, by examining the modalities, resources and strategies used by criminal groups to govern and/or capture the market of political corruption. On the one hand, the report looks at the infiltration of organised crime in three main policy sectors where public spending and regulations play a pivotal role: public procurement, the privatization of public services, and management of EU funds. Alongside this, the report also analyses the criminal penetration of electoral politics, by evaluating the influence that criminal organisations can achieve in electoral arenas. As a result, the report provides a general assessment of policy regulations, legal countermeasures and practices adopted to prevent and combat organised crime, especially in interaction with political corruption.

The report is drawn from data collected in five European countries (Bulgaria, Croatia, Hungary, Italy, Kosovo) across the above themes, and includes two more countries for the assessment of anti-organised crime legislation and initiatives (Albania and Georgia). The methodology involves both extensive and intensive strategies of investigation. A quantitative assessment of the crime and politics nexus is based on the Organised Crime & Corruption (OCC) events database, in which events data about the link between criminal groups and political corruption have been gathered and assembled¹. A qualitative assessment involves in-depth understanding of the mechanisms of corrupt exchanges, presented as single case studies conducted in the countries covered by this study, inclusive of primary and secondary sources (interviews, legal proceedings, academic and policy-oriented reports). Data collection and analyses were conducted by five institutions across Europe (EUI, CSD, BCE, IKS, PSD).

The main research goals of this study are as follows:

- (1) To explore the variety of resources, actors and mechanisms of interaction between organised crime and political corruption in electoral politics and three policy sectors: public procurement, privatization of public services, and management of EU funds. By collecting and presenting information on a wide range of criminal groups across European countries, it is hoped to achieve a greater understanding of both the possibilities and difficulties of a European monitoring exercise in respect of organised crime and political corruption;
- (2) To explain the variation in the type of exchanges, by examining (a) the structure and organization of criminal groups and their capacity to capture public decision-making; and (b) the characteristics of policy settings that affect the opportunities and costs of corrupt exchanges. According to this report, both the organization of criminal groups and the characteristics of policy settings in turn shape the nature and formation of corrupt exchanges and of the actors involved in these transactions;

¹ All the data about OCC events collected in the five countries have been assembled in a single database of events. In the case of Italy (see the country report), we also present a preliminary analysis of the data to show the potential of this research strategy.

- (3) To review the current institutional policies and practices adopted in the countries covered by this study to prevent and combat the infiltration of organised crime groups in the legitimate economy and the public sector.

(b) Contributions of this study

Before proceeding it is necessary to draw a distinction between what is and what is not under the lens of this study. This preliminary assessment will be useful to clarify the immediate contributions of this report.

Firstly, previous research projects and analyses concerning the link between corruption and organised crime (see Table 4 for an overview) have traditionally taken organised crime *as a cause* of corruption, focusing on certain forms of corruption, such as police and judicial corruption, which are typically generated by the attempt of criminal actors to avoid conviction, to obtain impunity, or other specific advantages related to their illegal acts. Without any doubt, such an approach may well serve as a “laboratory” in understanding the strategies of criminal groups in preserving their illegal businesses and enabling them to flourish. However, this type of corrupt exchange only partially exemplifies those reciprocity mechanisms that certain criminal groups can trigger with institutional and political actors, achieving longevity and territorial control. The goal to neutralize investigations and law enforcement through bribing a police officer or a judge is only a part of the problem. Such a focus does not enable seeing organised criminality as a phenomenon recognizable by the reciprocal services it can perform for legitimate clients (politicians, bureaucrats, professionals, entrepreneurs in legal markets). In other words, organised crime can also be *a resource* for corrupt exchanges, when it becomes an integral and functional component of political corruption networks. This is the reason why this report focuses on the link between organised criminals and political corruption, and not primarily on other forms of corrupt exchanges.

Secondly, data on organised crime groups in Europe are uneven, and often dominated by information from those countries that have traditionally experienced the presence of large and long-lasting organizations (IT and BG, for instance). There is, by contrast, a general lack of knowledge not only on the nature and extent of organised crime groups in new territories and other member states, but also, more interestingly, on the variety and evolution of criminal groups in the same traditional areas of operation. This gap has been recently demonstrated by the growing debate about the cross-border migration of groups in Europe, in both the research and policy agendas (Campana 2013). Therefore, on the methodological side, this integrated report is an attempt to develop new forms of data collection about developments in organised crime and corruption in Europe, proposing a more comprehensive system of classification of corrupt exchanges between criminals and political authorities, and an overall measure to assess trends in these links. The codebook presented in the next section could serve as a useful tool for both law enforcement officials and prosecutors, providing a platform for a more systematic means of acquiring information on trends in the activities of organised crime groups in Europe. Information on different types of organised crime and political interaction will be useful not only to inform prosecutors and law-enforcement agents across European countries about what kinds of criminal groups are being investigated in EU member states, as well as what type of corrupt exchanges with public institutions these groups might carry out, but also allows for comparative evaluations of the activities of similar groups. If

combined with data about the policy-making procedures and characteristics of procurement and public contracts, this information could provide insight into the vulnerabilities of certain procedures and institutional actors to corrupt exchanges and organised crime infiltration.

To further the debate on measures and instruments to collect data on trends in corruption and organised crime, the report presents the findings of an events database including **more than 150 events** of organised crime and links to political corruption **in 5 European countries**, as well as the findings of **29 in-depth case studies**, most of which involve the penetration of organised crime in one of the three policy sectors previously mentioned – public procurement, EU public funds, and privatization – as well as in electoral politics. As will be shown later in the report, the most striking outcome of the OCC events dataset is the variety of groups and corrupt exchanges upon which information has been collected. The diversity of criminal groups within countries is perhaps the most startling feature of the data, suggesting that, even when we talk of organised crime within European countries, we are often in fact referring to a phenomenon which varies both across space and over time. The comparison across countries, on the contrary, shows that similar patterns might exist between criminal organizations in different countries when similar environmental conditions favour penetration of the legitimate economy and political institutions, and facilitate interdependence and reciprocity with both legitimate and political actors.

(c) Outline of the report

The first part of the report contains two chapters. The first chapter begins with a short review of the definitions used for organised crime within the EU framework. This is particularly important, as it sets the scene for a more detailed analysis of the link between criminal groups and political corruption, and for a comparative evaluation of criminal organisations across European countries. This is followed by a brief review of previous studies on corruption and organised crime in respect of the adopted methodology and data collection strategies. The introduction concludes by arguing for a more comprehensive assessment of the link between organised crime and political corruption, beginning with an analysis of criminal groups at individual level – the primary unit of analysis is the individual group – and at meso-level if governing bodies or hierarchies exist between individual criminal groups. Methods and strategies of data collection used in the research are also further presented and discussed, and it is noted here how the gathering of data on organised crime groups in a number of countries constitutes a significant research challenge. In this section we thus examine some of the methodological obstacles involved in such work. This is followed by a short review of the codebook and of the main variables considered in the report, including a brief discussion of the operationalization of the concept of organised crime structure and of the typology capturing the interactions with institutional actors. The second chapter of this part provides a review of the opportunities for corruption in the three policy sectors noted, focusing on the strategies of infiltration of organised crime groups, on their contribution to corrupt exchanges, and on the vulnerabilities of each sector to criminal penetration.

The second part consists of five country reports (IT, BG, HR, HU, KS). Each study is organised as follows. First, an assessment of organised criminal groups operating in the country is provided, also using the data gathered in the OCC events database. Second, a review is presented of

the policies and practices enforced in each country to combat organised crime, its infiltration into the legitimate economy and its capacity to capture and manipulate public decision-making².

The report concludes with a third part featuring a comparative assessment of the findings emerging from the country studies. First, a comparative assessment of all the criminal groups is provided. Details of all the groups are presented in respect of a number of key variables. These include: structure, size, business, and extent of criminal influence (i.e. local, national, transnational level). Second, a synthetic overview is presented of the policy responses adopted in the different countries, aimed at cutting collusive ties between criminal and political actors, which can be considered as a starting point for the policy paper that will be submitted to the European Commission in February 2016. The following sections then aim at illustrating and exploring the variety of criminal-political ties across and within these countries, and at explaining possible similarities and differences across policy setting arenas.

² An assessment of legislation is also provided for Albania and Georgia.

Executive Summary

Chapter I.

Definition

- The variety of criminal actors and organisations around the world has produced an ambiguous and confused conceptualization of organised crime, upon which the only consensus is that the conceptualization is ambiguous and confused. The search for an acceptable legal definition of the phenomenon has remained a problematic and critical starting point in many countries;
- Actions both at European and international level have not been always effective in tackling the problem of defining what organised crime is. The EU's 2008 Framework Decision, for instance, which sought to achieve harmonization between the different definitions of organised crime across European countries, has been widely considered a failure and a weak compromise unable to combine all the diverse legal traditions within Europe;
- This integrated report has opted for a broader definition of the phenomenon, centred more on what groups do, instead of focusing on what they are presumed to be. The study is based on a classification emphasizing the crucial distinction between organisations that simply trade on the market, by producing and/or selling illegal goods and services, and organisations that aim at governing the markets, by providing services of dispute settlement, cartel enforcement and more generally governance of illegal transactions;
- This distinction has significant implications in the way this study analyses the link between organised crime and political corruption. Trading criminal groups might profit from corruption as an enabler for their illegal business or money-laundering activities (organised crime as a cause of corruption). In another scenario, when there are criminal groups offering protection and government-like services on the illegal markets, organised crime might also become a resource and enabler for corrupt exchanges, that are, as a matter of fact, illegal transactions, like any other activity and exchange banned by law.

Methodology

- Few cross-national and cross-organisational comparative studies on organised crime have been conducted by academic and policy-oriented institutions. Therefore, critical to the prevention and control of corruption and organised crime is the ability to access reliable information on trends in both phenomena within and across European countries;
- In reviewing the methodology used in the most recent research and policy reports some concerns could be raised concerning how data were collected and research designed, as well as the extent to which the findings from these studies can be generalized. Analyses of the link indeed are usually based on qualitative data collected through expert interviews, without any use of primary sources, such as judicial files. The findings are often the result of a very limited number of case studies, that in some cases are drawn from foreign secondary sources (newspapers) and not those of the countries in which cases occurred;

- Poorly developed concepts, such as the one of “organised crime”, are often the product of a selection problem concerning the unit of analysis. When we look at the actors, the literature often confuses single families with organisational orders between a number of groups³. The result is that an independent group becomes a nation-wide or region-wide conspiracy with wide and strong connections. Because of it, this study adopts a micro-level perspective centred on individual criminal groups, combining it with a meso- and macro-level of analysis;
- This report follows *a mixed strategy in three steps*, combining together an *extensive strategy* of data collection and analysis (*large-n*) with an *intensive one* (*small-n*). The aim of a mixed strategy of data collection and analysis is to create evidence-based measures of organised crime infiltration into public policies and decision-making processes (public procurement, etc.). These measures incorporate both available evidence (legal proceedings/ investigations/ official files) and expert opinion (prosecutors/police investigators/judges/policy experts) to fill gaps in the knowledge base about the link between organised crime and political corruption;
- Data collection was launched alongside the creation of the **Organised Crime & Corruption (OCC) events** database. The core focus of the OCC events database has been the collection and coding of events and cases of criminal-political exchanges emerging in the countries covered by this report. The main goal of the dataset is to explore and map the infiltration of organised crime in the three main policy sectors of interest: public procurement, the privatization of public services, and EU funds;
- This extensive strategy of data collection has been followed by a more **intensive approach**, based on the in-depth analysis of 29 cases. For each country examined in the report, at least three in-depth case study reports have been provided, using other primary data such as interviews, legal proceedings to get a more in-depth understanding of the most relevant cases.
- To systematize the collection of data and information, a codebook was designed in order to acquire information through a reliable and consistent methodology, to provide a common platform for all the research partners, and to allow a comparative assessment of the problem across European countries and criminal organisations within countries. The codebook itself consisted of approximately 20 variables;

Chapter II

Three policy arenas where the criminal-political nexus may emerge

This integrated report focuses mostly on the influence that organised crime may exert through several mechanisms – foremost among them the corruption of politicians and public servants – within three policy arenas: (a) public sector contracting; (b) allocation, management and

³ This is also noted in the UNODC report: “It is worth noting here that there is often confusion between what is termed ‘groups’ and what has, in the context of this study been termed “clusters”. Reviews of international organised crime often collapse the two. That is, by reviewing recent developments in Russian or West African organised crime as if these were single and inter-connected criminal groups in their own right. Instead broader criminal clusters, while sharing many similarities in structure and organisation among the various groups that constitute them, are not on their own definable criminal groups. They are rather conglomerations of similar criminal groups often simply labelled by the media for ease of reference” (UNODC 2002:9)

control of EU funds; and (c) privatisation of local public services. Our in-depth analysis on seven country-level case studies (Albania, Bulgaria, Croatia, Georgia, Hungary, Italy, Kosovo) will provide (see section 2) a first empirical assessment of the nature, dimension, mechanisms and impact of the interactions between organised crime and public/political actors. The vulnerability to the influence and infiltration of criminal organizations of the policy sectors here considered depends upon several factors. Among them are:

- The substantial amount of public resources allocated through these mechanisms allows ample rents to be collected by criminal organization through their corruptive influence.
- Public procedures, privatization of local public services and allocation of EU funds are sectors of legal activity, but within their operation a market for corruption can emerge. Criminal enterprises may then enter as one of the actors involved in the network of corrupt exchanges.
- Corrupt exchanges and collusive agreements among politicians, bureaucrats, entrepreneurs and other actors operating in these policy activities take place within an illegal market, where mafia-like criminal organizations can enter as providers of regulation and enforcement services, precluding or settling disputes among participants in illegal deals, discouraging defection and denunciation.
- The complexity of the legal framework and procedures in the sectors considered – due to the overlapping of European legislation, national and regional laws and regulations – increases uncertainty regarding the final output of the corresponding decision-making process. Criminal enterprises can profit from such conditions thanks to loopholes, red-tape and bottlenecks used to bypass controls and avoid an effective implementation of rules.
- Public procurement activities, EU funds and the privatization of local public services – especially in the case of lower-value deals, contracts and subcontracting – are particularly exposed to criminal organizations’ investments in criminal assets and money laundering, since state controls over firm activities and their budget management are generally less effective than in other sectors (banking, finance, etc.).
- Entering into these policy-making sectors allows criminal actors to establish profitable relationships with a wider set of individuals – politicians, high-level bureaucrats, technicians, professionals, entrepreneurs, middlemen, etc. – from whom they may obtain further benefits, ranging from social legitimization to protection from legal prosecution.
- Through often having their illegal activities concentrated over circumscribed areas, criminal organizations can also exert a strong influence on public agents and politicians, especially at local level, e.g. in smaller municipalities. Their capability to influence the electoral process can then become a crucial resource to be used as a tool to infiltrate and influence policy decisions and the allocation of public resources in the sectors considered – especially in lower-value contracts, EU funds management, and the privatisation of local services.
- The contiguity of criminal organizations with flows of public funds facilitate their hidden appropriation of rents. Criminal groups and enterprises have a particular advantage when the allocation of resources entails the use of local providers (e.g. public works requiring concrete and other raw materials whose source must be close to the site of execution; privatization of services whose management can be profitable only for locally based enterprises, etc), labour intensive and low-level technology production.
- Entering into legal economic sectors where relevant economic resources are at stake may facilitate criminal organizations when they aim to launder the proceeds of their criminal activities.

Public contracting procedures, rules and controls can hardly represent an insurmountable impediment to the infiltration of criminal organizations through corruption and other forms of undue influence. Nevertheless, the ineffective or poor design of procurement rules may create a variety of opportunities for criminal groups to bribe decision-makers and therefore distort the allocation of public resources. Similar opportunities can occasionally arise from the “environment” where public tenders take place, or can be deliberately created by criminal organizations using their capability to influence the political process and policy making, especially when they are deeply-rooted within the social and economic context.

- As shown in chapter 2, at each stage of the public contracting procedure several public and private actors may be involved in a network of corrupt exchanges, using a multiplicity of resources in their deals. Moreover, the role of criminal organizations, the kind of services they provide within the criminal-political network of exchanges, and the drawbacks of their influence in the decision-making processes may also vary accordingly.
- In general term, the more a criminal organization involved in public procurement has a network-like or “enterprise syndicate” form, the more it will focus on the adjudication or execution/control phases. In fact, network-like criminal groups and criminal firms can provide only a limited and poor-quality regulation and enforcement of illegal deals, if at all. They will therefore concentrate their efforts towards the obtainment of specific contracts, subcontracts or other benefits. As a consequence, a competitive advantage will be enjoyed thanks to corruption and the violent dissuasion of competitors by businesses sponsored by criminal organizations or directly owned by their affiliates.
- When criminal organizations have a hierarchical or “power syndicate” structure, to the extent that they are capable of operating as “protection firms”, they can also satisfy with their protection services a demand for regulation and enforcement in a wider range of illicit deals along all the steps of the corresponding procurement procedure: (a) covering with a stricter control all (or almost all) corrupt (and collusive) exchanges within a certain territorial area or decision-making process; (b) including within the set of potential resources exchanged also electoral consent, political support, the allocation of financial resources, collusive agreements.

Privatisation of local public services

The spread of privatization processes and the consequent delegation to private actors of the production and delivery of certain services (e.g. waste management, water, local transport, energy, gas, etc.) is grounded in the theoretical assumption that market competition is a more efficient way to provide them. Serious concerns, however, have emerged grounded in both theoretical and empirical considerations, focusing on the drawbacks of the privatization processes in terms of deterioration of service quality and employment conditions, social inequalities, undue rents collected by private (or semi-public) firms, increasing prices or tariffs, and monopolizing the production and delivery of services. Corruption may negatively influence the privatization process as well. Moreover, there is a more specific risk that during the privatization of public services opportunities are created for criminal organizations to enter into potentially lucrative businesses.

- Our findings challenges a conventional view that privatization can decrease the diffusion of corruption by removing the management of activities from state control, thereby letting

market-driven impersonal mechanisms substitute corruption-prone discretionary decision making. On the contrary, the process of transferring public assets and the delivery of public services – especially at local level – into private hands creates lucrative opportunities for corruption. As in any illegal market, criminal organizations and enterprises may be willing to enter directly into this hidden competition for the allocation of rents, or to regulate and enforce corrupt deals among other participants – among them politicians, who can also strengthen their position with the consent channelled by criminal groups.

- With the privatization of local services a network-like or “enterprise syndicate” form of criminal organization encourages the eventual concentration of activities and influence on the selection of private buyers and monitoring control, when the resources at stake can be more straightforwardly detected and measured, and counterparts in the corrupt exchange are easier to identify, supervise, intimidate, and sanction.
- Criminal organizations having a more hierarchical or “power syndicate” structure, akin to “protection firms”, will be relatively more apt to also provide guarantees that illicit deals will be concluded smoothly within the networks of systemic corruption even in the first steps of the privatization process.

Allocation and management of EU funds

The width and complexity of regulation concerning the multiplicity of EU fund allocations, management and supervision mechanisms – where general EU norms overlap with specific national and regional laws and procedures – makes it impossible to summarize in a single scheme the opportunities, actors, and resources potentially involved in a criminal-political nexus based on corruption. In general terms, however, the three types of fund allocation produce different incentives to the infiltration of criminal organizations.

Centralised direct management by EU institutions (covering approximately 22% of the EU budget) can be considered as the least vulnerable to undue influence by criminal actors. In fact, as we have shown, criminal groups typically restrict their range of activity within a limited geographical area or economic sector, where the use of resources at their disposal (violence, intimidation, reputation, intelligence, social capital, etc.) allows them to operate successfully within illegal markets or to regulate and enforce illicit and informal activities.

In centralised indirect management, constraints to criminal infiltration in the decision-making process can be considered almost as effective as in the previous case. The high degree of centralization and professionalization of executive agencies’ activities and the tightness of Commission supervision and control generally represent a strong barrier against the risk of criminal influence.

Shared (with member states) and decentralized (with third countries) implementation of budget allocation can be taken as relatively more susceptible to the potential interference of criminal organizations. In general terms, among the variables that may create opportunities for the infiltration of criminal organizations – hierarchically or network-like structured – in the allocation and management of EU funds, we may consider:

- the level of government where decisions about operational programs, financial commitments, the identity of beneficiaries, and controls are taken. The lower such level, the higher – *ceteris paribus* – will be the probability that criminal groups find their way to enter directly or indirectly – with protected businesses – in this sector. Only strong hierarchical criminal groups – i.e. “protection firms” – may occasionally have the capability to ascend

the decision-making process up to the point of “capturing” politicians with influence over general regulatory and financial decisions taken at national level, using as a resource of exchange also their impact over the electoral process. Criminal enterprise syndicates can instead operate mainly at regional level and in the selection of beneficiaries.

- The high degree of complexity of the national regulatory framework and procedures for the management of EU funds. The consequent slowing down of decision-making processes and the undermining of controls increases uncertainty of would-be and actual beneficiaries, therefore enhancing both a “demand” for protection through corruption and criminal groups’ guarantees, and the opportunity for criminal businesses to grab these funds’ allocation through illegal means.
- The diffusion of fraudulent and illegal activities related to the allocation of EU funds. The more diffuse hidden transactions are within a certain political-administrative context, the stronger the incentives for criminal groups to enter as suppliers of enforcement and protection services within such networks of illegal deals, or to directly support the involvement of criminal enterprises in fraudulent and corrupt activities.
- The degree of political accountability over outcomes, i.e. the realization of programmes’ purposes, which relates to the transparency of the process of auditing and supervision and the electorate’s motivation, making decision-making less vulnerable to the distortive effect of criminal groups’ pressure.
- The administrative capacity and degree of professionalization of national and regional public service personnel, involved in the process as managing, certifying, and auditing authorities – and in certain cases also as beneficiaries. The higher the state capacity, the lower the potential space for criminal groups to enter into the decision-making process.
- The nature of controls over the allocation and management of EU funds. The tighter and more effective is the control of EU institutions over the decision-making process and its outcomes, the less criminal organizations – rarely able to raise their corrupting influence at the European level – will be encouraged to enter into this sector. The opposite situation obtains when the structure of controls at member state level is largely ineffective, due for instance to the overlapping of managing, certifying and auditing authorities within the same public structure.

Part II

Countries studies

Bulgaria

The Country Report on the Link between Political Corruption and Organised Crime examines the structure and evolution of organised crime in Bulgaria from the beginning of the transition period in the 1990s to the present. It defines the factors that have driven the emergence of political corruption (lack of democratic institutions at the time Communism collapsed, combined with the need of newly established political parties to finance their activities). Political corruption has become the preferred mechanism for gaining of advantages by criminal entrepreneurs in Bulgaria who no longer operate strictly on the illegal markets, but have increasingly shifted their business interests to the grey and the legal economies. While in the 1990s violence was the prevalent means for gaining control of lucrative criminal markets, after 2001 the decline in violence and the flow of criminal capital into legitimate business structures has led to greater demand of corruption. Corruption is

used by criminal groups as a universal tool which can settle business conflicts (through leverage in the judiciary) or provide additional economic resources (through manipulation of public procurement). The so called ‘political investments’ (purchasing of votes at election campaigns on behalf of various political parties) is a form of political corruption that is becoming ever more dangerous. It is estimated that about 13% of the votes in the 2014 elections were ‘bought’ (as opposed to 9% in the 2009 elections). According to CSD, in the last 10 years local and national level oligarchs have been increasingly involved in such “political investments”, which they seek to recover after elections by acquiring access to public funds and/or assets.

The report reviews the legal provisions addressing organised crime and corruption, and discusses empirical evidence of cases involving organised crime. It notes that in recent years all criminal structures have chosen an adaptation strategy. Depending on their strategy, several types of organised criminal structures have been defined: 1) oligarchic structures that have preserved their influence; 2) oligarchic structures that have been compromised and might become subject to investigations; 3) local symbiotic forms, combining local authorities, private legal companies and organised crime groups; and 4) violent entrepreneurs that have failed to adapt.

The main conclusion of the report is that despite the successful reduction of violence and the established cooperation with counterpart institutions from the EU and the USA, the Bulgarian law enforcement, specialised anti-corruption units, revenue administration and judiciary have not been able to prevent the state capture by oligarchic groups and criminal networks.

Instead of focusing on the higher levels of organized criminal structures, law-enforcement efforts have been limited to lower level criminal groups. The reasons are both the political protection for criminal bosses and the lack of capacity, especially with regards to financial investigations.

The report suggests that Bulgaria has already developed the legal framework and institutional infrastructure needed to effectively fight organised crime and corruption. The existing specialized units with police powers, the new departments in the revenue administration, the specialized prosecution and court can have a real impact on curbing organised crime and corruption, if political independence and additional resources are ensured.

Croatia

This country report investigates the models of interaction between criminal organizations and political actors in Croatia. Organized crime in Croatia has been significantly determined by three factors: geopolitical position, comprehensive transitional processes and circumstances of disintegration of the former state. The structure of criminal offenses forms of organized crime in Croatia shows several main areas of organized groups such as drug, weapon, illegal goods and human trafficking, extortion, blackmail, counterfeit money distribution and extortion racketeering. In addition, there is a practice of investment of illegally acquired assets (money) in attractive properties and specific economic activities which then presents criminals as successful entrepreneurs and creates link between organized and economic crime. Being situated on the “Balkan Axis“, Croatia is a transit country (and to a lesser extent a country of origin and destination) for the trafficking of persons and a range of illicit commodities, including drugs, arms and cigarettes. Following its accession to the EU, the risk of the country for becoming also a country of destination may increase.

However, this report emphasizes the importance of the state in organized crime developments in Croatia. During the war in the early 90s; arms smuggling, illicit drug trade and financial frauds were a dominant type of criminal groups services used by the state. At the end of the war, former criminals were protected as a sort of national heroes by the state authorities, and transformed into the new entrepreneurs during the process of privatisation of the state-owned assets (which was again heavily influenced by political calculations).

Hungary

This country report examines the connection between organized crime and political corruption in Hungary. Available corruption data and the assessment of the relevant international reports about the country are presented, as well as a short historical and academic overview about organized crime, including the exact and detailed legal background to this issue in Hungary and an in-depth analysis of some case-studies about the largest identified or pending cases of connection between organized crime and political corruption. The research shows that organized crime is contingent in Hungary, it cannot be considered as an organically incorporated phenomena in the society's subsystems. In this context the legislative background and legal framework is more developed against corruption than against organized crime, as the latter is considered a less relevant problem in the country. The few case-studies reveal as well that the connection between organized crime and political corruption is not systemic, though organized crime has been emerging in Hungary in various diversified forms. In the first section we go through the. In the second part, we show the academic and legal background of the topic and we present empirical evidence and in-depth case studies.

Italy

The country reports examines the link between OC and corruption in Italy. Criminal groups in Italy have traditionally varied from more irregular and network-based associations to criminal hierarchies boasting centuries of history in the same territories. Hence, together with ordinary groups producing and trading illegal goods and services on illegal markets, the country has seen the emergence and diffusion of highly structured criminal groups providing governmental services to illegal, informal and, in some cases, legitimate transactions, and establishing either strong or weak ties with many other institutional, economic and societal actors. This is the case of traditional mafia-type organizations which aspire to monopolise protection-racket services either in limited territories or in single economic sectors across territories.

The country report briefly explores past and recent patterns of organised crime in Italy. In the attempt to provide a more comprehensive overview of its temporal, territorial and organizational development, it presents: (i) data about the presence of criminal groups in the country, giving information about both mafia-like and ordinary criminal associations; (ii) an in-depth description of mafia-like groups operating in the country, by showing common patterns and organizational differences amongst groups; (iii) recent trends in money-laundering activities and infiltration in legitimate business.

An assessment of Italian complex framework of anti-Mafia legislation, regulation and policy tools is provided, with a special focus on the specific measures aimed at combating the political-criminal nexus (external participation crime; city council dissolution; mafia vote-buying, etc.).

The final section offers an in-depth analysis of the link between organized crime and political corruption. The data collected in the OCC dataset (126 events showing a link between organised crime and political corruption in Italy from 2008 to 2013) provide novel evidence about the structure, the level of operation and the scope of corrupt activities of the criminal groups, which can be summarized as follows:

- Protection-racket is the core business in the majority of groups (65%), even though they are also groups mainly operating as illegal traders on the market (e.g. drugs trafficking and counterfeiting) or in the legitimate markets as a money-laundering strategies (3%). As a result of it, almost 75% of the groups are territorially-based since they control limited territories rather than single legitimate or illegal sectors across territories.
- Despite the stereotype of nation-wide criminal conspiracies, the local level remains the most vulnerable to criminal infiltration.
- The largest number of coded events are about collusion in public procurement (90%), followed by privatisation (6%) and EU funds management (1,5 %).
- In the largest number of cases legitimate entrepreneurs are key players in the interaction with criminal organizations. The nexus might also see the involvement of elected officials (43%) or public servants (18,2%), but in many cases the infiltration of organised crime also occurs without the collusion of institutional actors. This evidence gives support to the hypothesis that mafia-like groups can also infiltrate the public procurement arena as a result of the protection services provided to business cartels operating in the public. Therefore, both professionals (20%) and legitimate entrepreneurs (67%) are key players in the penetration of organised groups into public policies arenas
- Three key resources – money, information and social capital – are key determinants for corruption exchanges between organised criminals and legitimate actors. Conversely, violence seems still to be crucial, but not of most importance. Only in the 34% of cases, actors use and exchange violence in their corrupt transactions in order to enforce them or in the forms of violent services to be used outside against other actors (e.g. political opponents, rival legitimate companies, rival criminal groups).

Kosovo

The report on organized crime and corruption in Kosovo has taken stock of the existing literature on the topic including national strategies and reports, policy papers, international and local media reports, and interviews with local journalists. In addition, the legislation adopted to combat organized crime and corruption as well as infiltration of criminal groups in politics has been analyzed and presented.

Organized crime today in Kosovo cannot be studied and understood without taking into account the political and socio economic situation of the 1990s, its culmination in the conflict of 1999 and the ensuing period of legal and authoritative vacuum before the deployment of the UN administration. The widely held perceptions corroborated by a couple of leaked intelligence reports from various European countries point to the high ranking politicians and their political parties as

heads of criminal groups. However, hard evidence is scarce to non-existent and the many reports available on the topic are speculative at best.

Drug related crimes and human trafficking remain the most prevalent forms of organized crime in the country. As part of the Balkan route, Kosovo is a transit country for the drugs smuggled towards Western Europe whereas for human trafficking Kosovo is both a transit country and country of origin.

The legislation to prevent and fight organized crime is largely in place and in line with the EU guidelines however, the implementation of the law remains a challenge. Lack of local expertise and capacities to tackle complex cases of trafficking and drug related crimes has been cited by the EU Commission as an area that needs improvement. Kosovo remains the country with the lowest record of drug seizures in the region and with limited progress in dismantling human trafficking rings. In addition, the weak intra-institutional cooperation and the hesitation to investigate high-level corruption and organized crimes cases by the Kosovar judiciary further impede the effective fight against organized crime, which remains one of the most important conditionalities set forth by the European Union.

Part III

A comparative assessment of criminal groups and illegal markets

- This report proposes a standardised procedure for gathering qualitative data on organised crime and political corruption. Patterns and trends in organised crime are presented and compared along three axes: (a) path of emergence; (b) core business; (c) organizational model. According to the evidence collected, these three dimensions affect the modalities and resources criminal groups use to engage in political corruption networks.
- Most of the cases selected for this research show that connections between indigenous organized and corporate crime remain the most relevant and recent development of organised criminality in Europe, as opposed to the cross-border crime paradigm.
- As we focus our attention upon the most dangerous liaisons between criminality and politics, indigenous forms of criminal groups still play an almost exclusive role in connecting with business and government officials. This might not hold true when we deal with other forms of corruption, such as police or judicial, because similar strategies of influence might be used by both foreign and indigenous groups.
- Environmental conditions and reciprocity mechanisms between non-indigenous and indigenous actors explain the success of illicit transactions. Especially, the marginalisation of minority groups not integrated with the surrounding society and the significant pool of illegal or non-integrated immigrants in the EU are fertile conditions for foreign organised crime groups. Some of the country studies presented in this report show the organization of vast vote-buying campaign in some marginalized ethnic communities.
- Local enablers have also an essential explanatory function in the assessment of the link between organised crime and political corruption. In particular, the overall deregulation of markets, the growing informalization of the workforce and economy, the retreat of the state

and failed liberalization cycles represent the most important institutional and economic enablers of the nexus between criminal organizations and political corruption, rather than the removal of borders and the globalization of markets.

- The report shows a growing criminal organization of political corruption. In certain circumstances corporate-state and white-collar crimes can be carried out along more institutionalized forms, characterized by the same continuity and diversification of activities typical of more traditional organised crime models. Illicit transactions might be more or less vertically integrated and oriented towards either a hierarchical or a network-based structure, like the same mafia-like groups, which do not follow a single organizational model as well. These cases differ from crimes that are simply organised, because they rely on a permanent basis, interoperable and permeable contacts, multiple and reiterated transactions instead of occasional ones, a sophisticated division of labour and growing economies of scale. Networks involve primarily actors who used to have or still have a legal and legitimate status, but then move towards a deliberate or coerced criminalization of their activities and resources.
- This pattern is particularly significant in many EU countries when economic transitions to more transparent, competitive and open markets have failed either at local or national level. The report shows that in some cases liberalization cycles have been captured by private interests and heavily influenced by political rent seeking dynamics and state capture, either at national or subnational level. In some cases, the distinction has blurred between companies' anti-competitive conduct and racketeering practices, leading to higher criminalization of market dynamics. The criminalization of several kinds of informal practices and anti-competitive conduct seems to be less the focus of policy-makers and analysts as opposed to the threat represented by the infiltration into the political corruption networks of traditional criminal organizations.
- At local level, these emerging forms of political corruption networks often resemble "business-political corruption machines", relying on longstanding economic and political ties. Business and government professionals coordinate these structures (through legal business entities), heavily influencing the legislative process, regulative policies, and state-controlled or semi-privatized enterprises.
- As concerned to illegal activities, for traditional criminal groups, trafficking in multiple commodities remains the most significant activity. In fact, protection-racket business remains heavily dependent on local conditions, more so than any other illegal business. Moreover, this study confirms that criminal groups are increasingly "multi-commodity and poly-criminal in their activities", gathering diverse portfolios of criminal business interests, and strengthening their capability to identify and exploit new illicit markets. Concerning embedded indigenous groups, trading activities are often linked to financial and corporate crimes such as tax evasion, VAT fraud, private corruption, commercial and public funds fraud, counterfeiting, misappropriation of public funds, money-laundering and embezzlement when involving public officials. In the cases considered here, business and government officials are usually well placed in the market; they strive for market domination through their control of public procurement or regulations and create conditions of unlawful competition, which make it difficult for other legitimate companies to enter.

- In relation with corruption, the report shows that traditional criminal groups are more likely to be interested in judicial and police corruption, rather than political. The latter indeed gains more relevance in at least two cases: (a) when political institutions are a necessary medium towards influencing law-enforcement or in developing economies of scale within infiltrated legitimate markets; and (b) when illegal proceeds or services (e.g. illegal protection) are demanded on the political market in the forms of illegal political finance, vote-buying, electoral fraud or enforcement of corrupt exchanges. More interestingly, as shown by the evidence collected in this report, traditional non-embedded criminal groups have to face competition from other legitimate actors when they lobby government officials or policy-makers. This occurs especially when criminal groups have no resources and capabilities in governing markets through protection-rackets, such as is also the case with mafia-like groups operating in new territories

A comparative assessment of anti-organised crime policy efforts and initiatives

- A comparative assessment is presented of the most relevant policies and (best) practices implemented in the seven countries considered shows many similarities and some differences among national approaches. While definitions of criminal association crimes do not differ drastically, each country, besides a general “common-type” crime, provides a specific definition of the main illegal operations of criminal organizations. Bulgaria and Italy –countries having a more “institutionalized” presence of criminal organization – regulate criminal association crimes taking into consideration not only *what* such groups can do, but also *how* they can operate, i.e. focusing on their internal structure and modes of operation. The Italian criminal definition of mafia-like organization is a paradigmatic description of a violent provider of private protection, whose force of intimidation derives from the strengths of its associative constraints, which produce a generalized condition of subjugation, codified in a deep-rooted code of silence.
- A high level of harmonisation can be found in investigative and prosecution activities: all the countries considered have regular criminal confiscation – in some cases extended also to “unjustified assets” – money laundering legislation, and administrative measures to detect suspicious financial flows.
- The dangerous overlap between criminal organizations and the political sphere may take the “simpler” form of bribery or electoral corruption. Bulgaria and Italy enlarge the toolkit of anti-organized crime norms and measures against the criminal-political nexus: *aiding and abetting* and *external participation* crimes enforce those interactions in which the involvement of political actors in the CO’s activities is closer to a *symbiotic* interaction of reciprocal protection. In Italy, a specific law introducing the crime of mafia vote-buying has also been approved, taking into account the specific gravity of this form of electoral corruption.
- In the sector of public procurement a comparable mix of legislative and administrative measures has been approved and implemented in the countries considered. None of these anticorruption tools, however, is specifically targeted to counter the risk of criminal influence over the political arena.

- Finally, a very limited involvement of NGOs and civil society in anti-organized crime and anticorruption policies emerged in the six countries analysed in this report. An inventive anti-mafia tool, which may also be extended to properties confiscated to corrupt agents, has been introduced in Italy in 1996. Assets confiscated from criminal organizations are assigned to social cooperatives and NGOs entrusted to pursue a social purpose through their use. Beyond the economic profitability, the adoption of such measures stresses the symbolic value of the restitution to a community of the social value which criminal organizations expropriate through violence and criminal subjugation.

Comparative analysis of policy arenas

- In the limited sample of 29 in-depth case-studies on the interactions between organized crime and politics in the five countries considered 11 cases emerged in the arena of public procurement, 9 cases in privatization, 2 cases in EU funds management.
- In these sectors *corruption events affected mostly local levels of government and minor public bodies (Municipalities, Regions, local public enterprises, etc.) when criminal groups and political/public actors had distinct and autonomous identities*, even when working symbiotically. National – and even less European – arenas of decision-making seem in fact much less easily accessible to criminal organizations.
- *When a larger amount of resources is allocated in procurement or privatization through national decision-making processes or high-level public bodies, there is the tendency for “fusion” between political and criminal actors.* In other words, an “endogenous” criminal organization of corrupt activities is the result of the opportunity for political, bureaucratic and entrepreneurial actors – in policy arenas where the rents allocated are large enough – to manage autonomously their illegal deals, “internalizing” also the governance mechanisms and enforcement structures which allow them to regulate and protect hidden transactions. “Organized corruption” could be the definition of similar cases of self-organization of informal norms and protection by political actors.
- While in Italy episodes of re-investment of proceeds from corrupt activities (derived also from public procurement) through electoral influence are quite common, in the other countries analysed the capability of criminal organizations to address votes towards political actors is not associated with their involvement in procurement or privatization.
- The corruptive influence of organized crime in the policy arenas of public procurement and privatization generates recurrent “red-flags” and anomalies. Among them, most frequently observed are “tailor-made” bid announcement; specific exclusion clauses and constraints in the bid announcement (e.g. technical or economic requirements); direct assignment of public contracts with no open competition; overvalued prices for public contracts; privatization of public resources without auction.
- Only Bulgarian and Italian mafia-like criminal organizations have shown the capacity to occasionally extend their range of influence along the initial and ultimate phases of the tender procedure. *Criminal organization akin to “protection firms” with a hierarchical structure can in fact provide more effective regulation and enforcement services also in*

illegal deals and exchanges involving actors and resources temporally and spatially distant from decision-making.

- *Opposing a common view of the stereotyped role of criminal organization, their use of coercion seems severely restrained when they enter into public policy arenas. In those cases, in fact, employing other resources – money, reputation, intelligence, blackmail power, social connection – to gain influence or access over such decision-making processes seems a more profitable strategy in fulfilling their criminal interests.*
- In different policy arenas a common pattern is detected: the evolution of criminal-political networks, often generating a symbiotic nexus which profoundly links criminal and political actors. In Bulgaria and Italy hierarchically structured criminal organizations maintain a high degree of autonomy when they interact with equally self-ruling political and bureaucratic counterparts. In other countries, networks of public actors are able to autonomously organize their corrupt practices in public procurement and privatization, while criminal organizations seem to prefer to constrain their activities to illegal markets.

WP9.1 Integrated Report

PART I

Definitions, data and methodology

Chapter 1. Definitions, methods and data

1.1 Defining the problem

Aside from the methodological issues which will be discussed in the next section, there are a number of conflicting definitions as to what constitutes organised crime activity, not only between jurisdictions in Europe and around the world, but also within academic research.

The variety of criminal actors and organisations around the world has produced an ambiguous and confused conceptualization of organised crime, upon which the only consensus is that the conceptualization is ambiguous and confused (Paoli, 2002). It has become commonplace to observe that there is no uniform understanding of the issue, not to speak of a generally accepted definition (Levi, 1998; Finckenaue, 2005; Varese, 2011). The academic literature has produced an endless list of definitions as a result of disciplinary, geographical, regional, cultural and legal differences⁴. This has progressively reinforced the idea that it is not possible to achieve a common conceptualization of the phenomenon (Allum and Siebert, 2003: 6). In most of the cases, in fact, the concept has been developed inductively, through prototypical case studies, or the adoption of definitions taken from legal frameworks at national and international levels.

However, despite the tragic escalation in violence which has occurred in several countries in recent years (e.g. Mexico and Latin America), as well as the expansion of illegal markets, the search for an acceptable legal definition of the phenomenon has however remained a problematic and critical starting point in many countries. For instance, countries such as the US and Italy adopted specific anti-organised crime legislation only after many organised criminal groups were already consolidated in their territories, in both illegal and legitimate markets⁵. Similar international responses against the transnational diffusion of the phenomenon were mainly launched in the 1990s, for example the UN Convention against Transnational Organised Crime (2000)⁶. However, these actions have not been always effective in tackling the problem. The EU's 2008 Framework Decision, for instance, which sought to achieve harmonization between the different definitions of organised crime across European countries, has been widely considered a

⁴ As von Lampe pointed out "the multidisciplinary dimension has not necessarily ensured a high level of theoretical penetration of the objects of study" (von Lampe, 2006:77).

⁵ In the US the Racketeer Influenced and Corrupt Organizations Act, commonly referred to as the RICO Act, was approved only in 1970 as section 901(a) of the Organised Crime Control Act. In the case of Italy, the mafia-type association crime was introduced into the criminal code only in 1982, after the assassination by the Sicilian mafia of the same politician, Pio La Torre, who had initiated a proposal to introduce this crime into the Italian legal system, and the possibility for the courts to seize and to confiscate the assets of persons belonging to mafia-type criminal organisations.

⁶ Organised crime is not only a significant part of the popular discourse of European politicians, but is also acknowledged in the United Nations (UN) Convention on Transnational Organised Crime. This Convention defines an organised criminal group as: "[...] a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences [...] in order to obtain, directly or indirectly, a financial or other material benefit." The UN defines in turn, 'serious crime' as "conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty" and "structured group" as a group that is not randomly formed for the immediate commission of an offence and that does not need to have formally defined roles for its members, continuity of its membership or a developed structure."

failure and a weak compromise unable to combine all the diverse legal traditions within Europe (Calderoni 2010). This chapter summaries the legal definitions of organised crime used by the different authorities within the EU, such as the European institutions, Europol and OLAF, and examines also the interaction with other phenomena, such as corruption and fraud. Finally, we provide the definition and empirical operationalization of the phenomenon that will be applied in this report.

1.1.1 The EU definitions of organised crime

As stated in the Council Framework Decision 2008/841/JHA, the EU defines a criminal organisation as “a structured association, established over a period of time, of more than two persons acting in concert with a view to committing offences which are punishable by deprivation of liberty or a detention order of a maximum of at least four years or a more serious penalty, to obtain, directly or indirectly, a financial or other material benefit”. A ‘structured association’, as stated in the Framework Decision, means that the association is not randomly formed for the immediate commission of an offence, but does not need to have formally defined roles for its members, continuity of its membership, or a developed structure⁷. However, this definition has been widely contested by many scholars⁸, and by other EU institutions, such as the European Parliament. The European Parliament – more recently in September 2013 and also in February 2009 (“Report on the EU Role in Fighting Transnational Organised Crime”) – has officially claimed that the Council Decision has not been constructive in defining organised crime in the national law of the Member States. Terms of definition remain very broad, highly flexible, and do not provide any legal certainty. This is worrying, and may lead to considerable diversity in implementation at a time when organised crime is advancing more quickly than the legislation and judicial systems of the Member States can keep up with.

A more analytical orientation in defining organised crime can be found in the ‘threat assessments’ produced by EUROPOL. The first EU Organised Crime Threat Assessment (OCTA) was adopted in 2006 (see also the further revisions in OCTA, 2007-2013), replacing the previous report systems (OCRS), and was more recently revised in 2013 to also include serious crimes and

⁷ The Framework Decision determines that each Member State in the EU shall take the necessary measures to ensure that types of conduct related to a criminal organisation are seen as offences. Such conduct is determined in Article 2 in the Framework Decision as: “ a) conduct by any person who, with intent and with knowledge of either the aim and general activity of the criminal organisation or its intention to commit the offences in question, actively takes part in the organisation’s criminal activities, including the provision of information or material means, the recruitment of new members and all forms of financing of its activities, knowing that such ‘businesses’ participation will contribute to the achievement of the organisation’s criminal activities; b) conduct by any person consisting in an agreement with one or more persons that an activity should be pursued, which if carried out, would amount to the commission of offences referred to in Article 1, even if that person does not take part in the actual execution of the activity.”

⁸ Calderoni in his study about the harmonization of EU member states’ legislation on organised crime claims that the Framework decision required EU MS to adopt a broader concept of criminal organisation, providing such generic provisions as might create dangerous consequences in those MS that already have a more precise definition of the phenomenon. He finally states that “These results support the numerous criticisms about the broadness and ineffectiveness of international legal instruments aiming at harmonization and approximation of criminal legislation, in particular in the EU. In the light of these remarks, it is reasonable to call the European institutions and the EU Member States to reconsider the criminal law policies on organised crime, to avoid that the goal of an effective prosecution of organised crime is pursued at the cost of human rights and civil liberties.” (Calderoni, F., 2010, p.173Organised)

the prioritisation of organised crime threats (SOCTA). The SOCTA uses the definition of international organised crime provided by the Framework Decision on organised crime of 24 October 2008. In accordance with the definition provided by the Framework Decision, the following list of qualifying criteria was applied in the data collection process on organised crime groups for the SOCTA:

- collaboration of more than two persons;
- active for a prolonged or indefinite period of time;
- suspected or convicted of committing serious criminal offences (intended as punishable by deprivation of liberty or a detention order of a maximum of at least four years or a more serious penalty - for organised crime);
- with the objective of pursuing profit and or other material benefit;

For a group to be labelled as an organised crime group, it is necessary to meet two further conditions out of the following six criteria: (a) specialized division of labour among participants; (b) employing violence or other means of intimidation; (c) employing commercial or business-like structures (d) participating in money-laundering; (e) operational across national borders; (f) exerting influence over legitimate social institutions economy

Using this definition, in 2013 EUROPOL estimated the presence of 3600 international organised crime groups active in the EU involved in a broad range of criminal offences. Drug trafficking is by far the most widespread criminal activity, followed by fraud. These two areas of crime represent more than half of all OCG activity. More than 30% of the groups active in the EU are poly-crime groups, involved in more than one crime area.

Many caveats have been raised by the research community. As a matter of fact, this broad and inductively based definition provided by EUROPOL has remained “a rudimentary exercise” according to many analysts and scholars (Edwards & Levi 2008: 370). The reports are based on police intelligence contributions from EU member states, but no clear methodology of data collection and analysis has been provided, including a more disaggregated picture of the problem at MS country level.

More surprisingly, other EU authorities, such as the European Anti-Fraud Office (OLAF), the administrative investigative service established by the Commission Decision of 28 April 1999 to provide MS with the necessary support and technical know-how to help them in their anti-fraud activities, have no formal or working definition with regard to organised crime. Although the mission of OLAF focuses on the fight against fraud, corruption and any other illegal activity adversely affecting the Community’s financial interests, the OLAF has poorly addressed the problem of the criminal organisation of such fraud and corruption activities, and of the infiltration of criminal organisations in these sectors.

1.1.2 EU policy efforts against the link between organised crime and political corruption

EU institutions have promoted and attempted to launch a common action against organised crime since the early 1990s. Table 1 includes a comprehensive list of the most important initiatives, decisions and reports by EU institutions in the past years dealing with the issues of organised crime, corruption, and money laundering in MS. In general, the three criminal issues have been treated separately without fully addressing the interplay and interdependence among them. On both policy analysis and intervention sides, they are distinctive phenomena, which might emerge, develop and

persist autonomously, involving different actors who perform separate functions and are motivated by different goals. However, the inherent interdependence among them might be a conducive factor to the emergence of all of them, it might affect the way these phenomena develop or dampen the effectiveness of separate and limited policy interventions. This is especially true when the interdependence becomes a source of reciprocal advantage, and we thus observe exchanges of resources among the actors involved.

In most of the actions analysed (in 25 out of 28 MS), interdependence dynamics are not addressed, thus the action deals separately with one of the three criminal issues. However, when the action involves organised crime it is more likely to witness links with the issue of money laundering, even though the same cannot be said of the reverse. When the link between organised crime and corruption has been examined, this has been more often presented in terms of dependence of the former upon the latter. This is the case of the Anticorruption Report released in April 2014. In this report: (a) corruption is above all an enabler of organised crime activities and (b) the connection of the two is more likely to emerge at subnational level (regional and local levels).

“In the Member States where organised crime poses considerable problems, corruption is often used as a facilitator. In one Member State, numerous cases of alleged illegal party funding at central or regional level were also linked to organised crime groups. Links between organised crime groups, businesses and politicians remain a concern for those Member States, particularly at regional and local levels, and in public procurement, construction, maintenance services, waste management and other sectors. Research has showed that in another Member State organised crime exercises influence at all levels, including in politics. Political corruption there is often seen as a tool for gaining direct or indirect access to power; that country was considered to have the highest level of shadow economy among EU Member States. Overall corruption remains a serious threat as a means for organised crime groups to infiltrate public and private sectors, as stated by the EU Serious and Organised Crime Threat Assessment carried out in 2013 by Europol” (European Commission 2014a, p.19).

The findings presented in the general part of the Anticorruption Report are primarily the result of an assessment of three MS’ reports (BG, CZ, IT) in which the interaction between corruption and organised crime in those countries was considered. As with many other reports concerning corruption, the focus is generally on organised crime groups which have a high public profile – such as Italian mafias – to the exclusion of a wide range of smaller criminal enterprises which often resemble more complex and fluid networks and operate in almost every European country. An in-depth analysis of the single country reports reveals a lack of information about these groups, and also a lack of analysis regarding the link with corruption and these groups (see Table 2). In only few country reports (3 out of 28 MS) is corruption mentioned in its different forms as an enabler of other serious crimes (such as organised crime activities), or emerges as a product of organizational arrangements between corrupt public officials and corrupting companies, enforced and enabled by organised crime actors. In most of the reports, the concept of *organization* in corrupt exchanges or, more specifically, the word “organised crime” are omitted in the reports (see Table 2).

In its enlargement strategies, the EU has traditionally shown more awareness about the intrinsic link between criminal organizations and political corruption, as shown by the different negotiation and monitoring activities carried out by the European Commission. The two phenomena more often emerge together. For example, in the current enlargement agenda covering the countries of the Western Balkans, the EU Commission continues to attach a high priority to all aspects of rule of law in the enlargement countries. In particular, the fight against organised crime remains a significant issue. According to the EU institutions, “progress is being made, but much more needs

to be done to provide law enforcement bodies and prosecution services with effective legal and investigative tools to properly fight and sanction organised crime and to ensure proactive investigations” (European Commission 2014b, p. 12) .

In particular, both the infiltration and the transnational development of criminal groups are crucial threats for the rule of law and the stability of EU MS and also enlargement countries. First, “fighting organised crime and corruption is fundamental to countering criminal infiltration of the political, legal and economic systems. Law enforcement bodies, prosecution services and the judiciary need to be made more resilient to corruption and more controls put in place to detect apparently legal businesses providing a front for criminal activities”.

Secondly, the cross-border nature of many criminal activities and organised crime groups entails an “enhanced regional and international cooperation, with improved responses to Member States’ requests for police and judicial cooperation”. At least in the case of enlargement countries, the EU institutions show an awareness that the reform and strengthening of rule of law in these countries is not simply the result of administrative or bureaucratic responses to these issues, but requires “strong political will, moving beyond declarations to tangible results. Countries need to build up credible track records of investigations, prosecutions and final convictions in cases of organised crime and corruption, with adequate sentencing and confiscation of assets”.

This might be interpreted as a concern about reciprocity mechanisms linking political corruption and organised crime activities. In the case of Montenegro, for instance, the EU Commission has asked for a coherent, overarching strategic assessment of organised crime within its territory. Montenegro published in spring 2014 its Serious and Organised threat Assessment, providing an overview of crime threats in the region and the country affecting Montenegro’s security situation. The analysis now serves to identify common priorities for law enforcement bodies, allowing them to prepare appropriate responses and implement the concept of ‘intelligence-led policing’. Other countries, like Serbia, still need “to build up a track record of concrete results in the fight against corruption and organised crime”, while in the case of Kosovo, the country faces numerous challenges. The rule of law in Kosovo, including judicial independence, combined with limited results in the fight against organised crime and corruption remains a major concern. In contrast with these trends, Albania “shows a positive trend in a number of areas, with an intensification of law enforcement activities, notably on drug seizures and drug-related crimes, and on economic crime and trafficking of human beings”.

The issue of corruption is also poorly addressed in important policy reports delivered by Europol. When mentioned, it is considered only as a crime enabler, and not as a business in itself, and most of the time it is presented as the result of occasional exchanges with corrupt public officials. Two crucial scenarios remain outside the lens of policy analysts: first, cases of criminal organization of political corruption, i.e. grand corruption cases involving structured and durable organizations of institutional actors aimed at the systemic capture of public resources for private aims; and second, links between elected officials and organised criminals are definitively underestimated in these reports (see Table 3 for a comprehensive review).

Table 1 EU and other institutions' action against organised crime (OC), corruption (C), the link between the two (OCOR), money laundering (ML).

Institutions	Action	Agenda: Issues Covered			
		OC	COR	OCOR	ML
EU Institutions	– European Parliament resolution of 23 October 2013 on organised crime, corruption and money laundering: recommendations on action and initiatives to be taken (final report) (2013/2107(INI))	X	X	X	X
	– EU special committee on organised crime, corruption and money laundering, its reports on corruption and on organised crime (A7-0307/2013);	X	X	X	X
	– European Union Charter of Fundamental Rights, in particular Articles 5, 6, 8, 17, 32, 38, and 41, Title VI (Articles 47-50), and Article 52 thereof				
	– Commission communication 'The EU internal security strategy in action: Five steps towards a more secure Europe' (COM(2010)0673)	X			X
	– Stockholm Programme on freedom, security and justice, the Commission communication 'Delivering an area of freedom, security and justice for Europe's citizens – Action Plan Implementing the Stockholm Programme' (COM(2010)0171)	X	X	X	X
	– Conclusions of the JHA Council of 8 and 9 November 2010 on the creation and implementation of an EU policy cycle for organised and serious international crime	X			X
	– EU drugs strategies (the 2005-2012 and the 2013-2020 strategies) and the EU Action Plan on Drugs (2009-2012);	X		X	X
	– Council Framework Decision 2008/841/JHA of 24 October 2008 on the fight against organised crime,	X			
	– Council Framework Decision 2001/500/JHA of 26 June 2001 on money laundering, the identification, tracing, freezing, seizing and confiscation of instrumentalities and the proceeds of crime , Council Framework Decision 2003/577/JHA of 22 July 2003 on the execution in the European Union of orders freezing property or evidence, Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property, and Council Framework Decision 2006/783/JHA of 6 October 2006 on the application of the principle of mutual recognition to confiscation orders;	X	X		X
	– Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between Asset Recovery Offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime and the Commission report based on Article 8 of that decision (COM(2011)0176),	X			X
	– Council Decision 2009/426/JHA of 16 December 2008 on the strengthening of Eurojust and amending Decision 2002/187/JHA setting up Eurojust with a view to reinforcing the fight against serious crime,	X	X		X
	– Council Decision 2009/371/JHA of 6 April 2009, establishing the European Police Office (Europol) ,	X	X		X
– Council Framework Decision 2002/584/JHA of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States, and the subsequent amending acts,	X	X			

– Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA and to the communication from the Commission 'The EU Strategy towards the Eradication of Trafficking in Human Beings 2012-2016' (COM(2012)0286),	X			
– Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector and to the Commission report to the Council based on Article 9 of that framework decision (COM(2007)0328),		X		X
– Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal service sectors, Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, and the amendments thereto,	X	X	X	X
– Directive 2012/29/EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime, and replacing Council Framework Decision 2001/220/JHA,	X			
– (EC) 273/2004 of the European Parliament and of the Council of 11 February 2004 on drug precursors,				
– the Commission Decision of 28 September 2011 setting up an expert group on corruption; the Commission communication of 6 June 2011 to the European Parliament, the Council, and the European Economic and Social Committee entitled 'Fighting Corruption in the EU' (COM(2011)0308) and to the Commission Decision of 6 June 2011 establishing an EU anti-corruption reporting mechanism for periodic assessment ('EU Anti-Corruption Report') (C(2011)3673),	X	X	X	X
– the Commission Decision of 14 February 2012 setting up the Commission expert group on policy needs for data on crime and repealing Decision 2006/581/EC		X		
– the Proposal for a directive of the European Parliament and of the Council of 12 March 2012 on the freezing and confiscation of the proceeds from crime in the European Union (COM(2012)0085),	X	X	X	X
– the proposal for a directive of the European Parliament and of the Council of 20 December 2011 on procurement by entities operating in the water, energy, transport and postal services sectors (COM(2011)0895) and the proposal for a Directive of the European Parliament and of the Council on public procurement (COM(2011)0896),	X	X	X	X
– the proposal for a regulation of the European Parliament and of the Council of 12 September 2012 on the statute and funding of European political parties and European political foundations (COM(2012)0499),		X		
– the proposal for a directive of the European Parliament and of the Council on the fight against fraud to the Union's financial interests by means of criminal law (COM(2012)0363),	X	X		X
– the proposal for a Council regulation on the establishment of the European Public Prosecutor's Office (COM(2013)0534) and to the proposal for a regulation of the European Parliament and of the Council on the European Union Agency for Criminal Justice Cooperation (Eurojust) (COM(2013)0535),	X	X		X

– the Commission communication to the European Parliament and the Council entitled ‘An Action Plan to strengthen the fight against tax fraud and tax evasion’ (COM(2012)0722),	X			X
– the Commission communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘Building an open and secure Europe: the home affairs budget 2014- 2020’ (COM(2011)0749),	X			
– the Commission communication to the European Parliament and the Council entitled ‘First Annual Report on the implementation of the EU Internal Security Strategy’ (COM(2011)0790),	X	X	X	X
– the Commission communication to the European Parliament and the Council entitled ‘Measuring Crime in the EU: Statistics Action Plan 2011-2015’ (COM(2011)0713),	X	X		X
– the report from the Commission to the Council ‘Evaluation report on the European Union Crime Prevention Network’ (COM(2012)0717),	X	X		X
– the Commission report to the European Parliament and the Council on the implementation of Council Decision 2008/615/JHA of 23 June 2008 on the stepping up of cross-border cooperation, particularly in combating terrorism and cross-border crime (‘Prüm Decision’) (COM(2012)0732),	X			
– the Commission communication to the European Parliament and the Council on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries (COM(2012)0351),				X
– the Commission communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘Towards an EU Criminal Policy: Ensuring the effective implementation of EU policies through criminal law’ (COM(2011)0573),	X	X		X
– the Commission communication to the European Parliament and the Council entitled ‘Proceeds of organised crime: ensuring that ‘crime does not pay’ (COM(2008)0766),	X			X
– the communication from the Commission to the Council and the European Parliament on the role of Eurojust and the European Judicial Network in the fight against organised crime and terrorism in the European Union (COM(2007)0644),	X			X
– the Commission communication to the Council and the European Parliament on the prevention of and fight against organised crime in the financial sector (COM(2004)0262),	X			X
– the Commission working document on the feasibility of EU legislation in the area of protection of witnesses and collaborators with justice (COM(2007)0693),	X			X
– EU Parliament resolutions of 15 September 2011 on the EU’s efforts to combat corruption, of 25 October 2011 on organised crime in the European Union, of 22 May 2012 on an EU approach to criminal law, and of 14 March 2013 on match-fixing and corruption in sport,	X	X	X	X

	– EU Parliament resolution of 15 January 2013 with recommendations to the Commission on a Law of Administrative Procedure of the European Union,		X		
	– EU Parliament resolutions of 21 May 2013 on the fight against tax fraud, tax evasion and tax havens,	X	X		X
	– EU Parliament resolutions of 11 June 2013 on organised crime, corruption, and money laundering: recommendations on action and initiatives to be taken (CRIM interim report),	X	X	X	X
	– EU Parliament declaration of 18 May 2010 on the Union's efforts in combating corruption,		X		X
	– the Eurojust Multi-annual Strategic Plan 2012-2014 and its annual report for 2011,	X	X		X
United Nations	– UN Convention against illicit traffic in narcotic drugs and psychotropic substances, adopted by the General Assembly on 20 December 1988 (resolution 1988/8) and opened for signature in Vienna, from 20 December 1988 to 28 February 1989, and thereafter in New York, until 20 December 1989,	X	X		
	– UN Convention against Transnational Organised Crime, adopted by the General Assembly on 15 November 2000 (resolution 55/25), opened for signature in Palermo on 12 December 2000, the protocols thereto and the UNODC Digest of organised crime cases (2012),	X	X	X	X
	– UN Convention against Corruption (UNCAC), opened for signature in Merida on 9 December 2003;	X	X		X
	– UNODC reports on 'The Globalisation of Crime – a transnational organised crime threat assessment' (2010), 'Estimating illicit financial flows resulting from drug trafficking and other transnational organised crime' (2011) and 'A comprehensive study on cybercrime' (2013),	X			X
Council of Europe	– Council of Europe criminal and civil law conventions on corruption, opened for signature in Strasbourg on 27 January 1999 and 4 November 1999 respectively, and to resolutions (98) 7 and (99) 5, adopted by the Council of Europe Committee of Ministers on 5 May 1998 and 1 May 1999 respectively, establishing the Group of States against Corruption (GRECO);	X	X		X
	– Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, opened for signature in Warsaw on 16 May 2005, and to the Council of Europe Committee of Ministers' Resolution CM/Res(2010)12 of 13 October 2010 on the Statute of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL);	X	X		X
OECD	– the OECD Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions, opened for signature in Paris on 17 December 1997, and to the recommendations supplementing it;		X		X
NATO	– the Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organisation 'Active Engagement, Modern Defence', adopted by NATO heads of state and government in Lisbon on 19-20 November 2010;	X			

Table 2 Anticorruption Report in EU Member States – European Commission, April 2014

<p><i>General Report</i></p>	<p>- Links between corruption and organised crime In the Member States where organised crime poses considerable problems, corruption is often used as a facilitator. In one Member State, numerous cases of alleged illegal party funding at central or regional level were also linked to organised crime groups. Links between organised crime groups, businesses and politicians remain a concern for those Member States, particularly at regional and local levels, and in public procurement, construction, maintenance services, waste management and other sectors. Research has showed that in another Member State organised crime exercises influence at all levels, including in politics. Political corruption there is often seen as a tool for gaining direct or indirect access to power; that country was considered to have the highest level of shadow economy among EU Member States. Overall corruption remains a serious threat as a means for organised crime groups to infiltrate public and private sectors, as stated by the EU Serious and Organised Crime Threat Assessment carried out in 2013 by Europol. (p. 19)</p> <p>- In a few Member States, there were cases in which some organised crime leaders at municipality level established their own political parties or infiltrated municipal councils to exert influence over local law enforcement or judiciary, and to rig public tenders. In order to address this risk, some municipalities have implemented anti-corruption measures such as establishing systems for internal financial management and control. Construction linked to urban development, as well as waste management are among the sectors most prone to corruption at local level. High-level corruption cases involving regional and local officials in some Member States have revealed that rezoning decisions⁴⁰ were at times taken under pressure from local developers in relation to future property construction contracts (p. 25)</p>
<p><i>Countries in which the link between organised crime and corruption is not mentioned nor analyzed</i></p>	<p>Austria, Belgium, Cyprus, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, UK</p>

<p><i>Countries in which the link between organised crime and corruption is mentioned and analyzed</i></p>	<p>Bulgaria</p>	<p>- “Broader consensus within Bulgaria is needed for a consistent approach against corruption and organised crime, although events have also illustrated widespread public aspiration for reform.” (p.3)</p> <p>- Organised crime. Corruption facilitates organised criminal activities and obstructs their prosecution. Organised crime in Bulgaria is reported to enjoy patronage through corruption in public administration, the judiciary, police and customs.⁴⁰ A minister resigned in 2008 over contact with organised crime leaders. According to one assessment, in 2010-2011, illicit cigarettes and VAT fraud led to corruption within law enforcement, state and local administration and local political parties, while corruption related to drugs and prostitution declined.⁴¹ While its focus may shift, organised crime continues to exercise influence in the economy (p.6)</p> <p>- Irregularities have been reported in EU-funded tenders for distributing food to the poor. Procurement corruption is also a challenge in local government, including the involvement of political parties at local level.⁶⁹ Smaller towns face particular risks of organised crime infiltration, linked to a combination of violence, threats and collusion with local politicians and law enforcement, and concentration of economic power. Such risks have direct implications for the ability of local authorities to carry out impartial and transparent procurement procedures. (p11)</p> <p>- The Criminal Code contains a section on crimes against the political rights of citizens, including vote-buying. [...]Prosecutors launched an investigation into vote-buying and tax fraud following the emergence in May 2012 of a wiretapped conversation suggesting electoral abuse (vote-buying and falsification of election results) and links between political parties and organised crime.(p.13)</p>
	<p>Croatia</p>	<p>- Specialised prosecution services (i.e. Bureau for Combating Corruption and Organised Crime–USKOK) and the more recently established specialised police for the fight against corruption and organised crime (PNUSKOK) are now well equipped to carry out effective investigations. They have proven to be proactive, and have developed a good track record of investigations into allegations of high-level corruption (p.2)</p> <p>- Organised crime poses particular challenges in Croatia. Corruption is used as a facilitator in this context (e.g. letting a shipment pass the border unchecked or laundering proceeds of crime by reinvesting them in real estate). A recent study estimated that the shadow economy reached 29.5% of GDP in 2012 in Croatia. Being situated on the 'Balkan Axis', Croatia is a transit country (and to a lesser extent a country of origin) for the trafficking of persons and a range of illicit commodities, including drugs, arms and cigarettes. Following its accession to the EU, the risk of the country becoming also a country of destination may increase. Specialised law enforcement and prosecution services have been set up to target organised crime activities. While their track record of investigations has improved slightly over time, the Commission's March 2013 Monitoring Report concluded that 'overall the level of sentences in organised crime cases remains low (pp. 4-5)</p>

	Czech Republic	<ul style="list-style-type: none"> - Wider definitions of organised crime including clientelist systems. “The same authority noted in the previous year that the most significant forms of dysfunction of the institutions of the State Administration and Local Government are corruption, referring to clientelistic ties built to achieve the desired benefit (p.6) - “The Service repeatedly noted that corrupt practices in public procurement were based on informal, clientelistic structures which could undermine the activities of public authorities.” (p.8)
	France	<ul style="list-style-type: none"> - “Research suggests that some regions face particular challenges with respect to corruption and organised crime, and the efforts of the local authorities have gained support of the Minister of Justice” (p.8)
	Italy	<ul style="list-style-type: none"> - The relationship between politicians, organised crime and businesses, and the degree of integrity within the ranks of elected and appointed officials, are among the most present concerns in Italy today, as reflected by the number of investigations and corruption cases, both at national and regional level. (p.5) - Out of the 201 municipal councils dissolved in Italy in application of Law 221/1991, 26 28 have been dissolved since 2010 (mostly in southern Italy, but some also in the north) because of alleged links with organised crime. There were also situations in which some of the charges in such cases became time-barred before any conclusion in court (p.5) - One case to be mentioned concerns an MP investigated for links with the Camorra – the Casalesi criminal group – related to the financing of his electoral campaign in exchange for exerting political influence at national level, notably in the area of recycling toxic waste. A pre-trial arrest of the MP in question was twice denied in the Italian Parliament (i.e. refusal to lift immunity). During the parliamentary electoral campaign of early 2013, a petition circulated and gathered over 150 000 signatures from citizens and 878 from electoral candidates who committed to making the new anti-corruption law more effective (pp. 5-6) - Infrastructure appears to be among the areas most vulnerable to corruption in public procurement in Italy. Given the large resources it accounts for, this sector is more exposed to corruption and infiltration by organised criminal groups (p.12) - Large construction works such as those related to the reconstruction in L’Aquila after the 2009 earthquake, the World Expo 2015 to take place in Milan or the future Turin-Lyon high-speed railway, were identified in the public sphere as large-scale projects facing high risk of potential diversion of public funds or infiltration by organised crime. P.13)
	Romania	<ul style="list-style-type: none"> - In 2011, over 230 border police and customs officers from six border crossing points were prosecuted for bribe-taking and participation in an organised crime group, mainly in connection to cigarette smuggling (p.6)

Table n. 3 The link between corruption and organised crime in the Europol “Report on Organised Crime” in Europe (2006-2013)

Year	“CORR” citation	Description
SOCTA 2013	22	<p>The report clearly depicts corruption as an enabler for organised crime activities “The infiltration of the public and private sectors by organised crime through corruption remains a serious threat”. Nonetheless, it seems to underestimate the problem of corruption in Europe (“Despite comparatively low levels of perceived corruption in EU MS by international comparison,”), it does not highlight the reciprocity mechanism between criminal groups and public officials, by mentioning only the advantages for the former (i.e. “Corruption enables OCGs to obtain information, to clear the way for illegal activities or to manage risk and counter threats to their criminal interests”), and finally, public procurement or EU funds management are not included among the interests of organised criminals, thus only police or judicial corruption are singled out in the report, and no attention is paid to political corruption.</p>
OCTA 2011	7	<p>Corruption is basically a crime enabler for other illegal activities (human smuggling or illegal downloading) and only in one case involves also public officials (waste management in Italy)</p>
OCTA 2009	13	<p>Corruption is one of the strategy used by criminal groups to achieve organizational goals, “To interfere with law enforcement and judicial processes by means of corruptive influence (named IN-LE strategy) or violence/intimidation (named VI-LE strategy)”. No reciprocity mechanisms are underlined, on the contrary a victimization of the role of law-enforcement and judicial institutions emerge “OCGs can also adopt strategies that consist of interfering significantly with law enforcement or judicial processes. A peculiar aggressive behavior is mentioned, namely false accusations against law enforcement personnel.”</p> <p>The 2009 report is the only report where the infiltration in public procurement clearly emerges: “ “Public procurement fraud is usually linked with elements of corruptive action against public administration and the private business sector. OC groups can exploit this process from its initial stages, tampering with the activities that precede the publications of tenders, and thus designing them to their advantage. Public and community funds received illegally can be laundered and re-integrated into the cycle of lawful activities or be re-invested to support other criminal activities”. Again, elected officials and political actors might not play a crucial role and do not appear in the report.</p> <p>Although these groups are labeled as mafia-type organizations, the report singles out a type of criminal organizations providing protection/extortive services to nationals not-integrated with local societies, thus “in urban districts fellow-nationals can be controlled both socially and economically”. “Indications suggesting the presence of OCGs with the capability of having a significant impact on local societies and economies through corruptive influence, infiltration or relevant re-investments of criminal proceeds are reported in many MS, so they can be considered an EU-wide threat. There is also some suggestion that certain OCGs based outside the EU adopt strategies based on significant influence on their local societies or economies.</p>
OCTA 2008		<p>The report admits the use of corruption by EU-based criminal groups, but especially the low-ranked public official, even though in some cases are higher ranked institutions might be colluded. “EU-based groups are in general defined</p>

		<p>the use of legal business structures, actively employ specialists in their criminal activities and, in most cases, use corruption inside the EU against low-level representatives of law enforcement or the judiciary. However, the type and level of corruption applied by the groups varies somewhat. Although decidedly fewer groups try to use corruption on a higher level and also against public administration and the political context, these contacts do occur.</p> <p>The involvement of OC in fraud on EU funds is analyzed in the report, and explained “This penetration can have far-reaching implications especially when it is combined with the use of corruption to influence important political and economic decision-making locally, regionally and nationally. The most threatening aspect of fraud is that it can be used by OC to gain a strong foothold in various sectors from construction to transport aided by cumulative fraudulent practices and subsequent lower prices offered by OC-related businesses.”</p>
OCTA 2007	16	<p>“Influence and Corruption” is one of key areas analyzed to assess the threat posed by organised crime in EU member states.</p> <p>“The type and level of corruption applied varies somewhat. Although the majority of groups generally use low levels of corruption and influence, some groups try to use it on a higher level and also against public administration and politics. Due to the characteristics of these groups and the tools already available to them, in most cases they do not need to resort to open violence. However, intimidating reputation based on explicit or implicit threat of harm is used by some groups.</p> <p>The OCTA 2006 concluded that corruption and influence directed at high-level targets within the public sector in the EU; exerted by professional and well-established OC groups and, finally, exerted against the construction sector (public tenders) were the most threatening manifestations.</p> <p>In general, indigenous OC groups have easier access to those legal structures that enable influence over local and national politics, public tenders, land procurement processes and business deals. Conversely, most non-indigenous OC groups have hitherto lacked the interest or ability to influence legal structures in the MS. These groups have instead chosen to shield themselves by keeping their top levels and assets outside the country of activity and the EU and possibly used various ways to impact on law enforcement, administration, politics and business in their own countries of origin and transit.</p> <p>The ability and readiness of a non-indigenous OC group to use corruption in its country of activity depends to a large extent on how well integrated the group has become. As assimilation increases, its ability and opportunities to influence the immediate environment grow accordingly making the group more threatening to the society in question. The increased capability of these second generation OC groups to corrupt their environment in the EU is identified as a threat. If, on the other hand, a non-indigenous OC is not embedded in the society but merely exploits it by providing goods or services for illegal markets the group might only resort to corruption to receive very specific favours necessary for a specific criminal activity to succeed. Various factors such as group structure, international dimension and the crime type the group is involved in affect the need and feasibility for the use of corruption and influence. For example, if the OC group is indigenous, well-integrated into the society and needs to actively influence existing administrative processes for its own ends, its interests to influence legal structures become paramount. It seems that many - especially non-indigenous - OC groups favour relatively low-level administrative or law enforcement contacts, as well as initiating corruption within the business community. This could be an indication of groups not familiar with legal structures being cautious or not having access to higher levels. Instead they concentrate their attempts on influencing those low level authorities they come into contact with in pursuit of their criminal activities and make decisions that directly affect them. Alternatively,</p>

		OC groups may have actively identified these as the weakest links. Thus an increased targeting of individuals in these roles is considered a major threat.
OCTA 2006	13	<p>The main threatening aspects of OC groups are, first, the overwhelming obstacles in dismantling them because of their international dimension or influence, and second, their level of infiltration in society and economy. The first aspect gives them a sort of impunity and perpetuity that counteracts law enforcement efforts. The second aspect makes them mingled with the legal world, negatively affecting the willingness to attack these OC groups, the level of corruption and democratic dynamics. Also, the more an OC group is established and has infiltrated society, the more the upper level can gain a layer of respectability and become more difficult to bring to justice.</p> <p>Corruption can be defined as the misuse of entrusted power for private gain. With regards to OC activities the definition can be further developed to integrate facilitation payments made to receive preferential treatment for something the individual receiving the bribe is required to do by law, or to obtain services the individual receiving the bribe is prohibited from providing. Criminal groups in Europe are known to use influence or corruption for two main reasons: to lower risks or gain opportunities in relation to their criminal activities, and as a separate criminal act for financial gain. Lowering risks, or gaining opportunities, has to do with ensuring a safe environment for their activities – that is to remain undetected, to avoid investigation or prosecution, or even conviction. In general, influencing or corrupting people requires a certain level of exchanging benefits between the two parties, either financial or non-material. The use of influence and corruption by OC groups can occur at different levels in the EU: from petty corruption to influencing or corrupting politicians or high-ranked state officials. The latter is clearly the more threatening to the EU as a whole, as it will often involve large sums of money and is more difficult to combat in general.</p> <p>There are different reports which clearly state that corruption in the construction sector in many European countries seems to be flourishing most. This area, related to the process of tendering, can be considered of major importance for national law enforcement authorities. The use of influence by criminal groups to avoid investigation, prosecution, or even conviction can be considered as the most threatening. A criminal group attempting to corrupt low-level officials for creating a safe environment to conduct their criminal activities poses a less serious threat than the attempts to influence high-level law enforcement personnel, the judiciary, politicians, and public sector officials. The latter can occur not only by paying money, but also by exchanging benefits of different kind, which can be non-financial and is more difficult to combat by law enforcement. For this reason alone, it poses a considerable threat to the EU. Furthermore, a distinction must be made between the use of influence and corruption by indigenous groups inside their country, and by non-indigenous OC groups inside and outside the EU, but affecting the crime situation in the EU. Corruption used by non-indigenous OC groups outside the EU is more difficult to combat.</p>

1.1.3 *The working definition of organised crime used in this study, and the implications for the assessment of the link with political corruption*

This integrated report has opted for a broader definition of the phenomenon, centred more on *what groups do*, instead of focusing on *what they are presumed to be*. Some type of crime are intrinsically linked to the idea of organisation. Whether a crime is committed by an individual or by a criminal network depends in part upon the nature of the crime. Certain crimes literally cannot be committed by persons acting alone because of their complex, interactive and multi-faceted nature.

Therefore, the current study is based on a classification emphasizing the crucial distinction between organisations that simply *trade* on the market, by *producing and/or selling illegal goods and services*, and organisations that aim at *governing* the markets, by *providing services of “dispute settlement, cartel enforcement and more generally governance of illegal transactions”* (Varese 2011:12). Mafia-type criminal organisations would resemble more the second type of organised criminal group, because they operate as a governance structure mostly addressed to the underworld, such that its activities cannot be reduced merely to the supply of illegal goods (Gambetta 1993).

This distinction is the result of a more recent approach in looking at organised criminal groups, based on new institutional theory (Campana 2013; della Porta and Vannucci 2012, Varese 2011; Gambetta 1993). According to this approach, a durable hierarchical structure, the systemic use of violence and corruption, or the involvement in a multiplicity of criminal activities alongside the legal economy, are not necessary and sufficient conditions to be met in order to define an organisation as an OC type. More reasonably, these are varying conditions that might favour the consolidation of a criminal group, or that might explain the change of a group from trading on the market to governing it. In saying this, the scope of the report is limited to testing what characteristics of organised crime are more likely to be correlated with certain types of corrupt exchanges, rather than offering a new taxonomy of organised criminal groups. In the codebook, presented in the next section, we do consider some organisational features⁹, but these are sources of variation and not time-invariant conditions. In other words, the size and continuity of activity for a criminal group change over time and, more importantly, do not necessarily lead to a mafia-like type of organisation, as opposed to other more “fluid” forms of criminal gang or network. These conditions meet different structures of opportunities and constraints in the environment in which these groups operate, producing different outcomes in terms of organisational stability and the capacity to infiltrate either the legitimate economy or political institutions.

This distinction has significant implications in the way this study aims at analysing the link between organised crime and political corruption. As will be shown in the report, *trading* criminal groups might profit from corruption as an enabler for their illegal business or money-laundering activities (organised crime *as a cause* of corruption). In another scenario, when there are criminal groups offering *protection* and *government-like* services on the illegal markets, organised crime might also become a *resource* and *enabler* for corrupt exchanges, that are, as a matter of fact, illegal transactions, like any other activity and exchange banned by law.

It is important to note then that this broader definition was decided so as not to limit the scope of application of this study to hierarchically structured or mafia type organisations, but also to cover more loosely organised criminal groups involved in political corruption exchanges. Such a broad definition is sensible given the twofold dimension of the link between corruption and organised crime. Such a broad focus would refine, without any significant complication, the process of monitoring and data collection at European level.

⁹ Following Finckenauer (2005, pp. 67-70), criminal organisations, in fact, can be envisioned as being arrayed across a spectrum based upon having a greater or lesser degree of the following features: (a) Criminal sophistication, in particular the degree of planning used in carrying out crimes and the persistence across time of illegal skill and knowledge required in carrying out these crimes; (b) Structure, in regard to the existence of a division of labour with clearly defined lines of authority and leadership roles, and if this structure maintains itself over time and over crimes; (c) Self-identification, thus the participants in criminal activities see themselves as being members of a defined organisation, relying on some specific type of bonding, such as the use of initiation rites, tattoos, blood ties.

1.2 Methodology: unit of analysis, measurement strategies and caveats

1.2.1 The study of organised crime and corruption: research strategies and problems

Significant methodological problems related to cross national studies on organised crime are widely remarked by scholars, analysts and policymakers. The availability and reliability of data, the consistency and validity of measurement strategies used to assess the phenomenon, and the comparability and replicability of research and policy findings are all at the heart both of empirical science and the evaluation of organised crime activities and their countermeasures. Few cross-national and cross-organisational comparative studies have been conducted by academic and policy-oriented institutions (Catino 2014; Campana 2013; UNODC 2009). Therefore, critical to the prevention and control of corruption and organised crime is the ability to access reliable information on trends in both phenomena within and across European countries. Adequate information on on-going developments at country level of both illegal markets and penetration into the legitimate economy may provide a useful marker against which progress can be measured and changes in the nature of organised crime assessed.

In reviewing the methodology used in the most recent research and policy reports about, respectively, organised crime or corruption, and the link between these two phenomena, some concerns could be raised concerning how data were collected and research designed, as well as the extent to which the findings from these studies can be generalized. As Table 4 shows, few attempts have been made to empirically assess the link between OC and political corruption through the use of a quantitative approach (CSD). Analyses of the link indeed are usually based on qualitative data collected through expert interviews (CSD, Transcrime), without any use of primary sources, such as judicial files. The findings are often the result of a very limited number of case studies, that in some cases are drawn from foreign secondary sources (newspapers) and not those of the countries in which cases occurred (see the Report on organised crime infiltration into EU funds management).

Therefore, the comparative study of the role of organised crime groups in corruption is quite limited. Literature on the subject is either very general, providing an overview of the key principles or defining features of organised crime and corruption and drawing on various examples, or else it refers to the activities, history and trends of a specific criminal group. Comparative studies that examine the characteristics of the nexus, and having collected primary data on this, are rare (UNODC 2000). Very limited comparative assessments of the collected evidence have been presented, showing a lack in the design and the explanatory logic of the research.

By contrast, the 2002 UNODC report represents an attempt to conduct a micro-level analysis of criminal groups. In that report, the United Nations attempted a cross-national survey of the structure and prominence of different varieties of criminal organisation, involving forty criminal groups across sixteen countries. As the UN researchers could not survey the criminal organisations directly, they instead surveyed the law enforcement institutions, whose knowledge of criminal organisations might not, as the UN admitted, be necessarily representative.

“The level of prominence of the organised crime groups in question was to be determined by, among other factors, the level of media coverage of that group and the attention it had received by the police or prosecution

services. Admittedly this was an imperfect method, relying on the subjective judgement of those completing the survey. While of course other criminal groups which were more effective in their methods of operation and thus would not have received attention in the media or a visit from the police would not be covered, there would also only presumably be sketchy information about their activities in the public realm. In the end information on 40 specific criminal groups was collected.” (UNODC 2002, p. 16)

Not surprisingly, hierarchically organised groups proved more likely to emerge in the survey and were disproportionately represented. These findings might be biased, in fact, by a more effective action of law enforcement agencies at penetrating this type of organisations compared to more network-organised groups, that are traditionally less visible and tractable.

In the current integrated report the same micro-level perspective in the study of the link between organised crime and political corruption is adopted, combining it with a meso- and macro-level of analysis. Essentially, poorly developed concepts, such as the one of “organised crime”, are often the product of a selection problem concerning the unit of analysis. When we look at the actors, the literature often confuses single families with organisational orders between a number of groups¹⁰. The result is that an independent group becomes a nation-wide or region-wide conspiracy with wide and strong connections. In the same way, the hierarchical order within a group is taken as if there were also hierarchies between groups. This makes no sense when measuring the impact of groups in the respective limited areas/sectors in which they effectively operate, and especially when the link with political corruption needs to be assessed. In the case of Italian mafias, these are often qualified by the press or viewed by the population as a distinct Mafia even if in reality they do not represent an homogenous hierarchical structure under the leadership of any single individual. This clarification leads to the presentation of the research strategy followed in this report.

¹⁰ This is also noted in the UNODC report: “It is worth noting here that there is often confusion between what is termed ‘groups’ and what has, in the context of this study been termed “clusters”. Reviews of international organised crime often collapse the two. That is, by reviewing recent developments in Russian or West African organised crime as if these were single and inter-connected criminal groups in their own right. Instead broader criminal clusters, while sharing many similarities in structure and organisation among the various groups that constitute them, are not on their own definable criminal groups. They are rather conglomerations of similar criminal groups often simply labelled by the media for ease of reference” (UNODC 2002:9)

Tab. 4 A review of research on organised crime and political corruption: methods and research strategies¹¹

Author	Object	Methodology and sources							
		Statistical data, statistical and econometric inference	Qualitative analysis	Case studies	Experts' surveys and indexes	Evidence from newspapers and media reporting	Evidence from judicial acts	Evidence from experts' interviews and assessments	Evidence from secondary literature
OECD	Bribery in Public Procurement (2007)			Ten case studies analysed with a common template				Interviews with experts (observers from international organizations, delegates to the Oecd working groups on bribery, law enforcement officials, procurement specialists, professionals from 12 countries); experts' meeting	
Centre for the Study of Democracy	Examining the link between organized crime and corruption (2010)	Statistical and survey data of 105 indicators (from surveys, indexes and statistical data) assembled and analysed, 19 of them used for: (1) a cluster analysis (2) multiple regression analysis	Qualitative software aided analysis of interviews content with coding and identification of common themes.	Six country case studies (Netherlands, Greece, Italy, Bulgaria, France, and Spain).		Media review for country case studies		156 semi-structured interviews with law-enforcement, judicial, government officials and private sector representatives, academics, and journalists	Academic works, government reports on corruption and organised crime; reports and policy analyses by research institutes, international

¹¹ This review considers also EU-funded research projects focusing on organised crime and its ramifications.

								in EU-27 Member States. Approximately ten interviews for each country case study	organisations or private companies.
European Parliament	How does organized crime misuse EU funds (2011)	Statistical data on irregularities in the management of EU funds		Five case studies		Consultation of open sources – public media (online newspaper articles)		Interviews with experts at EU institutions, OLAF, Europol, Eurojust, European Court of Auditors; experts' meeting	Academic works, government and EU institutions reports on corruption and organised crime
European Commission	Identifying and reducing corruption risks in public procurement (2013)	Collection, standardisation and statistical analysis of data from existing databases – data from EU- and national databases publicly available and non-public. Assessment of procurement cases: more than 190 public procurement cases in 8 EU Member States collected and assessed in detail; additional collection and analysis of data and information on over 100 public procurement cases.		Focus on eight EU Member States case studies (France, Hungary, Italy, Lithuania, the Netherlands, Poland, Romania and Spain).	Survey with 80 answers to questionnaires (1100 submitted) from national and regional authorities, beneficiaries of EU Funds managing related procurement cases and anti-corruption and procurement experts in the EU Member States.	Online media sources		Interviews with officials at EU, national- and even regional/local-level, experts in the field of public procurement and/or corruption, media, non-governmental organisations, private sector and academia	Literature review: academic literature and policy documents, with a focus on sources published in the last 10 years

European Commission	EU Anti-corruption Report (2014)	Eurobarometer surveys of 2013 on perceptions of corruption and experience of corruption to the public and to a sample of companies' representatives; quantitative indicators and data from existing surveys (run by the OECD, the World Bank, the World Economic Forum, Transparency International, academia, etc.), from the Eurobarometer, and other sources	Qualitative assessments based on various sources in each country	In-depth case studies of EU countries made by a network of local research correspondents with external reviewers		Some media sources	Some judicial sources quoted	Experts' assessments, experts' meetings	Review on research carried out by scientific researchers, independent experts, think-tanks, civil society organisations
UNODC	Results of a pilot survey of forty selected organized criminal groups in sixteen countries		Cross-cases comparisons and development of a typology of criminal groups	14 in-deep case studies of criminal groups	This study has sought to draw upon information collected on 40 criminal groups in 16 countries across the world. Information was largely gathered through national correspondents in each of the societies concerned according				

					to a series of established guidelines and topics				
Transcrime	Study on Extortion Racketeering the Need for an Instrument to Combat Activities of Organised Crime		Cross-cases comparisons	All EU member states			Evidence from legislations	Evidence from interviews	Review on research carried out by scientific researchers, independent experts, think-tanks, civil society organisations
Europol	SOCTA, OCTA, OCRS Reports (1996-2013)		Cross-sectors analysis of the main illegal markets in Europe	Specific focus on illegal sectors: drugs, human smuggling and trafficking, fraud, cigarette smuggling, counterfeiting, weapons, environmental crimes, cyber crimes, money laundering				The reports are based on police intelligence contributions from EU member states, but no clear methodology of data collection and analysis are normally provided	

1.2.2 The research design of this report

This report has adopted *a mixed strategy in three steps*, combining together an *extensive strategy* of data collection and analysis (*large-n*) with an *intensive one (small-n)*. The aim of a mixed strategy of data collection and analysis is to create evidence-based measures of organised crime infiltration into public policies and decision-making processes (public procurement, etc.). These measures incorporate both available evidence (legal proceedings/ investigations/ official files) and expert opinion (prosecutors/police investigators/judges/policy experts) to fill gaps in the knowledge base about the link between organised crime and political corruption. Setting indicators with key experts that are based on real cases is crucial in order to create a standardized set of indicators for organised crime infiltration, and to obtain more realistic, meaningful and achievable indicators than those set by top-down methods. The first step includes an overview of the EU response against organised crime and corruption, a review of the literature and of the definitions and methods used in the previous research on this link, and the design of the codebook and of the empirical strategy of data collection.

In the second step, data collection was launched alongside the creation of the **Organised Crime & Corruption (OCC) events** database. The core focus of the OCC events database has been the collection and coding of events and cases of criminal-political exchanges emerging in the countries covered by this report. The main goal of the dataset is to explore and map the infiltration of organised crime in the three main policy sectors of interest: public procurement, the privatization of public services, and EU funds¹². Some basic information regarding the database:

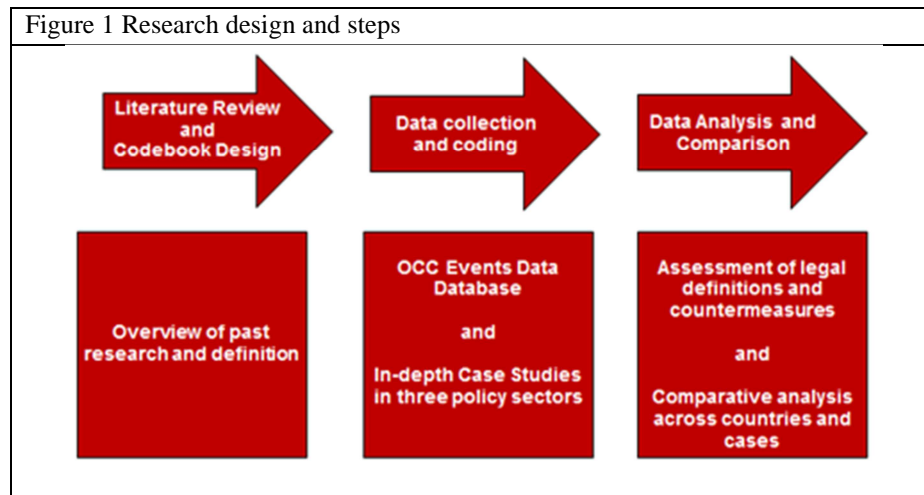
- (1) **Unit of analysis:** single case of corruption exchanges between criminal organizations and state officials in four policy sectors. Cases are at local, regional or national level;
- (2) **Time frame:** from 2008-to present, including relevant and crucial events occurring before 2008;
- (3) **Sources:** national and local newspapers and national news agencies for OCC data events database; judicial proceedings, institutional reports, NGO reports for the in-depth case studies;
- (4) **Data collection and data gathering:** A preliminary collection of events data was carried out by searching countries' news archives (newspapers' online archives or press agencies)¹³;
- (5) **Data coding:** For every event, some basic information was gathered, and then coded in the OCC events dataset. The coding is based on the codebook presented below (see also Appendix 1).

This extensive strategy of data collection has been followed by a more **intensive approach**, based on the in-depth analysis of a limited number of cases. For each country examined in the

¹² All the data about OCC events collected in the five countries have been assembled in a single database of events. In the case of Italy (see the country report), we also present a preliminary analysis of the data to show the potential of this research strategy.

¹³ Some of the keywords used for searching events include: "criminal organization" "criminal group" "organised crime" "criminal enterprise" "criminal association" "gang" "racketeering" "extortion" "mafia" "#nameofcriminalorganization" **with (AND)** "electoral fraud" "EU funds" "public procurement" "elections" "corruption" "embezzlement" "fraud" "privatization" "political finance" "electoral campaign" "public contract" "graft" "bribe" "bribery" "kickbacks" "clientelism" "patronage" "political parties" "elected officials", "public official" "public servant".

report, at least three in-depth case study reports have been provided, using other primary data such as interviews, legal proceedings to get a more in-depth understanding of the most relevant cases.



The in-depth case studies aim at:

(1) exploring in-depth the mechanisms of exchanges between corrupt actors, the channels and strategies of infiltration and potential reciprocity mechanisms between them (i.e. infiltration in the decision-making process; the use of front companies to bypass regulations on non-conforming tenders; enforcement of illegal cartel agreements to set contract offers, etc. etc.);

(2) assessing *differences and similarities in corruption exchanges* across countries and policy arenas. Case selection is based on the *relevance* of the case, the *availability* of other sources (judicial records, investigation reports, hearings, interviews with judges, police officers, journalists), type of *policy arena* (with a special focus on public procurement, privatization, EU funds management, and elections). In order to achieve robustness and comparability of our in-depth case studies, the reports are based on a common codebook for the in-depth analysis (see Appendix 1). Every in-depth case report provides background information about the case; detailed information about the actors involved and their characteristics and the mechanisms of exchange and resources used by each actor in the corruption network; and an in-depth analysis of the infiltration and manipulation strategies of ordinary policy-making procedures carried out by the actors, either criminal or institutional ones.

Nevertheless, the exercise of collecting information on individual criminal groups, while important, does not provide a comprehensive enough approach if it is not based on a clear research and empirical design. The challenge of this study is to connect both national (at the level of states) and cross-border (the expansion and transplantation in new territories) dimensions of organised crime groups in Europe. Such interconnectivity can be understood by looking at two sources of variation in organised criminality:

(1) the first is to monitor and evaluate trends of criminal groups within each MS, exploiting the variation in the “industrial” organisation of these groups and of their corrupt networks within the same European countries. This source of variation is crucial to assess how these diverse groups adapt differently to common policy settings which regulate at country-level the public sectors which they either are or are not able to infiltrate;

(2) second, it might be useful to analyse distinctive clusters of the same criminal organisation operating in more than one country in Europe (i.e. Italian mafias, Bulgarian groups or other foreign mafias that have colonized new territories). In this case, we can observe how in new territories the same groups adapt and react against changing policy settings and different opportunities for corruption.

The policy implications are in both cases dramatic. On the one hand, the understanding of within-country variation can help in evaluating the real impact of legislation at country-level. On the other hand, cross-national variation would give fundamental insights into the effects of EU regulations and the distribution of funds.

1.2.3 Sources and data acquisition: some caveats

The initial challenge faced by this study was how to gather the data required – and more specifically which data to select. For methodological motives, the approach adopted was to collect events information, rather than sending out questionnaires to a select number of privileged actors in EU MS. The choice was whether to collect information about the general situation of organised crime and political corruption in any country, or whether to collect data on specific criminal cases and groups. The mixed strategy adopted is a compromise. Each of the 5 countries involved as partners in the report was asked to collect data, insert the information in a database built following a unified codebook, and provide an in-depth analysis and an analytical overview of at least the three most prominent cases of interaction between organised criminal groups and political corruption in their country. As already explained, case selection in the in-depth analysis was to be determined by, among other factors, the availability of primary and secondary resources, access to interviews with privileged actors, and the level of media coverage. Finally, information on 47prox.. 15 specific cases was collected.

Concerning the reliability of data and selection bias problems, some caveats can be raised. As with other studies on organised crime, we were not able to control for a law-enforcement bias in case selection, even though this study uses press agency news to capture events related to corruption and organised crime connections, rather than a survey of law enforcement organisations. Thus, if this research focuses only on high-profile and better known criminal groups, this will likely nonetheless reflect only a portion of the (visible) reality of organised crime. Therefore a methodological concern applies both to this report and to other works which attempt to collect primary data on organised crime groups: “Data collected might be biased towards more visible and prominent criminal groups as opposed to less visible, unconventional and smaller groups” (UNODC 2002, p. 6). The collection of information on organised crime groups raises important questions about the reliability of that data. On this basis, two important and inter-linked conclusions can be reached on the quality of the data provided by this research. First, the sample is skewed towards cases that were more visible and relevant to public opinion, given that these cases more readily emerged – due to judicial inquiries and media coverage – and were identifiable: data collection in these cases is generally facilitated by the availability of a wider variety of sources. Second, and reinforcing the first point, given that the main aim of the OCC dataset was to develop a comparative perspective between corruption exchanges of criminal and political actors,

important details about the policy settings, including the regulations governing the public sector and decision-making processes which criminal organisations seek to capture, have received additional attention.

It will be clear from the overview of the codebook, as outlined in the next section, that this is not the only effective strategy for drawing comparisons between criminal groups. Nevertheless, the codebook variables constitute the first attempt to draw the basis for an international comparison across criminal groups. Again, it is worth emphasizing that, while on their own the data collected on each group is useful, the value added by comparing across groups and societies is significant. Even while the numbers of the events (more than 150 events) is not high enough to draw conclusions in all areas, and methodological issues are present in data collection, the study nonetheless provides a first contribution to the understanding as to how an overall European system of information collection and analysis of organised crime and corruption interactions could be constructed.

1.3 The OCC event dataset: codebook presentation

The present report integrates the approach of previous studies with an in-depth research on facilitating factors, mechanisms and implications of the “institutionalized” interaction between criminal organizations and political actors, which may develop within wider networks that can also involve entrepreneurs, bureaucrats, professionals, voters (Savona 2010; Savona et al. 2006; Calderoni et al. 2009; Della Porta and Vannucci 1997; Della Porta and Vannucci 1999). Corruption is not only a strategy for criminal organizations to obtain from public agents contingent benefits, such as lack of prosecution, or influence on the allocation of specific benefits – i.e. decision-making concerning public contracts, licenses, land-zoning, privatisation of previously public assets, allocation of funds, but it also a business for criminal organizations when they provide illegal protection to corruption exchanges. What enters into play here are the structure, mechanisms and implications of the criminal-political nexus that may emerge when cooperative interplays between these actors are not only occasional transactions, but a potentially “repeated game”. The resources of exchange within well-established criminal-political coalitions are policy-making, regulation, allocation of public funds, shielding against police and judicial prosecution on the one side; and the other side consent, electoral support, political financing and campaign contributions, influence over candidate’s selection, politicians’ careers, parties’ alliances and coalitions. In other words, in these cases the anticipated longer time horizon of interaction encourages the use of a wider set of resources of exchange – besides bribes – which may have a profound distortive impact on the quality of democratic processes, the selection of the political class, and the effectiveness of decision-making in the policy arenas on which we focus in this report.

To systematize the collection of data and information, a codebook was designed in order to acquire information through a reliable and consistent methodology, to provide a common platform for all the research partners, and to allow a comparative assessment of the problem across European countries and criminal organisations within countries.

The codebook itself consisted of approximately 20 variables, under four macro-categories: basic information about when, where and who is involved in the event; structure and activities of political actors in question; structure and activities of criminal actors in question; and resources and mechanisms of the exchanges between political and criminal actors. A short explanation of each variable is provided below.

(A) Event basic information

(A.1) CASE_ID

(A.2) CASE_Name

(A.3) CASE_Where

(A.4) CASE_Year

(A.5) ACTORS_Type

These variables provide basic information about when, where, and what type of actors are involved in the corrupt network. Actors can vary from organised criminals, politicians public servants legitimate business-entrepreneurs, brokers, professionals (e.g. lawyers, engineers, architects, etc.), voters-clients. Through these variables, we expect to explore the variety of actors, locating the exchanges in time and space.

1.3.1 Criminal actors (B)

(B.1) ACTORS_OC_Type

At the lowest level the collection of data focuses on individual criminal organisations, using the data collection strategy already explained. Across and within countries it is hoped that this will offer more variation about the structure of criminal groups, and thus on their capacity to interact with political institutions. This variable will provide information about the type of criminal organization involved in the network, either controlling more sectors in a limited territory (territorially-based) or operating in a single sector across territories, such as in the construction sector, human trafficking, gambling (functionally-based)¹⁴. As argued in the literature, the resources and services that criminal groups can provide depends on the strength of their control over territories and sectors, whether this control is unchallenged, and on the size of the whole organization (Gambetta 1993). In the case of electoral services (such as vote-buying), these are strictly territorially based (voters can usually vote only where they live), therefore we expect that territorially based groups can better sell this kind of service compared to others that, on the contrary, can better police and promote corruption in the legitimate policy sectors under their control. In the in-depth case studies, this variable is unpacked considering also the structure of the group, either vertical/hierarchical or horizontal/network. It must be recognized that the nature of organised crime in a range of societies does not resemble the structured hierarchies of the popular imagination. In contrast, and as already emphasized, criminal enterprises are dynamic and often

¹⁴ EUROPOL identify four main categories of OC groups: (1) principally territorially based, indigenous OC groups, with extensive transnational activities; especially such with possibilities to shield their leadership and assets even inside the EU; (2) mainly ethnically homogeneous groups with their leadership and main assets abroad; (3) dynamic networks of perpetrators, whose organisational setup is less viable to attack from a law enforcement perspective than their communications and finances; (4) OC groups based on strictly defined organisational principles without an ethnic component, coupled with a large international presence.

relatively loose structures, making the task of both law enforcement and research and information collection activities more difficult.

Actual criminal groups are structured in various forms ranging between two “polar” models: 1) Criminal groups with a vertical structure, relying on classic hierarchies and operating with different levels of ‘officers’; 2) Horizontally structured groups, functioning as networks with a cellular structure and less rigid or permanent hierarchies (Catino 2014; Europol 2013). Between these two models there are varying forms of other organisations, and their typical features are not necessarily mutually exclusive, but any of them can be classified as closer to one of the two “ideal-typical” hierarchical or network-like models. Groups can in fact along time adapt to the characteristics of either, or even both, models.

According to Europol (SOCTA 2013), more than 40% of criminal groups have a ‘network’ type of structure, which suggests that criminal groups are becoming more networked in their organisation and behaviour than has previously been, or was perceived to be, the case¹⁵. These findings carry significant implications for the formulation of countermeasures, and also affect the way these groups can interact with political institutions. Given the above explanation, in this report the standardized system for examining trends in the organisational development of organised crime groups consists of two components – that of “horizontal” and “vertical” structure.

Numerous factors affect changes in the structure and behaviour of criminal groups, such as: demographic factors (country and nationality); the local structure of both legal and illegal markets; and regulatory environments (Moro & Sberna 2014; Catino 2014). In the case of Italy, for instance, we observe significant variation among criminal groups, having different structures in the regulation of both internal and external transactions (see Table 5). As the chapter on Italy will show, these differences affect the opportunities of these groups to interact with political actors, and their capacity to infiltrate policy sectors.

(B.2) ACTORS_OC_Buss

Information about the type of criminal organization involved in the network, i.e. provider of illegal goods and services (economic syndicate) or provider of protection-racket (power syndicate).

(B.3) ACTORS_OC_Time

Information about the continuity of the criminal organization involved in the network, whether this emerged recently or can rely on a long-lasting presence in the same territory/sector. We expect that more enduring groups, and hence more institutionalized, can offer a larger variety of resources to political actors and develop more reciprocal interdependence with them.

¹⁵ According to Europol (2013, p.34), “in avoiding formal organisational structures and adopting a more flexible hierarchical organisation, criminal groups enhance their ability to obscure their activities and pursue their criminal objectives. Criminal groups often adopt a shared (or ‘group’) leadership approach and/or a flexible hierarchy. The fact that many criminal groups currently employ a group leadership approach is an important qualitative change, which emphasises, among other things, group effort, complementarity of skills and enhanced collaboration among leaders. [...]The simplest form of the shared leadership approach sees two leaders in charge, but there have also been reports of bigger leading teams, which are occasionally referred to as core groups. Core groups direct wider criminal networks and have a relatively stable and cohesive membership. They are often comprised of individuals with a shared national, ethnic or language background and are in certain cases related through familial or kinship ties”.

	Size	Cosa Nostra	Camorra	'Ndrangheta
<i>Commonalities</i>	Number of members	Around 5,000	Around 6,000	Around 6,000
	Number of clans	101	99	155
<i>Type of organizational order</i>		Vertical	Horizontal	Vertical
	Higher levels of coordination	Present (three levels: mandamento, provincia, cupola)	Absent	Present (three levels: locale, mandamento, provincia)
	Power structure	Centralized	Distributed, polycentric	Centralized
	Decision making processes	Systemic	Clan-based	Systemic

(B.4) ACTORS_OC_Level

A measure of the level of trans-border operations was made simply by assessing the number of countries in which the group in question was estimated to be active. While this was not possible in all cases due to the paucity of information on which countries groups were active in, some attempt has been made to provide information. The level of activities is also linked to the identity issue of the group. More local groups are expected to have a stronger ethnic basis, compared to transnational groups that can sometimes have similar social backgrounds, but cross-ethnic identities.

1.3.2 Political actors (C)

(C.1) ACTORS_POL_Type

Information about the type of political actor involved in the network, either an individual (single official or politician) or a collective organization (e.g. parties, party faction). This variable provides insight into the political channel involved in the corrupt exchange, whether this is either a single political actor/leader or an organised group, such as a party faction or the whole party. Several implications about the type, the mechanisms and the resources of corrupt exchanges can be drawn based on this variable.

(C.2) ACTORS_POL_Gov

Information about the type of political actor involved in the network, either an elected official (belonging to in-government or opposition parties) or an unelected one (as in the case of a politician who is appointed in a public organization, or is member of the party-in-office as party treasurer).

(C.3) ACTORS_POL_Level

Information about the governance level of the political actors involved in the network, whether this is at local, regional, national or transnational level. Literature on organised crime and corruption has shown that criminal groups have diverse opportunities, preferences and chances to

capture the different levels of governance (Allum, 2012; Moro, Petrella & Sberna, 2014; Olivieri & Sberna 2014; Gambetta 1993; Kelly 2000; Godson 2000; CSD 2010). Some studies argue that local government is more likely than higher levels of politics or governance to be penetrated by organised crime (Allum 2012; CSD 2010). This depends on many conditions, such as: the capacity of the group to profit from economies of scale; to control large territories or to coordinate its activities across territories with other criminal groups; and the structure of the political markets at the different levels (more or less political competition among candidates/parties).

1.3.3 OCC link (D)

(D.1) OCC_Case_Type

Information about the arena of exchange between criminal and political actors, either the political market (elections and party politics) or policy making (e.g. public procurement, policy sector regulations, policy implementation).

(D.2) OCC_Mechanisms_Type

Information about the mechanisms of exchange between criminal and political actors. Exchanges between political actors – both at individual, faction and party level – and criminal organizations can emerge as a consequence of their control of valuable resources in the policy sectors on which we focus in this report. The search for electoral consent by political actors and their influence over decision-making processes in public contracting, privatization and EU funds allocation makes them potential partners in cooperative interaction with criminal organizations, which may in turn offer resources coming from their operation in various legal and illegal markets, as well as protection.

In Table 6 a very general framework for the analysis of four ideal-typical models of interaction between criminal organization and political actors is presented. Key variables are:

1. the characteristics of the criminal organization, distinguishing between (a) a relatively centralized, hierarchical and monopolistic structure capable also of producing and providing protection, and (b) a more dispersed and competitive network of criminal firms operating in illegal markets.¹⁶
2. the characteristics of the political actors, distinguishing between (a) strong figures, i.e. politicians (or parties/factions) with self-sufficient bases of consent rooted in the territory, which can be translated into an enduring influence over the public authority, and (b) weaker political actors having a limited autonomous role in decision-making processes.

Both criminal and political actors are subject to different sources of uncertainty concerning their capability for enduring activity. Political uncertainty is a consequence of democratic processes, where the investiture of power within certain public roles derives from the outcomes of unpredictable electoral competition and political negotiations. Criminals' uncertainty is a consequence of the illegal and violent nature of their activities and interactions. A demand for *protection* against uncertainty therefore emerges in both contexts.

¹⁶ This is a radical simplification: structural features of organised crime could be better analysed as a continuous variable ranging from a more hierarchical to a polycentric network (Williams 2001)

The degree of institutionalisation and the strength of both political and criminal actors – as expressed in elementary form by the variables in table 3 – is associated with their time horizons and therefore their “bargaining power”, affecting the nature of their relationships. As their time horizon extends, in fact, their credibility and reliability as guarantors increases, as they become more trustworthy providers of protection against others’ sources of uncertainty (Gambetta 1993, 33).

Symbiosis

Especially when long lasting relationships are expected on both sides, political resources – which require time to be organised and mobilized – can be used in transactions between politicians and criminal organizations, complementing money and intimidation. What emerges is a *symbiotic relationship* of reciprocal protection between political and criminal actors.¹⁷ No specific exchange-commodity is intended to reciprocate the deal, but there rather exists a wider and durable reciprocal protection agreement. As expressed by the Italian Parliamentary Anti-mafia Commission: “It is natural for the Cosa Nostra to influence votes. Its influence results not from an ideological choice but instead from a search for advantage, from exploiting fully its roots in the society and territory” (CPMF, p. 16). Using their capability to influence the electoral process, criminal actors obtain a long term access over decision-making involving their political counterparts, as they have also resources of violence and intimidation to self-enforce the deal. Only criminal organizations with a relatively centralized internal apparatus, having a sort of “dominance” over territorial spheres of licit and illicit activities, as agencies for the provision of private security akin to the *power syndicate* described by Block (1983), can become reliable partners in these political exchanges.

If political actors are considered strong and potentially durable partners, their political protection becomes a valuable resource for criminal organizations, which can obtain from them access to public decision-making and the expectation of impunity. When symbiotic cooperative relationships prevail, political and criminal actors operate as reciprocal protectors in their respective spheres of interest and activity. Thus, they ultimately strengthen each other, reducing uncertainty in their future prospects in political and illegal markets. The resulting equilibrium may be quite robust, as the decades of fairly peaceful and fruitful exchanges between Sicilian Cosa nostra and Christian democratic factions and leaders seem to demonstrate (della Porta and Vannucci 2012).

Colonization

The scenario changes when there is a higher level of uncertainty about political actors’ stability in charge and authority in decision-making. Different strategies are available for relatively strong and “stable” criminal actors lacking trustworthy political protectors. First, they may try to replace missing parties by promoting the creation of new political organizations, or to colonize de-structured parties with members of the criminal organization who will be elected or appointed to public roles. Second, they can continue to operate as guarantors in exchanges where political actors

¹⁷ Symbiosis is the outcome of a *cooperative exchange relationship* between strong criminal and political actors, which we analyse here. Obviously, this is not the unique possible ending of the story: open contrast and conflict is the opposite result, when interactions are punctuated by homicides and intimidations on the one side, strict regulation and prosecution on the other.

are involved (votes, public contracts, EU funds, etc.). Finally, criminal actors can limit their interactions to the buying – with bribes – of specific services from politicians or party administrators.

Gatekeeping

When criminal organizations are more unstable, competitive and decentralized, they become less credible in the mobilization of electoral support, which requires enduring commitments and roots in the local society. As a consequence, they can less effectively safeguard their political counterparts against uncertainty in the electoral and political processes. Nevertheless, akin to enterprise syndicates, criminal organization can reinvest a quota of their illicit profits in bribing and political financing, in order to obtain specific privileges, administrative and judiciary acts, favours, as well as a general political protection against risks of prosecution, or a selective prosecution against competing criminal firms.

As long as political actors are expected to be long-lasting and reliable partners, criminal actors have an incentive to buy from them a wide-ranging political protection, for instance to reduce the uncertainty – and severity – of legal enforcement, to expand “life-expectations” of their criminal careers, to obtain competitive advantages against competitors, to obtain influence over the allocation of contracts, privatized assets, and EU funds. Money flows here can be quite frequent and intense, and not necessarily bound to a specific favour as in corrupt deals, since it is reciprocated by politicians with a protective shield against uncertainty in criminal activities. Politicians guarantee a gatekeeping of criminal organizations for access over a wide-ranging set of political decisions, which is reciprocated mainly by economic resources.

Neutrality

When both political and criminal actors lack solidity and organizational strength, they cannot supply each other with durable safeguards. They may coexist with limited interactions; even so, they enter into occasional advantageous exchanges. In this case, as the time horizon shrinks, contingent transactions will likely involve limited and well-defined resources. This is a potential setting for “ordinary” corrupt exchange, i.e. bribery in the simplest form, as a transaction where bribes are at stake as a quid-pro-quo for precise political favours, rather than as a financial support for unspecified and general future rewards. Actually, corruption is a sort of natural substratum in every arena where criminal and political actors interact. To pay politicians, officials and magistrates, or to corrupt police agents so that they close their eyes to illegal trafficking, is often a necessary condition for criminals to reduce the risks of those activities and to crush competition: “Organised crime almost always involves corruption” (Maltz, 1985, 24)¹⁸. If bribery is observable

¹⁸ Since the costs that public agents can impose on illegal operators are particularly high “corruption has a centrality for illegal markets that it does not have for legal markets generally” (Reuter, 1983, 123). The profits coming from illicit activities can be reinvested in corruption, in order to be exempted from the application of the law or to acquire more rigorous enforcement against their competitor (Benson, 1988, 75). Corruption can then contribute to the creation of a dominant position in illegal markets. Organised crime demands long-term corrupt relationships with public agents who have the power to sanction them; these effort “can be undertaken only by a fairly large firm that has reason to expect that it can enjoy most of the market and get a satisfactory return on the investment” (Schelling, 1984, p. 164). In fact, “this expectation of mutually profitable contracts between repetitive violators and enforcers (...) explain the development of organised crime: an organization is engaged more continually in violations than its individual members

in all the four exemplified models presented in our typology of figure 1, only in this context does it tend to become the prevailing, if not exclusive, mode of interaction between criminal and political actors.

Table 6 Four models of exchange interaction between political actors and organised crime		CRIMINAL ORGANIZATION	
		<i>Centralized monopolistic organization</i>	<i>Competitive criminal networks</i>
POLITICAL ACTORS	<i>Strong and enduring influence over decision-making, with autonomous bases of consent</i>	(I) Symbiosis Criminal organizations as stable, long-lasting organizers of electoral support, bribe collection activity regulated by organised crime in public procurement and other sectors; impunity guaranteed to criminal actors through political influence over law-making, regulation, enforcement activities.	(III) Gatekeeping Political parties/actors as gatekeepers for various criminal firms seeking business in public markets, immunity and protection
	<i>Weak and uncertain influence over decision-making, with limited bases of consent</i>	(II) Colonization Criminal actors entering directly into political competition through their influence on party selection of candidates; enforcement of political alliances; criminal colonization of local governments and party structures	(IV) Neutrality Criminal organizations as occasional partners in short-term corrupt exchanges of different resources (bribes, public contracts, funds and licenses, favours, etc.) with political actors

(D.3) OCC_POLMAK_Type

Information about the type of infiltration of criminal organizations in policy-making: public procurement, liberalization/privatization, EU funds management, others.

(D.5) OCC_POLMAK_OC_Type

Information about the infiltration strategy carried out by criminal organizations to penetrate the policy-making process: (1) through companies directly owned by the criminal group; (2)

are, and can, therefore, make arrangements with judges or police that would not be feasible for these members” (Becker and Stigler, 1974, p. 4).

through shell companies indirectly owned by the criminal group; (3) through companies using the proceeds of criminal organizations.

(D.6) OCC_ELECT_Type

Information about the infiltration strategy carried out by criminal organizations to penetrate the political market. Generally speaking, criminal organizations' influence over political decision-making may be obtained voluntarily by political actors exchanging with them: political resources, i.e. organizing votes and consent, influencing candidate selection or post-electoral bargaining; economic resources, i.e. providing money and financial support to political actors, or simply bribing them; coercive resources, i.e. intimidation or elimination of political rivals, arranging electoral fraud.

(D.4) OCC_Resource_Type

What type of resources were used in the corrupt exchange? This variable provides information about the different resources used by the actors: information, reputation, intelligence, money, votes, intimidation. Criminal groups are often associated with the use of violence, which has long been regarded as one of organised crime's defining characteristics. Organised crime groups use violence against their own members in the absence of alternative enforcement systems, against rival groups and others in conflict with them as well as against the victims of their criminal activities. The use of violence is costly and often counterproductive and almost always attracts unwanted law enforcement attention and retaliatory actions. The negative implications of using violence encourage most criminal groups to constrain severely the use of coercion in the pursuit of their activities. Violence is used by most criminal groups only in a measured, deliberate and premeditated manner and when deemed strictly necessary. However, some criminal groups use violence as an integral part of their strategy. In these cases, violence is used to intimidate witnesses, to extort money and collect debts, to coerce people to take part in or facilitate criminal activities, to forcefully take over businesses, to consolidate a group's position in a certain crime area and as part of robberies and other property crimes.

Chapter II.

Public policy arenas and the criminal-political nexus

2.1 Introduction. Assessing the link between organised crime and policy arenas

This integrated report focuses mostly on the influence that organised crime may exert through several mechanisms – foremost among them the corruption of politicians and public servants – within three policy arenas: (a) public sector contracting; (b) allocation, management and control of EU funds; and (c) privatisation of local public services. Our in-depth analysis on seven country-level case studies (Albania, Bulgaria, Croatia, Georgia, Hungary, Italy, Kosovo) will provide (see section 2) a first empirical assessment of the nature, dimension, mechanisms and impact of the interactions between organised crime and public/political actors. In this section some preliminary considerations concerning the framework of the corresponding decision-making processes will be presented, highlighting the “structure of opportunity” that may facilitate or impede the infiltration and influence of criminal organizations, the resource of exchange used by the different actors involved, and the formal and informal mechanisms that facilitate interrelations and networking among them.

In any public sector four different types of decision-making processes can be identified, differing according to the nature of opportunities for corruption they generate, and consequently the mechanisms used and the resources involved in the illegal trade.

1)) The demand from public agents of goods and services offered by private agents. A rent is created remunerating private resources above their value, i.e. their normal market price: with the payment of a bribe the rent is shared between corrupt agent and corruptor. Consider, for example, contracts for the supply of goods, services, or for public works, when the burden on public budgets is higher than their current market price.

2) The offer - by sale, distribution or direct assignment - of goods, services, rights, and other resources to private actors by public agents who produce or administer them. The rent is created when the public agent accepts a price lower than private actors' willingness to pay – when no price has to be paid the rent corresponds to the full increase in value: e.g. the sale of real estate or shares in a municipal corporation at a lower price than market evaluation; the concession to the use of a state property at a fee lower than the market price; the assignation of public grants and subsidies.

3) The enlargement of the sphere of property rights which individuals can exercise over the resources they own, following the adoption of new regulations, or passing new legislation, or through a selective allocation of licenses, permits, concessions and other entitlements to the exercise of economic activities. The rent in this case corresponds to the increase in the value of private resources resulting from the application of new regulations or assignments of rights. Consider, for example, an amendment to the land zoning plan raising the market value of land; or the allocation of licenses for the exercise of profitable economic activities.

4) The enforcement and sanctioning in case of violation of the rules (e.g. a fine), or the adoption of measures that have a cost for individuals, narrowing the sphere of rights exercisable

(e.g. the revocation of a license or a concession). A rent is created by public agents not applying the punishment/ penalty, or mitigating its burden on the liable party. Its value corresponds to the cost avoided by the private actor, quantified as the willingness to pay to avoid such a measure. Consider, for example, a judge or a supervisor of private activities neither disclosing nor pursuing abuses or irregularities, allowing the private actor to avoid penalties and other drawbacks associated with his conduct.

To summarise: in the first case the corrupt agent entrusted with public decision-making power *demand*s (purchases) private resources (as in the case of public procurement); in the second he *provides* (sells) or *distributes* rights and public resources (as in the case of privatization of formerly public services and certain mechanisms of EU funding allocation); in the third he *regulates favourably* the use of private resources (as in the case of the privatized delivery of local services); in the fourth he *punishes* violations or *regulates disadvantageously* the use of private resources. In each of these contexts, the public agent has at his disposal different types of resources: the power to make decisions or not, confidential information and protection.

The vulnerability to the influence and infiltration of criminal organizations of the policy sectors here considered depends upon several factors. Among them are:

- a. The substantial amount of public resources allocated through these mechanisms allows ample rents to be collected by criminal organization through their corruptive influence. Moreover, especially in public procurement and in the allocation of EU funds, the rent-seeking and predatory activity of criminal organizations is realised on a regular basis, since cash flows into public purchases, public works and EU investments tend to be relatively stable year on year.
- b. Public procedures, privatization of local public services and allocation of EU funds are sectors of legal activity, but within their operation a market for corruption can emerge. Criminal enterprises may then enter as one of the actors involved in the network of corrupt exchanges, using their specialized “know-how” in illegal activities, reputation, violence and intimidation potential to defeat “legal” competitors, obtaining funds and other benefits.
- c. Corrupt exchanges and collusive agreements among politicians, bureaucrats, entrepreneurs and other actors operating in these policy activities take place within an illegal market, where mafia-like criminal organizations can enter as providers of regulation and enforcement services, precluding or settling disputes among participants in illegal deals, discouraging defection and denunciation (Gambetta 1993; Gambetta and Reuter 1995). As suppliers of protection to participants in corrupt and collusive deals, criminal organizations lower the corresponding transaction costs, allowing for the growth on a larger scale of illegal exchanges: a real “demand” for mafia enforcement services emerges in the corruption of public procurement, privatization and EU funds management, as well as in other illegal markets (della Porta and Vannucci 2012).
- d. The complexity of the legal framework and procedures in the sectors considered – due to the overlapping of European legislation, national and regional laws and regulations – increases uncertainty regarding the final output of the corresponding decision-making process, and also increases the recourse to legal disputes. Criminal enterprises, as a powerful actor able to influence decision-making and infiltrate within public sector organizations, can profit from such conditions thanks to loopholes, red-tape and bottlenecks used to bypass controls and avoid an effective implementation of rules.
- e. Public procurement activities, EU funds and the privatization of local public services –

- especially in the case of lower-value deals, contracts and subcontracting – are particularly exposed to criminal organizations’ investments in criminal assets and money laundering, since state controls over firm activities and their budget management are generally less effective than in other sectors (banking, finance, etc.).
- f. Entering into these policy-making sectors allows criminal actors to establish profitable relationships with a wider set of individuals – politicians, high-level bureaucrats, technicians, professionals, entrepreneurs, middlemen, etc. – from whom they may obtain further benefits, ranging from social legitimization to protection from legal prosecution. In other words, they have facilitated access into a “grey area” of collusive and cooperative relationship with influential public and economic actors (Sciarrone, 2011). The acquisition of such a legal appearance may also help criminal groups to dissimulate the “dark side” of their illegal activity. Especially in countries – such as Italy and France – where local criminal elites have a long history of collusion with local administrators, “in recent decades their involvement in ‘white-collar’ crimes, such as EU funds fraud, public contract rigging, and real-estate fraud has allowed them to transform their relationship to politicians into a more socially acceptable form” (CSD 2010, p. 73).
 - g. Through often having their illegal activities concentrated over circumscribed areas, criminal organizations can also exert a strong influence on public agents and politicians, especially at local level, e.g. in smaller municipalities. Their capability to influence the electoral process can then become a crucial resource to be used, besides bribes, reputation, intimidation, and discouragement of political and economic competition, as a tool to infiltrate and influence policy decisions and the allocation of public resources in the sectors considered – especially in lower-value contracts, EU funds management, and the privatisation of local services. Moreover, the capability to control or affect such decision-making processes – often among the most relevant economic activities in those areas – assures criminal organizations a source of social legitimization to increase their consent, since it also allows them to influence the allocation of jobs, services, contracts, subsidies, and money. At the end of this process, the criminal group’s control over a given territory is almost complete.
 - h. The contiguity of criminal organizations with flows of public funds facilitate their hidden appropriation of rents. Criminal groups and enterprises have a particular advantage when the allocation of resources entails the use of local providers (e.g. public works requiring concrete and other raw materials whose source must be close to the site of execution; privatization of services whose management can be profitable only for locally based enterprises, etc), labour intensive and low-level technology production.
 - i. Entering into legal economic sectors where relevant economic resources are at stake may facilitate criminal organizations when they aim to launder the proceeds of their criminal activities. Money laundering can also be realized through the network of relationships with economic actors (providers, subcontractors, financiers, etc.) that criminal groups create when involved – in different and changing roles, as will be shown – in public contracting, public service delivery, allocation of EU funds, and management of projects, especially when their counterparts encounter financial difficulties.

2.2 Public procurement

Public procurement, as the process of demand and purchasing by governments and state-owned agencies and enterprises of goods, services and works, accounts for a very relevant amount of total general government expenditure. Taking into consideration tenders published in TED

(Tenders Electronic Daily database), i.e. only those crossing certain thresholds,¹⁹ the estimated value of publicised procurement in EU countries in 2011 as a percentage of total public expenditure was 17.7%, and as a percentage of GDP 3.4%. Enlarging the picture, table 7 shows that the total expenditure on works, goods and services as a percentage of GDP in 2011 by governments and utility sectors in EU countries was 19%.

	2007	2008	2009	2010	2011
Belgium	14.8	15.4	16.6	16.3	16.4
Bulgaria	16.1	19.8	18.6	18.0	16.8
Czech Republic	22.9	24.3	25.6	24.8	23.5
Denmark	15.2	15.7	17.6	17.4	17.1
Germany	16.9	17.6	19.6	19.4	19.1
Estonia	17.4	18.8	20.9	19.6	18.8
Ireland	14.7	16.5	16.3	16.1	14.6
Greece	12.1	12.2	12.7	10.7	8.8
Spain	16.1	16.0	17.4	16.9	15.5
France	17.4	17.6	18.9	19.0	18.5
Italy	14.6	14.9	16.5	16.2	15.9
Cyprus	9.3	9.5	11.2	11.0	10.3
Latvia	20.0	16.1	20.2	20.5	20.1
Lithuania	16.3	16.2	16.7	17.8	16.0
Luxembourg	13.2	14.5	16.1	15.7	15.0
Hungary	20.7	20.3	23.1	23.2	22.1
Malta	14.1	13.5	13.8	13.4	14.0
Netherlands	26.5	27.3	30.3	30.2	29.5
Austria	19.5	21.0	22.6	22.9	21.9
Poland	18.1	18.4	20.1	20.6	19.9
Portugal	18.0	18.0	20.3	21.3	19.7
Romania	23.7	24.1	26.2	26.1	24.6
Slovenia	15.2	16.0	17.3	17.7	16.9
Slovakia	23.6	21.9	24.1	23.6	22.0
Finland	16.4	17.5	19.8	19.6	19.2
Sweden	17.6	18.4	20.3	19.5	19.0
United Kingdom	19.5	20.8	24.0	22.8	21.6
Total EU 27	17,6	18,1	20,0	19,7	19,0

Public contracting procedures, rules and controls can hardly represent an insurmountable impediment to the infiltration of criminal organizations through corruption and other forms of undue influence. Nevertheless, the ineffective or poor design of procurement rules may create a variety of opportunities for criminal groups to bribe decision-makers and therefore distort the allocation of public resources. Similar opportunities can occasionally arise from the “environment” where public tenders take place, or can be deliberately created by criminal organizations using their capability to influence the political process and policy making, especially when they are deeply-rooted within the social and economic context.

The complexity of public procurement can be assessed along two axes. In a “horizontal” dimension, public contracting procedures are used in a great variety of different situations, ranging from huge public works to small supplies. Moreover, along a “vertical” and diachronic line, as a decision-making process they are split into a succession of several steps involving different levels of government, from the definition of public needs to the evaluation of contractual performance.

¹⁹ The thresholds for publication on TED (in EUR) are 125,000 for supplies and services for central government authorities, 193,000 for supplies and services for non-central government authorities, 387,000 for supplies and services in water, energy, transport and postal services, 4,845,000 for public works contracts and concessions (Commission Regulation (EC) n.1177/2009)

Different types of procurement and different phases of the procedure create diverse opportunities for corruption (and other malfeasances) for the diverse sets of actors involved, which are also shaped functionally to the criminal organizations' activities within these networks.

The major steps in a public procurement procedure are:²⁰

a. Pre-bidding

- (1) The identification of public needs, i.e. the choice of what the public actor requests;
- (2) The allocation of financial assets required to satisfy public needs
- (3) The design of the tender, including the technical tender specifications and criteria of evaluation
- (4) Identification and qualification of the potential participants to the tender (for example through pre-assessment and short-listing)

-

b. Bidding

- (5) Selecting the winning business of the tender (through bidding procedure or negotiation of a final agreement)

-

c. Post-bidding

- (6) Contract execution or delivery
- (7) Controls and evaluation on execution

As table 8 recapitulates, at each stage several public and private actors may be involved in the network of corrupt exchanges, using a multiplicity of resources in their deals. Moreover, the role of criminal organizations, the kind of services they provide within the criminal-political network of exchanges, and the drawbacks of their influence in the decision-making processes may also vary accordingly.²¹

The role eventually played by criminal groups will change along these phases according to several variables related to the social and institutional context where the procurement procedure takes place, but also to the organizational structure and the kind of services that criminals offer to political and economic actors.

Our hypothesis is that the more a criminal organization involved in public procurement has a network-like or "enterprise syndicate" form,²² the more it will focus on the adjudication or execution/control phases, since: (a) counterparts are closer to the range of criminal groups' influence (therefore reducing identification and bargaining costs); (b) resources at stake within the network of exchange are easier to detect, assess and transmit. In fact, network-like criminal groups and criminal firms can provide only a limited and poor-quality regulation and enforcement of illegal deals, if at all. They will therefore concentrate their efforts towards the obtainment of specific contracts, subcontracts or other benefits, accruing them thanks to specific links with other

²⁰ This classification is a synthesis of previous analyses. See Soreide (2002); OECD (2005, 2007a, 2007b), della Porta and Vannucci (1999), Vannucci (2005), European Commission (2013a), European Commission (2014a).

²¹ Table 8 recapitulates and integrates findings from OECD (2005, 2007a, 2007b), della Porta and Vannucci (1999), Vannucci (2005), Savona (2010), Cannepele Calderoni and Martocchia (2009), CSD 2010, European Commission (2013a), Gambetta and Reuter (1995), Fazekas, Tóth and King, (2013), Fazekas, Chvalkovska, Skuhrovec, Toth and King (2013)..

²² On the distinction between criminal organizations as enterprise syndicates or power syndicates, already emphasized in chapter 1 of this Report, – the first performing activities in illegal markets, the latter exercising racketeering in a strict control of their territory – see Block (1983)

entrepreneurs (suppliers, equipment and machinery hirers, concrete, raw materials, etc.), entering preferably into direct, preferably concomitant exchanges – or having a limited time-lag between the offering and giving of resources – with other actors within the corruption network. As a consequence, a competitive advantage will be enjoyed thanks to corruption and the violent dissuasion of competitors by businesses sponsored by criminal organizations or directly owned by their affiliates.

When criminal organizations have a hierarchical or “power syndicate” structure, to the extent that they are capable of operating as “protection firms”, they can also satisfy with their protection services a demand for regulation and enforcement in a wider range of illicit deals along all the steps of the corresponding procurement procedure: (a) covering with a stricter control all (or almost all) corrupt (and collusive) exchanges within a certain territorial area or decision-making process; (b) including within the set of potential resources exchanged also electoral consent, political support, the allocation of financial resources, collusive agreements – i.e. exchanges which generally are located temporally and spatially far from the assignation and execution of the public contract. In other words, protection provided by mafia-like criminal organizations allows actors within the corrupt networks to ascend along the decision-making phases, influencing also the very first steps – where political and illegal exchanges are preliminary to future allocations of contracts and other resources.²³ In fact, without the forced regulation and guarantee of execution of agreements which criminal organizations provide, any “contractual agreement” on remote allocations of public resources would otherwise likely be thwarted by mutual distrust. A distortion of competition will be the outcome of the informal regulation and enforcement services provided by mafia-like criminal groups to collusive agreements among entrepreneurs and corrupt exchanges with public agents.

²³See Tanzi (1998:119) and Soreide (2002); who state that when corrupt behaviour takes place during the definition of public needs, or budget preparation (i.e. in the first phases of the public contracting procedure, when political choices are taken) political decision-makers are normally involved; corrupt behaviour during the execution phase (technical specifications, allocation of contracts, supervision on execution, etc.) will more often involve bureaucrats. In the latter case, politicians’ involvement in corruption may also occur, e.g. when they expect to gather a quote of the expected bribe, or when there is disagreement on bureaucrats’ management of the tender, which politicians can influence thanks to their power to appoint or remove high level bureaucrats, and more generally to foster or obstruct the careers of public agents.

Table n. 8 Public Procurement sector	Main public actors involved	Resources offered by public actors in the corrupt network	Main private actors involved	Resources offered by private actors in the corrupt network	Resources offered by criminal organizations in the corrupt network	Main drawbacks and side-effects
<i>(1)The identification of public needs</i>	<ul style="list-style-type: none"> • Elected politicians and councils; • Political parties; Political representatives; 	<ul style="list-style-type: none"> • General policy-making decisions; • Decisions over “rules of exception, invoking “emergency, “urgency”, “national security” conditions for the satisfaction of public needs (allowing to speed-up procedure, to dismantle controls, more discretionary decision-making) 	<ul style="list-style-type: none"> • Lobbies; • Entrepreneur associations; • Cartels; • Corporations with political influence 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes; • Political and electoral support; • Expertise and technical support in corruption for finalized projects 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals in the following phases of the procedure (steps 2 and 3); • Political support towards political decision-makers; • Enforcement of political exchanges among decision-makers and political actors • Cartel’s agreement enforcement • Bribes and irregular political financing and campaign contributions 	<ul style="list-style-type: none"> • Distortion in the identification of public needs (e.g. oversized, unnecessary and/or inadequate public works; over-dimensioned supplies and public works) • inaccurate policy requirements
<i>(2) The allocation of financial assets</i>	<ul style="list-style-type: none"> • Central governments; local governments 	<ul style="list-style-type: none"> • Decisions on the allocation of public financial resources 	<ul style="list-style-type: none"> • Lobbies; • Entrepreneur associations; • Cartels; • Corporations with political influence 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals in future phases of the procedure; • Political support towards political decision-makers; • Enforcement of political exchanges among decision-makers and political actors • Cartel’s agreement enforcement 	<ul style="list-style-type: none"> • Distortion in the allocation of public spending towards less urgent and collectively needed activities; • Shortage of resources in public budgets

<p>(3)</p> <p><i>The design and publication of the tender</i></p>	<ul style="list-style-type: none"> • Technical offices (e.g. Public e works departments, project designers); • Political actors 	<ul style="list-style-type: none"> • Decision on specific tender requirements, eligibility criteria or contract specifications to “tailor” them to corrupting firm’s characteristics and products, precluding competitive bidding; • Deliberate introduction of erroneous provisos in published tender documents to disadvantage unwanted bidders; • Information on the opportunity for tender adjudication • Information on the timing of the tender publication (for instance during holidays when competitors cannot participate.); • Information on specific contract requirements; • Decisions on limited timeframe for publication of tender and for the tendering process • Inclusion of unclear or ambiguous clauses, which can result in the exclusion of a large number of bidders and discretionary assignment of the contract; • Decision to allocate a non-competitive, no-bid procurement contract; • Politicians’ decisions over bureaucratic appointments and careers 	<ul style="list-style-type: none"> • External consultants; • Middlemen; • Technicians and professionals; • Firms; • Cartels 	<ul style="list-style-type: none"> • Information on potential corrupt agents and corruptors’ willingness and reliability; • Regular and irregular political financing and campaign contributions; • Bribes 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals in future phases of the procedure; • Political support towards political decision-makers; • Cartel’s agreement enforcement 	<ul style="list-style-type: none"> • Poor-quality projects; over-complexity of contractual provisos; • Slowing down and inefficiency of public procedures; • Sub-division of contracts to maintain them below the threshold of unwanted procedural regime • Increase of firms’ legal disputes against the state • Lack of transparency, i.e. no publication on official bulletins and journals of the call for tenders • Restriction of market competition through the introduction of specific contract specifications or eligibility criteria, • Restriction of market competition through the adoption of closed procedures; • Awarding criteria having qualitative, non-price elements; • Shortening of submission deadlines • Modification of the call for tenders
---	---	--	--	---	---	---

<p>(4)</p> <p><i>Identification and qualification of the participants</i></p>	<ul style="list-style-type: none"> • Technical offices (e.g. Public administration departments); • Political actors 	<ul style="list-style-type: none"> • Decision to exclude firms from invitation; • Decision of selective inclusion of firms; • Decision to invite fictitious bidders or those who are unlikely to submit competitive bids; • Information on invited firm to be included in a collusive agreement or deterred from participating in the tender • Political actors' decisions over bureaucratic appointments and careers 	<ul style="list-style-type: none"> • Firms; • Cartels; • Middlemen 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes • Information on potential corrupt agents and corruptors' willingness and reliability; 	<ul style="list-style-type: none"> • Internal protection and enforcement of collusive agreements among firms, i.e. deterrence of cheaters; • External protection and enforcement of collusive agreements, i.e. deterrence of outsider firms' participation; • Protection of bureaucrats' careers; • Bribes 	<ul style="list-style-type: none"> • Adverse selection of inefficient firms; • Slowing down and inefficiency of public procedures • Increase of firms' legal disputes against the state • Increase of firms' legal disputes against other firms • Restriction of market competition through the tailoring of eligibility criteria in order to exclude unwanted bidders;
<p>(5)</p> <p><i>Selecting the winning business of the tender</i></p>	<ul style="list-style-type: none"> • Contract award committee • Bureaucratic and/or political decision-makers • Judges 	<ul style="list-style-type: none"> • Discretionary choice of the winning firm; • Information on qualitative and quantitative parameters used in the evaluation to rank offers; • Political actors' decisions over bureaucratic appointments and careers • Information on and guarantee of hidden opportunities to expand the contract at a later stage, allowing the corruptor to win the tender with the lowest bid • Decision to strategically annul and restart the 	<ul style="list-style-type: none"> • Firms; • Cartels; • Middlemen 	<ul style="list-style-type: none"> • Bribes • Information on potential corrupt agents and corruptors' willingness and reliability • Hiring of "clients" and relatives 	<ul style="list-style-type: none"> • Guarantee for adjudication of the tender and payment of the bribes among participants to the corrupt exchange; • Protection and enforcement of collusive deals among firms (e.g.: deterrence against competitors); • Political support towards political decision-makers; • Protection from "undue" or unexpected requests for additional bribes • Bribes 	<ul style="list-style-type: none"> • Price increase/lowering of quality; • Restriction of market competition through direct or discretionary assignation of the contract; • Adverse selection of inefficient firms; • Increase of firms' legal disputes against the state

		<p>procedure, in order to use “emergency” procedures and avoiding the adjudication to unwanted firms</p> <ul style="list-style-type: none">• Judicial decision to annul the tender and start a new adjudication procedure				
--	--	---	--	--	--	--

<p>(6)</p> <p><i>Contract execution and payment</i></p>	<ul style="list-style-type: none"> • Political decision-makers; • High-level bureaucrats 	<ul style="list-style-type: none"> • Decision to integrate with add-ons, to modify (also thanks to available reserves for “unforeseeable” events) or to extend the contract to the advantage of the already selected private contractor; • Decision to extend deadlines in the contract execution; • Information and guarantees on future contract changes or deadline extensions; • Guarantee of fund allocations and regular payments within due terms; • Intentional speed-up or, vice versa, deliberate delay of the payment of contractors; • Political actors’ decisions over bureaucratic appointments/careers 	<ul style="list-style-type: none"> • Firms; • Middlemen 	<ul style="list-style-type: none"> • Bribes • Information on potential corrupt agents and corruptors’ willingness and reliability • Hiring of “clients” and relatives 	<ul style="list-style-type: none"> • Guarantees that promises to extend, modify or integrate the contract will be fulfilled; • Protection and enforcement of deals among firms concerning sub-contracting, supply of raw materials (e.g. concrete) and agreements for the purchase of services and goods; • Racketeering and “security” services in the execution of the contract; 	<ul style="list-style-type: none"> • Artificial sub-division of contracts in order to remain below certain thresholds which allow less visibility and more discretion in decision-making; • Poor quality of projects, supplies and contract specifications requiring later amendment • Integration and modification of contracts
<p>(7)</p> <p><i>Controls and evaluation on execution</i></p>	<ul style="list-style-type: none"> • Technical offices (e.g. Public works departments); • Inspectors; • Political decision-makers 	<ul style="list-style-type: none"> • Abstention from control or sanctioning in case of defection from contractual provisos and over-invoicing; • Information on the scheduling and content of checks; • Protection from legal disputes for non-fulfilment of the contract; • Political actors’ decisions over appointments careers 	<ul style="list-style-type: none"> • Firms; • Middlemen; • Professionals (lawyers, accountants, businessmen) 	<ul style="list-style-type: none"> • Bribes • Information on potential corrupt agents and corruptors’ willingness and reliability • Hiring of “clients” and relatives 	<ul style="list-style-type: none"> • Protection from legal disputes; • Protection from problems in quality checks and controls • Bribes 	<ul style="list-style-type: none"> • Bad contractual performance or violation of contractual proviso (e.g. through rendering of fictitious work, missing of deadlines, inflating the work volume, changing orders, using lower-quality materials) • Court rulings against the contracting public authorities

2.3 Privatisation of local public services

Privatization of public assets has increased in the last decades in EU countries – as well as in the rest of the world – involving all levels of government. Privation implies in fact the selling of the property (or shares in it) of formerly public enterprises and bodies to private entities, usually firms. Public bodies seeking to reduce costs have in fact turned to private sector organizations to provide some of the public services previously provided by government

The spread of privatization processes and the consequent delegation to private actors of the production and delivery of certain services (e.g. waste management, water, local transport, energy, gas, etc.) is grounded in the theoretical assumption that market competition is a more efficient way to provide them, pushing firms towards a more dynamic, innovative and efficient management of the corresponding production processes, therefore allowing citizens to enjoy a greater freedom of choice at a lesser cost (Meggison and Netter, 2001). Serious concerns, however, have emerged grounded in both theoretical and empirical considerations, focusing on the drawbacks of the privatization processes in terms of deterioration of service quality and employment conditions, social inequalities, undue rents collected by private (or semi-public) firms, increasing prices or tariffs, and monopolizing the production and delivery of services – especially in case of privatization without liberalization. Corruption may negatively influence the privatization process as well (Puntillo 1996; Turnovec 1999; Manzetti 1999). As Joseph Stiglitz (2002, p. 58) states: “Perhaps the most serious concern with privatization, as it has so often been practiced, is corruption. (...) Not surprisingly the rigged privatization process was designed to maximize the amount government ministers could appropriate for themselves not the amount that would accrue to the government’s treasury let alone the overall efficiency of the economy.” The decision to sell public assets and rights at a lower price than market value, or to offer favourable regulatory conditions or a monopolistic position in the post-privatization market are in fact valuable resources for businesses, which can be willing to pay bribes in order to appropriate such rents. Besides these potential shortcomings, there is a more specific risk that during the privatization of public services opportunities are created for criminal organizations to enter into potentially lucrative businesses. In fact, production and delivery activities of local governments, as in the case of public procurement, are particularly vulnerable to mafia-like infiltration, racketeering, and protection, since the geographically confined but pervasive capacity for social control and political influence of certain criminal groups can be strengthened through a likewise monopolistic management of relevant economic activities within the same area.

Especially in former-communist Eastern, Balkan and Baltic states the historic legacy of large-scale privatisation of state assets – in the early 1990s, between 70% and 100% of property was state owned – has produced ample opportunities for criminal organizations to infiltrate the process: “Instead of guarding the legality of this process, law enforcement and the judiciary often profited from it. As a result, today’s economic elites are often part of the above described networks. The abuses of privatisation processes, much like public tenders today, attracted organised crime and provided it with opportunities to accumulate economic power and legitimacy. In a period when access to capital was limited and foreign investors wary, criminal profits were invested in privatisation” (Center for the Study of Democracy, 2010, p.65).

Decision-making processes aimed at the privation of local public services may be considered analytically as a succession of steps, which may however vary to a certain extent

according to specific national or local regulations. While in public procurement public agents *buy* assets from private actors, *supervise* and eventually *sanction* their defection from contractual terms, in this sector public agents have generally the power to *sell* and *regulate* the allocation to private actors of previously public services, and eventually *control* and *enforce* the associated conditions for their provision.

Each of the phases considered involves different sets of actors, who can play a role using their resources within the political-criminal nexus.

- (1) The decision to sell to private actors property (full or partial) of public enterprises or organizations providing services to citizens under certain regulatory conditions; or to sell to a private organization the rights to provide previously public services;²⁴
- (2) The selection of the procedure used to identify potential buyers of public assets;
- (3) Assessment of the potential value of public assets to be privatized;
- (4) Selection of the buyer(s) of previously public assets through public offer, competitive bidding, private negotiation;²⁵
- (5) Monitoring of service delivery by private actors and sanctioning in case of violation of regulatory provisions.
- (6) The decision over regulatory change for service delivery provided by private actors.

Table 9 summarises the main public and private actors potentially involved – besides criminal organizations – in the network of corrupt exchanges, the resources at stake and the main drawbacks to their corruptive activities within the privatization processes of local public services.²⁶

The above presented picture challenges a conventional view that privatization can decrease the diffusion of corruption by removing the management of activities from state control, thereby letting market-driven impersonal mechanisms substitute corruption-prone discretionary decision making. On the contrary, the process of transferring public assets and the delivery of public services – especially at local level – into private hands creates lucrative opportunities for corruption. As in any illegal market, criminal organizations and enterprises may be willing to enter directly into this hidden competition for the allocation of rents, or to regulate and enforce corrupt deals among other participants – among them politicians, who can also strengthen their position with the consent channelled by criminal groups.

As with the policy setting previously considered, so too with the privatization of local

²⁴ Other forms of *formal* or *functional*, improperly defined as privatization of public services, consist rather in the mere attribution of the corresponding production and delivery activities to a public entity formally taking a private-like structure (e.g. a publicly owned limited liability company); or in a partial deregulation allowing some private actors to enter into a sector where nevertheless the public provider maintains a dominant role.

²⁵ Different strategies may be adopted by governments to transfer public services to private agents. The public offering of shares implies the creation of a public company, i.e. a private business where property is widely diffused among shareholders. Competitive bidding involves a process – akin to competitive public procurement – whereby private companies bid to provide the previously public service. Government entities, both at state and local level, regulate through procedures the bidding procedure, usually following general principles of competition, publicity, transparency, and non-discrimination aimed at selecting the best private provider. Private negotiation instead is close to the discretionary assignation of a contract in public procurement: in this case, the private provider of public services is selected through a direct bargaining process with a predetermined business. Another privatization mechanism – not considered here – consists in the distribution of vouchers to certain categories of citizens, who can freely choose among a set of private and public providers from whom they can buy the same service.

²⁶ Table 9 recapitulates and integrates findings from della Porta and Vannucci (1999), Bjorvatn and Soreide (2005), , Rose Ackerman (1999), Turnovec (1999), Manzetti (1999), European Commission (2014a)..

services we may assume that a network-like or “enterprise syndicate” form of criminal organization encourages the eventual concentration of activities and influence on the selection of private buyers and monitoring control, when the resources at stake can be more straightforwardly detected and measured, and counterparts in the corrupt exchange are easier to identify, supervise, intimidate, and sanction. The opportunity for criminal enterprises to concur as participants – openly or behind the scenes – in the process of privatization and in the subsequent delivery of local services (having a direct influence on both an occupational perspective and social welfare) furnishes to the criminal group a further channel of social control and influence on politicians, bureaucrats, and entrepreneurs. Moreover, the role or the monopolistic position of criminal groups in certain illegal markets can be strengthened by the enlargement of their network of exchange with corruptible public agents.

Criminal organizations having a more hierarchical or “power syndicate” structure, akin to “protection firms”, will be relatively more apt to also provide guarantees that illicit deals will be concluded smoothly within the networks of systemic corruption even in the first steps of the privatization process. Reputation, violence and intelligence in fact allow mafia-like criminal groups to reduce transaction costs discouraging opportunism and defection – which are a consequence of the long time horizon of promises on future fulfilment and uncertainty regarding the stability of the political and economic actors involved. Besides corrupt and collusive agreements among participants to the privatization process, criminal groups can also regulate and enforce transactions and agreements involving support for policies, coalitions, votes, and electoral consent, i.e. within political markets. As a consequence, actors within the political-criminal nexus can count on a more stable decision-making framework and economic environment where the delivery of public services takes place, extending to a longer term the expected perspective of future cooperative interactions.

Table n. 9 Privatization sector	Main public actors involved	Resources offered by public actors in the corrupt network	Main private actors involved	Resources offered by private actors in the corrupt network	Resources offered by criminal organizations in the corrupt network	Main drawbacks and side-effects
(1) <i>The decision to sell to private actors property of public organizations</i>	<ul style="list-style-type: none"> • Elective politicians and councils; • Political actors and parties; • Political representatives; • Local governments 	<ul style="list-style-type: none"> • Decision to privatize delivery of formerly public services • Information on future opportunities to manage public services • Guarantee of future assignation of rights to public assets • Guarantee of favourable and profitable regulatory conditions. Protection against potential Court decisions to overturn the privatization process 	<ul style="list-style-type: none"> • Lobbies; • Entrepreneur associations; • Corporations with political influence 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes; • Political and electoral support; • Information and technical support aimed at justifying privatization 	<ul style="list-style-type: none"> • Guarantee of assignment of private rights over privatized assets to the corruptor in the following phases of the procedure; • Political support towards political decision-makers; • Enforcement of political exchanges among decision-makers and political actors • Bribes and irregular political financing and campaign contributions 	<ul style="list-style-type: none"> • Unnecessary privatization of public assets and services • Market concentration • Waste of public resources and loss of social welfare • De-legitimization of public bodies
(2) <i>The selection of the procedure used to identify potential buyers</i>	<ul style="list-style-type: none"> • Local governments • High level bureaucrats • Privatization Authority 	<ul style="list-style-type: none"> • Decision to adopt procedure with higher discretionary powers • Decision to include in the shortlist of prequalified bidders • Decision to restrict participation of bidders • Information on conditions for future delivery of services 	<ul style="list-style-type: none"> • Entrepreneur associations; • Businesses willing to obtain future delivery of public service • External technical consultants 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes • Information and technical support aimed at justifying the selection of a certain procedure 	<ul style="list-style-type: none"> • Guarantee of assignment of private rights over privatized assets to the corruptor in the following phases of the procedure • Guarantee of collusive agreement deterring competition in the delivery of services • Political support towards political decision-makers; • Bribes and irregular political financing and campaign contributions 	<ul style="list-style-type: none"> • Inefficiencies in the future provision of public services • Increase of social inequalities • Deterioration of employment conditions
(3) <i>The assessment of the potential value of public</i>	<ul style="list-style-type: none"> • Technical offices (e.g. Engineering or public administration departments); • Political actors and parties 	<ul style="list-style-type: none"> • Decision to evaluate and sell public assets at a lower price than their potential market value • Political actors' decisions over 	<ul style="list-style-type: none"> • Entrepreneur associations; • Businesses willing to obtain future delivery of public service 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes; 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals • Political support towards political decision-makers; 	<ul style="list-style-type: none"> • Underestimation of the value of public assets privatized, i.e. of the services provided

<i>assets</i>	<ul style="list-style-type: none"> • Privatization Authority 	<p>bureaucratic appointments and careers</p> <ul style="list-style-type: none"> • Information on actual economic condition of public organization to be privatized 	<ul style="list-style-type: none"> • External technical consultants 	<ul style="list-style-type: none"> • Political and electoral support; • Information and technical support aimed at justifying lower price and favourable regulatory framework 	<ul style="list-style-type: none"> • Bribes and irregular political financing and campaign contributions 	
(4) <i>The selection of the private buyer</i>	<ul style="list-style-type: none"> • Local governments • Technical committee for the evaluation of bids • Bureaucratic and/or political decision-makers • Political actors and parties • Privatization Authority 	<ul style="list-style-type: none"> • Discretionary selection of the private provider; • Information on qualitative and quantitative parameters used to evaluate competing bids; • Political actors' decisions over bureaucratic appointments and careers • Information on and guarantee of future opportunities to obtain more favourable regulatory framework 	<ul style="list-style-type: none"> • Businesses willing to obtain the delivery of public service • External technical consultants • Middlemen 	<ul style="list-style-type: none"> • Regular and irregular political financing and campaign contributions; • Bribes; • Political and electoral support; • Information on potential corrupt agents and corruptors' willingness and reliability; • Hiring of "clients" and relatives 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals • Political support towards political decision-makers; • Guarantee and enforcement of collusive agreements deterring competition in the delivery of services • Enforcement of political exchanges among decision-makers and political actors • Bribes and irregular political financing and campaign contributions • Protection from unexpected requests of additional bribes 	<ul style="list-style-type: none"> • Selection of unqualified private providers • Inefficient delivery of service • Low quality of services provided • Tariff increases
(5) <i>Monitoring over service delivery and sanctioning activity</i>	<ul style="list-style-type: none"> • Bureaucratic and/or political decision-makers • Political actors and parties • Privatization Authority 	<ul style="list-style-type: none"> • Lenient regulatory oversight, i.e. abstention from control or sanctioning in case of defection from regulatory conditions; • Information on the scheduling and content of control; • Protection from legal disputes for non-fulfilment of regulatory conditions; 	<ul style="list-style-type: none"> • Businesses delivering services • Middlemen 	<ul style="list-style-type: none"> • Bribes; • Political and electoral support; • Information on potential corrupt agents and corruptors' willingness and reliability; 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals • Political support towards political decision-makers; • Bribes and irregular political financing and campaign contributions • Protection from "undue" or unexpected requests of additional bribes 	<ul style="list-style-type: none"> • Unsanctioned violation of standards of quality and tariffs for the delivery of services • Lower efficiency in the management of service delivery

		<ul style="list-style-type: none"> • Political actors' decisions over bureaucratic appointments and careers 				
<p>(6)</p> <p><i>The decision of regulatory change for service delivery</i></p>	<ul style="list-style-type: none"> • Local governments • High level bureaucrats • Political actors and parties • Privatization Authority 	<ul style="list-style-type: none"> • Decision to modify the regulatory framework for service delivery in favour of private business (higher tariffs, lower quality standards, etc.) • Decision to de-regulate service delivery, allowing private business complete discretion • Guarantee of a selective bypass of red-tape and bureaucratic constraints • Political actors' decisions over bureaucratic appointments and careers 	<ul style="list-style-type: none"> • Lobbies; • Entrepreneur associations; • Businesses delivering services • External technical consultants 	<ul style="list-style-type: none"> • Information and technical support aimed at justifying higher tariffs and favourable regulatory framework • Regular and irregular political financing and campaign contributions; • Bribes; • Political and electoral support; • Information on potential corrupt agents and corruptors' willingness and reliability; • Hiring of "clients" and relatives 	<ul style="list-style-type: none"> • Guarantee of the fulfilment of corrupt deals • Political support towards political decision-makers; • Enforcement of political exchanges among decision-makers and political actors • Bribes and irregular political financing and campaign contributions 	<ul style="list-style-type: none"> • Over-regulation • De-regulation in tariffs and quality constraints

2.4 Allocation and management of EU funds

A variety of EU funds have been and are currently allocated for the improvement of conditions for economic and social development within the Community. Varying purposes are pursued, making available different funds for a certain timespan to member states. Both the budgets and goals of EU funds change over time. Within the 2007-2013 framework the EU institutions were able to allocate 975 billion euros of funds across four areas: regional assistance, natural resources, pre-accession funds, and external assistance.²⁷ Different types of funds diverge according to their allocation and control mechanisms, which are delegated to both the European Commission and member states.

Among EU funds managed by member states are regional assistance, natural resources and pre-accession funds. Within the regional assistance framework, more than one third of the EU budget is devoted to structural and cohesion funds, aimed at promoting solidarity and development through the reduction of gaps in well-being among regions and citizens. There are two structural funds: the European Regional Development fund (ERDF), which finances infrastructure projects, environmental investments, urban renewal, local economic development (including small and medium-size enterprises), and cross-border and inter-regional cooperation; and the European Social Fund (ESF), which finances training, especially for disadvantaged people and the unemployed, including through education and training systems. The ERDF and ESF have a global budget of 278 billion euros. The Cohesion funds are a separate instrument financing transport and environmental infrastructure with a budget of 70 billion euros (European Parliament 2011).

The sector of natural resources has for more than 40 years been the EU's most important common policy. Even though its budget has been progressively reduced in recent years, for the 2007-13 period a maximum amount of 371,2 billion was nonetheless allocated within this framework. Agricultural expenditure is managed through four funds: the European Agricultural Guarantee Fund (EAGF), financing direct payments to farmers and measures to regulate the market; the European Agricultural Fund for rural development (EAFRD), financing the rural development programs of member states; the European Fishery Fund (EFF), financing the promotion of environmentally sustainable fishery; and the LIFE+ (Financial Instruments for the Environment) contributing to the development and implementation of Community environmental policy and legislation.

Regional assistance and natural resources funds are allocated on the basis of a shared responsibility between the European Commission and the member states authorities. Following this mechanism, more than 76% of these funds' budget was managed by national or regional authorities. In the first step, each member state develops a national strategic reference framework (NSRF), which must be approved by the European Commission. Member states also create Operational Programs (OP) which, in a manner consistent with the NSRF, present the priorities for each state and specific regions, and must also be approved by the European Commission. In the following step

²⁷ The EU multiannual financial framework sets the maximum amount of commitment appropriations in the EU budget each year for broad policy areas and fixes an overall annual ceiling on payment and commitment appropriations. See http://ec.europa.eu/budget/biblio/documents/fin_fwk0713/fin_fwk0713_en.cfm#aii. The 2007-2013 framework is the timespan considered in this integrated report, since the analysis of corruption and organised crime infiltration in public decision-making mostly focuses on this period. For an overview of the 2014-2020 financial framework see http://ec.europa.eu/budget/biblio/documents/fin_fwk1420/fin_fwk1420_en.cfm.

member states and their regions manage OPs: their implementation implies the selection of individual projects to be financed, their control and assessment activities. Finally, the European Commission is involved in the general program through monitoring, paying out for approved expenditure, and supervising national control mechanisms.

Application for structural funds follows a procedure: the potential beneficiary prepares a proposal to the program manager of a specific region. Program managers select proposals best fitting within the OP, then potential beneficiaries have to propose a business plan, including financial management. The project can start after the national or regional administration has approved the beneficiary's project.

Pre-accession funds are provided by the EU as financial support for acceding countries, candidates, and potential candidate countries to enhance their efforts in political, economic, and institutional reforms. They include a wide range of Community funding for various projects in different areas, which are divided into four types: IPA, helping countries to transfer from one status to another; Technical assistance and information exchange instruments (TAIEX), providing short term assistance to get countries to the ES's policy level standards; Prince, providing the EU citizens with information about the Community's enlargement process; and twinning, helping potential candidate countries to improve their policy standards to the level of EU member states.

Application procedures for pre-accession funds are similar to those adopted for structural funds. National governments are responsible for the implementation of projects whose goals have been approved by the European Commission.

Finally, a quota of EU funds is managed directly by the European Commission. Community programmes are a set of integrated measures accepted by the European Commission with the purpose of strengthening cooperation among EU member states within the framework of European policies: such programmes – open to the participation of acceding and candidate countries – are financed from the general budget of the Community.

The budget for community programmes is managed directly by the European Commission, to whom any legal entity can submit an application. Each phase in the procedure – submission, evaluation, administration, and settlement of the accounts – falls under the responsibility of the Directorate Generals (DG's) of the European Commission. Depending on the programme, proposals can also be advanced by consortia of two or more organizations from the EU member states – as specified in the call or proposal. Applicants interact directly with EU officers, from submission to closure of the project. Each state however has instituted national offices or agencies which collect and circulate information among potential national applicants, act as intermediaries with EU institutions, and assist in the project development.

The framework for the allocation of EU funds implies that a relevant amount of financial resources are managed and paid following complex rules and procedures on the basis of cost declarations made by many beneficiaries in different countries. Irregularities, conflicts of interest and fraud, occasionally also implying corruption and the involvement of organised crime, are a serious risk to the process, as emphasized in OLAF activities.²⁸ According to the Report of 2014 to the European Parliament and the Council (European Commission, 2014c, p. 6):

“In 2013, 1609 irregularities were reported as fraudulent (this includes both suspected and established fraud), involving EUR 309 million in EU funds. There are still significant differences in the number of fraudulent irregularities reported

²⁸ See http://ec.europa.eu/anti_fraud/about-us/reports/communities-reports/index_en.htm.

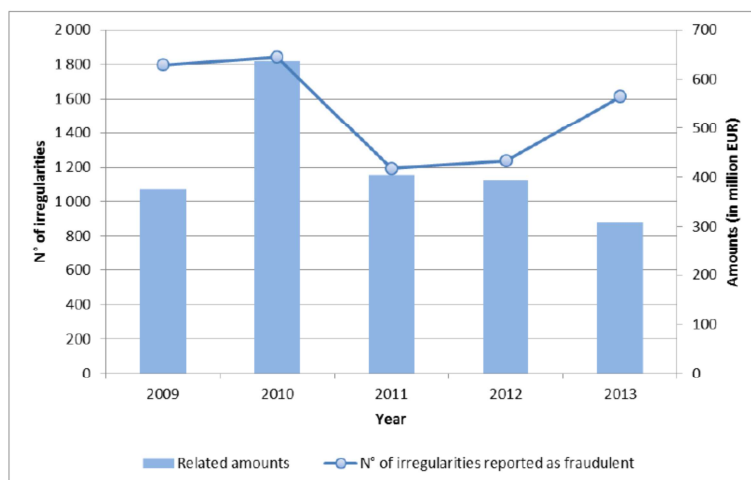
by each Member State, possibly due to different approaches to detecting fraud and, in some cases, to non-homogeneous interpretations when applying the legal framework. [...] Some trends have grown stronger in the past two years: the involvement of administrative bodies in detecting fraudulent irregularities has continued to increase and the use of falsified documentation has become the most common way of committing fraudulent acts. Irregularities not reported as fraudulent have increased, particularly in terms of amounts. This mainly reflects the increased resources made available to various spending programmes, more programmes being implemented, and the fact that European institutions and national audit services are paying more attention to the management of funds”.

Table 10 and figure 2 show the map of irregularities – number and amounts – reported as fraudulent in 2013 per sector and the trend from 2009 until 2013. The number and amounts of irregularities reported cannot be considered, however, as a measure of the level of fraud or corruption affecting the management of EU funds. Figures are in fact influenced by two variables: level of fraud and effectiveness of the Member States and EU institutions in detection. Reported frauds are evaluated by the responsible (judicial) authorities of the Member State involved, which take the ultimate decision as to whether a case actually constitutes fraud and can be prosecuted: cases initially reported as potentially fraudulent, in fact, may thereafter be dismissed by judicial authorities. The number of fraudulent irregularities reported in 2013 increased by 30% in comparison with the previous year, but their financial impact decreased by 21%: a larger number of less significant potentially fraudulent cases seems to characterize the management of EU funds. Considering the overall trends over the last five years, a certain decrease – after the peak in 2010 – in the number of reported cases and amounts seems to characterize this period.

Table 10: Irregularities reported as fraudulent in 2013 (Source: European Commission 2014c)

Budgetary sector (expenditure)	N° of irregularities reported as fraudulent	Variation in relation to 2012	Involved amounts (in million EUR)	Variation in relation to 2012	As % of payments
Natural resources	588	175%	75.6	10%	0.13%
<i>Agriculture market support and direct payments</i>	279	87%	48.5	-18%	0.11%
<i>Rural development</i>	184	202%	13.7	53%	0.11%
<i>Both</i>	102	N/A	4.3	N/A	N/A
<i>Fisheries</i>	23	475%	9.1	1200%	1.89%
Cohesion Policy	321	15%	155.7	-22%	0.27%
<i>Cohesion 2007-13</i>	248	25%	124.0	-22%	0.23%
<i>Structural funds 2000-2006 (Cohesion fund included)</i>	73	-10%	31.8	-23%	0.95%
Pre accession	42	27%	15.57	-65%	1.87%
<i>Pre-accession assistance (2000-06)</i>	33	22%	14.4	-68%	51.14%
<i>Instrument for Pre-accession (2007-13)</i>	9	50%	1.2	300%	0.15%
Direct expenditure	25	-14%	1.2	-40%	0.01%
Total expenditure	976	76%	248.1	-21%	0.19%
Budgetary sector (revenue)	N° of irregularities reported as fraudulent	Variation in relation to 2012	Involved amounts	Variation in relation to 2012	As % of gross amount of TOR established for 2013
Revenue (traditional own resources)*	633	-7%	61	-22%	0.29%
* The amounts involved include estimations made by Member States					
TOTAL	1 609	30%	309.1	-21%	/

Figure 2: Irregularities reported as fraudulent – number and amounts (2009-13) (source: European Commission 2014c)



A supervision and auditing structure was established and refined over time by EU institutions and member states in order to constrain the risks of frauds and other drawbacks. Projects financed must comply with purposes and priorities – which differ on a local and regional basis – defined jointly by the Commission and member states. The control system instituted by the Commission aims at verifying that objectives are correctly pursued and achieved. A multi-layered structure was set up accordingly, with member states being primarily responsible for checking the eligibility of expenditures using structural funds before submitting payment claims to the Commission, as well as detecting and sanctioning errors, with the Commission responsible for the achievement of goals.

The mechanism which has been adopted for all types of EU funds – “single audit” – is a system of internal control and audit based on the principle that each level of control builds on the preceding one, in order to reduce irregularities and costs of audit activities, and to prevent duplication of controls (see figure 3). There are three levels of control within each member state, with distinct roles attributed to the corresponding actors: 1. the managing authority, which is responsible for the beneficiary meeting the criteria, following the rules, and implementing the programme – an implementation report is sent annually to the Commission; 2. the certifying authority, attesting the correctness of the beneficiary’s bills and consequently sending the payment order to the Commission; 3. the audit authority, controlling the activity of the managing and certifying authorities, and in case of the irregular treatment of the beneficiary’s declarations giving them advice to change the procedures; 4. the fourth level of control is the EU Commission, supervising the effectiveness of the control system in members states and performing audits on member states, providing guidance in case of the inefficiency or malfunctioning of national control systems. The Commission supervises the management of programs and participates in monitoring committee meetings, and randomly operates an in-depth check of in a small number of projects’ funding at the end of a programme.

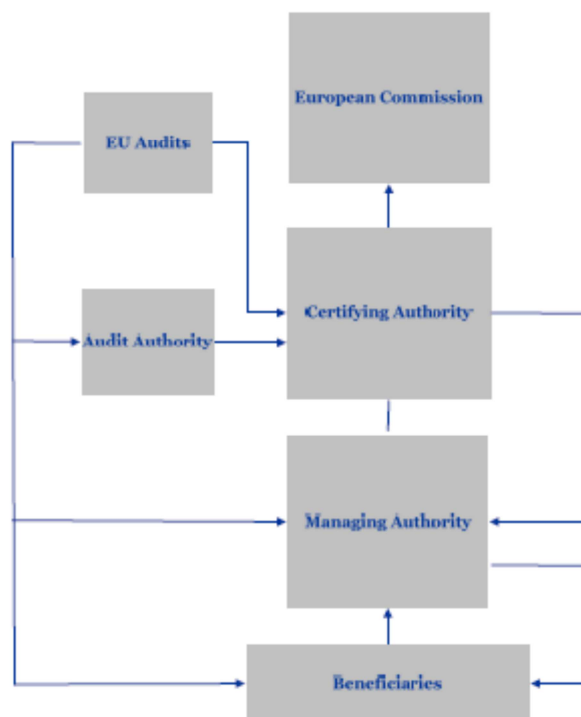
The primary responsibility for control in the management of EU funds is attributed to member states, which design the three-layered system in compliance with EU standards. After the EU Commission approval of the control system design, member states organise the managing and

certifying authorities, as well as the audit over them. The effectiveness of the control system however requires autonomy between levels: institutional actors responsible for the implementation of the control should operate independently from each other. Deficiencies and ineffectiveness in the control system may instead emerge in member states where managing, certifying and auditing authorities overlap within the same structure (e.g. a Ministry). The Commission in supervising the control system operated by the member states has in fact a very limited insight into the direct spending procedures of each project.²⁹

The width and complexity of regulation concerning the multiplicity of EU fund allocations, management and supervision mechanisms – where general EU norms overlap with specific national and regional laws and procedures – makes it impossible to summarize in a single scheme the opportunities, actors, and resources potentially involved in a criminal-political nexus based on corruption. A significant quota of EU funds is however allocated through public procurement procedures. When beneficiaries participate in public tenders and conclude contracts with both the EU, national, regional and local authorities, the structure of opportunities for organised crime to infiltrate different steps of the procedure has already been presented in a previous section.

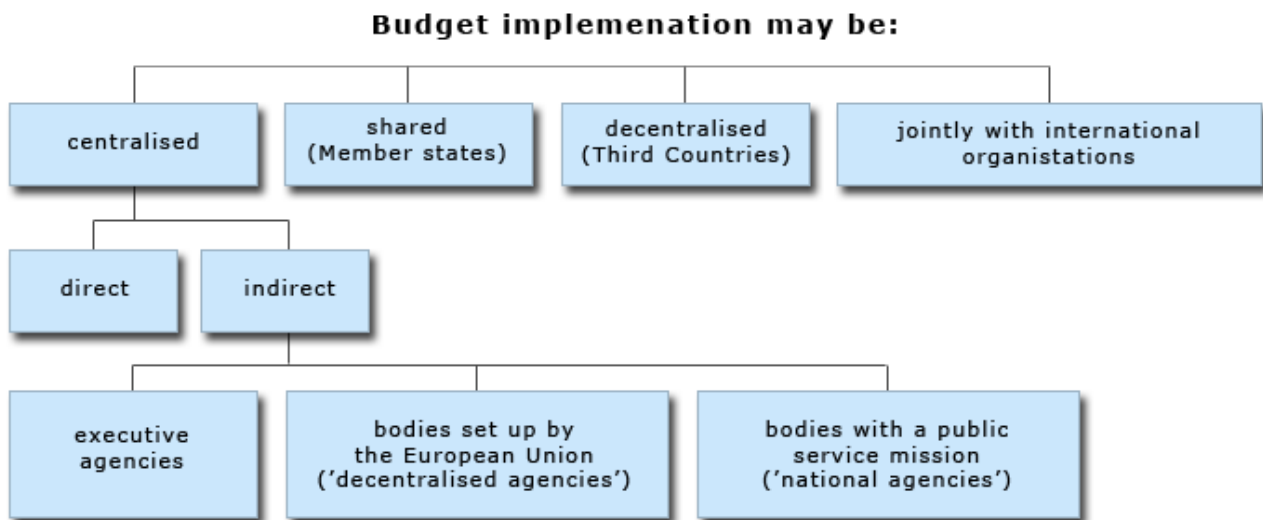
In general terms, however, the three types of fund allocation produce different incentives to the infiltration of criminal organizations. As shown in figure 4, there are four ways in which the Commission can manage payments.

Figure 3: EU single audit approach (source: European Parliament 2011).



²⁹ See European Parliament 2011, p. 24.

Figure 4: Commission management of payments (source: EU financial programming and budget, in http://ec.europa.eu/budget/explained/management/managt_who/who_en.cfm)



Centralised direct management by EU institutions (covering approximately 22% of the EU budget) can be considered as the least vulnerable to undue influence by criminal actors. In fact, as we have shown, criminal groups typically restrict their range of activity within a limited geographical area or economic sector, where the use of resources at their disposal (violence, intimidation, reputation, intelligence, social capital, etc.) allows them to operate successfully within illegal markets or to regulate and enforce illicit and informal activities. Criminal organizations consequently can produce hardly any effective “lobbying activity”, nor organize a stable criminal cartel in order to induce an allocation of funds favourable to protected criminal enterprises at the level of European decision-making – unless they are able to provide in front of the European institutions a stable and effective dissimulation of their nature as criminal entities, overcoming the double national and European supervision and legal enforcement mechanisms.

In centralised indirect management, constraints to criminal infiltration in the decision-making process can be considered almost as effective as in the previous case. Management is generally delegated to executive agencies, set up by the European Union or having a specific public service mission, with their own legal personality, linked to the Commission by an agreement (decentralised agencies, joint undertakings, national agencies, specialised EU bodies, international organisations, non-EU countries). The high degree of centralization and professionalization of executive agencies’ activities and the tightness of Commission supervision and control generally represent a strong barrier against the risk of criminal influence. For the same reasons, joint management, when implementation is delegated to intergovernmental/international organisations having globally accepted standards, also tends to provide decision-making processes basically impermeable to criminal influence.

Shared (with member states) and decentralized (with third countries) implementation of budget allocation can be taken as relatively more susceptible to the potential interference of criminal organizations. Almost 80% of the EU budget is allocated through such mechanisms, which normally require national co-financing: EU funds are intended not to replace, but to integrate and complement national investments. In this case decisions about final beneficiaries and the actual transfer of money are taken by public entities, at national and local level: according to the

partnership principle, regional and local authorities are involved in the planning, implementation and monitoring phases. Individual countries – after having developed strategic frameworks and operational programmes – actually distribute funds, manage expenditure, and exercise a direct control over the implementation of the projects by beneficiaries, which can be public, semi-public, or private actors (businesses, consortia, associations, etc.). Both the corresponding decision-making centres and the beneficiaries of fund allocation can therefore be exposed – under certain conditions – to the influence of criminal organizations. Using the limited amount of research and evidence available, table 11 shows some of the weaknesses in the mechanisms for the shared and decentralized allocation of European funds.³⁰

Table 11: Some elements of vulnerability to criminal organization influence in the allocation of shared and decentralized allocation and management of funds

In general terms, among the variables that may create opportunities for the infiltration of criminal organizations – hierarchically or network-like structured – in the allocation and management of EU funds, we may consider:

- (i) the level of government where decisions about operational programs, financial commitments, the identity of beneficiaries, and controls are taken. The lower such level, the higher – *ceteris paribus* – will be the probability that criminal groups find their way to enter directly or indirectly – with protected businesses – in this sector. Only strong hierarchical criminal groups – i.e. “protection firms” – may occasionally have the capability to ascend the decision-making process up to the point of “capturing” politicians with influence over general regulatory and financial decisions taken at national level, using as a resource of exchange also their impact over the electoral process and their capability to enforce political agreements. Criminal enterprise syndicates can instead operate mainly at regional level and in the selection of beneficiaries, as well as in the following phases, when they find economic, bureaucratic and political counterparts willing to be involved in corrupt exchanges.
- (ii) The degree of complexity of the national regulatory framework and procedures for the management of EU funds. The consequent slowing down of decision-making processes and the undermining of controls increases uncertainty of would-be and actual beneficiaries, therefore enhancing both a “demand” for protection through corruption and criminal groups’ guarantees, and the opportunity for criminal businesses to grab these funds’ allocation through illegal means.
- (iii) The diffusion of fraudulent and illegal activities related to the allocation of EU funds. The more diffuse hidden transactions are within a certain political-administrative context, the stronger the incentives for criminal groups to enter as suppliers of enforcement and protection services within such networks of illegal deals, or to directly support the involvement of criminal enterprises in fraudulent and corrupt activities, thanks to the competitive advantage coming from their “illegality skills” – e.g. with money laundering purposes.
- (iv) The degree of political accountability over outcomes, i.e. the realization of programmes’ purposes, which relates to the transparency of the process of auditing and supervision and the electorate’s motivation. A stronger degree of accountability of political decision-making makes it less vulnerable to the distortive effect of criminal groups’ pressure.
- (v) The administrative capacity and degree of professionalization of national and regional public service personnel, involved in the process as managing, certifying, and auditing authorities –

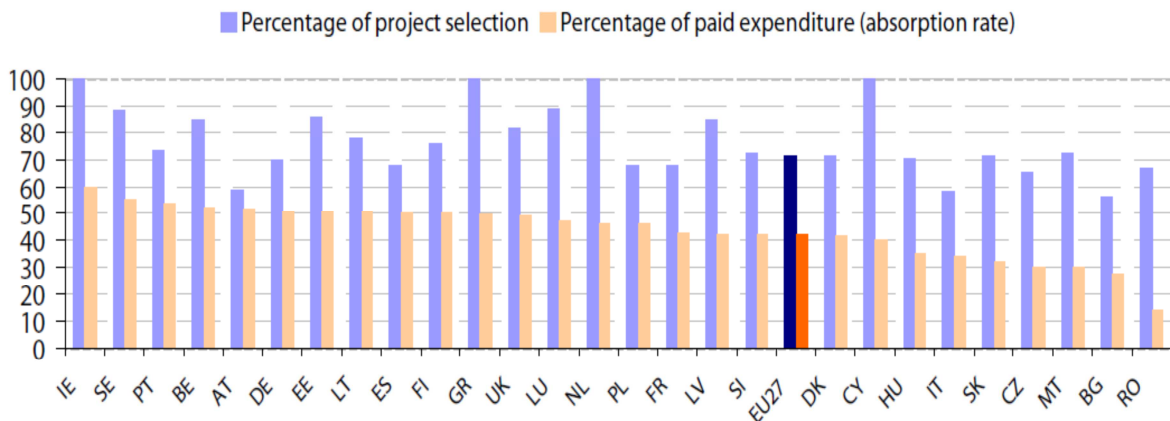
³⁰ Table 11 recapitulates and integrates findings from European Parliament (2011); European Commission (2014), della Porta and Vannucci (1999; 2012); Dimulescu, Pop and Doroftei (2013), Toennison and Muunga (2013), OLAF and Transparency International Lithuania (2013), Fazekas, Chvalkowska, Skuhrovec, Toth and King (2013), ,

and in certain cases also as beneficiaries. The higher the state capacity, the lower the potential space for criminal groups to enter into the decision-making process at national level, both as enforcers and as participants in illegal deals.

- (vi) The nature of controls over the allocation and management of EU funds. The tighter and more effective is the control of EU institutions over the decision-making process and its outcomes, the less criminal organizations – rarely able to raise their corrupting influence at the European level – will be encouraged to enter into this sector. The opposite situation obtains when the structure of controls at member state level is largely ineffective, due for instance to the overlapping of managing, certifying and auditing authorities within the same public structure – a coincidence of roles creating conflicts of interest which may simplify also the conclusion of corrupt exchanges between criminal groups and national control authorities.

The prospects for criminal organizations to infiltrate the allocation and management of EU funds may interfere also with the absorptive capacity of different countries, i.e. the extent to which states are capable of effectively spending their quota of EU funds – normally expressed in percentage of the total allocation. As figure 5 shows, there are relevant differences among EU countries, which besides observable factors – mainly states’ financial and administrative capacity, i.e. the ability of public authorities to co-finance and manage the programmes and projects supported by the EU, promoting inter-institutional coordination and public-private partnerships – could also be more or less directly determined by the hidden influence of the political-criminal nexus. Absorptive capacity is usually positively correlated to the ability of central and regional authorities to prepare consistent multi-annual plans, to cope with the substantial amount of administrative work, and, finally, to finance and supervise implementation, avoiding fraud, clientelism and corruption”.³¹

Figure 5: Percentage of project selection (2007-11) and paid expenditure (2007-January 2013) (source: European Commission, 2013b)



Corrupting and corrupt agents – among them criminal organizations, as corruptors or enforcers of others’ illegal deals – normally have an interest in increasing the amount of resources allocated – a quota of which they will collect through fraud and undue influence over decision-making. It would thus appear likely that higher levels of corruption and organised crime penetration

³¹ See European Parliament, The (low) absorption of EU structural funds, 1/10/2013, in <http://www.europarl.europa.eu/eplibrary/The-low-absorption-of-EU-Structural-Funds.pdf>.

will be associated with an increase of the corrupt agents' demands for the financing and expenditure of projects supported by EU funds. It seems, however, that such a relation is at least ambiguous, and occasionally inverse. In Italy, for instance, the regions with the lowest rate of absorption of EU funds are Sicily, Campania and Calabria, i.e. those having a deep-rooted presence of "institutionalized" mafia-like criminal groups. These same regions show a higher percentage of exposed frauds in the management of EU funds (European Parliament 2008; Guardia di Finanza 2009; Corte dei Conti 2013 and 2014). Three factors may account for such evidence. First, corruption and administrative inefficiency go hand in hand, therefore a texture of pervasive corruption may severely undermine over time the capability of public authorities to manage such funds according to the complex system of implementation, management and control at EU, national and subnational levels. Secondly, EU fund allocations are partly under the supervision of the structures of control of the EU (less easily corruptible than national ones)– supervising the definition of the regulatory framework and strategies, the financing of projects, and the obtainment of purposes – a factor that may discourage criminal actors from an enlargement of corrupt networks within such sectors. Finally, in territories where criminal organizations regulate illegal deals and protect potential beneficiaries, the potential to incur litigation and violent enforcement in the case of something going wrong within the complex interaction with EU institutions may also induce local policy-makers and businesses to abstain from an extensive recourse to such sources of funding for projects.

Table n. 11 EU Funds management and infiltration

Phase of the decision-making process	Specific activities	Levels of government involved	Degree of control of EU over the process	Potential role of organised crime in the process	Weaknesses of the process to the criminal influence
Programming: the regulatory, operational and financial framing	Elaboration and approval of strategic national frameworks and operational programs	<ul style="list-style-type: none"> • National • EU 	High – required approval of NSRFs and OPs	<ul style="list-style-type: none"> • Pressure of criminal organizations towards national decision makers to induce an elaboration of a regulatory and operational framework vulnerable to infiltration of criminal groups; • Capability to influence national co-financing of programs and projects functional to the allocation of funds in areas and sectors permeable to criminal organizations' infiltration; 	<ul style="list-style-type: none"> • High discretion in the definition of the general criteria and principles of the regulatory and operational framework, also due to the lack of a national strategy including priorities • Poor state capability and low independence of national political actors from economic interests and criminal influence – also through the electoral process • High complexity of the national legislation and regulatory framework, generating conflicting understandings and therefore uncertainty • Inadequate and opaque public information about EU funding allocation opportunities • Specificity of financing conditions creating an advantage for particular applicants meeting pre-defined criteria
Implementation/ management	Selection of individual projects to be financed, supervision over beneficiaries meeting the criteria, following the rules, implementing the programme	<ul style="list-style-type: none"> • National • Regional • Local 	Low	<ul style="list-style-type: none"> • Enforcement of bid-rigging among participants; • Enforcement of systemic corruption in order to undermine controls over fraudulent allocation of funds; • Camouflage of criminal enterprises as potential beneficiaries using menace, reputation, and corruption to succeed; • Protection and enforcement of deals among public and private actors concerning the beneficiaries' execution of the project (sub-contracting, agreements for the purchase of services and goods, etc.); • Racketeering and “security” services in the economic activities related to the projects; 	<ul style="list-style-type: none"> • High discretion in the awarding of EU grants and aid; • Deficiencies of national level control due to the overlapping of managing, certifying and auditing activities within the same structure; • Low transparency and accountability in the mechanisms for the selection of individual projects and their implementation; • Weak professional capabilities of program managers and managing authorities • Inadequate time-frames or project selection and discretion in the processing of requests for payments • Lack of effective safeguards against undue influence of political actors to the implementing institutions for clientelist/corrupt motives • Fragmentation and multiplication of EU funds in micro-projects, having lower visibility and increasing costs of implementation and monitoring • Decentralization of the decision-making process to a level where criminal organizations can locally influence the

					<p>political process</p> <ul style="list-style-type: none"> • Low absorption rates, i.e. inability of managing authorities to select projects that will eventually receive payments from EU funds. • Conflicts of interest involving public servants, and experts, professionals, entrepreneurs, relatives or individuals who are closely related to them • “Revolving door” mechanisms involving public servants and managers operating within managing authorities later hired by firms obtaining EU funds
Reporting, certification and auditing	Attestation of correctness of beneficiaries’ bills, control over managing and certifying activities	<ul style="list-style-type: none"> • National • Regional • Local 	Medium - random in-depth check of some projects’ funding	<ul style="list-style-type: none"> • Enforcement of systemic corruption in order to undermine controls over fraudulent certification and payment procedures; • Corruption of certifying and auditing authorities; 	<ul style="list-style-type: none"> • Lack of national level control due to the overlapping of managing, certifying and auditing activities within the same structure; • Scarce amounts of resources allocated in control activities • Low accountability in the procedure for bill certification and the realization of project goals; • Low professional capability of certifying and auditing authorities • Scarce reliability of data and receipts provided by beneficiaries, especially those operating in the private sector, due to both unintentional and fraudulent motives • Lack (or low quality) of evaluation of the economic return of EU funded projects
Supervision and eventual recovering of funds	Control over the effectiveness of national control systems, auditing of member states, guidance, eventual retrieval of unduly paid funds, whether resulting from error, irregularity or deliberate fraud	<ul style="list-style-type: none"> • EU 	Complete	<ul style="list-style-type: none"> • Almost nil 	<ul style="list-style-type: none"> • Complexity of the regulatory framework • Slowness of the recovery procedure



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



WP9.1 Integrated Report

PART II

Country Chapters

Bulgaria



Organized Crime Assessment

In Bulgaria, the borderline between the legal and the illegal economies is much less clear than in most of the EU MS. Organised crime has merged with corporations and groups that have privatised former state-owned assets, or has transformed its accumulated capital into political and administrative power. This influence in the state institutions allows companies to use corruption to win public tenders, avoid taxes, and systematically break the laws to gain competitive advantages. At the local level, political elite and political parties are highly influenced by organised criminal groups. Certain criminal structures have also exercised influence over MPs or national level politicians.³²

Social background of organised criminals in Bulgaria

The social background of organised criminals in Bulgaria fall into four general categories – socially marginalised, high-risk entrepreneurs, violent entrepreneurs and oligarchs (CSD). The first category, **socially marginalised** groups, are victims of the economic crisis and the poverty following the painful transition of the country to market economy. Criminals within this category are predominantly of Roma origin. Their ‘illicit business model’ relies predominantly on exploitation of vulnerable members within their own community. All Roma neighbourhoods nowadays have local leaders, most of whom are in control of some illicit enterprise (trafficking in human beings for sexual exploitation, pick-pocketing, drugs distribution, illicit cigarettes distribution, illicit logging, etc.). Typically, the ‘foot soldiers’ (or victims) of these illicit enterprises (prostitutes, pimps, street dealers, children etc.) come from the same neighbourhoods. Over the years, these leaders’ growing control over this marginalised population, and in particular their ability to control the votes during elections, has provided them with leverage to influence politicians, judiciary, and law-enforcement. (Gounev, 2012)

³² Since Bulgaria’s EU accession, the European Commission through the Cooperation and Verification Mechanism (CVM) has been monitoring and has reported regularly on efforts to prevent and fight corruption and organised crime, and on the reform of the judiciary. The latest report on the Progress of Bulgaria under the Co-operation and Verification Mechanism has noted that there is lack of overall progress on emblematic organised crime cases, which remains an obstacle to persuading the Bulgarian public that serious efforts in the fight against organised crime are being made.

The **high-risk entrepreneurs** are a category of grey and black market entrepreneurs that even before 1990 has been active in illegal foreign currency trade or organising various channels for supplying goods in short supply. Right after the fall of Communism they were the first to identify and develop profitable niches in grey and black markets, as well as to engage in cash corruption of public officials. Later on most of them sought support, joined or were subdued by violent entrepreneur or oligarch structures (CSD; CSD; Gounev).

The '**violent entrepreneurs**' are emblematic for Bulgarian organised crime. They emerged in the early 1990s and their business model largely revolved around protection racketeering, debt collection and settlement of business disputes through the use of violence. The factors that triggered the emergence of these "violent entrepreneurs" are similar to the ones that shaped the so called "силовые структуры (violent power structures)" in Russia. (Volkov). The members of these groups were recruited from three main pools – former athletes (wrestlers, boxers, weight lifters), law-enforcement officers that were laid off as a result of cut backs in the public security sector during the restructuring of the sector in the early 1990s, and former prisoners that received amnesty in the early 1990s. Gradually, these small groups united to form the notorious 'violent groups' like SIC, VIS, Group 777. Their initial business was disguised as private protection companies, to be transformed later on into insurance companies (in 1995) and subsequently to grow in big holding-type structures engaged in both legitimate businesses and various criminal activities. Through the use of violence and extortion they managed to effectively subdue most of the organised crime entrepreneurs engaged in drug trafficking and distribution, prostitution and human trafficking, car theft, and smuggling of goods in the territories under their control. The former security officers involved in these violent entrepreneurs groups utilised their informal contacts in institutions like police, customs, border guards, tax authorities and even politicians and foreign embassy personnel, thus creating effective and wide-reaching corruption networks. Some of the violent entrepreneurs were able to become local oligarchs and even entered local politics (CSD; Gounev).

The highest category of organised criminals is the so called **oligarchs**. While 'violent entrepreneurs' employed violence in order to obtain access to public resources, oligarchs relied on their access to the political elites. Most of the oligarchs³³ came from three social groups – former communist party 'nomenklatura', former high-ranking business executives and former high-ranking officers from the security sector. With the assistance of politicians from different parties they benefited from the large scale property re-distribution after the fall of Communism through siphoning state-owned companies and banks, rigging off privatisation deals, establishing monopolies or cartels over certain markets (oil, sugar, gambling, mobile telecommunication, etc.), corrupting of public procurement tenders, VAT and excisable goods fraud. They often formed partnerships or employed high-risk entrepreneurs and violent entrepreneurs in order to enter and to control as many markets as possible, including black markets like prostitution, drug

³³ The term „oligarchs” has been widely used in Bulgaria since the beginning of the century. It has first been used in Russia. It has been argued that the Bulgarian model of symbiosis between criminal and legal networks resembles the major clientelist structures in Turkey and Russia.

trafficking and tobacco smuggling. Oligarchs furthered their business expansion through various means of influencing and corrupting political parties and public officials like paying kick-backs, providing cash to buy votes for certain parties, acquiring or establishing media in order to trade influence with the political elite, employing key senior public officials in their private companies (CSD).

The symbiosis: organised criminal – grey economy - legal economy

With the political stabilisation of Bulgaria at the end of 1990s, the completion of the privatisation process in 2001 and the beginning of the EU accession negotiations, the blending of legal and illegal business became key to the survival and expansion of organised crime in Bulgaria. In 2001-2007 the current structure of organised crime in Bulgaria emerged. It is based on various forms of symbiosis, combining forms of organised crime that were typical for the transition period (violent entrepreneurs, oligarchs and black entrepreneurs) with networks of public officials (at all levels), magistrates and politicians. One of the characteristics of this period is the decline in violence, although there was still a large number of murders of individuals associated with organised crime between 2000 and 2007 (See Figure 1). This had a strong impact on the political process in the country, as well as on the European Commission’s evaluation of the fight against organised crime in Bulgaria (CSD, 2012).

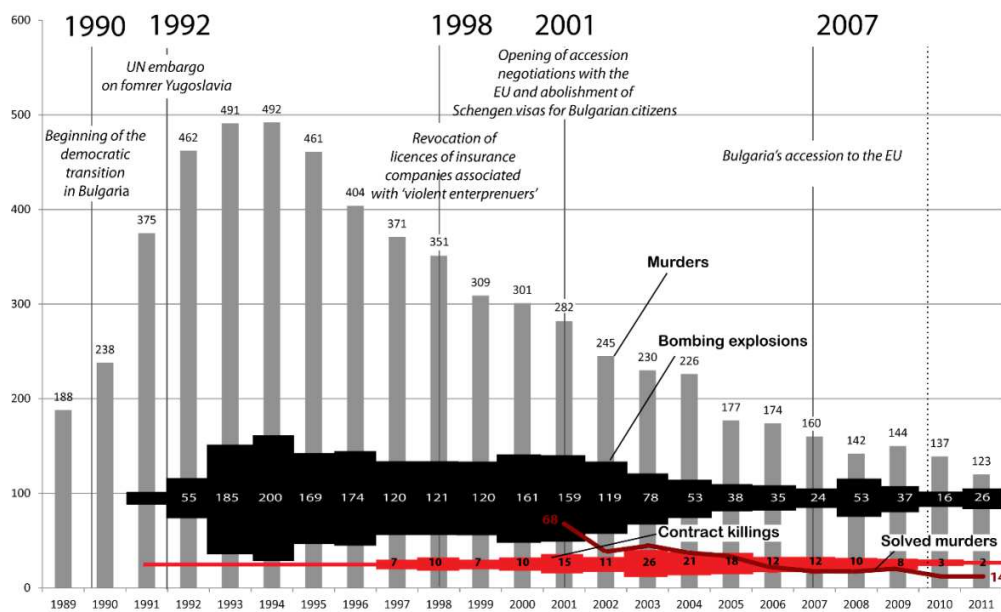


Figure 1 Organised crime and violence during the transition period (1989 – 2011)

With the decline in violence and the loss of territorial control a new universal structure of organised crime gradually emerged. It functions on the basis of market mechanisms and symbiosis of black, grey and legal business structures.

The assessment of the three-layered black-grey-legal economy in 2011 shows the following national distribution: legal (GDP) - €38,6B³⁴; grey economy estimated as the equivalent of 25 – 30% of GDP, or €9.7B – €11.7B³⁵; and black economy estimated to generate the equivalent of at least 4.7% of GDP³⁶ (or €1.8 attributed to the 12 most significant organised criminal activities³⁷).

Relatively homogeneous structures could be described in the three markets – white, grey and black, see Figure 2 (CSD, 2012).

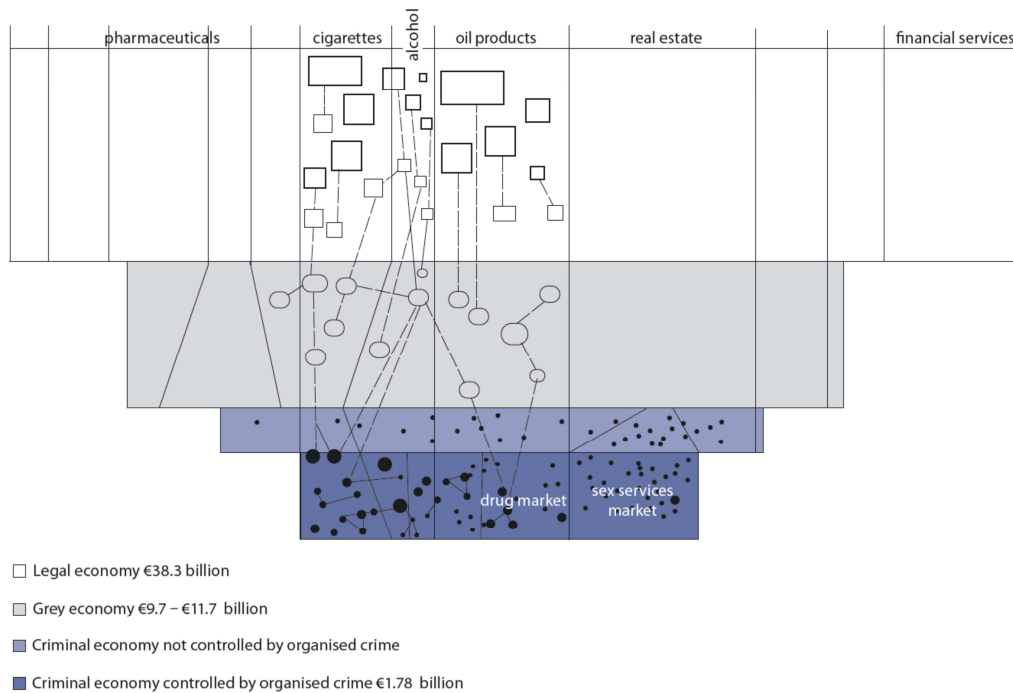


Figure 2 Structure of the criminal-grey-legal economies in Bulgaria

It should be noted that there are no evaluations what part of the criminal-grey-legal economy is controlled by organised crime.³⁸ However, if we cut across this three-layer model of markets, regions and structures of organised crime, several notable characteristics will be revealed.

³⁴ National Statistical Institute 2011.

³⁵ *Dynamics of the Hidden Economy in Bulgaria and the Global Economic Crisis*, Sofia, Center for Study of Democracy 2011.

³⁶ *Serious and Organised Crime Threat Assessment 2010 – 2011*, Center for the Study of Democracy 2012.

³⁷ *Serious and Organised Crime Threat Assessment 2010 – 2011*, Center for the Study of Democracy 2012.

³⁸ One of the possible approaches to assess the number of organised criminals involved is through assessment of the size of illegal goods and services. According to CSD estimates, the number of persons involved in organised crime networks in 2010 – 2011 ranged from 4,000 and 5,000. At the same time, there is a wider group of participants, typical for the lowest levels of the criminal markets, which often creates the impression that there is no proper organisation. This layer is the periphery of organised crime. Some illegal goods and services (cigarettes, sex services, cannabis, oil products) are provided by participants who work for themselves and are not part of organised crime. They take advantage of a criminal 'ecosystem' flourishing around the core of powerful criminal organisations but manage to evade control over long periods, or pay a type of criminal rent in exchange for access to lucrative markets or for protection, usually from the competition or from prosecution.

Above all, it is the size of each market. Secondly, it is possible to determine the structure of the particular market by the correlation of the layers - legal, grey, and black. For instance, with regard to the real estate market, the important question is what proportion of the turnover is legal, i.e. all due taxes and fees have been paid, registrations have been done in full compliance with the law, etc; also, what part of the volumes are in the grey zone, i.e. the actual price of the property was not reported and consequently, the due taxes and fees have not been paid in full; some of the required authorisations (concerning construction, zoning, etc.) may not have been properly issued; finally, in the black market, there are outright criminal fraud schemes, including document forgery, appropriation of property by violence, etc. A vertical analysis can also be made regarding the tobacco market, where tobacco companies in the legal market create or exploit two different types of distribution networks. The first involves withholding the payment of some VAT through distribution companies which can be defined as grey enterprises. The second network is a purely criminal scheme involving the sale of established cigarette brands without paying excise and VAT through a periphery of criminal companies. This example also shows how criminal structures from one illegal market are linked to criminal networks from other black markets.

A similar structure is discernible in each market, bearing in mind that in some cases (e.g. illegal drugs) there are no legal or grey markets and in the market for sexual services there is no legal segment in this country but there are numerous opportunities in the EU Member States. In Bulgaria, there have already emerged fully legal consumer markets (i.e. with no grey or illegal sectors) such as those of beer, washing powder, banking services, etc. The markets can also be analyzed horizontally, exploring their size and structure in the respective regions. Sometimes two or three regional structures are in position to control the economy of an average-sized town and the surrounding municipalities.

For the last few years the scheme behind the symbiosis of criminal-grey-legal economy essentially boils down to the mechanism of transferring „dirty operations" over to subordinate structures and subcontractors controlled by the top bosses. At the same time, the leaders of these schemes own perfectly legal companies and avoid an involvement in practices associated with even minimal risk. The bulk of the revenues of a given criminal group are secured by companies whose operations include grey business activities. These white-and-grey companies are the largest and most typical ones of the oligarchic holdings and the former violent entrepreneur groups.

The legal/illegal differentiation takes place even inside the groups themselves along the lines of young/old. In recent years, there has been a tendency for the older and more powerful members of organised crime to take up fully legal businesses while the younger and less prominent members manage the grey and black structures.

After the start of the EU accession negotiations and especially after the accession in 2007 part of the legal structures managed to build partnerships with global multinationals. They use different strategies (selling of the entire companies or the companies' assets) in the segments where

competition is direct and cannot be politically influenced. In other cases they sell their majority shares, but keep important managerial positions or key assets. Another option is to keep their company by becoming a representative of well-established international brands.

As an additional safeguard, these business owners buy assets abroad (in Western Europe, Asia or America). This allows the respective boss to demonstrate he is a recognised businessman in an economically advanced country, as well as to spend extended periods of time in that country in case he or his business come under threat in Bulgaria (regardless of whether the threat comes from business rivals or from law-enforcement).

Another important characteristic of the criminal groups is their propensity to mushroom in number only - i.e. the number of companies grow, while their overall staff, capital, assets, or sales remain the same. It is common practice for the bosses of large legal companies to make their trusted long-time employees register firms in their names. If any problems arise with state institutions, these volatile companies terminate their activity, thus obscuring the responsibility for prior actions. An example of this modus operandi is one of the largest grey networks in this country, comprising more than 350 legal companies operating in all kinds of markets - from the import of cars to a nationwide sports betting network. In addition, the typical oligarchic groups often have a number of offshore registrations even when they have been registered on the Bulgarian stock exchange.

Decline in violence and conversion of criminal capital into legitimate business structures led to greater demand of corruption as an instrument. Through corruption organised crime tries to regulate illegal markets. On the other hand, corruption is used to settle business conflicts (through leverage in the judiciary) and to take control of additional economic resources (through manipulation of public procurement). It should be noted that although it was expected, there was no increase in violence at the expense of market and corruption mechanisms due to the economic crisis.

Involvement of criminal organizations in political corruption

To understand the impact of organised crime on the various state institutions in Bulgaria, it is important to review the established political model in the country. At the beginning of the 1990s, the democratically elected political elites in Bulgaria controlled over 90% of national wealth (including state owned enterprises and public property). They were tasked with quickly transferring this wealth into private hands. Similar to other countries in EU-10E, the institutions of political democracy (parties, political movements, trade unions, etc.) were completely missing or underdeveloped. The lack of legal framework for the minimal financing for political structures was another key problem for political parties throughout the 1990s.³⁹ This meant that when

³⁹ The other factors that contributed to the involvement of criminal organizations in political corruption were: 1) Lack of civil society traditions in Bulgaria 2) The lack of contacts of the Bulgarian political elites with Western democratic political forces and strong connections with the Soviet elites 3) The moratorium on the payment of the

political organizations went into opposition, they were often unable to finance their expert teams and party structures, or even to pay their office rents. Aware of this gap in financing, the emerging large entrepreneurs and business groups turned their support for individual politicians and political parties into political investments. At the same time, there were no mechanisms for effective financial and institutional control over political agents, making networks of politicians and 'political investors' untouchable.

The approaches of these 'political investors' evolved with the changing environment. During the first phase of the transition, 1990-1997, when privatisation was limited, entrepreneurs tried to get control of state-owned enterprises. In the 1997 -2001 period, when 90% of state-owned assets were privatised, 'political investors' were fully involved in rigging the privatisation process by paying bribes, salaries and bonuses to politicians, or by becoming directly involved in local and national political structures.

Since 2001, a new pattern of interaction between criminal networks and local and national political entities emerged. This pattern, which is still valid today, involves privileged access to public tenders, concessions, access to EU funds, public real estate fraud (including swaps of public land), corrupt licensing of business activities, protecting industry monopolies, etc.

The patterns of interaction between the economic (criminal) groups and the political elites could be described with the term 'multi-layered single network' – a national social network consisting of a large number of sub-networks that encompass practically all personal contacts of the most influential entrepreneurs and key politicians. Due to the small size of the country and the clientele model of recruitment and advancement of the elites, the number of people at the core of this 'single network' is several dozens; the secondary 'hubs' add another several hundred; and the widest circle (including mayors of mid-size cities and senior public administration officers) adds up to a total of 2,000 to 3,000 people.

It is important to note that the most influential entrepreneurs support simultaneously competing political forces. The 'political weight' of a given politician is dependent not only on the success of his or her own party, but also on their access to the largest number of entrepreneurs and networks of political investors. The leader of the Movement for Rights and Freedoms (MRF) Ahmed Dogan provided a concise description of this ideology of network of investors just before the parliamentary elections in 2005. He used the term 'circle of firms' to describe the fact that each political party has a network of economic groups and companies that support it financially. All subsequent political scandals revealed that economic groups can make corruption payments only if they are accepted as part of the 'circle of firms' of a given political party.

foreign debt further isolated the country from the global financial markets. 4) The war in Former Yugoslavia and the related embargo had the same effect on the development of organized crime in Bulgaria as the prohibition period in the USA had on the Italian-American mafia. During the period a serious network of smuggling channels for military equipment, oil and other excise goods was established.

Anti-corruption experts in the country consider that the model “circle of firms” should be considered as part of a multi-layered single network, where the “companies of the party” compete with the “companies of the big oligarchic coalitions”⁴⁰.

The consequence is that all of the branches of power in this country are a target of special attention by the oligarchic criminal networks. Thus, for instance, the formation of lobbies in the legislature is typical of the influence of the oligarchic groups. By an expert estimate, within the past four parliaments (39th - 43th National Assemblies) it is possible to identify approximately 20-40 MPs on average who have actively advocated legislation in the interest of economic structures related to different oligarchic-criminal structures. Such legislative acts include a number of draft laws and amendments to the laws on gambling, insurance, electronic media, energy, excise goods (tobacco, alcohol, oil) etc.

The appointment of high level representatives of the state administration – ministers, deputy ministers, directors of agencies and heads of directorates in the ministries is coordinated not only with coalition partners and parties, but also with oligarchic coalitions.⁴¹ This model is also duplicated at local level in municipal administration (including mayors of mid-size cities and senior administration officers) and municipal councils.

Electoral fraud as a form of political corruption

The last three election campaigns for national and European parliament (2013 – 2014) have made the problem of “political investments” (buying of votes and controlling of voters) a matter of high political importance. This is a form of political corruption with growing impact: comparing election results in different years has shown that the relative weight of controlled and bought vote has increased from about 9 – 9.5% in 2009 to about 12 – 13% in 2014. CSD analyses of the last 10 years have shown that local and national level oligarchs are increasingly involved in “political investments”, which they seek to recover after elections by acquiring access to public funds and/or assets. Increasingly, political investors directly ask political parties to compensate them for the funds spent at election campaigns through procurement contracts, agricultural subsidies, payments from EU funds and others. The negative effects of this process are numerous: disappointment with institutions and political parties, distortion of political representation, lack of trust in central and local government, decreasing quality of public services and publicly funded construction projects. Overall, controlled and bought votes lead to political demotivation and lower voter turnout, which in turn increase the relative weight of political investment.

⁴⁰ There has been a clearly distinguishable dynamic in the establishment and dissolution of coalitions between the the biggest oligarchic structures for the last 20 years.

⁴¹ The two ministries, where appointments are of key importance, are the Ministry of Interior and the Ministry of Finance.

On the other hand, the increasing incidence of vote buying has made parties face the “prisoners’ dilemma” (if everybody suspects that others use fraud, every party has to buy votes or risk losing the competition). Supply and demand have in this way created a market in which Roma families offer the potential votes of the whole community (the reservoir) and all big parties compete to buy them. This market for votes has three distinct levels of organization: 1) “privates”, or people who control/sell the votes of their immediate social circle (10 – 15 people); 2) “lieutenants”, or people who control 10 – 15 privates; and 3) “brokers”, who control the access to political parties and the lower levels of the market.

Criminal leaders and their networks have been permanent participants in the vote buying process in the last 10 years. Criminals working both in Bulgaria and abroad in illegal lending, drugs and prostitution are actively involved. In addition to being middlemen, they also have enforcement functions with regard to informal contracts and payments related to buying and control of votes. Private security companies became a new actor in the last election: they had the function to enforce contracts, as this is part of the black market and force is often used to ensure compliance

Legislation Assessment

Legal provisions addressing corruption

An effective fight against organised crime and a proper implementation of anti-corruption policies require appropriate legislation and regulations.

Corruption-related provisions were integrated and amended in the *Criminal Code* following the ratification of international conventions. The key legal provisions addressing corruption are provided for in the Section “Bribery” of the Bulgarian *Criminal Code*. This section includes provisions criminalising active and passive bribery of public officials, active bribery of foreign public officials and mediation in bribery and provocation towards bribery (Art. 301-307a). Sections “Malfeasances” and “Embezzlement” further include provisions on to breach of official duties, abuse of power, trading in influence and embezzlement (Art. 282, 283, 284; Art. 201). Vote buying and selling are also criminal offences (Art. 167 and 167a, CC).

Further legal provisions with respect to corruption are contained in the *Law on the Prevention and Ascertainment of Conflict of Interest*, which envisions administrative penalties for elected and appointed officials in case of violation of its provisions. The *Electoral Code* and the *Political Party Act* further contain anticorruption provisions ensuring transparency and accountability of party financing and election campaigning.

There are a number of specific laws and regulations on certain groups and certain functions of the public administration – *Law on Civil Service*,⁴² *Labour Code*, *Law on Public Procurement*, *Law on Local Self-Government and Local Administration* as well as various internal ethical regulations on conflict of interests and assets disclosure.

Legal provisions addressing organised crime

A definition of the notion of “organised crime” does not exist in Bulgarian criminal law. In principle, notions like “crime” and “organised crime” are notions of criminology and most national penal laws do not use them and do not define them. The *Criminal Code* limits itself to a legal definition of “organised criminal group” which, according to the majority of judges, prosecutors and members of the investigating authorities, differs in content from the notion of “organised crime”.

In Bulgaria, it is a criminal offence to form, direct or participate in an organised criminal group (Article 321 (1) and (2) of the Criminal Code). The term ‘organised criminal group’ is defined as a permanent structured association of three or more persons formed with a view to committing, acting in concert, in Bulgaria or abroad, any criminal offences punishable by imprisonment for more than three years. An association is considered structured even in the absence of any formal distribution of functions among its participants, duration of their involvement or any developed internal structure (Article 93, Item 20 of the Criminal Code).

In addition to the general provision of Article 321 of the Criminal Code, there are specific provisions incriminating other types of criminal organisations. These include:

- Forming, directing or participating in an organisation or group, which aims to commit offences against national, racial and ethnic equality, and religious and political tolerance (Article 162 (3) and (4) of the Criminal Code);
- Forming, directing or participating in an organisation or group, which aims to commit offences against the Republic (Article 109 (1) and (2) of the Criminal Code);
- Forming, directing or participating in a group, which aims to commit offences against citizens’ political rights (Article 169d of the Criminal Code);
- Participating in or directing an organisation or group, which concludes transactions or derives benefits by use of force or intimidation (Article 321a of the Criminal Code)
- Forming, directing, financing or participation in an organised criminal group for the growing of opium poppy and coca bush plants or plants of the genus Cannabis or for the

⁴² According to the *Law on Civil Service*, all public servants, upon starting employment, are required to declare their property possessions to the appointing authority. By April 30th of each year public servants are also required to declare property possessions, as well as any external payments, received from activities outside their official employment (reasons for such activities and the employer/sponsor, who has paid them) during the previous year. This Law lists the incompatibilities, but all relevant norms related to conflicts of interests are found in the *Law on the Prevention and Ascertainment of Conflict of Interest*.

manufacture, production or processing of narcotic drugs (Article 354c of the Criminal Code).

Preliminary conspiracy (two or more persons conspiring in advance to commit an offence) is incriminated as an aggravating circumstance of specific offences listed in the Criminal Code.

In addition to the preliminary conspiracy, the Criminal Code incriminates the act of joining together to commit an offence. It applies only to several types of criminal offences such as kidnapping, counterfeiting of currency or forgery of other payment instruments, money laundering and documentary offences.

Aggravating factors

The participation in an organised criminal group is a criminal offence in itself and is not included as an aggravating factor for any other offences. The participation itself is aggravated when: (1) the group is armed; (2) the group has been formed with the aim of obtaining a benefit; (3) the group is formed for the purpose of perpetrating specific offences listed in the law (kidnapping, illegal restraint and holding a person hostage, cross-border smuggling of goods and narcotic drugs, counterfeiting of currency or forgery of other instruments or means of payments and offences involving counterfeit currency or forged other instruments or means of payment, money laundering, unlawfully taking persons across the border, offences related to explosives, firearms, weapons other than firearms, chemical, biological or nuclear weapons, munitions and pyrotechnic articles, offences related to distribution of narcotic drugs, inducing another person to use narcotic drugs and other offences related to facilitating the use of such substances); or (4) the group includes a public official.

For a number of offences the Criminal Code includes as an aggravating factor the commission of the act ‘upon assignment by or in execution of a decision of an organised criminal group’. However, the offender in such cases may not necessarily be a member of the group.

Absence of requirement of a report or accusation by victims

In Bulgaria, all offences relating to participation in an organised criminal group or to criminal conspiracy are prosecuted *ex officio*, i.e. the public prosecutor is obliged to open an investigation irrespective of how he or she has learned about the crime. A report by a victim may lead to the opening of an investigation but is not an obligatory precondition for that.

Clarity of criminal law offences

The definition of ‘organised criminal group’ in Bulgaria reveals a number of weaknesses, which cause problems in its interpretation and implementation and have a negative impact on the effectiveness of the criminal prosecution of organised crime. The definition is too broad and

makes it possible to classify as organised criminal group a number of concerted criminal activities, which are unrelated to organised crime. In this way, conditions are created to direct the penal repression towards criminal associations with a relatively low degree of social harm at the expense of the larger and more ramified criminal structures. According to the Criminal Code, the aim of the organised criminal group is ‘to commit, acting in concert, in Bulgaria or abroad, any criminal offences punishable by imprisonment for more than three years’. The UN Convention against Transnational Organised Crime and the Council Framework Decision 2008/841/JHA of 24 October 2008 on the fight against organised crime stipulate that the offences which the group aims to commit must be punishable by at least four years of imprisonment or a more serious penalty. The Bulgarian law broadens without justification the scope of application of the definition. Imprisonment for a term exceeding three years is provided for a large number of offences in the Criminal Code, but many of them hardly qualify as organised crime. Unlike the UN Convention and the EU Framework Decision, the Bulgarian Criminal Code does not require the organised criminal group to have as its purpose the obtaining, directly or indirectly, of a financial or other material benefit. Combined with the broad range of offences which the group could have aimed at, the definition allows for an excessively broad scope of application.

Some of the wording used in the definition, in particular the requirement for permanence and structuredness of the association, although taken directly from the UN Convention and the EU Framework Decision, is unclear in terms of interpretation. There are no criteria for assessing when a certain association becomes permanent and structured. Moreover, following the pattern of the UN Convention and of the EU Framework Decision, the Bulgarian Criminal Code explicitly specifies that the association can be considered structured even without formally defined functions of the participants, continuity of participation or a developed structure, but does not add the further specification, as formulated in the international instruments, that the association is considered structured where it is not randomly formed for the immediate commitment of an offence.

Interviewed judges pointed out as a weakness of the definition of ‘organised criminal group’ the requirement for a minimum number of members. This requirement ignores the dynamism of organised crime and it remains unclear to what extent those persons should number three and more during all the time and, given this, how it will be established that they are associated precisely in numerical terms, so that the criminal offence is successfully proved.

Usefulness of the provisions for criminal law offences

The provisions incriminating the participation in an organised criminal group have been underused. There are indications that this situation might change after a Specialised Criminal Court became operational on 1 January 2012.

In general, the provisions on the participation in an organised criminal group enable the criminal justice system to prosecute offenders just because of their membership in a criminal association

and irrespective of their involvement in (and prosecution for) other crimes. Their added value in this respect is that they allow the members of a criminal organisation to be prosecuted without necessarily been charged for other crimes, which they might not have been directly involved in or their role might be difficult to prove. In addition to that, the aggravated factor defined as acts 'committed upon assignment by or in execution of a decision of an organised criminal group' allows for better differentiation of the criminal sanctions, i.e. acts related to organised crime could be punished more severely than conventional crimes.

Tab. 1 Policies, practices and institutional actors against organised crime and corruption

Targets	Policies and practices			Actors
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	<ul style="list-style-type: none"> - Interior Ministry's Directorate General for Combating Organised Crime - Specialized Prosecution - State Agency for National Security - Specialized Court
			Group, which aims to commit offences against national, racial and ethnic equality, and religious and political tolerance	
			Group, which aims to commit offences against the Republic	
			Group, which aims to commit offences against citizens' political rights	
			Group, which concludes transactions or derives benefits by use of force or intimidation	
			Drugs production	
<i>Investigation and Prosecution</i>	Witness Protection			
	Special Investigative Tools			
<i>Execution of sentences</i>				
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets	Regular Criminal Confiscation	<ul style="list-style-type: none"> - Prosecution office; - Commission for Illegal Assets Forfeiture - National Revenue Agency
	<i>Finance</i>		Money-laundering legislation	Suspicious Financial Flows
Corruption	<i>Political Corruption</i>	Criminal-political nexus	Aiding and abetting crime	(See Organization of Crime)
		Electoral corruption	Vote-buying crime	
			Financing of political parties	National Audit Office
	<i>Public procurement</i>	Ex ante checks of public procurement		Public

		procedures		Procurement Agency
		Ex post control		- State Financial Inspections Agency - National Audit Office - Competition Protection Commission
	<i>Administrative corruption</i>	An integrated strategy on the fight against corruption and organised crime	Anticorruption framework	- Council of Ministers, Center for Prevention and Countering Corruption and Organized Crime
		Annual action plan on the strategy	Corruption risks planning and counter-measures	
Society	<i>Associations</i>			
Legend		<i>Criminal policy/practice</i>		
		<i>Administrative policy/practice</i>		

Croatia



Organized Crime Assessment

Organised crime in the Republic of Croatia has been significantly determined by three factors: geopolitical position, comprehensive transitional processes and circumstances of the disintegration of the former state (Glušćić, 2005). The structure of criminal offense forms of organised crime in Croatia shows several main areas of organised groups such as drugs, weapons, illegal goods and human trafficking, extortion, blackmail, counterfeit money distribution and extortion racketeering. In addition, there is a practice of investing illegally acquired assets (money) in attractive properties and specific economic activities, which then presents criminals as successful entrepreneurs and creates link between organised and economic crime.

Croatia is a European Union member state since July 1st 2013. This should also be taken into account in terms of organised crime activities, which are probably using the opportunities offered by the opening of the internal borders of the EU, economic globalisation and new technological development. Organised crime poses particular challenges for Croatia (EC, 2013) and corruption is used as a facilitator in this context (Foster, 2012).

A recent study estimated that the shadow economy reached 29.5% of the GDP in 2012 in Croatia (Schneider, 2012). Being situated on the “Balkan Axis“, Croatia is a transit country (and to a lesser extent a country of origin and destination) for the trafficking of persons and a range of illicit commodities, including drugs, arms and cigarettes (OCTA, 2005). Following its accession to the EU, the risk of the country becoming also a country of destination may increase.

A 2011 study conducted by the United Nations Office on Drugs and Crime revealed that Croatian citizens rank corruption as the third most important problem⁴³ in the country (UNODC, 2011). The same study showed that 16% of those interviewed secured a job in the public administration with the help of a bribe. In the 12 months prior to the UNODC survey, 18% of Croatian citizens had either direct or indirect exposure to a bribery experience

⁴³ The first two being unemployment and performance of the Government.

involving a public official. According to the study, the healthcare sector and the police are particularly vulnerable to petty corruption in Croatia.

The Eurobarometer Survey on Corruption in 2013 showed that 94% of the Croatian respondents believe, that corruption is widespread in their country (EU average: 76%)⁴⁴; 55% believe that corruption affects their daily lives (EU average: 26%); 89% of the respondents say that bribery and the use of connections is often the easiest way to obtain certain public services in Croatia (EU average: 73%).

According to the 2013 Eurobarometer Business Survey on Corruption, 81% of Croatian businesses believe that favouritism and corruption hamper business competition in Croatia (EU average: 73%), while 59% say that corruption is a problem for their company when doing business (EU average: 43%). According to the 2013–14 Global Competitiveness Report, corruption is mentioned as the third most problematic factor⁴⁵ for doing business in Croatia.

In December 2014, Transparency International published the Corruption Perceptions Index that year. On a scale of 175 countries, Croatia is in the 61st place. The Croatian index is 48 points, which is the same as last year, but the position is for four places worse than in 2013. In the EU, the average value of the index is 66. In the area of Western and Central Europe, Croatia is among the five most corrupt countries. Only Bulgaria, Greece, Italy and Romania rank worse.

The Croatian Ministry of the Interior annually publishes reports on criminal offenses by type, following the articles and categorisation of the Criminal Code (TI, 2014). In principle, it includes the analysis of criminal offenses as recommended by international standards, although the legal definition of the types of crimes may vary from case to case. Since criminal offense is the main unit of police statistics in terms of counting and reporting, data published on the perpetrators and victims by type of crime, such as age, gender and nationality are less numerous and less detailed.⁴⁶

According to the official Ministry of the Interior`s Reports, the number of reported organised crime criminal offenses was for about 14 percent lower in the first ten months of 2014 than in the same period of the previous year 2013, which recorded a significant growth in the reports of such criminal offenses in relation to the year 2012. As for the reported economic crime criminal offenses, the number was about 9 percent lower in the first ten months of 2014 than in the same period of the previous year 2013 (Ministry of the Interior, 2012, 2013, 2014).

The following tables (3, 4 and 5) contain more detailed information on organised crime offenses, criminal offenses committed by criminal associations and data on the perpetrators of organised crime offenses.

⁴⁴ 2013 Special Eurobarometer 397.

⁴⁵ The first two being inefficient government bureaucracy and policy instability.

⁴⁶ The reports and surveys are available at: <http://www.mup.hr/1261.aspx>

Table 3. Comparative view of organised crime offenses

Criminal offenses	Reported			Resolved			Percentage of overall reported
	Number		(+ -) %	Number		(+ -) %	
	2012	2013		2012	2013		
Slavery	4			4			
Human trafficking	2	13	550	2	14	600	0,7
Kidnaping		1			1		0,1
Prostitution	53	44	-17	52	44	-15,4	2,4
Extortion	107	172	60,7	102	163	59,8	9,3
Counterfeiting money	152	204	34,2	136	196	44,1	11
Counterfeiting of securities	1	2	100	1	2	100	0,1
Counterfeiting of value	4	18	350	4	18	350	1
Producing, supplying, selling, or offering for use counterfeiting		7			7		0,4
Illicit research activities and appropriation of cultural property		4			4		0,2
Racketeering	84	91	8,3	85	90	5,9	4,9
Illegal entry, movement and residence in the Republic of Croatia	184	176	-4,3	179	176	-1,7	9,5
Criminal association	27	118	337	27	118	337	6,4
Illegal possession, production and acquisition of weapon and explosives	105	999	851,4	105	999	851,4	54
Other	65			65			
TOTAL	788	1.849	134,6	762	1.832	140,4	100

Source: Ministry of the Interior, 2013

Table 4. Crimes committed by a criminal organisation

List of criminal offenses in connection with Art. 329 of CC	Reported criminal offenses
Unauthorized Production and Drug Trafficking (Art. 190)	180
Grand Larceny (Art. 229)	3
Robbery (Art. 230)	11
Fraud (Art. 236)	28
Avoiding Customs Control (Art.257)	23
Counterfeiting official or business documents (Art. 279)	1
Abuse of of office and authority (Art. 291)	108
Accepting Bribes (Art. 293)	92
Offering Bribe (Art. 294)	2
Illegal entry, movement and residence (Art. 326)	77
TOTAL	525

Source: Ministry of the Interior, 2013

Table 5. Perpetrators of criminal offenses of organised crime by criminal offenses

Criminal Offences	Perpetrators		(+) (-) (%)	Offenses per perpetrator (avg)		(+) (-)
	2012	2013		2012	2013	
Slavery	3			1		
Human Trafficking	1	18	1700	2	0,7	-1,3
Abduction		2			0,5	
Prostitution	22	32	45,5	2,4	1,4	-1
Extortion	83	128	54,2	1,3	1,3	0,1
Counterfeiting of Money	39	66	69,2	3,9	3,1	-0,8
Counterfeiting of Securities		2			1	
Counterfeiting of Value	3	6	100	1,3	3	1,7
Producing, supplying, selling, or offering for use counterfeiting devices		5			1,4	
Illicit research activities and appropriation of cultural property		1			4	
Racketeering	87	87	0	1	1	0,1
Illegal entry, movement and residence in the Republic of Croatia	123	116	-5,7	1,5	1,5	0
Criminal association	63	1	-98,4	0,4	118	117,6
Illegal possession, production and acquisition of weapon and explosives	59	599	915,3	1,8	1,7	-0,1
Other	2			27,5		
TOTAL	485	1063	119,2	1,6	1,7	0,1

Source: Ministry of the Interior, 2013

Role of the State in Organised Crime

When the war started in Croatia, numerous Croatian military formations (especially paramilitary) were recruiting people with criminal backgrounds. Members of the well-organised Croatian mafia, operating abroad, rushed to their homeland to acquire the privileges that came with the Croatian Army uniform. These privileges were abused to get involved in a variety of criminal activities (CSD, 2004:69). Therefore it comes as no surprise that many of the prominent members of criminal groups were also prominent members of the military or other parts of formal state structures (Babić, 2003). Symbiosis between the security sector and organised crime was one of the characteristics in Croatia, as well. The Republic's Ministry of defence and its armed forces had close links to the criminal underworld and became a hotbed of corruption in the country (CSD, 2004). Arms smuggling, illicit drug trade, financial frauds and associations were dominant types of criminal group services used by the state.

The "state-building" role of criminal groups soon transferred into criminal cooperation between organised crime and corrupt state institutions (CSD, 2004). Despite the military occupation of its territory, Croatia began to privatise state-owned assets in the early 1990s. The process of privatisation was heavily influenced by political calculations (Bartulica, 2013:196). A completely new generation of entrepreneurs appeared, confidence-men in the politicians immediate surroundings: their comrades-in-arms, their kin and relatives, and, finally, their political allies – clients and cronies (Grubiša, 2005). Most of the participants in the privatisation managed to transform their *de facto* political influence successfully into *de jure* ownership of shares in privatised enterprises, often without payment but simply as a reward for loyalty to the ruling elite (Cuckovic, 2002:256). At the end of the war, during the

transition towards the new authoritarian regime led by Tuđman, former criminals were protected as a sort of national heroes by the state authorities. Crime and corruption increased dramatically and the political elites were not exempted from contacts with organised crime group (Papandrea, 2013). When the new governing coalition⁴⁷ took power in January 2000, the first thorough inspection of the Croatian customs service since its creation was conducted (CSD, 2004). An investigation revealed that a number of Croatian companies, owned by those abovementioned entrepreneurs, i.e. tycoons close to the HDZ and Tuđman, had been importing goods for years without paying the necessary customs duties and taxes. Those above-mentioned events suggest that in Croatia, the state and organised crime grew up together, intertwined as one.

The HDZ returned to power in 2003 under the leadership of Prime Minister Ivo Sanader, reshaped as a conventional European centre-right party. Eleven years later, Sanader is found guilty by the first-instance verdict for „organising a group of people with the aim of committing criminal offenses for which the law may impose three years in prison or a more severe punishment ... as the President of the Croatian Democratic Union (HDZ) and the President of the Croatian Government, Sanader has linked a group of people into a joint action, with the intention of acquiring benefit for himself, HDZ and other persons“ (County Court of Zagreb, 2014). Once the most powerful person in the state, ex-prime minister Sanader was found guilty under article 333 paragraph 1⁴⁸ and 337 paragraphs 1 and 4⁴⁹ (Criminal Code, OG 57/11) and sentenced to nine years of imprisonment. Unlike other countries, where organised crime infiltrates into legitimate economy and the public sector, in Croatia, the highest level of political authorities are in fact the ones who create a group acting with a common purpose of committing criminal offenses for the purpose of direct or indirect acquisition of financial or other material benefits.

Organised criminal groups operating in the Republic of Croatia

Organised crime in Croatia seems to be characterised by many groups which have their own organisation and structure (Papandrea, 2013). The characteristics of organised criminal groups operating in the Republic of Croatia at national level are explained by attributes based on the Sleipnir model in PNUSKOK's fundamental strategic document - *Assessment of organised crime in the Republic of Croatia* (Horjan/Krnjašić, 2012). This document describes organised criminal groups as the ones with high financial power, channelled into legal flows of money, but also in new criminal activities. They use legitimate business structures for purposes of gaining a monopoly with regard to other companies and financial income. Such businesses are used as a cover for criminal activities and for money laundering, as well. Corruptive influence is used primarily on representatives of local and national government in order to achieve the interests of the organisation (obtaining privileged information, strengthening the influence in society, obtaining financial gain, etc.). In return, organised criminal groups offer money, but a variety of services, as well. Holders of organised crime groups are generally well protected

⁴⁷ Social Democratic Party (SDP), Croatian Social Liberal Party (HSLs), Croatian Peasant Party (HSS), the Liberal Party (LS), Croatian People's Party (HNS), and the Istrian Democratic Assembly (IDS).

⁴⁸ Associating for the Purpose of Committing a Criminal Offense

⁴⁹ Criminal offenses against official duty

which affects the fact that during the crime investigations usually only for the middle-level organised crime members, the connection with criminal activities is proven.

Experts estimate that the number of organised crime groups in Croatia ranges between 1 and 10. Although the criminal scene appears to be very variegated and many groups have an organisation, which suggests that no top-level leader is present, it looks as though there are some criminal figures that are dominant, because they gained power and wealth by investing their illicit gains in the process of privatisation. Economic crime, but also traditional organised crime including smuggling and trafficking of human beings, trafficking of drugs and weapons, racketeering and counterfeiting of currencies are the main activities of organised crime groups (Council of Europe, 2005:60). Organised crime groups are also involved in forgery of identity documents, stolen vehicle trafficking and smuggling of petrol and cigarettes. More recently, the range of their activities was expanded into more sophisticated crimes including real estate fraud.

Legislation Assessment

In the Croatian criminal practice, the definition of organised crime explains the phenomenon with what it comprises: systematically planned and prepared criminal offenses committed by participants in a joint criminal association with permanent influence, using intimidation, violence and corruption, regardless of state borders, with the purpose of acquiring financial gain or social power (Sačić, 2001).

When it comes to the legal definition and interpretation of organised criminal groups, the matter is more complicated. The Croatian Criminal Code from 1997 (Official Gazette No. 110/97) uses and defines the term “criminal organisation“ (Article 89 (23)) as an “association consisting of at least three persons, who have joined together to commit criminal offenses. The activity of a higher level criminal organisation is also directed towards achieving and maintaining control over certain economic or other activities, using intimidation or violence in order to influence other persons to join them or to obey them. A criminal organisation is characterized by a high degree of connectivity between its members, internal organisation based on the relations of hierarchy and discipline and division of labour. A criminal organisation is the basis of the concept of organised crime“. At the time this law was adopted, the Croatian president was Franjo Tuđman.

With the Amendment to the Criminal Code (OG No. 111/03), the definition of “criminal organisation“ was changed to “hierarchically structured association, consisting of at least three persons, who act in a certain period, and have gathered to commit criminal offenses in order to achieve financial gain or to realise and supervise certain economic or other activities“. This definition abolished “intimidation or violence“ and the claim that “the

criminal organisation is the basis of the concept of organized crime“. The President at the time was Stjepan Mesić.

Further changes to the definition of the term were brought with the amendments in 2004 (OG No. 105/04). A “criminal organization“ was then a structured association consisting of at least three persons, acting with a common purpose of committing one or more criminal offenses aimed at the direct or indirect acquisition of financial or other material benefits, or in order to achieve and supervise certain economic or other activities, these are criminal offenses for which a prison sentence of at least four years or more is stipulated“. Again “The criminal organization is the basis of the concept of organised crime“. When this law was passed Mesić was still the President of Croatia.

The New Criminal Code from 2011 (Official Gazette No. 125/11, 144/12) abolished the term of “criminal organisation“ and introduced the term “criminal association“, which is in every respect a lower level of organisation. “Criminal association“ is not characterised with hierarchy and structure, nor acts over a period of time, with the aim to acquire financial or other material benefit.

Although the Croatian Criminal Code does not recognise the concept of organised criminal groups or organisations (it defines criminal associations), the criminal police recognises them and defines them in accordance to the V. Methodological guidance on the monitoring of criminal groups in the territory of the Republic of Croatia⁵⁰, issued by the Director General of Police on May 6th 2011; to be considered as an organised criminal group, a group must fulfil four mandatory criteria, and at least two of seven optional criteria. The mandatory criteria are that an OCG must (a) consist of a collaboration of at least three people (b) that are gathered for a prolonged or indefinite period of time; (c) be suspected or convicted of committing serious criminal offenses; and, (d) have as their objective the pursuit of profit and/or power. Optional criteria include: a specific division of labour; using some form of internal discipline and control; exerting influence on the public and private sectors; using commercial or business-like structures; engaging in money-laundering; and operating on an international level.

Special investigative tools

Special collection of evidence methods in organised crime cases are regulated by the Criminal Procedure Code (Art. 332). If the investigation cannot be carried out in any other way or would be accompanied by great difficulties, the investigating judge may, upon a written request with a statement of reasons from the State attorney, order measures which temporarily restrict certain constitutional rights of citizens. Measures which can be taken include surveillance and interception of telephone conversations and other means of remote technical communication; interception, gathering and recording of electronic data; entry on the premises for the purpose of conducting surveillance and technical recording at the premises; covert following and technical recording of individuals and objects; use of undercover

⁵⁰ Definition of organised crime used in the V. Methodological guidance actually emerged from the Expert Group on Organised Crime of the Council of Europe (European Parliament, 2012:10).

investigators and informants; simulated sales and purchases of certain objects, simulated bribe-giving and simulated bribe-taking; offering simulated business services or closing simulated legal businesses; and controlled transport and delivery of objects from criminal offenses. Art. 334 that defines the criminal offenses to which these measures may apply includes associations for the purpose of committing a criminal offense, as well as criminal offenses committed by a group or criminal organisation in concurrence.

Criminal proceedings

A reformed criminal procedure code (Criminal Procedure Act, Official Gazette 152/08) was adopted in late 2008 aimed, inter alia, at enhancing the efficiency of proceedings. It came into force on July 1st 2009 for USKOK (organised crime and corruption) offenses and on September 1st 2011 for all other offenses. The code was subsequently amended several times, the most recent and extensive amendments came into force on December 15th 2013. These latest amendments aimed to align the Code with an earlier decision of the Constitutional Court (No.U-I-448/2009), which declared that a number of its provisions were unconstitutional. Nevertheless, the new amendments (OG 143/12, 056/13, 145/13) also drew public criticism, including criticism some representatives of the judiciary, as to their potential to make investigations more cumbersome and lead to delays in concluding criminal proceedings in complex corruption and organised crime cases.

One of the strongest critics of the amended CPA, the President of the Zagreb County Court Ivan Turudić, argued that the consequences of such an Act will be far-reaching. In September 2013, when the public discussion on the proposed amendments was still open, Turudić explained in one of the interviews he gave, that after these amendments are put into force, *there will be chaos! Croatia will have three different Codes of Criminal Procedure at the same time, three de facto implementing Constitutions with conflicting concepts and solutions. It should be recalled that we also have two Criminal Codes that currently apply. So, instead of two, Croatia has five Acts* (Raić-Knežević, 2013).

Confiscation policy

The confiscation of pecuniary gain acquired by a criminal offense is regulated by Art. 77 of the Criminal Code (OG 125/11, 144/12). It provides that the court shall confiscate a pecuniary gain acquired by the means of a criminal offense. The confiscation of a pecuniary gain shall be ordered by a court decision, establishing that a criminal offense has been committed. If it is impossible to seize the pecuniary gain consisting of money, securities or objects, in full or in part, the court shall obligate the perpetrator of the criminal offense to pay the equivalent sum of money. The pecuniary gain shall also be confiscated if it is in possession of a third party on any legal ground and it has not been acquired in good faith.

On January 1st 2011, the Confiscation Procedure for Pecuniary Gain Acquired by Criminal Offenses Act (OG 145/10) came into force and introduced the procedure for establishing pecuniary gain achieved by means of a criminal offense, security procedures in the

confiscation of such a pecuniary gain, the procedure for the enforcement of the decision to confiscate the pecuniary gain, the procedure for handling confiscated property and the property that is the subject to seizure, and the realisation of the rights of the parties injured by the criminal offense, and the protection of third person rights.

Witness program

National legislation in Croatia allows for witness protection to be used in organised crime cases. Witness protection consists of a special way of interrogation and participation in the procedure and measures for the protection of witnesses and people close to the witness that are outside the process. The application of the Witness Protection Act (OG 163/03, 18/11) is possible when a proven criminal offense is associated with disproportionate difficulties or when it could not be carried out in any other way without the testimony of vulnerable persons as witnesses, which, due to a possible threat, will not freely testify in criminal proceedings for offenses (1) against the Republic of Croatia; (2) against values protected by international law; (3) of organised crime; (4) for which the law may impose a prison sentence of 5 years or more. Protection measures for endangered persons prescribed by this Act are physical protection; relocation; measures of disguising identity and ownership and change of identity.

Organised crime in public procurement

The Criminal Code includes abuse in the public procurement procedure among criminal offenses against the economy (Article 254).

As for the Public Procurement Act, a variety of new instruments entered in to force in 2011 in order to increase transparency and enhance control over the public procurement procedures. The Act and its first amendment (OG 83/13) brought significant changes to the construction sector, concerning the subcontractors. According to Article 86 (2) economic operators who intend to subcontract a share of a public procurement contract to one or more subcontractors shall indicate the following information in the tender: (1) name, company name, seat, OIB (or national identification number of the country that is the seat of economic subject, if applicable) and account number of the subcontractor and (2) the subject-matter, quantity, value of the subcontract and the share of the public procurement contract intended for subcontracting. These declarations become essential elements of the public procurement contracts, prescribed by the Act in order to avoid economic operators acting only as intermediaries. The fact that the contracting authority makes direct payments to subcontractors represents an additional security mechanism (Article 86 (4)). In this way, the tenderers are bypassed in order to prevent the blocking of payment or committing fraud.

A special part of the new Act is dedicated to the prevention of conflicts of interest. Article 13 sets the framework and defines the situations where a conflict of interest exists: (1) if the representative of the contracting authority performs managerial duties for the economic operator at the same time, or (2) if the representative of the contracting authority holds a business share, stocks or other rights entitling it to participate in the management or in the

capital of the economic operator with a share of more than 0.5%. Contracting authorities may not enter into public procurement contracts with those economic operators, whether the case is that such operators are single bidders or if they are one of the members of the group of tenderers. These economic operators may not even be subcontractors of any of the selected tenderers. The consequence of such an action would be void contract and misdemeanour provision, whereas the case shall be submitted to the competent State Attorney's Office for further action. However, the Act does not specify who is responsible for monitoring compliance with this provision, while the representatives of the institutions contacted for the purpose of this research (State Commission for Supervision of Public Procurement Procedures, Directorate for Public Procurement System, Faculty of Law in Zagreb and Osijek) were not sure who and on whose report/appeal shall decide on the nullity of the contract and/or further action (report of the case to the State Attorney's Office).

Clearer response was obtained from the Commission for Conflict of Interest. The provision of conflict of interest from the Public Procurement Act partially coincides with Articles 17 and 18 of the Act on the Prevention of Conflict of Interest (Official Gazette No. 26/11, 12/12, 124/12, 48/13) and the Commission for Conflict of Interest is competent for its implementation. The scope of the Commission is much broader and covers all types of business relations including public procurement. In the case of irregularities and non-compliance with the law, the Commission shall submit the case to the State Attorney's Office for further action. However, such action may be limited only to the officials that are subject to the conflict of interest law, which are rather limited and do not fully correspond to the Public procurement reality.

Institutional actors

Croatia has set up a combination of law enforcement and judicial structures specialised in dealing with corruption and organised crime; the so called USKOK Vertical, including the following institutions:

1) National Police Office for the Suppression of Corruption and Organised Crime (PNUSKOK) - Established within the Criminal Police, Ministry of the Interior; monitors and studies the forms of corruption and organised crime, their trends and ways of execution, directly implements complex criminal investigations at a national level in collaboration with USKOK, State Attorneys and other government authorities, directly responsible for national-level complex and organised crime, and the criminal investigations being conducted in two or more police departments or more countries, or which require joint international police investigations. Supervises the implementation of complex criminal investigations in the police departments and keeps a collection of criminal records. It drafts proposals for priorities in the fight against complex and organised crime.

2) Office for the Suppression of Corruption and Organised Crime (USKOK) – the State Attorney's Office founded USKOK in 2001 – the Office of the State Attorney particularly

specialised in the prosecution of corruption and organised crime, with 4 regional offices and headquarters in Zagreb, and is responsible for the entire territory of Croatia.

3) *Special USKOK courts* - Established in four regions (at county level, around the cities of Zagreb, Split, Rijeka and Osijek). The mandate of these USKOK special court departments, created to deal with corruption and organised crime, was to promptly rule in cases under the jurisdiction of USKOK.

USKOK Vertical has proven to be proactive, and have developed a good track record of investigations into allegations of high-level corruption. However, at the judicial level, corruption-related crimes are frequently punished with low or even conditional sanctions, creating a climate of impunity. While their track record of investigations has improved slightly over time, “overall the level of sentences in organised crime cases remains low“ (European Commission, 2014).

The Department of Economic Crime and Corruption - Ministry of Internal Affairs helps to prevent and relieve all types of crimes in which property and proprietary rights in the field of economy are attacked, paying special attention to crimes against the state budget, public property, intellectual property rights and corruption. The Department’s task is to take the most complex criminal investigations within the scope of their work and solve them with the relevant police departments. However, there is no clear boundary between the jurisdiction of PNUSKOK and this Department. It seems that their jurisdiction is overlapping, i.e. when PNUSKOK was founded, this department should have changed its purpose and jurisdiction, which obviously did not happen.

Although organised crime is not an area that traditionally falls under the jurisdiction of security-intelligence, the *Security-Intelligence Agency (SOA)* collects information on activities of local and foreign criminal groups, their members, organisation and ties in Croatia and amongst each other.

Hungary



Organized Crime Assessment

1.1 Organised Crime - Drugs and Human Trafficking

According to an EU-related Europol report from 2004, drug crime was the main activity of criminal organisations. Marijuana is grown mainly in Hungary while synthetic drugs are imported from Balkans countries and then taken to the Western part of the EU. Hungarian criminal organisations even provide temporary storage for drugs in this Balkans-West axis. (“European Union Organised Crime Report – Open version” 2004).

An International Labour Organization (ILO) report in 2004 quoted Judit Juhász, international migration researcher who said that human trafficking had seen an upturn. Prior to this, the phenomenon had become global rather than being localised, and crime became organised rather than individual. At the same time, Hungarian criminals became intermediaries in human trafficking, and the activities were increasingly organised from abroad (Liemt 2004).

Hungary also appeared in the 2005 Europol report as a transit country in the drug trade (“European Union Organised Crime Report – Open version” 2005).

The Office of diplomatic security of the United States Department of the Interior reported in 2013 that apart from the drug trade, criminal organisations also organised prostitution, gambling and vehicle theft (“Hungary 2013 Crime and Safety Report” 2013).

According to the Foreign & Commonwealth Office of the United Kingdom, the crime rate slightly decreased in the years before 2014, whereas the rate of violent crime and street muggings does not exceed that of other European countries. The report uses the World Security Network Foundation as a source, which stated that Budapest, owing to its favourable geographic location and good infrastructure, had become an important hub of illegal porn and the smuggled cigarette trade. This report also mentions human trafficking for prostitution and labour, starting out from Eastern Europe including Hungary. (“Overseas Business Risk – Hungary” 2014).

Michaletos, the leader of the South Eastern European office of the World Security Network Foundation, contributor of Bright magazine on issues of Balkan organized crime, also stated Hungary was a significant transit country in a Worldpress.org article .Hungary is a

transit country due to its unique geographic-economic conditions. Cigarettes are transported from Ukraine to Austria, illegal migrants from Romania, and drugs and firearms from Serbia and Croatia. Criminal organisations accumulated their capital in the 1990s as smugglers and perpetrators of other crimes. Local networks of crime consist of former police officers and operators of the long-existing black market; the latter have maintained their great connections to local authorities. This can be put down to numerous external and internal factors, such as: good public infrastructure and storage services for transportation and storage, widespread corruption and people in leading positions who had also been linked to crime earlier. Budapest has also become a centre for money laundering, on top of all the illegal activities listed above (Michaletos 2011).

According to Worldpress, the number of criminal organisations has increased since 2007. Groups from China and Latin America also settled in Hungary. Furthermore, the Hungarian Intelligence Service reported in 2008 that the 2004 EU accession of Hungary had been pivotal for criminal organisations. The range of their activities have become broader and more flexible. (Michaletos 2011). Criminal organisations have gained power and influence since 2009. Supposedly, rivalry between groups has intensified too (“Hungary: Crime situation, including organized crime; police and correspondingly state responses. 2012.”).

1.2.2 Corruption In General

Freedom House International Organization has examined democracy and democratic institutions all over the world since the 90’s. They elaborate country reports in each year based on many aspects as the electoral process, the independence and effectiveness of the legislative and executive system, legislation concerning media and civil rights, business interest of to policy makers, public perceptions about corruption or the growth of nongovernmental organizations. In consultation with regional experts and academic advisers, they calculate an index. The index can take up values from 1 to 7, with 1 being the best and 7 the worst. Corruption index in the report of the Freedom House in Hungary assumed the value of 3.0 in 2001. In 2003, it changed to 2.75 due to civil servant wage increases. Again in 2006, Hungary received a corruption rating of 3.0 because of the government's laws against preventing and revealing corruption, and because of illegal campaign financing. Between 2009 and 2014, this index rose to 3.57. In 2009, disfunctional anti-corruption laws and public procurement scandals led to a deterioration. In 2010, due to large-scale corruption scandals, and again in 2014, due to the act restricting the free flow of information, continuing public procurement scandals, the tobacco-shop scandal and other cases, the rating dropped to 3.75 (“Freedom House” 2014).

According to Transparency International, Hungary is 47th of the examined 177 countries, and from the EU 28 it is number twenty in terms of its corruption rating. In 2014, sixty per cent claimed that bribery is common, while in Central Europe this rate is 47 percent. Paying taxes and social contribution is low. The black economy is extensive, especially in agriculture and the construction industry. The biggest tax evasions are done by micro-enterprises and large corporations. NTCA has revealed eighty percent of the cases (“Overseas Business Risk – Hungary” 2014).

1.2.3 Levels Of Corruption And Organised Crime

Organised Crime and Corruption Reporting Project published a report on Hungary back in 2008. The Project is a not-for-profit international joint program investigated by local non-governmental actors and independent media. It aims to understand better how organized crime and corruption affect people's lives by in-depth investigative stories and latest news. In Hungary the project is led by Atlatszo.hu blog. The report lists the areas of corruption and supports them with examples which date back to the mid-nineties. According to the report, corruption has been a menacing and general problem in Hungary since the end of communism. The government and the police are both corrupt and they are sometimes intertwined with organised crime. The report mentions the correlation between the Hungarian secret service, certain private businesses, and the government. It mentions such well-known players in corruption scandals as OTP Bank, K&H Bank or Energol. Some prosecutors also give in to political influence. Again, to support this claim, the report lists well-known corruption scandals. Organised crime hinges upon prostitution and drug trafficking. However, the upper strata of society do illegal activities in a more sophisticated way, in partnership with the government ("Hungary: Corruption Continues" 2008).

Table 1.1.1.: Number of judgement-at-laws per State of Affairs 2006-2014

Number of Judgement-at-laws per State of Affairs between 2006. - 2014. 1st Half Year																												
State of affairs		2006			2007			2008			2009			2010			2011			2012			2013			2014. 1st Half Year		
		Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total
Bribery*		327	2	329	241	1	242	140	0	140	185	1	186	219	0	219	221	1	222	171	0	171	35	1	36	8	0	8
Active Corruption of Public Officials**		-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	120	0	120	48	0	48
Active Corruption in Court or Regulatory Proceedings**		-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	4	0	4	0	0	0
Indirect Corruption**		-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	2	0	2	0	0	0
Abuse of a Function		27	8	35	36	7	43	31	6	37	26	5	31	28	10	38	28	0	28	42	1	43	35	0	35	14	0	14
Embezzlement	Misdemeanor	810	22	832	707	19	726	595	19	614	643	19	662	638	21	659	503	9	512	501	7	508	458	9	467	366	6	372
	Felony	1276	8	1284	1094	0	1094	1177	3	1180	1262	3	1265	1328	3	1331	1037	6	1043	1158	0	1158	1018	2	1020	559	0	559
Fraud	Misdemeanor	1640	42	1682	1596	36	1632	1784	22	1806	1828	16	1844	1634	22	1656	1161	26	1187	1018	29	1047	988	24	1012	788	16	804
	Felony	3546	15	3561	3473	16	3489	4091	11	4102	4541	10	4551	4759	12	4771	3200	12	3212	3346	9	3355	2943	10	2953	1419	8	1427
Economic Fraud**	Misdemeanor	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	0	0	0	0	0	0
	Felony	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	0	0	0	2	0	2
Misappropriation of Funds		49	1	50	67	0	67	48	0	48	47	1	48	35	1	36	37	0	37	50	0	50	61	0	61	25	0	25
Money Laundering***		-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	12	0	12	10	0	10	9	0	9	3	0	3
Extortion		338	137	475	296	87	383	316	111	427	337	139	476	347	138	485	329	112	441	307	109	416	295	99	394	191	61	252
Criminal Offences Related to Elections (Referendum, Popular Initiative)***		-	-	0	-	-	0	-	-	0	-	-	0	-	-	0	3	0	3	5	0	5	0	0	0	1	0	1
Total		8013	235	8248	7510	166	7676	8182	172	8354	8869	194	9063	8988	207	9195	6531	166	6697	6608	155	6763	5968	145	6113	3424	91	3515
*: the marked state of affair was synthetical, i.e. includes all kinds of bribery																												
**: the marked state of affairs appeared in 2013, hence we are not able to provide related data in 2012																												
***: we started to gather related data from 2011																												

1.2.4 Bribery In The Case Of International Companies

The OECD published its report in 2012, on the fifteenth anniversary of the signing of the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions. The report contains cases of bribery of foreign officials in international business transactions, and a description of the measures taken against them. 39 countries are included in the report. Between 1999 and 2012, after the United States, Germany and Japan, Hungary had the highest number of individuals and legal entities penalised as a result of foreign bribery offences. According to the report, Hungary is doing well in combatting corruption, even assigning a special apparatus to counter the case (“Annual Report of Undertaken Activities” 2012).

1.2.5 Economic Crime, Fraud, Bribery

The goal of the Global Economic Crime Survey conducted by the PwC international group was to assess the different types of economic frauds, to define its types and to estimate their costs. According to a 2011 report, they have interviewed 4,000, and in 2014, 5,000 corporate executives (including 40-50 Hungarian company managers) worldwide. The report shows that in 2011, nearly one in four Hungarian enterprises had been involved in economic crimes. The rate was virtually the same in 2009. Half of the reported cases were misappropriation, while two-fifths were cases of bribery and corruption. Accounting fraud was committed in one fifth of the cases. In half of the cases, these crimes were committed by an external party which had not been working for the company. (“The Global Economic Crime Survey” 2011). By 2014, the proportion of companies experiencing economic crime decreased slightly. (“Economic Crime: A Threat to Business Globally” 2014). Bribery and corruption remained at the same level. For comparison: they have observed economic crimes at 34 per cent of the companies in 2011, while by 2014, this rate has increased to 38 per cent.

References

Annual Report of Undertaken Activities. (2012): OECD Working Group on Bribery.

Retrieved November 24, 2014 from <http://www.oecd.org/daf/anti-bribery/AntiBriberyAnnRep2012.pdf>

Economic Crime: A Threat to Business Globally. (2014) *Hungarian country report February 2014*. Hungary: PwC.

Retrieved November 24, 2014

from http://www.pwc.com/hu/en/kiadvanyok/globalis_gazdasagi_bunozes_felmeres/index.jhtml

European Union Organised Crime Report - Open version. (2004) (Vol. 2004 December).

Luxembourg: European Commission.

Retrieved November 24, 2014

from https://www.europol.europa.eu/sites/default/files/publications/en_euorganisedcrimesitrep2004.pdf

European Union Organised Crime Report - Open version. (2005) (Vol. 2004 November).
Brussels: Council of The European Union.

Retrieved November 24, 2014

from <https://www.europol.europa.eu/sites/default/files/publications/eu-organisedcrimereport2005.pdf>

Freedom House. (2014). Freedom House

Retrieved November 24, 2014 from <https://freedomhouse.org>

Hungary 2013 Crime and Safety Report. (2013). USA: United States Department of State,
Bureau of Diplomatic Security

Retrieved November 24, 2014

from <https://www.osac.gov/pages/ContentReportDetails.aspx?cid=13707>

Hungary: Crime situation, including organized crime; police and state response including effectiveness. (2012). Canada: Immigration and Refugee Board of Canada

Retrieved November 24, 2014 from <http://www.refworld.org/docid/5035fef1d9.html>

Hungary: Corruption Continues. (2008): Organized Crime and Corruption Reporting Project
Retrieved November 24, 2014

from https://reportingproject.net/prosecution/index.php?option=com_content&task=view&id=1&Itemid=1

Lient, G. V. (2004). Human Trafficking in Europe: an Economic Perspective. Geneva:
International Labour Office.

Retrieved November 24, 2014 from http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_081992.pdf

Michaletos, I. (2011). Organized Crime in Central Europe. 2014,

Retrieved November 24, 2014 from <http://www.worldpress.org/Europe/3682.cfm>

Overseas Business Risk - Hungary. (2014): UK: UK Foreign & Commonwealth Office.

Retrieved November 24, 2014 from <https://www.gov.uk/government/publications/overseas-business-risk-hungary>

The Global Economic Crime Survey (2011) *Hungarian country report December 2011*.
Hungary: PwC.

Retrieved November 24, 2014 from http://www.pwc.com/en_HU/hu/publications/assets/the-global-economic-crime-survey.pdf

2.1 The Rise Of Organized Crime In Hungary:A Short Historical Overview

The dawn of organised crime began before the fall of communism in Hungary, but it was not a discussion matter back then because of ideological and political reasons. During socialism, the phenomenon was identified as a mafia-type criminal activity, which in fact did not exist. A mafia-type organisation is a criminal organisation with complexity, expansivity, network, connections, influence and power, such as those that have operated in Italy for centuries. Before the nineties, the Central and Eastern European criminal organisations were mostly region-based, and they committed relatively simple crimes. However, the fall of communism in 1990 gave a big boost to their further development. (Janzsó, n.d.) The development of organised crime in Hungary can be divided into four periods, which were as follows:

1. the period of the "old regime" before the collapse of communism (before the 1980s) – period without real organised crime,
 2. the period of "pre-privatization" (between 1980 and 1989) – the dawn of organised crime,
 3. the period of privatization (the 1990s) – the blooming of organised crime,
 4. the period of EU accession (after 2004) – internationalization of organised crime.
- (Gulyás, 2013) These periods will be revisited later in more detail.

Internal and external factors were both necessary for the formation of organised crime. Concerning the external factors, as mentioned previously, the message of the state authorities was that there is no organised crime in Hungary, however, the permissive system of "goulash communism" had a beneficial effect on its development. The version of socialism operating in Hungary gave more freedom to its citizens before the end of communism compared to many other socialist states. Thus the "Western" influence was greater. In the "happiest barrack" circumventing rules and searching for loopholes became more and more accepted and common. This was further reinforced by the fact that with the collapse of communism both the political and economic systems and the unwritten rules of everyday life transformed. The old and new norms coexisted, people often faced contradictory standards. It was difficult to decide whether to comply with the old or the new rules, so a kind of unregulated ("anomic") state emerged. Because of loopholes in the law, the state authorities were unable to function effectively. Although in many respects Hungary transitioned itself to a market economy after 1989, still, the banking system essential for its proper operation was missing. Deficiencies and disfunctions like these all facilitated the formation and development of organised crime. For example during that time entrepreneurs were struggling from the effects of inflation and the lack of capital, but the banks hardly gave loans. Due to the lack of official loans loansharks appeared who extorted the entrepreneurs who were in a personal financial crisis. These sharks usually used the tools of extortions and crude violence. At that time loansharking supplemented missing bank services. Oil bleaching also was a similar consequence of the deficiencies and disfunctions. Others were trading with mineral-oil and oil products by jockeying the out-of-date financial regulations.

In addition, the process was further accelerated by the increasing inflow of foreign criminals. National and ethnic tensions, the intensification of global migration, the development of transportation, the emergence and spread of offshore companies, as well as the development of technology in general has greatly amplified this process. Technological development on the one hand generates new kinds of crimes (like cybercrime) and on the other hand eases the commitment of "traditional crime". Communication technology claims special attention, because organised crime increasingly requires fast and safe contact-making. Besides these external factors, internal influences also contributed to the development of Hungarian organised crime. After the political and economical transition in Hungary⁵¹ (1989-90) the previously simpler, less hierarchical structure of criminal organisations became more complex with increasing numbers and specialisations of members. On higher and lower levels of the organisation the roles and responsibilities of the members were specified. For example those who were responsible for money laundering did not participate in the "dirty work", and members who specialized in drug trafficking were not allowed to enter the prostitution business. The leaders of the organisation were selected by the "smartest leader" principle instead of the "strongest leader" principle. All in all, operating organisations on a larger scale, territory and with a higher number of members also became possible. An organisation of informal criminal groups were increasingly observable; they were organised to a standard, along the lines of some sort of structure, within the framework of hierarchy. They were able to operate more efficiently than before. These organisations could also provide a special "break-out opportunity" sometimes for certain members in a disadvantaged economic and social situation. (Barna, 2012)

The period before the end of communism can be divided into two parts. These two periods had different features. After 1970 the first organised criminal groups were established. Beforehand, in a period of dictatorship, organised crime had been nipped in the bud. The Rákosi era (50s) was characterised by extensive control, low crime rates and the presence of occasional, disorganised and insignificant crimes. (Gulyás, 2013; Janzsó, n.d.) Various forms of crimes committed to stay alive characterized this period. Between 1945-1948 and after the Hungarian Revolution of 1956, thousands emigrated from the country, including criminals. As a result, Budapest was one of the safest capitals in Europe. (Szendrei, 2010; Janzsó, n.d.)

In 1970 the first organisationally structured criminal groups appeared. However, they only committed simple burglaries and crimes against property. (Barna; 2012, Janzsó, n.d.) Not only the types of crime, but the methods used were simple and the perpetrators were usually apprehended quickly. The first quasi organised criminal group appeared in Budapest between 1975 and 1976. This organisation worked hierarchically, had professional members and used advanced techniques. Their goal was to acquire wealth, which they realized quickly and effectively. They also put great emphasis on legalizing the acquired wealth by laundering the stolen money. Informers played an important role in the system, without whom quick and professional "work" would have been impossible or much harder. The members were

⁵¹However it is important to emphasize that the development of the structure and the salient increase in the number of crimes and criminal groups are not due to the transition itself. This is due to the fact that in the socialism crime and organised crime „officially” did not exist.

professionally and physically equipped, so they were able to organise their own and others' protection as well. The latter, of course, in exchange for protection money. People (like lawyers) who were familiar with the prevailing laws were also included in the hierarchy, so that they could go around them or defend themselves with them. However, at this time, criminal organisations had no political-economic power. (Gulyás, 2013)

The "pre-privatization" period was between 1980 and 1989, which also marked the beginning of "real" organised crime. It was still a period before the end of communism, but the opening to the "West" has already begun in small steps. The loose collaboration and conspiracy of criminal organisations can be observed, which divided the territories among themselves, accumulated significant assets, and already set up legal front companies to conceal their activities (Gulyás, 2013; Janzsó). Shortage economy paved the way for the expansion of criminal organisations. Violation of customs regulations was considered a positive deviance in socialism, since goods which were either not available or supplies which were in short supply could only be obtained this way. A common trait was "comradely" based trade, in fact, it had officially legalized forms (Janzsó; Szendrei, 2010). The typical criminal organisations of the period were businesses based on private property. Over time, fuel bleaching, protection money collecting, vehicle theft, human trafficking, money counterfeiting and arms trafficking became the primary profile of criminal organisations. (Barna, 2012) In addition, there were frequent accounts of extortion, serious crimes against life, operations in the entertainment industry, the gambling industry and prostitution. (Janzsó, n.d.) Counterfeiting spread at the same time as the permeability of borders and liberalized foreign trade. Today foreign currency counterfeiting is an increasingly widespread crime. Car smuggling goes two ways: on the one hand, stolen cars are smuggled in from the West, on the other, stolen cars are smuggled from Hungary to the East. Prostitution also goes two ways: Hungarian girls are taken to the West to "work" while Eastern Europeans - mainly Russian and Ukrainian citizens - are brought to Hungary. (Szendrei, 2010)

In Hungary, the golden age of organised crime developed alongside privatization: From the period between 1989 and 1990, after the collapse of communism (Gulyás, 2013; Janzsó, n.d.). The former anti-democratic violence organisations were reorganised on a democratic basis. Uncertainties over the transformation of proprietorship, from public to private, as well as the disintegration of the Soviet Union and Yugoslavia intensified the development of criminal organisations. (Szendrei, 2010) An anomic condition emerged due to an uncertain legal framework created by the changing laws (the old rules no longer applied, the new ones were still incomplete). In addition, various police departments changed as the old officers retired. Experienced officers were succeeded by young "rookies", who lacked experience and practice in the field of law enforcement. With the opening of the borders international migration intensified, thus Hungary became a transit country because of its geographical location (Gulyás, 2013). The anomy, the legal loopholes, the powerless police and the openness of borders all around led to the strengthening of criminal organisations. After the end of communism, a trade of drugs and nuclear materials picked up speed. Money laundering became widespread, and so did corruption. (Gulyás, 2013) At first, Hungary was a transit country in drug trade, but today, it has increasingly become a target country as well (Szendrei, 2010).

In the golden age of crime, crimes against human life took the form of bombings and shootings, most commonly. These were mainly committed in Budapest. The hallmarks of this period were the Aranykéz street murder and the Fenyő-murder. These activities were committed by contract killers under the order of a criminal group or the head of that group. Without the list being complete, some iconic figures, mainly leaders of organised crime groups of the era include Péter Boross, Péter Tasnádi, Tamás Portik, Dietmar Clodo, uncle Szeva (Semion Mogilevich), Zoltán Domák, Zoltán Seres, József Prisztás, Bulcsú Szlávky, László Radnai. .

Some organised crime groups specialized in violent crimes and operated like the Italian mafia. The real estate mafia is a prime example. (Janzsó, n.d.) The notorious Black Army, led by Róbert Magyar, earned a dubious reputation by committing violent crimes. They also operated as a security company in criminal circles: in exchange for money, they provided protection for anyone, or they could "persuade" any unwanted individual that they wanted to step aside. The Russian mafia was also infamous for its violent methods. In Hungary, they primarily expanded in the construction and the entertainment business. (Szendrei, 2010)

Fuel bleaching was a lucrative activity (Janzsó, n.d.), but money laundering also flourished, with prime connections to the drug trade. It became typical to cover any illegal activity with a legal business operation, and to invest the wealth acquired through crime into start up legal businesses. Thus, the illegally acquired money was reinvested in the economy. It was also common that a particular organisation created many businesses destined for bankruptcy to maintain the appearance of creditworthiness. (Szendrei, 2010) Pyramid schemes and phantom companies were also living their heyday (Janzsó, n.d.).

With the accession to the EU, organised crime in Hungary stepped on the path of becoming international. After all, with the abolition of borders, the free movement of capital, goods and labour became a reality. International migration has increased and border controls have disappeared. Hungary was no longer a transit country. International criminal organisations began to enter into the country, creating also smaller headquarters. (Gulyás, 2013) After 2005, the spread of organised crime dropped. After "wild privatization" the balance between organisations was upset and gang wars broke out in the second half of the 1990s. The situation deteriorated to a point where criminal organisations began to cooperate with law enforcement authorities, so their activities were significantly curbed. "Wild or spontaneous privatization" happened before the "officially" conducted privatization, in the early 1990s. There were no officially ordered laws and rules for the implementation. At this time a considerable part of the national assets fell into the hand of private individuals, who were not forming organised criminal groups. Of all registered crimes, 2005 was a zenith (searched until 2008), in which the most frequented counties were: Budapest, Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Fejér and Csongrád county. (Barna, 2012) In the last period of organised crime the number of organised crime activities peaked in 2005, mostly in Budapest, Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Győr-Moson-Sopron and Bács-Kiskun county. The measurement is relatively complicated and many indicators are

not published. These data shows the number of committed crimes at a certain time. (Barna, 2012)

Today, in the period of internationalization, from 2004 until the present day, the fight against organised crime is also a matter of national security and security policy, as the fight must be taken on against transcontinental organisations (Berki, 2012).

References

Dónát Janzsó (n.d.): The features of the development and presence of organised crime, with special emphasis on the effects of the end of communism. Downloaded: http://www.jogiforum.hu/files/publikaciok/janzso_donat_a_szervezett_bunozes_kialakulasa_es_jelenletenek_sajatossagai%5Bjogi_forum%5D.pdf Time of download: 30. 06. 2014. 14:30

Antal Berki (2012): Organised crime in Hungary 2011. *Law enforcement* year 1. Issue 1
Downloaded: <http://www.rvki.hu/images/downloads/rentudfoly/2012-i.pdf>
Time of download: 20. 06. 2014. 10:07

Orsolya Barna (2012): The causal connections of organised crime presented through a case study. *Law enforcement* year 1. Issue 1.
Downloaded: <http://www.rvki.hu/images/downloads/rentudfoly/2012-i.pdf>
Time of download: 20. 06. 2014. 10:07

János Ladányi (2011): Városi és falusi gettósodás az ezredforduló Magyarországon. Pro Publico Bono Online Speciál.
http://www.propublicobono.hu/pdf/ladanyij_cikk_ppb20111220.pdf
Time of download: 2014. 09. 08.

Ferenc Szendrei (2010): The development of organised crime in Hungary. In: Ferenc Szendrei: Money laundering. Page 181-194.
http://doktori-iskola.ajk.pte.hu/files/tiny_mce/File/Archiv2/szendrei/szendrei_ertekezes_nyilv.pdf
Time of download: 30. 06. 2014. 14:50

Mónika Gulyás (2013): The development of organised crime in Hungary. In: Mónika Gulyás: The tools of fighting money laundering in Hungary and the European Union. Page 10-13.
http://phd.lib.uni-miskolc.hu/JaDoX_Portlets/documents/document_14039_section_6273.pdf
Time of download: 30. 06. 2014. 14:45

Legislation Assessment

Below, we shall present some provisions of Hungarian criminal law in detail which concern organised crime, and, in a broader sense, corruption, followed by a brief assessment. First, the legal terms of organised crime will be given an outline, then, corruption, as well as other crimes which are related to it, will be presented. In all cases, the relevant sections of the criminal code will be quoted for the most accurate impression possible.

2.1. Organised Crime

Under Hungarian criminal law, organised crime can be perpetrated by two types of groups involved in illegal activities: criminal organisations, and criminal associations. The descriptions below make it obvious that the former ones are judged more severely than the latter ones.

Section 459

(1) For the purposes of this Act:

1. 'criminal organization' shall mean when a group of three or more persons collaborate in the long term to deliberately engage in an organized fashion in criminal acts, which are punishable with five years of imprisonment or more;

2. 'criminal association' shall mean when two or more persons are engaged in criminal activities in an organized fashion, or they conspire to do so and attempt to commit a criminal act at least once, without, however, creating a criminal organization;

Although neither of them overlaps directly with „classical” mafia-type organised crime, the offense of running a criminal organisation is quite „inclusive” in legal practice: in extreme cases, a mafia organisation would „fit” into the same category (in the history of Hungarian court cases there have been certain salient examples). It is also important to note that both offenses are aggravating factors in cases of corruption, and in other court cases too, of course. This will obviously bring about a significant increase in imprisonment terms. Finally, it is also worthy to note that racketeering, a typical crime perpetrated by criminal organisations, does not appear as a separate offense in Hungarian criminal law; it is described as a special case of extortion (see later).

2.2. Corruption and Related Crimes

In Hungarian criminal law, virtually all forms of classical corruption are included, along with several further offenses which indirectly relate to corruption; the majority of these are in compliance with international standards. Offenses will be listed in the form and order they appear in the criminal code.

2.2.1. Classical corruption

Classical offenses of corruption include various ways of active and passive corruption (bribery) of officials, juries and authorities; not reporting bribes; buying and selling authoritative power; and, finally, extortion. In other words: classical corruption in itself is not only bribery, but it can take many forms, while further important offenses also appear which are directly related to bribery (e.g. fraud).

2.2.1.1 Active Corruption

Section 290

(1) Any person who gives or promises unlawful advantage to a person working for or on behalf of an economic operator, or to another person on account of such employee, to induce him to breach his duties is guilty of a felony punishable by imprisonment not exceeding three years.

(2) The penalty shall be imprisonment between one to five years if the criminal offense described in Subsection (1) is committed in connection with a person working for or on behalf of an economic operator who is authorized to act in its name and on its behalf independently.

(3) The penalty shall be:

a) imprisonment between one to five years in the case under Subsection (1);

b) imprisonment between two to eight years in the case under Subsection (2);

if the crime of corruption is committed in criminal association with accomplices or on a commercial scale.

(4) Any person who commits the act of corruption in connection with a person working for or on behalf of a foreign economic operator shall be punishable in accordance with Subsections (1)-(3).

(5) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsection (1) if he confesses the act to the authorities first hand and unveils the circumstances of the criminal act.

2.2.1.2 Passive Corruption

Section 291

(1) Any person who requests or receives an unlawful advantage in connection with his activities performed for or on behalf of an economic operator, for himself or for a third party, or accepts a promise of such an advantage, or is in league with the person requesting or accepting the advantage for a third party on his behalf, is guilty of a felony punishable by imprisonment not exceeding three years.

(2) If the perpetrator:

a) breaches his official duty in exchange for unlawful advantage he is punishable by imprisonment between one to five years,

b) commits the criminal offense defined in Subsection (1) in criminal association with accomplices or on a commercial scale he is punishable by imprisonment between two to eight years.

(3) If the perpetrator is working for or on behalf of an economic operator who is authorized to act in its name and on its behalf independently, the penalty shall be imprisonment:

a) between one to five years in the case under Subsection (1);

b) between two to eight years in the case under Paragraph a) of Subsection (2);

c) between five to ten years in the case under Paragraph b) of Subsection (2).

(4) Any person working for or on behalf of a foreign economic operator shall be punishable in accordance with Subsections (1)-(3) for the commission of the criminal offense defined therein.

(5) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsection (1) if he confesses the act to the authorities first hand, surrenders the obtained unlawful financial advantage in any form to the authorities, and unveils the circumstances of the criminal act.

2.2.1.3 Active Corruption of Public Officials

Section 293

(1) Any person who attempts to bribe a public official by giving or promising unlawful advantage to such person or to another person for influencing such official's actions in an official capacity is guilty of a felony punishable by imprisonment not exceeding three years.

(2) Any person committing bribery is punishable by imprisonment between one to five years if he gives or promises the advantage to a public official to induce him to breach his official duty, exceed his competence or otherwise abuse his position of authority.

(3) The penalties defined in Subsections (1)-(2) shall apply to any person who commits the criminal offense set out therein in connection with a foreign public official.

(4) The director of an economic operator, or any person working for or on behalf of the economic operator vested with authority to exercise control or supervision shall be punishable according to Subsection (1), if the person working for or on behalf of the economic operator commits the criminal offense defined in Subsections (1)-(3) for the benefit of the economic operator or on its behalf, and the criminal act could have been prevented had he properly fulfilled his control or supervisory obligations.

(5) The director of an economic operator, or any person working for or on behalf of the economic operator vested with authority to exercise control or supervision shall be punishable for misdemeanor by imprisonment not exceeding two years, if the criminal offense defined in Subsection (4) is committed by way of negligence.

(6) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsections (1) and (2) if he confesses the act to the authorities first hand and unveils the circumstances of the criminal act.

2.2.1.4 Passive Corruption of Public Officials

Section 294

(1) Any public official who requests or receives an unlawful advantage in connection with his actions in an official capacity, for himself or for a third party, or accepts a promise of such an advantage, or is in league with the person requesting or accepting the advantage for a third party on his behest, is guilty of a felony punishable by imprisonment between one to five years.

(2) The penalty shall be imprisonment between two to eight years if the criminal offense is committed by a high-ranking public official.

(3) The penalty shall be imprisonment between two to eight years in the case provided for in Subsection (1) or imprisonment between five to ten years in the case provided for in Subsection (2) if:

a) for the advantage the public official:

aa) breaches his official duties,

ab) exceeds his competence, or

ac) otherwise abuses his position of authority; or

b) if the offense is committed in criminal association with accomplices or on a commercial scale.

(4) A foreign public official shall be punishable in accordance with Subsections (1)-(3) for the commission of the criminal offense defined therein.

(5) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsections (1) and (2) if he confesses the act to the authorities first hand, surrenders the obtained unlawful financial advantage in any form to the authorities, and unveils the circumstances of the criminal act.

2.2.1.5 Active Corruption in Court or Regulatory Proceedings

Section 295

(1) Any person who promises or gives unlawful advantage to another person for himself or for a third party for him to refrain from acting in accordance with his duty or in the exercise of his rights in court, arbitration or other judicial proceedings is guilty of felony punishable by imprisonment not exceeding three years.

(2) The provisions of Subsection (1) shall apply when the acts defined therein are committed in the course of or in connection with, proceedings of an international criminal court installed under international

convention promulgated by an act, or under a statutory resolution adopted by the United Nations Security Council, or by the Court of Justice of the European Union.

(3) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsections (1)-(2) if he confesses the act to the authorities first hand and unveils the circumstances of the criminal act.

2.2.1.6 Passive Corruption in Court or Regulatory Proceedings

Section 296

(1) Any person who requests or receives an unlawful advantage to refrain from acting in accordance with his duty or in the exercise of his rights in a court, arbitration or other judicial proceedings, for himself or for a third party, or accepts a promise of such an advantage, or is in league with the person requesting or accepting the advantage for a third party on his behest, is guilty of a felony punishable by imprisonment between one to five years.

(2) The provisions of Subsection (1) shall apply when the acts defined therein are committed in the course of or in connection with, proceedings of an international criminal court installed under international convention promulgated by an act, or under a statutory resolution adopted by the United Nations Security Council, or by the Court of Justice of the European Union.

(3) The penalty may be reduced without limitation - or dismissed in cases deserving special consideration - against the perpetrator of a criminal offense defined in Subsections (1)-(2) if he confesses the act to the authorities first hand, surrenders the obtained unlawful financial advantage in any form to the authorities, and unveils the circumstances of the criminal act.

2.2.1.7 Misprision of Bribery

Section 297

(1) Any public official who has positive knowledge of an act of active or passive corruption yet undetected, and fails to promptly report that to the authorities is guilty of a felony punishable by imprisonment not exceeding three years.

(2) Family members of the person who failed to report the act of active or passive corruption shall not be prosecuted.

2.2.1.8 Indirect Corruption

Section 298

(1) Any person who gives or promises unlawful advantage:

a) to a person who claims to influence a public official, or

b) to a third person on account of a person who claims to influence a public official is guilty of a felony punishable by imprisonment not exceeding three years.

(2) Any person who commits the criminal offense defined in Subsection (1) in connection with a person who is working for or on behalf of an economic operator or an association is guilty of a misdemeanor punishable by imprisonment not exceeding two years.

(3) The provision of Subsection (1) shall apply when the criminal offense defined therein is committed in connection with a foreign public official.

2.2.1.9 Abuse of a Function

Section 299

(1) Any person who - purporting to influence a public official - requests or receives an unlawful advantage for himself or for a third party, or accepts a promise of such an advantage, or is in league with the person requesting or accepting the advantage for a third party on his behest, is guilty of a felony punishable by imprisonment between one to five years.

(2) The penalty shall be imprisonment between two to eight years if the perpetrator:

a) purports to or pretends that he is bribing a public official;

b) pretends to be a public official; or

c) commits the criminal offense on a commercial scale.

(3) Any person who commits either of the criminal offenses defined in Subsections (1)-(2) shall be punishable as set forth therein.

Section 300

(1) Any person who commits the criminal offense defined in Subsection (1) of Section 299 in connection with a person who is working for or on behalf of an economic operator is guilty of a misdemeanor punishable by imprisonment not exceeding two years.

(2) The penalty shall be imprisonment not exceeding three years for a felony if the criminal offense described in Subsection (1) is committed in connection with a person working for or on behalf of an economic operator who is authorized to act in its name and on its behalf independently.

2.2.1.10 Extortion

Section 367

(1) Any person who by force or by threat of force compels another person - in the pursuit of unlawful financial gain - to do, not to do, or to endure something, thereby causing a financial loss, is guilty of a felony punishable by imprisonment between one to five years.

(2) The penalty shall be imprisonment between two to eight years if extortion is committed:

- a) in criminal association with accomplices;
- b) by threat against life or bodily integrity or other similarly serious threat of force;
- c) by a public official, acting in such official capacity;
- d) by feigning official assignment or official action.

Generally it may be assumed that the classical offense of corruption in question – various special cases of which appear separately in Hungarian criminal law – are punished with prison sentences ranging from one to five years, which is a relatively harsh punishment. In less severe cases, sentences are shorter, up to three years, and they are still strict enough to discourage. In some markedly severe cases (like perpetration in criminal organisation, association, or done often enough to make a living), prison sentences can range to ten years. This clearly shows that the Hungarian criminal code sanctions forms of organised crime in quite a strict way.

Offenders may expect a more lenient sentence if they cooperate with law enforcement in investigations against related corruption cases, which are otherwise typically difficult to discover. This type of regulation, i.e. the form of motivating perpetrators to confess or report bribes may help in solving more corruption offenses.

2.2.2 Crimes Related To Classical Corruption

In Hungarian criminal law, offenses related indirectly to corruption include crimes mainly against property, such as: embezzlement, fraud – including fraud through economic and IT systems – trading in stolen goods, misappropriation and money laundering (including the circumvention of screening to filter out money laundering). These offenses will be presented in detail below.

2.2.2.1 Embezzlement

Section 372

(1) ‘Embezzlement’ shall mean when a person unlawfully appropriates or disposes of as his own a thing with which he has been entrusted.

(2) The penalty for a misdemeanor shall be imprisonment not exceeding one year if:

- a) the embezzlement involves a minor value; or
- b) the embezzlement involves a petty offense value, and it is committed:
 - ba) in criminal association with accomplices,
 - bb) at a place of emergency,
 - bc) on a commercial scale.

(3) The penalty for a felony shall be imprisonment not exceeding three years if:

- a) the embezzlement is committed for a considerable value;
- b) the embezzlement involves a minor value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2); or
- c) the embezzlement is committed in respect of objects classified as protected cultural goods or archeological findings.

(4) The penalty shall be imprisonment between one to five years if:

- a) the embezzlement is committed for a substantial value;
- b) the embezzlement involves a considerable value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2); or
- c) the embezzlement is committed against a person whose ability to defend himself is diminished due to his old age or disability.

(5) The penalty shall be imprisonment between two to eight years if:

- a) the embezzlement is committed for a particularly considerable value; or
- b) the embezzlement involves a substantial value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2).

(6) The penalty shall be imprisonment between five to ten years if:

- a) the embezzlement is committed in respect of particularly substantial value; or
- b) the embezzlement involves a particularly considerable value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2).

2.2.2.2 Fraud

Section 373

(1) ‘Fraud’ shall mean when a person uses deceit, deception, or trickery for unlawful financial gain, and thereby causes damage.

(2) The penalty for a misdemeanor shall be imprisonment not exceeding one year if:

- a) the fraud results in minor damage; or
- b) the fraud results in damage under the petty offense limit and it is committed:
 - ba) in criminal association with accomplices,

- bb) at a place of emergency,
- bc) on a commercial scale,
- bd) under the false pretenses of soliciting donations for charitable purposes.
- (3) The penalty for a felony shall be imprisonment not exceeding three years if:
 - a) the fraud results in damage of considerable value; or
 - b) the fraud involves a minor value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2).
- (4) The penalty shall be imprisonment between one to five years if:
 - a) the fraud results in damage of substantial value;
 - b) the fraud involves a considerable value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2); or
 - c) the fraud is committed against a person whose ability to defend himself is diminished due to his old age or disability.
- (5) The penalty shall be imprisonment between two to eight years if:
 - a) the fraud results in damage of particularly considerable value; or
 - b) the fraud involves a substantial value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2).
- (6) The penalty shall be imprisonment between five to ten years if:
 - a) the fraud results in damage of particularly substantial value; or
 - b) the fraud involves a particularly considerable value and it is committed by either of the means referred to in Subparagraphs ba)-bc) of Subsection (2).
- (7) For the purposes of this Section the unpaid consideration which is due for services supplied shall also be construed as damage

2.2.2.3 Economic Fraud

Section 374

- (1) Economic fraud means when a person is involved in bogus economic activities for unlawful financial gain.
- (2) The penalty for a misdemeanor shall be imprisonment not exceeding two years if the economic fraud results in damage of minor value.
- (3) The penalty for a felony shall be imprisonment not exceeding three years if:
 - a) the economic fraud results in considerable financial loss; or
 - b) the economic fraud involves a minor loss and it is committed:
 - ba) in criminal association with accomplices,
 - bb) on a commercial scale.
- (4) The penalty shall be imprisonment between one to five years if:
 - a) the economic fraud results in substantial financial loss; or
 - b) the economic fraud involves a considerable financial loss and it is committed by either of the means referred to in Subparagraph ba) or bb) of Subsection (3).
- (5) The penalty shall be imprisonment between two to eight years if:
 - a) the economic fraud results in particularly considerable financial loss; or
 - b) the economic fraud involves a substantial financial loss and it is committed by either of the means referred to in Subparagraph ba) or bb) of Subsection (3).
- (6) The penalty shall be imprisonment between five to ten years if:
 - a) the economic fraud results in particularly substantial financial loss; or
 - b) the economic fraud results in particularly considerable financial loss and is committed in the manner defined in Subparagraph ba) or bb) of Subsection (3).

2.2.2.4 Information System Fraud

Section 375

- (1) Any person who, for unlawful financial gain, introduces data into an information system, or alters or deletes data processed therein, or renders data inaccessible, or otherwise interferes with the functioning of the

information system, and thereby causes damage, is guilty of a felony punishable by imprisonment not exceeding three years.

(2) The penalty shall be imprisonment between one to five years if:

a) the information system fraud results in damage of substantial value; or
b) the information system fraud involves a considerable value and it is committed in criminal association with accomplices or on a commercial scale.

(3) The penalty shall be imprisonment between two to eight years if:

a) the information system fraud results in damage of particularly considerable value; or
b) the information system fraud involves a substantial value and it is committed in criminal association with accomplices or on a commercial scale.

(4) The penalty shall be imprisonment between five to ten years, if:

a) the information system fraud results in damage of particularly substantial value; or
b) the information system fraud involves a particularly considerable value and it is committed in criminal association with accomplices or on a commercial scale.

(5) Any person who causes damage by using a counterfeit or forged, or unlawfully obtained electronic payment instrument, or by accepting payment with such payment instrument shall be punishable in accordance with Subsections (1)-(4).

(6) In the application of Subsection (5) cash-substitute payment instruments issued in other States shall receive the same protection as cash-substitute payment instruments issued in Hungary.

2.2.2.5 Dealing in Stolen Goods

Section 379

(1) Any person who - for financial gain or advantage - obtains, conceals or collaborates in the selling of:

a) any non-Community goods obtained through budget fraud and withheld from customs inspection;
b) excise goods under tax evasion; or
c) any property that originates from theft, embezzlement, fraud, misappropriation of funds, robbery, plundering, extortion, unlawful appropriation, or from another receiver of stolen goods;
is guilty of dealing in stolen goods.

(2) The penalty for a misdemeanor shall be imprisonment not exceeding two years if dealing in stolen goods:

a) involves a minor value; or
b) is committed in respect of a petty offense value on a commercial scale.

(3) The penalty for a felony shall be imprisonment not exceeding three years, if dealing in stolen goods:

a) is committed in respect of a considerable value;
b) involves objects classified as protected cultural goods, historical monument, archeological site or archeological findings;
c) involves precious metal of minor value; or
d) involves a minor value and it is committed on a commercial scale.

(4) The penalty shall be imprisonment between one to five years if dealing in stolen goods is committed:

a) in respect of a substantial value; or
b) in respect of a considerable value on a commercial scale.

(5) The penalty shall be imprisonment between two to eight years if dealing in stolen goods is committed:

a) in respect of a particularly considerable value; or
b) in respect of substantial value on a commercial scale.

(6) The penalty shall be imprisonment between five to ten years if dealing in stolen goods is committed:

a) in respect of particularly substantial value; or
b) in respect of particularly considerable value on a commercial scale.

2.2.2.6 Misappropriation of Funds

Section 376

(1) 'Misappropriation of funds' shall mean the act of a person in wrongfully taking or using another's assets that has been entrusted to him for a specific purpose.

- (2) The penalty for a misdemeanor shall be imprisonment not exceeding two years if:
 - a) the misappropriation results in minor financial loss; or
 - b) the misappropriation results in financial loss under the petty offense limit and it is committed by the guardian or executor in that capacity.
- (3) The penalty for a felony shall be imprisonment not exceeding three years if:
 - a) the misappropriation results in considerable financial loss; or
 - b) the misappropriation results in minor financial loss and it is committed by the guardian or executor in that capacity.
- (4) The penalty shall be imprisonment between one to five years if:
 - a) the misappropriation results in substantial financial loss; or
 - b) the misappropriation results in considerable financial loss and it is committed by the guardian or executor in that capacity.
- (5) The penalty shall be imprisonment between two to eight years if:
 - a) the misappropriation results in particularly considerable financial loss; or
 - b) the misappropriation results in substantial financial loss and it is committed by the guardian or executor in that capacity.
- (6) The penalty shall be imprisonment between five to ten years if:
 - a) the misappropriation results in particularly substantial financial loss;
 - b) the misappropriation results in particularly considerable financial loss and it is committed by the guardian or executor in that capacity.

2.2.2.7 Money Laundering

Section 399

- (1) Any person who, in connection with an asset obtained from any punishable criminal offense committed by others:
 - a) converts or transfers the asset in question, or performs any financial transaction or receives any financial service in connection with the thing in order to:
 - aa) conceal or disguise the origin of the asset, or
 - ab) frustrate the criminal proceedings conducted against the perpetrator of a punishable criminal offense committed by others;
 - b) conceals or disguises the origin of the asset and any right attached to the asset or any changes in this right, or conceals or suppresses the place where the asset can be found;
 - is guilty of a felony punishable by imprisonment between one to five years.
- (2) The penalty under Subsection (1) shall also be imposed upon any person who, in connection with an asset obtained from a punishable criminal offense committed by others:
 - a) obtains the asset for himself or for a third person;
 - b) safeguards, handles, uses or consumes the asset, or obtains other financial assets by way of or in exchange for the asset, or by using the consideration received for the asset;
 - if being aware of the true origin of the asset at the time of commission.
- (3) The penalty under Subsection (1) shall also be imposed upon any person who, in order to conceal the true origin of an asset that was obtained from a punishable criminal offense committed by others:
 - a) uses the asset in his business activities;
 - b) performs any financial transaction or receives any financial service in connection with the asset.
- (4) The penalty shall be imprisonment between two to eight years if the money laundering specified under Subsections (1)-(3):
 - a) is committed on a commercial scale;
 - b) involves a particularly considerable or greater amount of money;
 - c) is committed by an officer or employee of a financial institution, investment firm, commodities broker, investment fund manager, venture capital fund manager, exchange market, clearing house, central depository, body acting as a central counterparty, insurance company, reinsurance company or independent insurance intermediary, voluntary mutual insurance fund, private pension fund or an institution for occupational

retirement provision, an organization engaged in the operation of gambling activities or a regulated real estate investment company;

- d) is committed by a public official;
- e) is committed by an attorney-at-law.

(5) Any person who collaborates in the commission of money laundering as specified under Subsections (1)-(4) is guilty of misdemeanor punishable by imprisonment not exceeding two years.

Section 400

(1) Any person who, in connection with an asset obtained from a punishable criminal offense committed by others:

- a) uses the asset in his business activities;
- b) performs any financial transaction or receives any financial service in connection with the asset, and is negligently unaware of the true origin of the asset is guilty of misdemeanor punishable by imprisonment not exceeding two years.

(2) The penalty shall be imprisonment not exceeding three years if the criminal act described in Subsection (1):

- a) involves a particularly considerable or greater value;
- b) is committed by an officer or employee of a financial institution, investment firm, commodities broker, investment fund manager, venture capital fund manager, exchange market, clearing house, central depository, body acting as a central counterparty, insurance company, reinsurance company or independent insurance intermediary, voluntary mutual insurance fund, private pension fund or an institution for occupational retirement provision, an organization engaged in the operation of gambling activities or a regulated real estate investment company; or
- c) is committed by a public official.

(3) Any person who voluntarily reports to the authorities and unveils the circumstances of commission shall not be prosecuted for money laundering as specified under Subsections (1)-(2), provided that the act has not yet been revealed, or it has been revealed only partially.

2.2.2.8 Failure to Comply with the Reporting Obligation Related to Money Laundering

Section 401

Any person who fails to comply with the reporting obligation prescribed by law in connection with the prevention and combating of money laundering and terrorist financing is guilty of misdemeanor punishable by imprisonment not exceeding two years.

It is evident from the facts listed above that legal sentences for crimes indirectly connected to corruption are of a similar severity to those imposed on offenders of classical corruption. In less severe cases, prison terms range from two to three years, whereas more serious offenders can face sentences ranging from two to eight years, or from five to ten, in prison. Generally, convicts get between one and five years' imprisonment. Aggravating factors include violation in organisation or conspiracy, together with other offenses, or collaterals (e.g. great financial damage, offense as profession). Mitigation of the sentence in these cases is only possible if the perpetrator offers cooperation of some sort.

All in all, it is easy to see that there are extended and detailed descriptions of particular crimes even in this field of the criminal code.

2.3. The system of public persecution against corruption and organised crime

In Hungary, the main authorities which persecute corruption and organised crime include law enforcement agencies, investigation offices, the police, prosecutors, and the National Tax and Customs Administration. This sub-chapter will give a brief outline about further organisations which centrally coordinate and supplement the activities of primary organisations.

As a main highlight, a continuous development of state persecution against corruption and organised crime has been observable from the turn of the millennium. The separation of certain tasks and scopes has become much clearer. As a result, central organisations of coordination with clear-cut profiles have been initiated, functioning at a high level of accuracy. A great deal of operational freedom amends finely regulated scopes, since - in a legal sense - these organisations are civic agencies of national security. This status, as opposed to primary investigation offices, provides a much wider scope of power to these central organisations, enabling them to investigate and coordinate their activities more smoothly. Due to this status, the number of publicly accessible data about the activities, protocols and results of these agencies is limited. The statutes regulating them may nonetheless be a primary information source.

A further basic feature of the Hungarian system is the absolute way it separates the apparatus fighting against corruption, regarded as a financial crime, and that fighting against organised crime. The Coordination Centre Against Organised Crime of the Constitution Protection Office is responsible for the latter activity, the National Security Agency for the former one.

2.3.1 FIGHTING AGAINST ORGANISED CRIME– COORDINATION CENTRE AGAINST ORGANISED CRIME OF THE CONSTITUTION PROTECTION OFFICE

The central assignments of fighting organised crime were dealt with by the Information Agency - belonging to the line of civic national security agencies - and the Military Security Office. However, they were only responsible for gathering intelligence about organised crime activities jeopardising national security. They did not perform coordinating functions.

1 January 2007 was a significant leap forward in fighting organised crime when Government Decree 305/2006 (XII. 23.) came into effect. On that day, the Coordination Centre Against Organised Crime was instituted. The Coordination Centre is a central office, which is responsible for coordinating the collection, use and control of crime prevention data. Operations of this central organisation are overseen by the Minister of civic services for national defence, but it could not be considered as a classical civic or military intelligence service. Due to the legal status it is a central office, not an intelligence service, but the Government Decree states that, the personnel of the centre consists civil servants and officers as well. It is assumable, the daily operation is similar like an intelligence agency.

The main objective of the Centre is to coordinate and promote the activities of the government agencies against organized crime. Duties include collecting and analysing incoming data from cooperating law enforcement agencies and investigation offices, and filtering out investigations which run in parallel. The purpose of the Centre is clear: a central coordination

of investigation, that is, work which used to be done at various levels and offices can now be managed effectively because the Centre filters out possible redundancies. During a reorganisation and integration of National Security services in 2010, the Centre was transferred to be part of the Constitution Protection Office. Nevertheless, the Information Office and the freshly integrated Military National Defence Service still gather intelligence relating to organised crime.

2.3.2 Fighting Corruption – National Defence Service/Information Office

The organisational system fighting corruption is less unified and consolidated. Since 2000, it has been the task of the Information Office to investigate cases of corruption, which are classified as a mainly financial types of crime.

The year 2007 saw an initiative that went beyond the traditional limits of fighting corruption: Government Resolution 1037/2007 (VI. 18.) established the Anti-corruption Coordination Board. The counselling body which also coordinated the Ministry of Justice and Law Enforcement had the primary objective to professionally coordinate the fight against corruption, to assess results and prepare the government for decision-making. By establishing the Board the government intended to open up to the civil society, so they invited all the organisations which could offer professional help in the fight against corruption. Board operations ceased, however, when the NGOs opted out. It became a defunct body after somewhat more than one and a half years.

Act CLXIII/2009 on the protection of fair processes also counts as an innovative initiative. The statute, in accordance with the general anti-corruption strategy of the ruling government, defined the basic characteristics of a fair process, and the legal options in case of a breach of the requirements. The act would have given a key role in legal cases to an Office which was planned to be established later. The Office was also intended to run tasks related to fight corruption by process- and risk analysis, submit proposals and create strategies. Unfortunately, however, the Office was not created in the end, and the Act on protecting fair processes lost force on 1 January 2014.

In case of having fallen victim to corruption, or suspicious acts, citizens can turn with their complaints and reports of public interest to state authorities or municipal authorities. They can do this in person, in written form or via any protected digital channels.

Every complaint and announcement will be investigated and sanctioned if deemed necessary. This process is controlled by Act CLXV/2013. on complaints and reports of public interest. As it has already been mentioned earlier in this section, the Information Office fights and investigates corruption cases which concern national security, together with the National Defence Service, which was established in 2011 after the realignment and integration of the Defence Service of Law Enforcement Agencies. Within the Service, the Department of Anti-corruption analyses the activities and staff data of strategically important public administration bodies (Office of Immigration and Nationality, National Tax and Customs Administration etc.), to avoid corruption crimes connected to staff members' relatives.

2.3.3. State Protection Against Organized Crime – The Hungarian Witness Protection Programme

In 2001, the Hungarian Parliament ratified a new act (LXXV Act of 2001) on protection of witnesses and launched the Hungarian Witness Protection Programme. This act was a new phenomenon in the Hungarian legal system, because this programme specifically focuses on the witnesses of organized crime cases and other particularly serious crime cases (e.g. terrorism, extortion, money laundering). In other cases – e.g. in domestic violence or juvenile victim cases – there are many legal instruments, which are able to protect the witnesses, but this Programme is mostly dedicated to the protection in connection organized crime.

Within the framework of the programme the cooperating witness is eligible to various protection measures:

- personal protection;
- locking of the recorded data in state registers;
- name change;
- identity changing;
- participation in international cooperation (moving abroad or moving to Hungary).

In addition to the above mentioned protecting measures, the Programme has social and economic support opportunities as well, to help the protected person to reintegrate into society. In cases concerning the Programme there are special conditions at the court trial, which possibilities protect the witness.

Relevant statutes

Act CLXV/2013 on complaints and reports concerning public interest

Act LXXV/1999 on the regulations of fighting organised crime and related activities, and amendments which concern the same matter.

Act CXXV/1995 on national security agencies.

Governmental Decree 293/2010. (XII. 22.) on the appointment of a police branch performing internal investigations to prevent and fight crime, and on laying down detailed rules about how they should perform their tasks and how their impeccable reputation and trustworthiness should be checked.

Governmental Resolution 1037/2007. VI. 18.) on the duties concerning fight against corruption.

Governmental Decree 305/2006. (XII. 23.) on the Coordination Centre Against Organised Crime.

Governmental Decree 49/1995. (V. 4.) on the Defence Agency of law enforcement authorities.

Ministry of Internal Affairs Order 29/2013. (XII. 16.) on the organisational and operational regulations of the Coordination Centre Against Organised Crime.

The founding documents of the National Security Service.

Organisations' webpages

Constitution Protection Office - <http://ah.gov.hu/>

Information Office - <http://www.mkih.hu/>

National Security Service – www.nvsz.hu

Coordination Centre Against Organised Crime - <http://szbkk.gov.hu/>

Tab. 1 Policies, practices and institutional actors against organised crime and corruption in Hungary

Targets	Policies and practices			Actors	
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	- Hungarian Police - National Tax and Customs Administration of Hungary (NTCA)	
			Fuel bleaching		
			Money laundering		
			Drug selling, illicit trafficking		
	<i>Investigation and Prosecution</i>	Witnesses Protection		- Coordination Centre Against Organised Crime	
					Special Investigative Tools
Special Investigative Organization					
<i>Execution of sentences</i>	-		- Prosecutor s General Office		
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets	Regular Criminal Confiscation	- NTCA	
	<i>Finance</i>	Money-laundering legislation	Suspicious Financial Flows	- NTCA - Financial Intelligence Unit (within the NTCA)	
	<i>Political Corruption</i>	Few cases of criminal-political nexus	Trying to influence the election (Portik)	- Coordination Centre Against Organised Crime - Constitution Protection Office	
			Electoral corruption		Vote-buying crime
	<i>Public Procurement</i>	Traceability in public procurement		- Public Procurement Authority - State Audit Office	
			Central purchasing body		
	<i>Administrative corruption</i>	Government anti-corruption plan (Open Government Partnership)	Open Government Partnership	- Minister of Public Administration and Justice - Minister of Interior	
			Anticorruption frameworks and programme for the public administration	Green Book on ethical requirements in the public sector	Any public body
			Integrity Project	Integrity surveys	State Audit Office
Society	<i>Associations</i>	Monitoring activities of international and local NGOs		Transparency International, Freedom House, etc.	
		Corruption risk reduction	Integrity Pacts	Transparency International	
Legend		<i>Criminal policy/practice</i>			
		<i>Administrative policy/practice</i>			

Italy



Organized Crime Assessment

Italy has probably experienced the largest number of operating criminal associations as compared to any other EU member states. Criminal groups have traditionally varied from more irregular and network-based associations to criminal hierarchies boasting centuries of history in the same territories – resembling sometimes territorial feudal-like criminal associations. Hence, together with ordinary groups producing and trading illegal goods and services on illegal markets, the country has seen the emergence and diffusion of highly structured criminal groups providing governmental services to illegal, informal and, in some cases, legitimate transactions, and establishing either strong or weak ties with many other institutional, economic and societal actors. This is the case of traditional mafia-type organizations which aspire to monopolise protection-racket services either in limited territories or in single economic sectors across territories. A bigger picture of the Italian underworld would show a significant variation across organised crime models in the country, being mafia-type associations only one among different and various industrial organizations of crime. In the case of political corruption, for instance, several investigations have proved the existence of highly structured and organised forms of corrupt exchanges. In some circumstances, we have observed corrupt networks adopting mafia-like organizational models to govern corrupt transactions. Conversely, recent studies and judiciary evidence show that even mafia-like groups can change organizational models and criminal core-business as they move to new territories, by diversifying their activities across territories through investments in the legal and/or illegal economy (Campana 2011).

This complexity as depicted in more recent empirical studies contradicts the stereotypical representation of the phenomenon, still rooted also in the policy analysis debate. The organizational variety of groups, their variation both over time and across territories, and their functional diversification as local conditions change are all evidence related to organised crime that should be carefully addressed when new policies are designed both at country and European level. This report briefly explores past and recent patterns of organised crime in Italy in the attempt to provide a more comprehensive overview of its temporal, territorial and organizational development. First, the report presents some data about the presence of criminal groups in the country, giving information about both mafia-like and ordinary criminal associations. Second, the report describes more in-depth mafia-like groups operating in the country, by showing common patterns and organizational differences amongst groups. Then, recent trends in money-laundering activities and infiltration in legitimate business are presented through an overview of the most recent institutional, policy and studies.

Fig. 1 Mafia-like and criminal association crime in Italy (1983-2012)

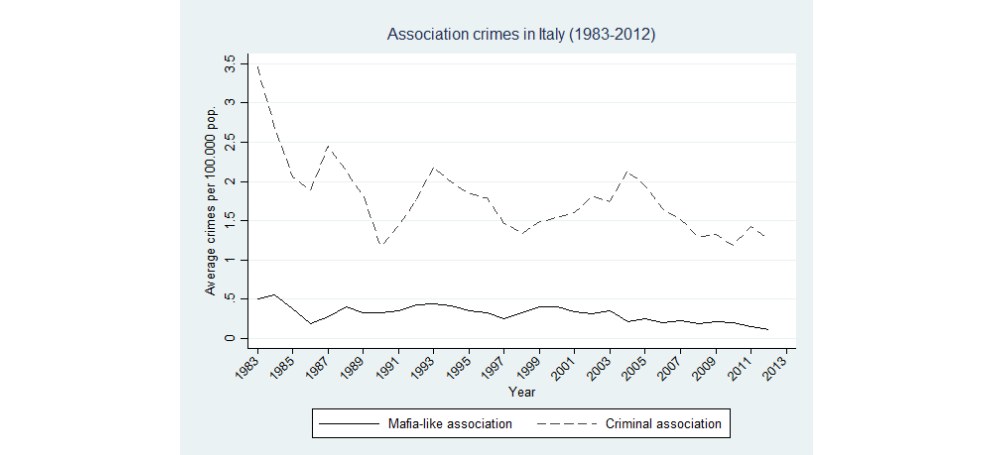


Fig. 2 Criminal association crime in Southern Italy and in other Italian regions (1983-2012)

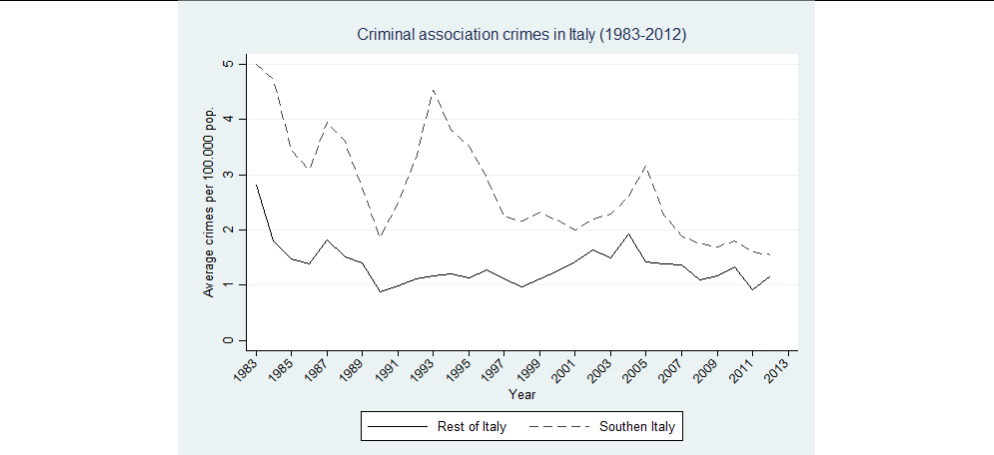
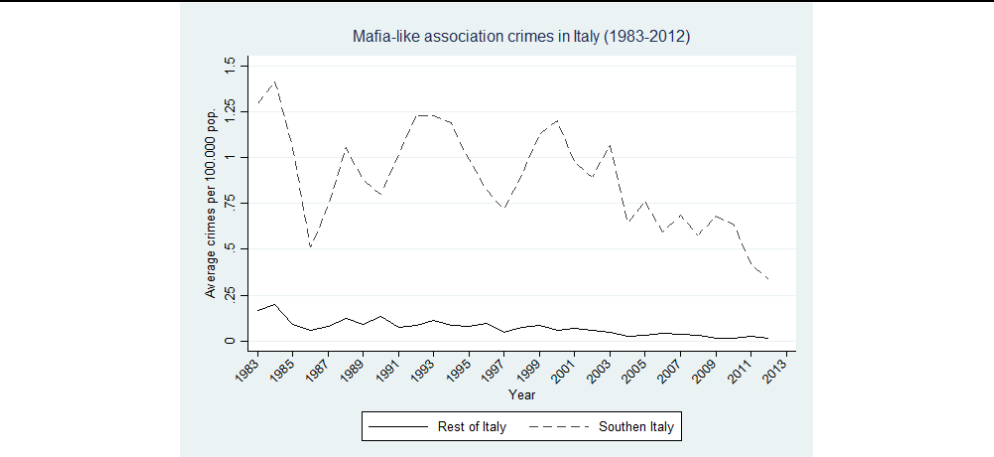


Fig. 3 Mafia-like association crime in Southern Italy and in other Italian regions (1983-2012)



Source: SDI - Ministero dell'Interno

In order to measure the trends in organised crime, we use police data on mafia-like and criminal association crimes in Italy at district level. The data presented have been taken from Minister of Interior sources, and are the crimes reported by police forces to judicial institutions. Crimes are in historical series from 1995 to 2012. This time interval and the maps provide further information on the development and change in the territorial criminal gap as well as the diffusion and persistence of mafia-like and ordinary groups, with the identification of particularly critical areas.

As Figure 1 shows, despite the greater relevance of mafia-like association in terms of harm and threat, the majority of illegal groups in the country do not correspond to the mafia-like traditional model. This pattern is not only valid in Northern Italy, where we would not expect a widespread presence of traditional mafia-like organizations, but also in Southern Italy, where the gap between criminal models is even greater. This finding is important to exhibit that even in the South mafia-like crime models hardly fit with a variegated universe of groups, which are more likely disorganized and unstable. By no coincidence, there is a higher criminal association rate in those districts where groups have been traditionally less institutionalized, following gangs' model rather than mafia-like ones. This is especially true in larger metropolitan areas where illegal markets have been usually more anarchic and competitive (Naples, Bari, Catania), or in those areas where more predatory groups used to operate (Foggia, Brindisi, Ragusa, Caltanissetta)⁵² (Figures 2 and 3). In any case, both mafia-like and criminal association rates have sharply decreased in the last ten years, as opposed to the 80's and 90's when a first nationwide antimafia law-enforcement cycle took place (see Figure 1). Moreover, if a territorial structural gap in the presence of mafias is still wide between Southern Italy and the rest of the country, the converging trends in the criminal association rates clearly unveil stronger criminal integration dynamics also in the centre and north of Italy (see Figure 2). Hence, this trend is consistent with the findings of several police operations that in the last years have proved a successful transplantation of mafia-like groups in non-traditional areas.

However, the emergence of "new" territories of mafia penetration is neither a recent phenomenon nor a homogenous one⁵³ (Figures 4 and 5). To better grasp it, it is important to realize that a significant variation in mafia presence largely exists even across territories in the

⁵² However it is important to emphasize again that differences in the presence of either mafia-like or ordinary criminal associations in a given area are also the result of a changing and different interpretation of the phenomenon over time given by both police and judicial institutions. Higher criminal association rates in districts like Reggio Calabria and Catanzaro in the past (see Figure 2) are also explained by a later judicial recognition of the 'Ndrangheta as an unitary mafia-like criminal association, when the Supreme Court confirmed the "*Crimine*" trial in March 2014. This is a striking evidence, if we think at the proposal to export the mafia-like crime outside Italy, when even in this country the implementation of this crime is still highly challenged in some circumstances.

⁵³ Buonanno and Piazzona (2014) have found empirical evidence of the existence of complementarities between two factors of in the expansion of mafia in the northern provinces: the *confino* policy and immigration (Varese, 2006). They argue that migration might have provided a unhostile environment for mafia to develop. The *confino* policy imposed perilous mafiosi to re-settle outside their provinces in order to weaken their criminal networks. On the contrary, this policy favored mafia transplantation to traditional immune areas of the country.

South (see Figures 6 and 7)⁵⁴. Data show that mafia groups are not equally distributed, but, on the contrary, there are districts where the presence of these groups is weak and limited either in past and present times. Therefore, despite the stereotypical representation of mafias as a region-wide criminal conspiracies, there are territories in Southern Italy where these groups have been traditionally less effective in infiltrating the markets and local politics. In reality, this variance was even higher in the past. In fact, the first wave of mafias' migration was not from the South towards the North, but amongst Southern districts following different paths of diffusion (Rocco Sciarrone and Storti 2014; Rocco Sciarrone 2014). More often there was a transplantation of original mafia-like groups (Varese 2013, 2011), but, in some circumstances we also observe already existing local groups imitating or joining mafia-like associations (Sciarrone & Storti 2013). This is the case of some districts of eastern Sicily (Lupo 2004), or in Apulia (Massari 1998; Apollonio 2014). These patterns are no so different from more recent paths of diffusion in Central and Northern Italy (Figures 10 and 11). In some of these districts, that were considered immune from this type of criminal infiltration⁵⁵, both transplantation and endogenous emergence of groups have been so widespread as to lead to higher incidence of the phenomenon in comparison to some Southern districts (see Figure 5), both in terms of infiltration in legitimate business and of industrial organisation of groups⁵⁶.

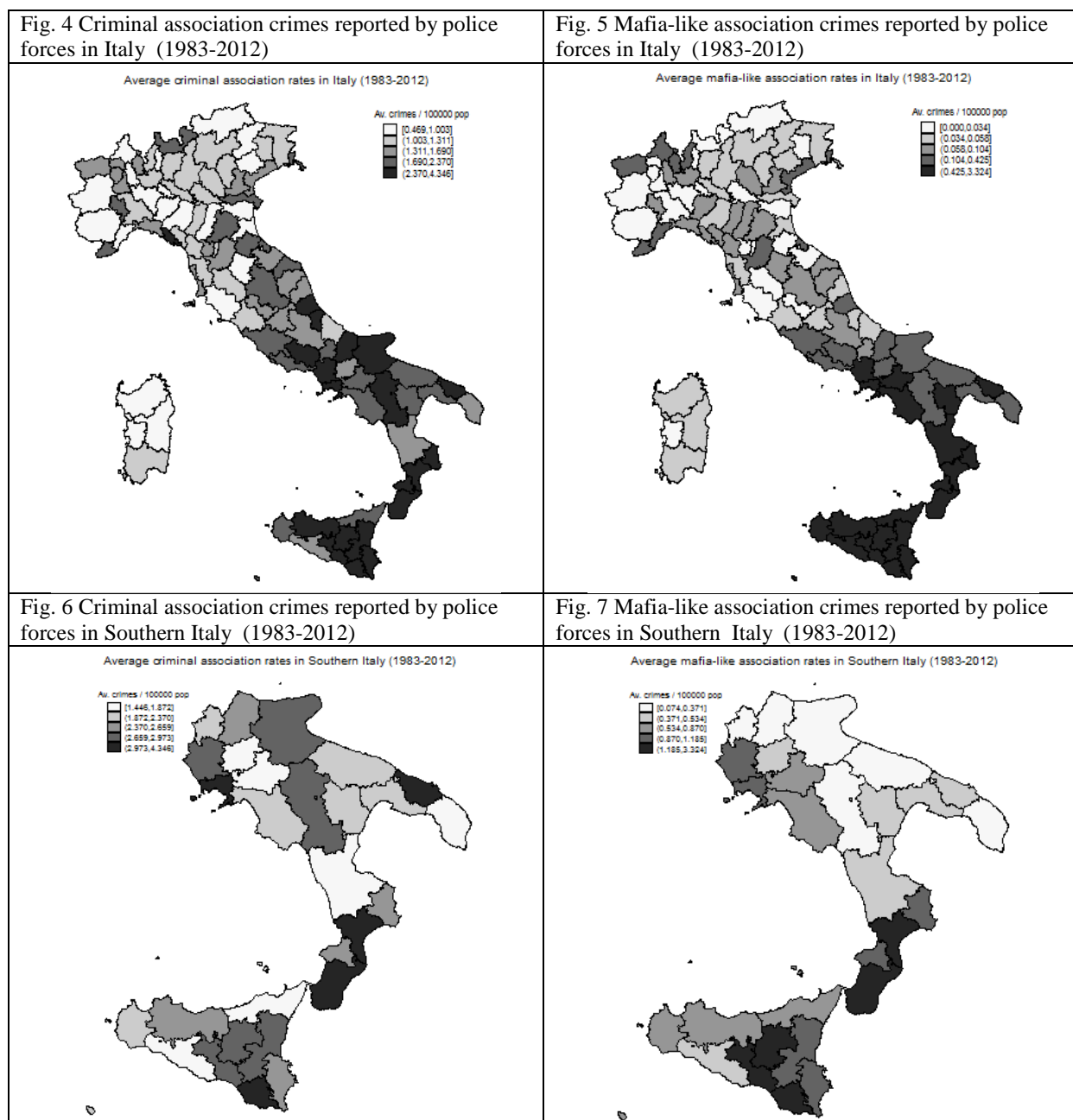
For example, in some “new” areas recent police investigations have unveiled the administration of initiation rituals that are barely carried out in many Southern districts due to tougher law-enforcement. However, it is important to emphasize again that different pathways of diffusion have been observed (Sciarrone, 2013; Sciarrone & Storti, 2013). In their territories of origin, Italian Mafia-like groups traditionally control limited territories rather than monopolise single economic sectors across areas, thus preferring a more territorially-based organization than a functionally-one⁵⁷.

⁵⁴ In Figure 12, which is drawn on data about mafia confiscations and city council' dissolutions at city-level, this variability across territories is even more evident. Districts of Naples, Palermo, and Reggio Calabria are the ones with the higher number of municipalities where at least a mafia marker emerges. In other areas of the country, other districts show significant numbers: in the district of Milano 40% of municipalities experiences at least one of mafia markers, other districts show similar number (Rome, Latina).

⁵⁵ This is the case of the following districts: Torino, Milano, Monza-Brianza, Varese, Genova, Imperia, Rimini, Roma, Latina. According to a recent study (Transcrime 2013), based on several proxies of mafia presence on municipal level, the district of Rome is in 13th place for mafia presence, Imperia in 16th, Genoa 17th, Turin 20th, Latina 25th and Milan 26th.

⁵⁶ Tribunale di Torino (2011), OCC, “Operazione Minotauro”, N. 5418/07 + 4775/09 R.G. G.I.P.; Tribunale di Milano (2014), GIP, OCC, “Operazione Metastasi”, N. 7300/09 R.G. GIP

⁵⁷ In few circumstances, those criminal associations that have achieved higher vertical integration among groups, such as the Sicilian Cosa Nostra in the past, have also successfully combined together a territorial and functional control of both illegal and legitimate activities. In fact, through the “Siino's table” strategy, the Sicilian Cosa Nostra was able to fully control the public procurement at regional level for public works and construction, by governing a cartel of legitimate



A structural link with territories is also required to regulate other illicit activities, such as drugs-trafficking, gambling, human-trafficking, counterfeiting, illegal toxic-waste management, etc⁵⁸. This is the result of stronger competitive mechanisms in the motherlands that reduce the chances to control a single sector across territories, due to presence of a larger number of groups.

⁵⁸ As a matter of fact, Italian mafia-like groups do not necessarily produce “in-house” or internalize all illegal businesses, but they often license and “protect” ordinary and independent criminal groups in carrying out their own illicit activities.

Fig. 8 Criminal association crimes reported by police forces in Northern Italy (1983-1995)

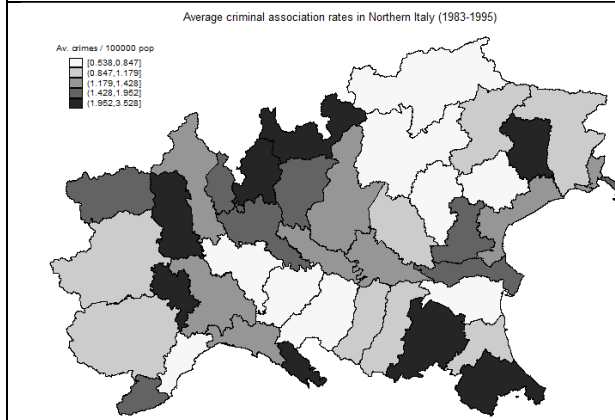


Fig. 9 Criminal association crimes reported by police forces in Northern Italy (1996-2012)

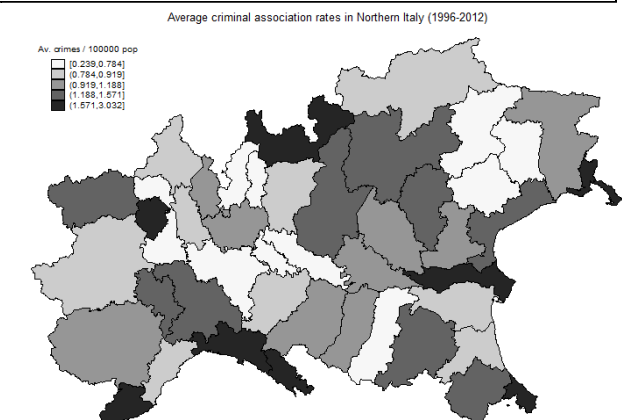


Fig. 10 Mafia-like association crimes reported by police forces in Northern Italy (1983-1995)

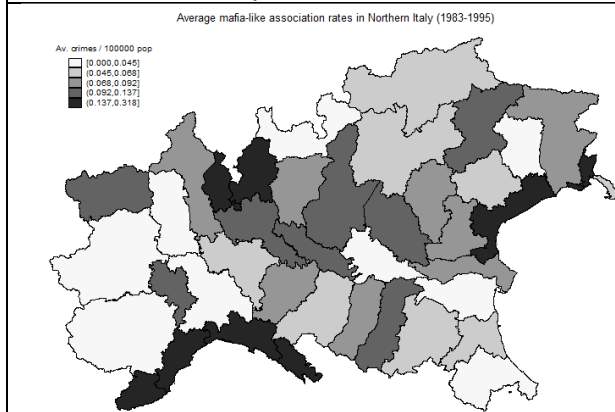
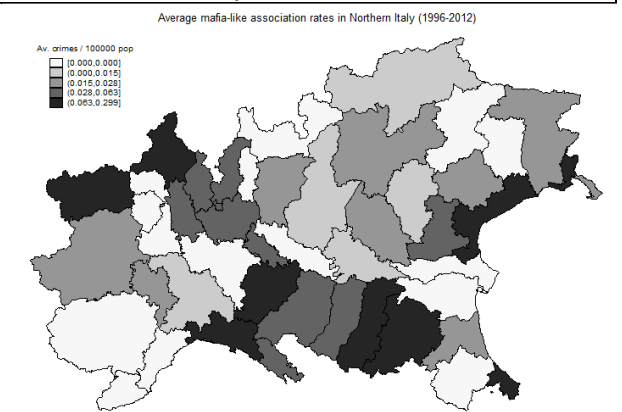


Fig. 11 Mafia-like association crimes reported by police forces in Northern Italy (1996-2012)



Source: SDI – Ministero dell'Interno

Conversely, in newly colonized territories, groups might find less criminal competition, but a lower and spatially dispersed demand of illegal protection. These local conditions might have two consequences. First, these can explain the functional diversification of groups, which initially use territories for money-laundering activities and after that for a protection-racket business only if local conditions are profitable. In the former scenario, groups can infiltrate legitimate sectors by investing the illegal proceeds of crime into legal activities, or by directly running legal businesses, or by using front-companies to hide their business⁵⁹. The presence into the economy can go along with a stronger organizational institutionalization, as a result of a criminal strategy shifting from “trading” to “governing” the sectors in which the group operates (Campana 2013, 2011). This changing logic can explain a stronger penetration in the territories, through the enforcement of protection-racket in both legal and illegal sectors and, sometimes, in the electoral markets when the group is able to provide also electoral services, such as vote-

⁵⁹ According to a recent report (Transcrime 2013), only 23% of the ‘Ndrangheta’s revenues came from Calabria, 21% from Piedmont, Lombardy (16%), Emilia-Romagna (8%),Lazio (7.7%) and Liguria (5.7%).

buying, electoral fraud, political finance. Second, when groups are also oriented to protection-racket, these different conditions might explain why mafia-like groups might control specific legitimate sectors in a wider geographic scale, preferring low-technology activities with greater shadow economy (Lavezzi, 2014), rather than extort all economic activities in limited territories (typical strategy in the motherland), due to a weaker demand of pure protection, tougher local opposition and thus greater visibility. There are regions where only one type of criminal organization is present (e.g. 'Ndrangheta in Piedmont, Camorra in Abruzzo), while in other regions more than one organization is present (e.g. Lazio).

Organizational models of mafia-like groups

According to recent estimates, almost 355 single groups are still operating in the country (Catino 2014). A large majority of them is concentrated in four regions of Southern Italy (Campania, Apulia, Calabria and Sicily). These individual groups are usually clustered in four distinct criminal consortia: the Sicilian Cosa Nostra⁶⁰, the Calabrian 'Ndrangheta⁶¹, the Neapolitan Camorra⁶² and the Apulian organised crime⁶³. Despite some differences, only in the first two cases we observe an institutionalized integration among single families. In the case of the Sicilian Cosa Nostra, integration has traditionally been more vertical⁶⁴, as opposed to the

⁶⁰ Cosa Nostra is the oldest, most traditional and widespread manifestation of the Sicilian Mafia. Its international expansion has mainly been directed towards North America. In the EU its emissaries facilitate criminal operations and money laundering. Cosa Nostra's present strategy of keeping a low-profile is valid both within the territories it controls and outside them. Cosa Nostra is increasing its involvement in cocaine trafficking, often cooperating with other Mafias. Extremely skilled Cosa Nostra money launderers manage legitimate business structures and have infiltrated the economy of some target countries, including South Africa, Canada, USA, Venezuela and Spain. (Europol 2014)

⁶¹ The 'Ndrangheta is among the richest and most powerful organised crime groups at a global level. It has a dominant position on the European cocaine market due to excellent relations with the producers. The 'Ndrangheta is trying to colonise new territories and attempts to exert its influence over Calabrese migrant communities. It reproduces abroad perfect copies of its operational structures, the 'Ndrine (or Clans) and the Locali, which still fall under the supreme authority of the Calabrian Crimine. The 'Ndrangheta has a hierarchical structure and has repeatedly proven its skill in infiltrating political and economic environments and its remarkable capacity for corruption. The 'Ndrangheta is mainly present in Spain, France, Belgium, the Netherlands, Germany, Switzerland, Canada, the USA, Colombia and Australia (Europol 2014).

⁶² The Camorra is for the most part a horizontal cluster of Clans and Families engaged in constant internal strife. Their presence on the territory has a very high impact. Unlike their Sicilian and Calabrian counterparts, Camorra bosses tend to have a very high profile, with a flashy lifestyle and extravagant expenses. Outside its territory the Camorra is mainly involved in drug trafficking, cigarette smuggling, illicit waste dumping and particularly in the sale of counterfeit products, either procured via Chinese OCGs or directly manufactured by the Clans. It is also among the principal producers of counterfeit Euros, then sold to and placed on the market by other OCGs. The Camorra is present in Spain, France, the Netherlands, Germany, Switzerland, Eastern Europe, the USA and Latin America.

⁶³ Traditionally engaged in smuggling, Apulian organised criminals evolved from trafficking cigarettes to human beings, drugs, weapons and illegal waste disposal. Outside of Italy, Apulian Organised Crime is present mainly in the Netherlands, Germany, Switzerland and Albania.

⁶⁴ Tribunale di Palermo (2008), G.I.P., Sentenza di rito abbreviato "Gotha", N° 800165/07 Reg. GIP; Tribunale di Palermo (2013), G.I.P., OCC, Operazione "GOLEM III", N. 10951/08 R.G. G.I.P.

Calabrian ‘Ndrangheta in which a more horizontal integration among dominant criminal hierarchies has been established⁶⁵. In the case of the Sicilian Mafia, but more recently this has also been recognized for the ‘Ndrangheta, «there is only one mafia, [...] the mafia, which is a criminal association. [It is] efficient and dangerous, structured in agglomerations, or groups or families or, even better, ‘cosche’» (Tribunale di Palermo, 1981, p. 208–9). Hence, if the primary unit of the Sicilian mafia is the “cosca”, «a territorial based organization, which controls an area of a city or a village from where it takes its name» (Tribunale di Palermo, 1985, p.73), in the case of the ‘Ndrangheta the primary unit is called *locale* (Tribunale di Reggio Calabria, 2013). Coordination bodies exist among the single families both in Sicily and Calabria, even though in the former case the one-clan dominance, the Corleonesi, led to a more centralized decision-making both in the use of violence and in defining a common voting strategy before political elections.

Tab. 2 Type of organizational order in Italian mafia-like groups (Catino 2014)

	Size	Cosa Nostra	Camorra	‘Ndrangheta
<i>Commonalities</i>	Number of members	Around 5,000	Around 6,000	Around 6,000
	Number of clans	101	99	155
<i>Type of organizational order</i>		Vertical	Horizontal	Vertical
	Higher levels of coordination	Present (three levels: mandamento, provincia, cupola)	Absent	Present (three levels: locale, mandamento, provincia)
	Power structure	Centralized	Distributed, polycentric	Centralized
	Decision making processes	Systemic	Clan-based	Systemic

In any case, though these organizations are region-wide, independent mafia-like groups also operate in the same regions, in cooperation or conflict with them. Other Sicilian groups not affiliated to Cosa Nostra are the Stidda, operating in the southern-western districts of the island, or the Cursoti and Laudani clans from Catania’s hinterland. Calabrian criminal families have traditionally showed higher level of internal cohesion compared to Camorra groups or also Sicilian ones, due to blood ties that often connect the members within the same criminal family. More in Calabria than in other southern regions, there are criminal families boasting centuries of history in the same territories⁶⁶. Conversely, the Camorra is neither a single integrated organization nor a single cartel of clans, but a category used to define those mafia-like groups having Campania as a region of origin. Therefore, significant differences exist among Camorra

⁶⁵ Tribunale di Reggio Calabria, Operazione Crimine,

⁶⁶ Procura della Repubblica, Tribunale di Reggio Calabria (2008), Fermo di indiziati di delitto, Operazione “Cent’anni di storia”, N. 6268/06 R.G.N.R. DDA.

groups, varying from feudal-like criminal ones⁶⁷, controlling the same territories since even one hundred years, to more disorganized ones, very vulnerable to internal splitting and decline. Similar to this criminal system are the groups clustered as Apulian Organised Crime, which is wrongly identified with the Sacra Corona Unita (SCU). This is one amongst several criminal cartels, such as the Società Foggiana, the Camorra Barese and the Gargano's Mafia (Catino 2014; Massari 1998; Europol 2014; DIA 2012).

Organised crime and economy in Italy

A recent study has estimated the revenues of some illegal markets in Italy, using a reliable and transparent methodology based both on a supply and a demand approach (Calderoni et al. 2014). According to this study, the estimated revenues from the illegal firearms market ranged between €46 million and €141 million in 2010⁶⁸. The revenues of the market of counterfeit goods range between €3028 million (minimum) and €6055 million (maximum) in 2008. The estimated revenues from illegal gambling machines ranged between €326 and €522 million in 2011. The estimated national revenues from the illegal market of special waste range between €304 and €507 million. The bulk of these revenues (between €79 and €466 million) is attributable to non-hazardous waste. Conversely, hazardous waste generated illegal revenues amounting to between €25 and €41 million (2014:13-17).

However, as stated before, when mafia-like organizations are also “trader” on illegal markets, they only control a part of them, between 32% and 51% of the total illegal revenues according to a recent report (Transcrime 2013). The same report shows that annual revenues of the mafias are between a minimum of 8.3 and a maximum of 13 billion €, being extortions the core business of these organizations (45% of this amount), followed by drugs (23%), usury (10%), counterfeiting and sexual exploitation (8% each). As opposed to the past when Cosa Nostra was the most active into illegal markets, Camorra and ‘Ndrangheta currently bring in almost 70% of the revenues of criminal organizations (2013:12).

Part of illegal proceeds is traditionally reinvested by mafia-like groups into legitimate economy. Low-tech sectors, that are more labour intensive and have a greater potential for public funding are more exposed. The businesses of mafia-type organizations are concentrated in sectors with little foreign competition, that are low-tech, very labour-intensive, with small and medium enterprises, that are deregulated, territorially specific and where public funding and public administration are very involved. The sectors that best encompass these characteristics are the traditional ones: construction, mining and quarrying, hotels and restaurants; while wholesale and retail trade, even though they are frequent numerically, don't present a higher concentration

⁶⁷ This is the case of the Giuliano clan in downtown Naples (Brancaccio 2009) or the “Casalesi” criminal cartel, mainly based in the cities of Casal di Principe, San Cipriano d'Aversa, Villa Literno and the Caserta's district, see Tribunale di Caserta (2008), Sentenza di primo grado, Operazione “Spartacus” (in Anselmo and Braucci 2008)

⁶⁸ In both cases, these figures are significantly lower than the estimates provided by previous studies, which have assessed the revenues of the illegal firearms market at between €2.9 and €5.8 billion.

of mafia investments compared to “legal” investments. Not all territories show the same patterns and not all mafia-type organizations invest in the same way. Companies confiscated to Cosa Nostra, for the most part in Sicily, are mostly in construction and complementary sectors; Camorra businesses are more widely spread out geographically and have a greater sector variability, including extractions, mining (crucial for both building and illegal waste disposal) and certain retail activities (e.g. food, clothing, flowers and plants). ‘Ndrangheta investments are also present in the North, with Milan and Lecco leading after Reggio Calabria the provinces with the greatest number of confiscated companies, and some activities (like bars and restaurants) are preferred by some cosche over building and retail trade. In the North the analysis reveals a “fluid” situation, characterized also by the presence of local business men that are unaffiliated with a specific type of organized crime or simultaneously connected to multiple groups; also there are cases of joint-ventures between different mafia organizations to control and manage the same sector of the legal economy. Figure 12 shows the geographic distribution of mafia confiscations in the country at city-level. Although the investments are mainly based in southern Italy, there are several areas in the North and in the Centre where the presence of mafias in legitimate economy has turned to be more significant than in other more traditional areas (see Figures 12-14) ⁶⁹.

Though it is difficult to disentangle the effect of mafias upon both legal and illegal markets from the contribution of other criminal organizations, recent studies show the dramatic negative of impact upon economy. In particular, an empirical study has estimated a loss of approximately 16% in the cumulative GDP in those Southern regions that more recently experienced an expansion of mafia groups, such as Apulia and Basilicata (Pinotti, 2012). The effect is also negative in relation with foreign direct investments, Daniele and Marani (2011), for instance, show a 24% loss in those regions where criminal groups operate. The impact can also be measured in terms of costs resulting from mafia extortion. Asmundo and Lisciandra (2008) find that the resources lost to the Sicilian economy through organised crime via extortion amount to 1.4% of regional GDP⁷⁰. More interestingly, Barone and Narciso (2013) find empirical evidence about the rents seeking activities of criminal groups and their interests in capturing public investments. In their study, the two authors prove that the provinces with higher mafia presence are the ones collecting a larger number of public capital stocks. This finding is explained by the systematic interference with public procurement: «thanks to intimidation and collusion with corrupt politicians, [criminal organisations] have struggled to control the market for public works» (Paoli, 2003: 174).

⁶⁹ In Lombardy the districts of Brescia, Milan and Varese, in Liguria the districts of Imperia and Genoa, in Piedmont the district of Turin, in Emilia-Romagna the districts of Reggio Emilia, Modena and Rimini.

⁷⁰ For a comprehensive overview of these studies see Lavezzi 2014.

Fig. 12 Antimafia confiscation in Italian municipalities and city councils' dissolutions.

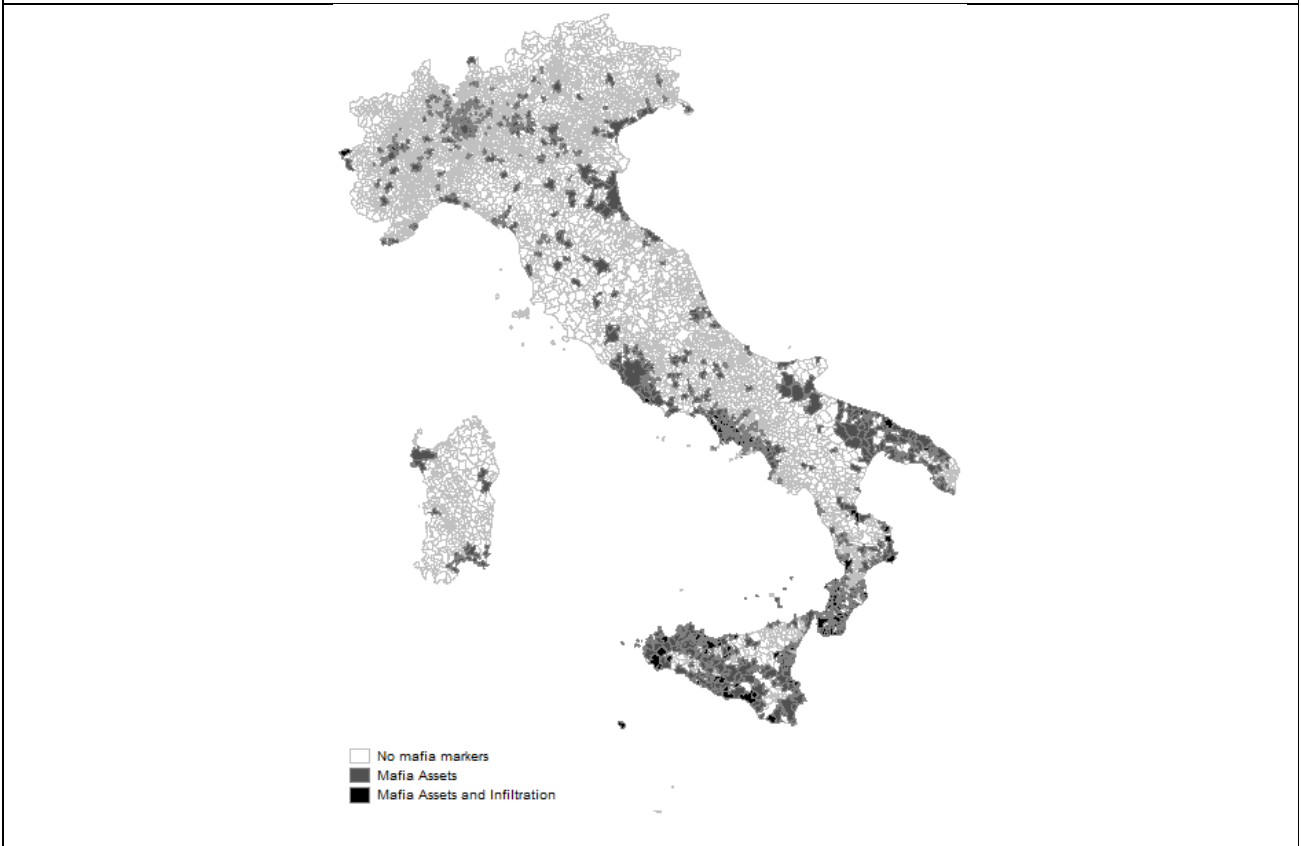


Fig. 13 Antimafia confiscation in Italian municipalities and city councils' dissolutions in Northern Italy.

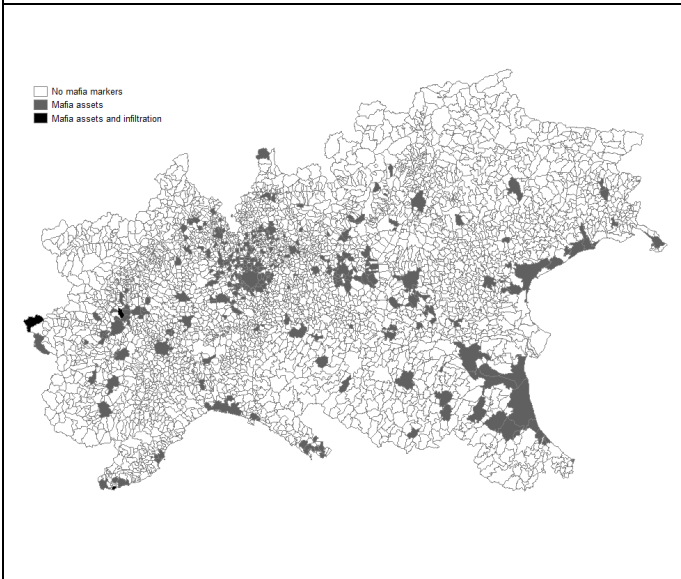
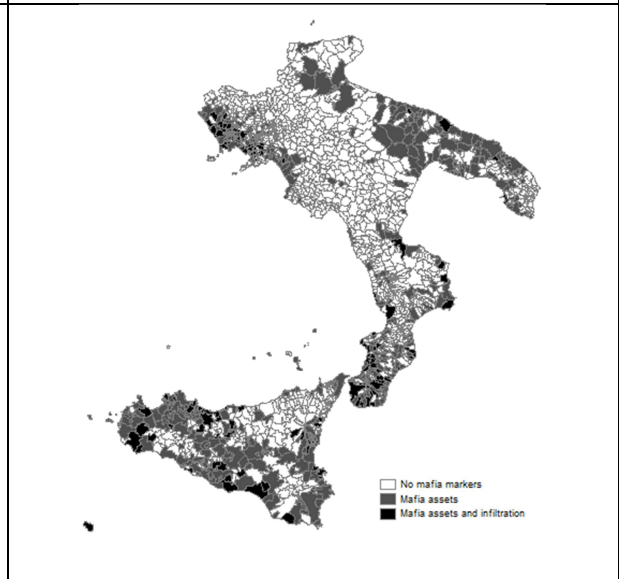


Fig. 14 Antimafia confiscation in Italian municipalities and city councils' dissolutions in Southern Italy.



Source: Agenzia del Demanio and Ministero dell'Interno

Legislation Assessment

A. The Organization of Crime

A.1 Criminal offence

In the Italian system, the suitable venue for any legal provision concerning criminal organizations is the special part of the Penal Code, in which provisions of association crimes are formulated; each is specifically defined, in order to cover the whole range of possible criminal groups having the entrepreneurial dimension mentioned above.

In Italy we have defined four different kinds of laws against association crime which are suitable to combat organised crime. Three of these are closely related to each other: the common-type association crime, which is the basic and generic pattern of association crime, and its two direct and specific subclasses, namely the drug-trafficking association crime and the trafficking-in-persons association crime. The fourth is more peculiar and is known as the mafia-type association crime. Therefore, organised crime is a general category to which specific and sectorial organised crime groups (including mafia-type ones) belong. The general pattern of the common-type association crime (Art. 416 of the Penal Code, three or more persons joining together with the aim of committing a general and indefinite programme of crimes and with an internal permanent organizational structure suitable for the performance of such a programme) is also valid for the drug-trafficking association crime and the trafficking-in-persons association crime.

(a) The Drug-Trafficking Association Crime

The second association crime is merely a particular form of the first, and applies to any criminal association engaging in drug trafficking (Article 74 of Law no. 309 of 1990 on Narcotics). In other words it applies when any illicit activities being carried out by the criminal group concerns drug trafficking crimes. The punishment in this case is harsher: a minimum of ten years' imprisonment for simple members and a minimum of twenty years' imprisonment for chiefs and organizers, unless particular mitigating circumstances are present. Furthermore, the punishment provided for this crime shall increase if offences include both drug trafficking crimes and other crimes, because both association schemes (common and drug-trafficking) would formally coexist in such a case, since the two incriminating provisions protect two different public interests. According to Article 51, paragraph 3-bis of the Italian Code of Penal Procedure, drug-trafficking association crimes are investigated under the supervision of the special anti-mafia units at the District Offices of the Public Prosecutor.

(b) The Trafficking-in-Persons Association Crime

This association crime has been recently created by Law no. 228 of 2003 on Trafficking in Human Beings, by introducing into the Italian Penal Code the new Paragraph 6 of Article 416 (the aforesaid basic provision of the common-type association crime) and by rewording Articles 600, 601 and 602 (on slavery and similar practices) of the same Penal Code. The trafficking-in-persons association crime is also a special form of the common-type association crime and applies – specifically and instead of the first – to any criminal association acting in the relevant illegal market. In other words, it applies when the indefinite programme of illegal activity being carried out by the criminal group concerns offences of slavery and trafficking in human beings, as they are described in the new wording of Articles 600, 601 and 602 of the Penal Code, in such a way as to be consistent with the definition given in Article 3 of the aforesaid Protocol: “‘trafficking in persons’ shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.” The relevant norm (Article 416, Paragraph 6 of the Penal Code) provides imprisonment of four to nine years for the simple members of the association, and imprisonment of five to fifteen years for chiefs and organizers. Again, the punishment provided for this crime shall increase if the programme of illegal activity also concerns other crimes. According to Article 51 paragraph 3-bis of the Italian Code of Penal Procedure, the trafficking-in-persons association crimes are investigated under the supervision of the special anti-mafia units at the District Offices of the Public Prosecutor.

(c) The Mafia-Type Association Crime

According to the Italian legal definition given in Article 416-bis, Paragraph 3, of the Penal Code, ‘Mafia’ is a particular kind of organised crime characterized by a very particular force of intimidation and a deep-rooted code of silence strictly connected thereto. Article 416-bis was introduced into the Penal Code through Law no. 646 of 1982, and revised after 1992 (when the special anti-mafia units at the District Offices of the Public Prosecutor were created, with the specific task of supervising investigations into mafia crimes, in conformity with Article 51 paragraph 3-bis of the Italian Code of Penal Procedure).

“Mafia-type unlawful association is said to exist when the participants take advantage of the intimidating power of the association and of the resulting conditions of submission and silence to commit criminal offences, to manage or in any way control, either directly or indirectly, economic activities, concessions, authorizations, public contracts and services, or to obtain unlawful profits or advantages for themselves or for any other persons, or with a view to prevent or limit the freedom to vote, or to get votes for themselves or for other persons on the occasion of an election”.

The association is mafia-type when the members exploit systematically a situation of environmental intimidation, and a diffused condition of submission deriving therefrom ('a code of silence and intimidation' according to the aforesaid United Nations document), in order to commit crimes or in order to acquire the control of economic activities or to acquire unlawful advantages. The punishment is heavy: a minimum of five years' imprisonment, and in case of particular aggravating circumstances increasing to up to twenty-two years for simple members and thirty years for chiefs and organizers. Each of the specific crimes (extortion, murder, etc.) being committed within the association as part of its programme shall be punished separately. A specific aggravating circumstance applies when the criminal group has weapons or explosives at its disposal for the pursuit of its aims, no matter whether weapons and/or explosives are hidden or stored up (Article 416-bis, Paragraphs 4 and 5). Another aggravating circumstance applies when the members of the criminal group operate the investment of criminal assets (the proceeds of specific criminal offences) in legal economic activities, whose control has been or is being acquired through the mafia method (Article 416-bis, Paragraph 6).

A mafia-type association may also be, at the same time, a drug-trafficking association (or an association trafficking in human beings, or in weapons, or in stolen cars, etc.), and in these cases, according to Italian law, the different association charges may occur and apply together, and an increased punishment will apply. The mafia-type association crime was defined by the Italian legislature, observing the typical *modus operandi* of the traditional Sicilian mafia. However, the result was a general legal definition, which applies to any criminal group acting in the same way, no matter in what part of the country the group might be active, and no matter how the group might be named.

Tab. 1 Article 416-Bis of the Italian penal code

1. Any person participating in a Mafia-type unlawful association including three or more persons shall be liable to imprisonment for 5 to 10 years.
2. Those persons promoting, directing or organizing the said association shall be liable, for this sole offence, to imprisonment for 7 to 12 years.
3. Mafia-type unlawful association is said to exist when the participants take advantage of the intimidating power of the association and of the resulting conditions of submission and silence to commit criminal offences, to manage or in any way control, either directly or indirectly, economic activities, concessions, authorizations, public contracts and services, or to obtain unlawful profits or advantages for themselves or for any other persons, or with a view to prevent or limit the freedom to vote, or to obtain votes for themselves or for other persons on the occasion of an election.
4. Should the association be of the armed type, the punishment shall be imprisonment for 7 to 15 years pursuant to paragraph 1 and imprisonment for 10 to 24 years pursuant to paragraph 2.
5. An association is said to be of the armed type when the participants have firearms or explosives at their disposal, even if hidden or deposited elsewhere, to achieve the objectives of the said association.

6. If the economic activities whose control the participants in the said association aim at achieving or maintaining are funded, totally or partially, by the price, the products or the proceeds of criminal offences, the punishments referred in the above paragraphs shall be increased by one-third to one-half.

7. The offender shall always be liable to confiscation of the things that were used or meant to be used to commit the offence and of the things that represent the price, the product or the proceeds of such offence or the use thereof.

8. The provisions of this article shall also apply to the Camorra and to any other associations, whatever their local titles, seeking to achieve objectives that correspond to those of Mafia-type unlawful association by taking advantage of the intimidating power of the association.

A.2 Legal and investigative tools for combating organised crime

(a) Italian Legislation on Protection of Witnesses and Collaborators of Justice

Cooperating defendants (collaborators of Justice) who were active in organised crime circles may be granted a protection measure or, in some cases, a protection programme, which may be extended to the members of their families and may imply a change of personal details and assistance in the organization of a new life. The protection system is supervised by a governmental commission and is regulated by Law no. 82 of 1991 (“Provisions on Protection of Witnesses and Collaborators of Justice”) as modified by Law no. 45 of 2001. The basic provision is Article 9 of Law 82, which establishes the possibility of special protection measures for persons who are in serious danger because of the co-operation given to justice and because of the statements given in criminal proceedings concerning organised crime offences provided for in Article 51, Paragraph 3-bis, of the Code of Penal Procedure.

A wider protection is provided for in Articles 16-bis and 16-ter of Law 82 in favour of the so-called “witnesses of Justice”, i.e. persons (unrelated to organised crime circles) who simply have a position of victim and/or witness and agree to testify against a criminal organization even when this behaviour exposes them to grave dangers. The Italian legislature recognized that these persons, and their families, deserve not only proper protection (through the aforesaid special measures and protection programmes provided for by Articles 9 and 13 of Law 82), but also a complete reparation of the suffered damages.

A.3 Execution of sentences

The penalties and the imprisonment regime for Mafiosi are severe. They cannot benefit from any measures which allow for treatments which are ‘alternative’ to detention. Further, contacts between prisoners and with the outside world are restricted and strictly checked, in order to avoid that such people communicate between themselves in order to continue to exert their influence in the organisation, as was the case with some mafia bosses until the 1970s. A special incarceration regime is selectively applied to the most dangerous and prominent Mafiosi

(art. 41bis Italian Penal Code). Act 279/2002 recently confirmed, made permanent, and extended such special treatment.

B. Economy

B.1 Infiltration in legal and illegal markets

(a) The Regular Criminal Confiscation

In Italy, for each of the association crimes which are provided by law, the law itself also establishes the possibility of seizure and the confiscation of the respective criminal assets. More precisely, confiscation of criminal assets (instruments of crime and proceeds of crime) is always allowed by Article 240 of the Italian Penal Code within criminal proceedings, in case of conviction for any major crime (particularly criminal association) and according to the rules of evidence (beyond a reasonable doubt) which apply to criminal proceedings. The same confiscation is even compulsory, in case of sufficient evidence leading to a sentence, when the penal charge is of the mafia-type association, according to Article 416-bis, Paragraph 7, of the Italian Penal Code. In any case, the seizure is always allowed by Article 321 of the Code of Penal Procedure, in presence of probable cause and in view of a possible future confiscation which might occur at the end of a trial. In cases of urgency, the Public Prosecutor himself can order a seizure, subject to later confirmation by a judge.

(b) The Special Criminal Confiscation of ‘Unjustified Assets’

The Italian legislature provides a further instance for compulsory criminal confiscation, suitable for striking at sections of the consolidated criminal economy, and allowing some inversion of the burden of proof under a number of strict conditions (Article 12-sexies of the Law no. 356 of 1992, as it was modified by the Law no. 501 of 1994, “Urgent provisions in relation to the confiscation of illicit assets”). The law lays down precise parameters whereby a given source of wealth may be considered as a portion of the consolidated criminal economy (and thus a source liable to confiscation), even without direct and specific evidence concerning its origin, such as ‘unjustified assets’. Normally, unjustified assets cannot be confiscated simply because of being unjustified, but the law of 1994 introduced an exception, under a number of conditions. The essential condition for confiscation of an unjustified asset is that the concerned person has been found guilty and has been irrevocably sentenced for any one of the crimes specifically indicated by the new legal provision itself, which indicates a list of crimes particularly familiar to the phenomena of major organised crime (drug smuggling, mafia association, trafficking in human beings, extortion, money laundering, and so on). The law applies only to persons convicted for one of the specified crimes. Subject to this primary

condition, the legal provision stipulates the compulsory confiscation of the unjustified assets under the following further conditions: 1) that the accused cannot provide a satisfactory proof of the legal origin of the assets; and 2) that the assets are disproportionate to his or her official income or to his or her official economic activity.

Moreover, public prosecutors, in order to reach consolidated criminal assets, can seize and confiscate criminal assets also outside of criminal proceedings, and with a looser rule of evidence (Articles 2-bis and 2-ter of the Law no. 575 of 1965, as modified by the Law no. 646 of 1982). This possibility, concerning mafia crimes and drug crimes, is provided through a non-penal and administrative procedure judicially guaranteed, as it is ruled by law and controlled and decided by a judge. In the presence of some probable cause of an organised crime offence, an asset can be seized as illegal, and then confiscated, within this administrative procedure, when it appears to be disproportional considering the tax declarations and the legal economic activities of the affected person, and when the affected person does not prove the legal source of the asset.

B.2 Finance

In Italy, laundering and investment of the proceeds of crime are penalized by Article 648-bis of the Penal Code, which provides a punishment (imprisonment for 4 to 12 years and a fine) for people who did not take part in the source-crimes, but otherwise acted knowingly in order either to conceal, or substitute, or transfer, or invest their proceeds (the punishment is increased when the offence is committed in the course of a professional activity). Specific legislation for the control of suspicious financial operations also exists. According to Italian Law no. 197 of 1991 (“Urgent provisions aiming at limiting the use of cash in transactions and preventing the use of the financial system for purposes of money laundering”), every bank must establish its own computerized database and must pass aggregate information on the overall flow of funds, on a monthly basis, to the central banking authority, which is responsible for processing the information into usable statistics, so as to detect anomalies and identify regions or towns with suspicious financial flows. Special attention is paid to the aggregate data concerning electronic transfers of funds, for which the concerned towns (domestic and foreign) must be also reported to the central authority.

C. Corruption

C.1 Political corruption

(a) External Participation

This is a normative policy of judicial origin that has been introduced to sanction the crimes committed by taking advantage of the intimidatory force of the syndicates’ bond, and the exploitation of the ensuing condition of submission and the imposition of a code of silence, as

well as the crime of so-called external participation in mafia syndicates, a legislative crime concept which can be identified in the conduct of a subject external to the crime syndicate who provides a motivated contribution which is essential to the pursuit of the illicit purposes and the life itself of the mafia syndicate. The conditions which must be satisfied in order for the crime of external participation in a mafia syndicate to be established are the following: the regularity and the independence of the contribution provided; the practical benefit obtained thanks to the contribution to the syndicate purposes and the causal efficiency of the contribution to the strengthening and consolidation of the syndicate; it is also necessary that the person responsible for the malicious deed must be aware that they are promoting the attainment of illicit purposes. In accordance with art. 7 of Law no. 203 of 12 July 1991, for crimes punishable with sentences other than life committed by exploiting the conditions foreseen by art. 416-bis of the penal code or in order to facilitate the activity of the syndicates detailed in the same article, the sentence is increased by between one third and one half.

(b) City council dissolution

This measure (the Decree-Act 164/1991, converted by Act 221/1991, and now Legislative Decree 267/2000) allows for the dissolution of municipal and provincial councils, as well as for the suspension or dismissal of mayors and presidents of provinces, in cases when a connection between the local administrators and the mafia can be shown. These measures only affect political personnel, while appropriate treatment for the compulsory transfer or expulsion of civil servants colluding with mafia is still lacking.

(c) Electoral corruption: mafia vote-buying

The exchange of favours between political entities and the mafia (art. 416 ter of the Italian Penal Code) is a crime committed by anyone obtaining a promise of votes as foreseen by the third paragraph of article 416 bis of the Italian Penal Code (see Table 1) in exchange for sums of money or other forms of benefits (revised recently by Act 62/2014). The expected jail sentence ranges between four and ten years.

C.2 Public procurement

(a) The exclusion of tenderers in public procurement

Italian legislation on public procurement provides for the mandatory exclusion from the tendering process of those tenderers who have been under investigation or convicted in a final sentence of offences involving organised crime, or for having direct or indirect links with persons under investigation for being members of a mafia-type criminal organisation. In Italy, article 38 of Legislative Decree No. 163 of 12 April 2006, which transposes article 45 of

Directive 2004/18/EC into Italian law, provides for exclusion as a preventive measure applicable in procedures pending judicial decisions in cases related to the mafia, and therefore in the absence of a final sentence (Law no. 1423 of 27 December, 1956 and Law no. 575 of 31 of May, 1965). In particular, the current legislation⁷¹ targets certain types of subjects, such as:

- 1) Subjects that have been convicted in a final sentence on counts of corruption as defined by the community actions contained in article 45 of Directive 2004/18/EC. Every subject must present either an extract from the judicial record, an equivalent document, or a solemn statement. Exclusion and disqualification will be effective if the sentence has been pronounced against the: a) Owner or manager if it is an individual firm; b) Partner or manager if it is a collective firm; c) Limited partner or manager if it is a limited partnership; d) Administrators empowered to represent the company or the manager if it is another type of company or consortium.
- 2) Persons subject to criminal proceedings related to the mafia. These subjects must present a declaration under oath that their company is not involved in any mafia activity, and, moreover, the public administration may request anti-mafia certification issued by the *Prefetture* (Minister of Interior), based on judicial and investigative records.

(c) The exclusion of tenderers in public procurement

Recognising the necessity of enhancing transparency in public procurement in order to prevent organised crime infiltration and corruption, Italy has adopted a set of new laws and measures since 2008 (Law n. 136 “Extraordinary plan against organised crime”, law n. 217 on “Urgent measures on national security”). These laws aim at reinforcing the traceability of financial services in public procurement and require that any payment made in the framework of a public contract or any transfer of EU funds to beneficiaries (e.g. contractors, subcontractors) must be executed using a verified postal or bank account, through bank or postal transfer, or any other legal means as long as the traceability of the operation is guaranteed.

(d) Central purchasing bodies

The special legislation on organised crimes (L. 13 August 2010, No. 136, Art. 13) defines modalities to create at the regional level one or more central purchasing bodies (specifically named *stazioni uniche appaltanti* – SUA)⁷². This provision also establishes the awarding of public contracts and the checking of the execution phase at territorial level (regional, provincial, interprovincial, municipal and inter municipal level) with the other administrative bodies involved. Some limitations of this provision seem to concern the territory in which these

⁷¹ Article 38 Legislative Decree No. 163 of 12 April 2006 (Code) and special anti-mafia provisions (Law 575/1965 of 31 May)

⁷² For the implementation of the provision see: D.P.C.M. 30 June 2011, see M. Pignatti, *La Stazione Unica Appaltante: le modalità di finanziamento e la trasparenza dell'attività*, in *Foro Amm., C.d.S.*, 2011; R. De Nictolis, *La nuova disciplina antimafia in materia di pubblici appalti*, in *Urb. e app.*, 2010, 1129

authorities can operate. The risk is the duplication of the contractual activity with other central purchasing bodies on the same territory and difficulty in aggregating the needs of local authorities. The provision may give rise to the opposite effect by maintaining many individual award procedures in the hands of the SUA rather than a real aggregation of needs and joint procurement through framework agreements.

(e) National anticorruption plan

Law 190/2012 institutes a National Anticorruption Authority (ANAC), whose five members are appointed by the national government. ANAC, together with the Minister for Public Administration, produces the framework for the prevention of corruption within the public administration, through the formulation of the national anticorruption plan – first approved in 2013 – containing methodologies and tools to be adopted by any Italian public body: codes of conduct, rotation of high-level bureaucrats, corruption risk mapping, whistle-blower protection, transparency, and personnel training. Law decree 90/2014, converted in law 140/2014, provides for the incorporation within ANAC of the Authority for the supervision of public contracts, and attributes to ANAC the power to require of the prefect a temporary confiscation and judicial administration of businesses involved in inquiries into corruption crimes.

(f) Three year anti-corruption plans

Law 190/2012 imposes on all public bodies, including local administrations and public companies, the task of nominating a supervisor in charge of anti-corruption policy. He is appointed by the political authority and is responsible for the formulation and implementation of three-year anticorruption plans to be approved by the public body. Such plans must include a mapping of corruption risks in decision-making processes, and a list of specific countermeasures in high risk sectors.

(g) Integrity pacts

The national anticorruption plan, following a recommendation of the law 190/2012, imposes on all public bodies the adoption of integrity pacts in public procurement, whose violation implies that enterprises' contracts be dissolved and the enterprises blacklisted. Already promoted through voluntary agreements by civil society associations and some public bodies, the adoption of integrity pacts has been therefore generalized.

Tab. 1 Policies, practices and institutional actors against organised crime and corruption in Italy					
Targets	Policies and practices			Actors	
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	- DIA (Antimafia Investigation Department); - DNA (National Antimafia Prosecution Dept.) and DDA (District Antimafia Prosecution Dept.); - Special Police Forces (ROS, SCO, GICO).	
			Drugs trafficking		
			Human trafficking		
			Mafia-type		
<i>Investigation and Prosecution</i>	Witnesses and Collaborators of Justice	Special Investigative Tools			
		Special Criminal Procedures in Mafia trials			
		Execution of sentences	Special detention system (art. 41bis)		
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets	Regular Criminal Confiscation Special Criminal Confiscation of 'Unjustified Assets'		- National Mafia Confiscation Agency; - (see Organization of Crime)
	<i>Finance</i>	Money-laundering legislation	Suspicious Financial Flows		Bank of Italy
Corruption	<i>Political Corruption</i>	Criminal-political nexus	Aiding and abetting crime		(See Organization of Crime)
			External participation		
		City council dissolution	Minister of Interior		
		Electoral corruption	Mafia vote-buying crime	(See Organization of Crime)	
	<i>Public procurement</i>	Exclusion of tenderers (Black List system)	Antimafia Certificate	Public Administration Minister of Interior	
			Inclusion of tenderers (White-list system)	- Public Administration - Minister of Interior - National Mafia Confiscation Agency	
		Traceability of financial services in public procurement		- Public Administration - Bank of Italy	
		Central purchasing bodies		- Public Administration - Minister of Interior	
	<i>Administrative corruption</i>	National anti-corruption plan	Anticorruption framework and tools to be adopted by public bodies	Minister of Public Administration and ANAC – National Anticorruption Authority	
		Three-year anti-corruption plan	Corruption risks planning and counter-measures	Any public body	
Society	<i>Associations</i>	Integrity pacts		- Minister of Interior	
Legend		<i>Criminal policy/practice</i>			
		<i>Administrative policy/practice</i>			

ORGANISED CRIME AND POLITICAL CORRUPTION IN ITALY

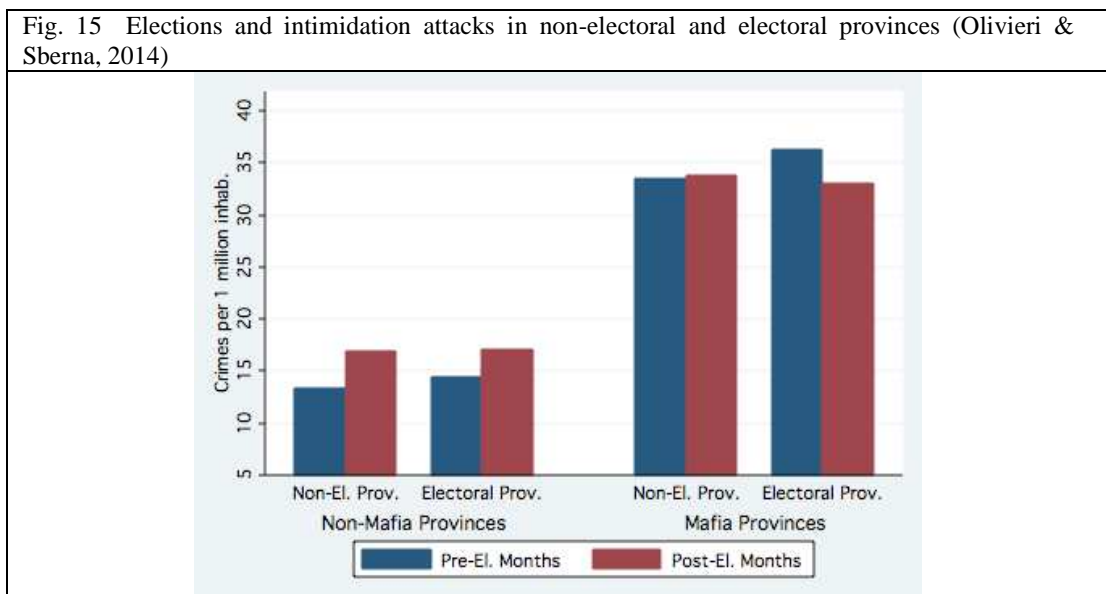
Criminal organizations have been structurally integrated within the Italian political system. The relationships between organized crime and politicians have been by no means contingent, but regular and systemic (Paoli, 1997). Police and historical records present exhaustive evidence convincingly demonstrating the persistence of a close link between organized crime and politics since the unification of the country (Franchetti, 1900; Lupo, 2010). There is abundant evidence of collusion between elected officials and mafia-like groups both at subnational and national level. The municipal level is obviously the most vulnerable to mafia infiltration, due the control these organizations can achieve in limited territories, such as small towns. Since 1991, central government dissolved more than 186 town councils under suspicions of being mafias' infiltrated, by forcing elected officials to resign. Regional governments have also proved to be vulnerable to mafia penetration. In the case of Sicily, the two last former governors resigned due mafia allegations⁷³. Moreover, out of 90 members of the Sicilian regional assembly elected in 2008, 26 were under investigations for corruption or were arrested in some cases for allegedly exchanging votes for favors with mafia groups. Similar allegations have been raised in other Southern regions, like in Campania or in Calabria, where several regional deputies have been under investigation or convicted for having collusive ties with local mafia groups. More recently, several cases are also emerging in Northern Italy. In Lombardy, for instance, a member of the regional cabinet was arrested in 2012 for exchanging votes with a local mafia clan migrated from Calabria.

In Southern Italy, historical and press evidence indicate that criminal groups use a wide variety of strategies to influence the electoral process: from running themselves for elections to boycotting candidates through violence, from electoral fraud to campaign funding. In 1992, the Antimafia Parliament Commission investigated about episodes of violence and homicides during election times, and more recently, in 2012, a special parliamentary committee was created to inquiry into intimidation attacks against elected officials at municipal level. According to a recent victimization report, in 2009 there were 370 intimidation attacks against local government representatives. The year after, 363 similar cases were reported. More than 70% of these attacks were against elected officials, the rest was against their relatives or local civil servants⁷⁴. Therefore, intimidation attacks are the most preferred strategies of conflict, and especially occur in subnational elections to intimidate opposition candidates, voters, journalists, or, more often, criminal rivals running for elections. A bullet sent in the post, the burning of cars or other

⁷³ They are Salvatore Cuffaro and Raffaele Lombardo. The first was found guilty in 2008 of divulging information about anti-mafia investigations to a mafia boss, and sentenced to seven years in prison; the latter is accused for allegedly exchanging votes for favors with Santapaola clan member, Vincenzo Aiello, arrested in 2010 on several Mafia charges.

⁷⁴ These data have been collected through a content analysis of newspapers, thus it is only a partial assessment of the phenomenon. Avviso Pubblico Report (2011), *Amministratori sotto tiro*,

damages against private properties are clearly part of a repertoire of signaling used by this kind of groups (Gambetta 2009). Conversely, compared to intimidation attacks, assassination of state representatives is a sporadic event especially in the last 20 years. Since 1897, only 5% of innocent victims assassinated by a mafia group in Italy (46 up to 900 people) was a politician or a party activist running for election or already holding a public office when she was killed (Libera, 2013). In the last ten years, two elected officials were assassinated by mafia groups: a mayor in Campania, and in October 2005 Francis Fortugno, the vice president of the regional assembly of Calabria, killed by some ‘Ndrangheta members while he was at the polling station to vote for the primary elections in Locri. An empirical study has recently found that criminal violence increases in Italy during the electoral campaign periods (Olivieri and Sberna, 2014). According to the estimation, elections cause a 25% increase in intimidation attacks in southern Italian provinces and a 37% in those provinces intensively controlled by organized crime. The study also shows that an increase by 1 per cent in intimidation attacks in electoral months tends to increase public spending at municipal level by 0.3 per cent. This finding is consistent with the evidence showing the interests of criminal organizations in the public works sector and more generally in those sectors where higher rents are distributed by policy-makers.



In order to assess the link between political corruption and organised crime in Italy, this section presents the data collected in the OCC dataset. It is worth emphasizing again that the data as it is represented here (126 events showing a link between organised crime and political corruption collected from 2008 to 2013) provides only an overview of those cases emerged in the national press agency (ANSA) on which information has been available (from 2008 to 2013) Therefore, case selection problems should be taken into consideration, but even so, we can argue that this data collection strategy covers at least the most relevant cases. Data allow us to provide an

empirical assessment of the link between mafia-like organisation and organised crime in Italy, but not to make final generalisations. In addition to it, we have gathered only events in which mafia-like groups are involved, thus no events have been collected on those cases of political corruption or corporate crimes in which more structured organisational models have emerged. The data are described and analysed along four dimensions: criminal actors (structure, level, scope of activities); legitimate actors (structure, level, scope of activities); nexus (structure, resources, types of interaction, infiltration modalities).

Criminal actors

The OCC dataset provides information about the structure, the level of operation and the scope of activities of the criminal groups involved in the network. Protection-racket is the core business in the majority of groups (65%), even though they are also groups mainly operating as illegal traders on the market (e.g. drugs trafficking and counterfeiting) or in the legitimate markets as a money-laundering strategies (3%). As a result of it, almost 75% of the groups are territorially-based since they control limited territories rather than single legitimate or illegal sectors across territories. This evidence is consistent with the past studies on Italian mafia-like groups. Being typically protection-racket the core business of Italian mafia-like groups, the control of a territory is a necessary condition to provide protection-racket services. In the remaining cases, we have groups that are also able to control certain sectors across territories (e.g. construction, healthcare services, raw materials and cement production), and this occurs especially when criminal markets are particularly organised through hierarchies and lower competition amongst groups (e.g. Sicily). More than 50% of groups operate only at local level; other groups carry out their activities in more districts either within the same region (29%) or across regions (11%). Only few groups have also transnational ramifications (2%). Data also confirm the stationary nature of mafia-like groups in Italy, since at least 60% of the groups are durable organisations that achieve continuity in their business (more than 20 years). The combined effect of territorial control and long-lasting activities explain the high degree of institutionalisation of Italian mafias, as opposed to other ordinary criminal groups, and their capacity to provide illegal protection also to legitimate and institutional actors either during electoral campaigns or in corruption exchanges (Della Porta and Vannucci 1999).

Tab. 3 Type of criminal groups				Tab. 4 Continuity of criminal activities			
	Freq.	Percent	Cum.		Freq.	Percent	Cum.
Not available	3	2.38	2.38	Not available	50	39.68	39.68
Power Syndicate	83	65.87	68.25	Recently emerged	1	0.79	40.48
Economic & Power Synd.	37	29.37	97.62	Enduring	75	59.52	100
Economic Syndicate	3	2.38	100	Total	126	100	
Total	126	100					

Fig. 16 Industrial organization's models of mafia-groups

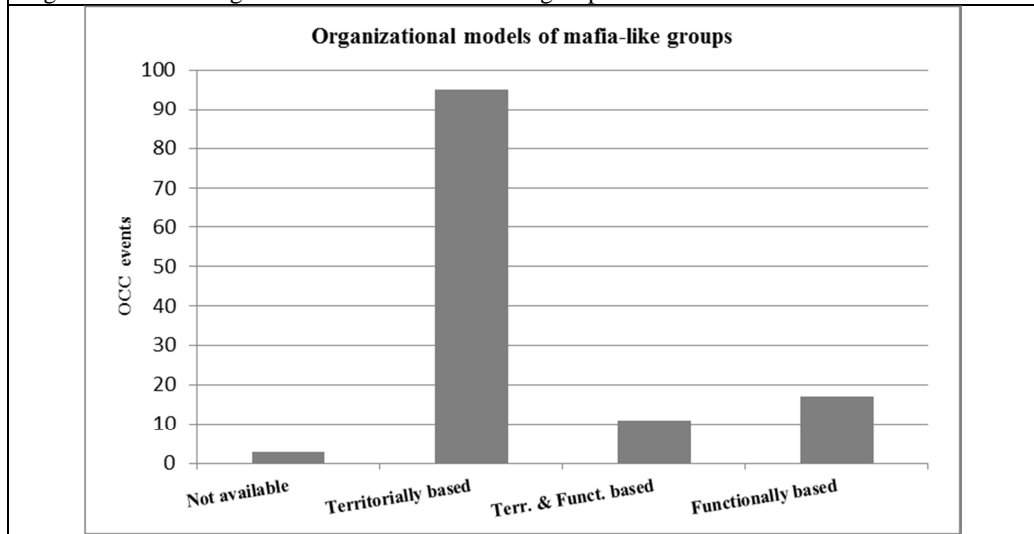
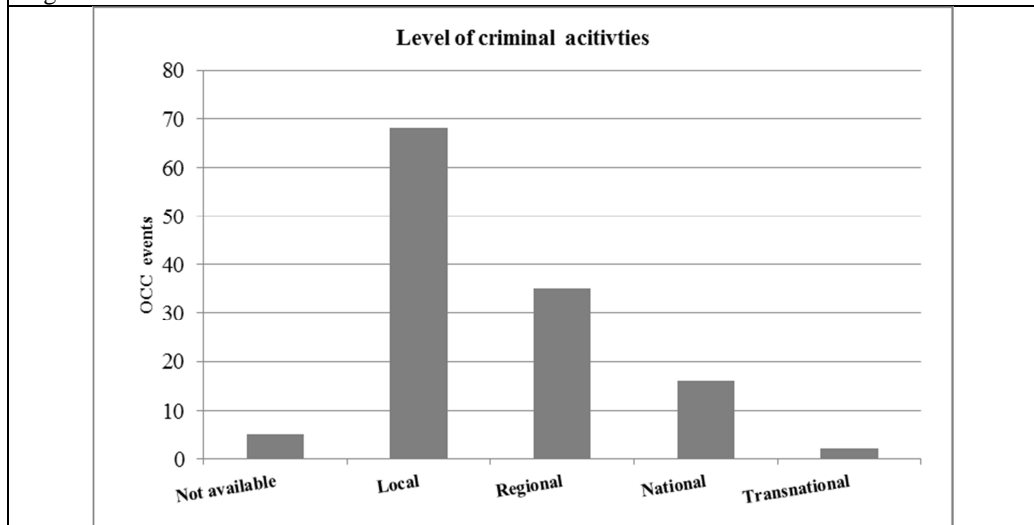


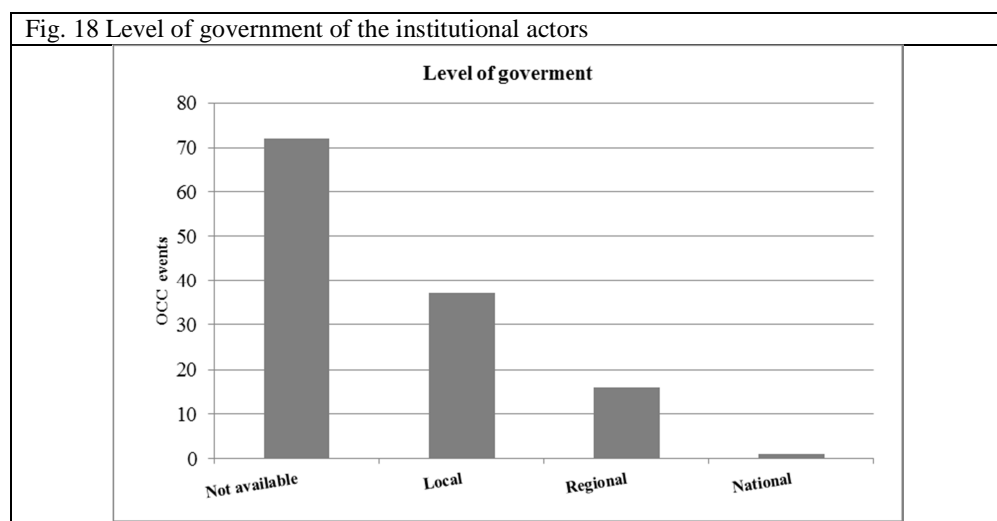
Fig. 17 Level of criminal activities



Institutional actors

Information on the institutional actors involved in corrupt transactions with criminal actors are more limited as compared to criminal organizations. Nonetheless, the information available are still potentially important in determining the extent of criminal-political ties. In the majority of available cases, institutional actors are from municipal and local level. Despite the stereotype of nation-wide criminal conspiracies, the local level remains the most vulnerable to criminal infiltration. It is not only a question of number, but a question of proximity and criminal opportunities. A mafia-like group is more likely able to provide illegal electoral services at local

level, since its protection-racket business is also carried-out within limited territories. Conversely, when independent criminal groups are able to coordinate their activities also during elections, such in the case of the Sicilian mafias, they have more chances to capture higher level of governance (e.g. regional or national ones). Moreover, according to the collected evidence, institutional actors who engage in corruption exchanges with organised criminals are primarily individual ones, and not political party as organizations or a faction of it. In the largest number of cases, they are in-government actors. This finding is consistent with the fact that we collect events about criminal infiltration in public procurement, privatization policies and management of EU funds, thus opposition parties and politicians might have no decision-making power in the policy-making.



Tab. 5 Type of political actors (I)				Tab. 6 Type of political actors (II)			
	Freq,	Percent	Cum,		Freq,	Percent	Cum,
Not available	74	58.73	58.73	Not available	77	61.11	61.11
Individual	40	31.75	90.48	In-government actor	47	37.3	98.41
Collective	12	9.52	100	Opposition actor	1	0.79	99.21
Total	126	100		Not-elected actor	1	0.79	100
				Total	126	100	

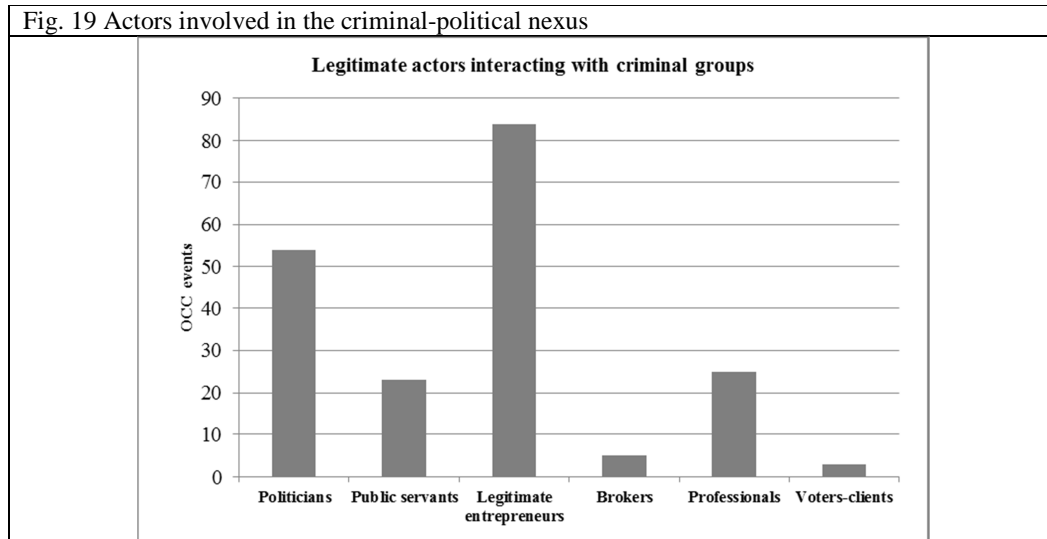
The criminal-political nexus

The OCC dataset also attempts to provide some information and measure as to the degree to which collusive ties are important to both illegal and legitimate actors. The largest number of coded events are about collusion in public procurement (90%), followed by privatisation (6%) and EU funds management (1,5 %). In reality, the events of public procurement are more likely related also to EU funds, being nowadays countries' public spending heavily dependent on EU

structural and cohesion funds. This is especially true if we consider that most of the events are from Southern regions, who are beneficiaries of these programmes.

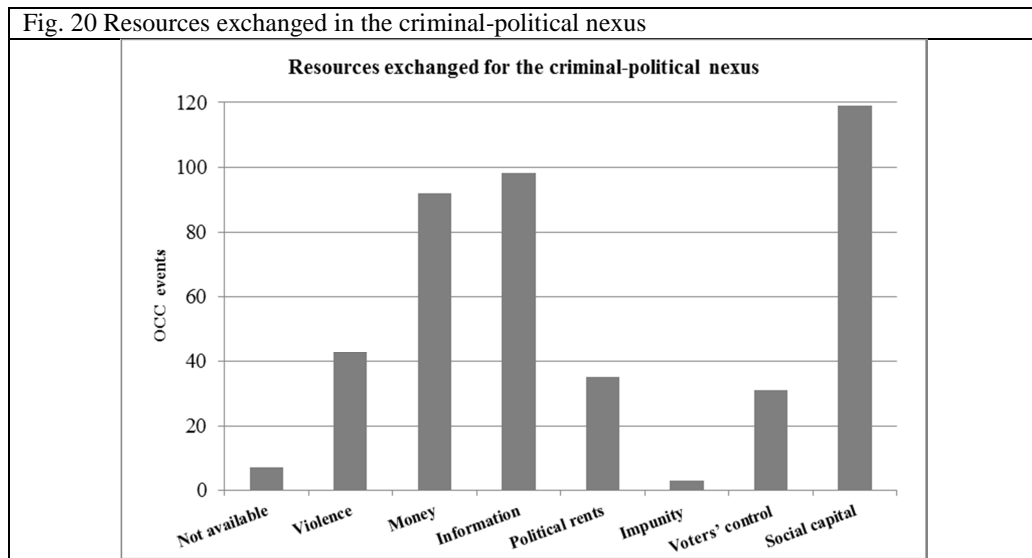
	Freq.	Percent	Cum,
Not available	3	2.38	2.38
Public procurement	113	89.68	92.06
Privatization	8	6.35	98.41
EU funds	2	1.59	100
Total	126		

Concerning the actors who engage in corrupt transactions, in the largest number of cases legitimate entrepreneurs are key players in the interaction with criminal organizations. The nexus might also see the involvement of elected officials (43%) or public servants (18,2%), but in many cases the infiltration of organised crime also occurs without the collusion of institutional actors. This evidence gives support to the hypothesis that mafia-like groups can also infiltrate the public procurement arena as a result of the protection services provided to business cartels operating in the public works (Gambetta and Reuter 1995). Therefore, both professionals (20%) and legitimate entrepreneurs (67%) are key players in the penetration of organised groups into public policies arenas.



As Figure 20 shows, three key resources – money, information and social capital – are key determinants for corruption exchanges between organised criminals and legitimate actors. Conversely, violence seems still to be crucial, but not of most importance. Only in the 34% of cases, actors use and exchange violence in their corrupt transactions in order to enforce them or in the forms of violent services to be used outside against other actors (e.g. political opponents,

rival legitimate companies, rival criminal groups). This finding shows again that mafia-like groups find opportunities for and constraints in using violence depending on the environmental conditions. In fact, as Table 9 depicts, the greater the use of violence by the group, the less likely mafia groups will be able to control voters or information will be shared in the network. Apart from this negative, there is no significant correlation between violence and other conventional resources. Conversely, social capital is significantly correlated with the exchange of money and information.



This evidence is consistent with the fact that social capital is mainly based on reputational resources and networking, and this might prevent actors from using violence to break either strong or weak ties into the network. On the contrary, actors might gain more contacts and social capital by sharing information or exchanging money. The combined use of these three resources makes violence a costly option for all actors, including criminal groups. Thus, while violence might vary markedly, social capital, money and information are essential defining features of criminal-political nexus. Voters' control is also an important resource in these exchanges, and it is typically offered by criminal organizations to favoured politicians (24% of cases), who pay criminals back for these services.

	Violence	Money	Information	Political rents	Impunity	Voters' control	Social capital
Violence	1.0000						
Money	0,1736	1.0000					
Information	-0,2192*	0,1911*	1.0000				
Political rents	-0,1474	-0,0621	0,1184	1.0000			
Impunity	0,1072	0,0949	0,0835	-0,0969	1.0000		
Voters'	-0,1780*	0,0152	0,0837	0,5920*	-0,0892	1.0000	

control							
Social capital	0,1746	0,3990*	0,4537*	0,1504	0,0379	0,1385	1.0000

Closely tied to the criminal-political nexus is the type of penetration into the legitimate economy adopted by criminal groups. We distinguish three different strategies of infiltration, following the classification used in previous studies (Calderoni et al. 2009). The data show that in the largest number of cases the “front company” model is the one preferred by criminal groups. Nonetheless, there still may cases in which we still observe a direct infiltration in the policy-making through companies that are directly managed and owned by mafia members (e.g. mafia enterprise). In some cases, the winning companies have no direct links with mafia-like groups expect for using the proceeds of the groups as a source of funding (e.g. mafia investments model). However, one of the potentially most interesting findings is the mimetic strategy of criminal groups, since they choose more than one strategy of penetration into legitimate economy. This is the result either of the systemic control criminal groups might achieve in certain legitimate sectors, or of the adaptive response of criminal groups to antimafia legislation in public procurement.

Tab. 10 Strategies of mafia infiltration			
	Freq,	Percent	Cum,
Not available	31	24.6	24.6
1	15	11.9	36.51
1;2	29	23.02	59.52
1;2;3	7	5.56	65.08
1;3	4	3.17	68.25
2	26	20.63	88.89
2;3	4	3.17	92.06
3	10	7.94	100
Total	126	100	
Legend			
0	Not available		
1	Mafia enterprise		
2	Front company		
3	Mafia investments		

Kosovo



Organized Crime Assessment

Like many post-conflict and post-communist nations, Kosovo is characterized by organized crime, high levels of corruption and ineffective governance. Corruption in Kosovo in the decade following the conflict that ended in 1999 has been researched from different perspectives employing a variety of methodologies with the end goal in mind being creation of policies to prevent and combat it. The studies conducted have been mostly of a quantitative nature, collecting data on the perceptions and values of the citizens of Kosovo in a wide array of topics ranging from bribes requested to obtain public services to surveys aiming to measure trust in various state institutions that are deemed to be plagued by corruption. Corruption serves as the oil greasing the wheels of business and organized crime and is widely perceived to rest at the top of the government structures. Moreover, the analysis of organized crime, typology, and existing criminal networks remains a topic that has not been researched a lot in the context of Kosovo and the meager evidence existing remains on the speculative level.

The endemic corruption and organized crime in the country, however, cannot be analyzed solely in a post war context without taking into account the recent pre war political and socio-economic situation that gave rise to the many organized criminal groups as well as fundamentally altered the values and perceptions of corruption of the ordinary citizens to date.

During the decade under the rule Slobodan Milosevic (1989-1999)⁷⁵ the links between the state and organized crime and corruption reached unprecedented levels. Transparency International has labeled Milosevic one of the most corrupt leaders in the world, with an estimated \$1 billion stolen from public funds.⁷⁶ The period of political and social turmoil, leading up to the 1998-1999 conflict in Kosovo encouraged corruption and made it a means of daily survival. Milosevic denied all public services to ethnic Albanians and gave low-level bureaucrats immense power in soliciting bribes for the most basic services, making public services effectively for sale. For

⁷⁵In 1974, the Socialist Autonomous Province of Kosovo gained more autonomy within Yugoslavia, allowing it to have its own administration, assembly, judiciary as well as membership in the collective presidency of Yugoslavia and parliament and have veto power. When Slobodan Milosevic rose to power and became president, he revoked the autonomy granted under the 1974 Yugoslav constitution.

⁷⁶“The Many Faces of Corruption, Tracking Vulnerabilities at the Sector Level”, edited by J. Edgardo Campos and Sanjay Pradhan, World Bank 2007, page 390.

Albanians, paying bribes to the state institutions became a means of survival. Corruption was most widespread in law enforcement and the judicial system, which in an environment akin to lawlessness where the Albanians were living at the mercy of an oppressive and brutal regime paying your way out increasingly became the only available option.⁷⁷

The sanctions imposed on Yugoslavia in 1992 by the UN Security Council and the wars further led to the merger of the state with organized crime. Oil, tobacco and other merchandise largely unavailable due to the sanctions were smuggled and controlled by criminal groups and businesses close to the Serbian regime.

The wars that led to the disintegration of Yugoslavia in the early 1990s in Croatia, Bosnia and Herzegovina and later on in Kosovo all had a common denominator that has shaped the entanglement with organized crime, which was the fight against a military force that was superior to them. Smuggling of weapons into the country became a means of survival and in the case of Kosovo it amounted to a patriotic duty. Moreover, the legal enforcement vacuum created by the wars in Yugoslavia opened up routes for traffickers of smuggled goods and people that would previously reach the European markets through Turkey, Bulgaria, Serbia and Slovenia. Thus, the new trafficking route that goes through Serbia, Kosovo, Albania and Montenegro could be taken advantage of now. This strategic positioning of Kosovo in the drug route that leads from Afghanistan towards Europe proved an opportunity for the Turkish criminal groups who turned to Kosovo Albanians as smuggling mules towards European markets. Advantage was taken also from the large number of Kosovar Albanian immigrants who had fled Kosovo in the 1990s, a lot of them unemployed, to Western Europe provided a resource for recruitment into drugs and human trafficking gangs.⁷⁸ The structure of the Kosovar criminal gangs based on kinship and strong blood bonds and clan allegiance, not commonly found in other criminal organizations that function on economic interest, made them difficult to penetrate by various law enforcement agencies. During the same period, the need for armament to fight against Serbia turned the fighters of the Kosovo Liberation Army (KLA) to organized crime in order to fund it. An Interpol statement made to the US Congress in 2000 states that “*Albanian drug lords established elsewhere in Europe began contributing funds to the “national cause” in the 80s. From 1993 on, these funds were to a large extent invested in arms and military equipment for the KLA (UÇK) which made its first appearance in 1993... Of the almost 900 million DM which reached Kosovo between 1996 and 1999, half was thought to be illegal drug money.*”⁷⁹ Smuggling of people towards Western Europe during 1990s became another activity that is presumed to have financed the buying and smuggling of weapons.

⁷⁷ Rose-Ackerman, Susan (2008), “Corruption and Post-Conflict Peace-Building”. *Faculty Scholarship Series*. Paper 593. Available at: http://digitalcommons.law.yale.edu/fss_papers/593

⁷⁸ Lawless Rule Versus Rule of Law in the Balkans, Special Report 97, United States Institute of Peace, December 2002.

⁷⁹ Statement of Ralf Mutschke, Assistant Director, Criminal Intelligence Directorate, Interpol, before the Committee on Judiciary, Subcommittee on Crime on 13 December 2000 entitled ‘The threat posed by the convergence of organized crime, drugs trafficking and terrorism’ (in UNODC’s report ‘Crime and its Impact on the Balkans’, 2008).

When the conflict ended in June 1999, a period of legal and authority vacuum further led to consolidation of the criminal groups who took advantage to establish control within the territory. The large peacekeeping deployment to Kosovo⁸⁰ saw an increased number in trafficking of persons for sexual exploitation into the country. In the aftermath of the war, what was once considered a small ring of a prostitution network became a large operation of criminal networks, turning Kosovo into a destination country for women trafficked mainly from Eastern Europe serving predominantly the international clientele. Today, with the decrease in the numbers of international military and civilian personnel the activities related to human trafficking have been largely shut down and have decreased in numbers but Kosovo remains an important transit country.

Laundering of the proceeds from criminal activity following the end of the war became very easy and was done through commercial banks at a time when tracing the source of the money was not easy. Just in December 2000, a little more than a year after the Serbian troops have left Kosovo and the UNMIK mission was deployed, individual bank deposits grew from US \$20,000,000 to US \$270,000,000 while those of corporations and other legal entities grew from US \$ 40,000,000 to US \$152,000,000.⁸¹ A booming construction industry following the end of the war presented another way to launder money with the majority of the buildings having been built illegally without any official permits. The collusion of the construction industry with organized crime became apparent when an attempt to stop the illegal construction led to the assassination of Prishtina's chief for enforcement of permit requirements, Rexhep Luci by an organized crime hit team.

In 2003, a former commander of the KFOR, Lieutenant General Fabio Mini, expressed a belief that "there is no other place in Europe where money laundering is as easy as in Kosovo or the Balkans in general."⁸² Similarly, in a statement made to *Corriere della Serra* five years later General Mini stated that "Kosovo will become the new location for the laundering of black money coming from the East, and new financial institutions will be created that will take this role."⁸³

While UNMIK during its mandate until the declaration of independence in 2008, was committed in its official declarations to fight organized crime and created the necessary investigative institutions⁸⁴ as well as legal framework, it produced limited results. Like most institutions

⁸⁰ After the war ended in 1999 following a 78 day NATO air campaign against Serbia, a peacekeeping mission of 20,000 persons was deployed to Kosovo mandated by the United Nations Security Council Resolution 1244. According to the Resolution, Kosovo would be put under an interim administration by the United Nations, represented by the Special Representative of the Secretary General (SRSG) who would wield exclusive authority over executive, legislative powers as well as administer the judiciary of Kosovo.

⁸¹ Radoslava Stefanova (2004), *Fighting Organized Crime in a UN Protectorate*, Southeast European and Black Sea Studies, Vol.4, No.2, pp. 257-279.

⁸² Nika Strazisar Teran (2007), *Peace-building and Organized Crime*, United States Institute of Peace.

⁸³ Ioannis Michaletos, *Kosovo's Organized Crime Burden*, WorldPress, December 16, 2010. Available at: <http://www.worldpress.org/Europe/3668.cfm>

⁸⁴ One early example being the Kosovo Organized Crime Bureau (KOCB) created in late 2001.

during the UNMIK administration they were led by internationals whose work in fighting crime was made difficult by the language barrier, lack of knowledge of the local culture and finally by the multinational structure of the UN. Strengthening local capacities and building expertise of the local police and prosecutors and establishing a functioning judicial system became the paramount objectives of the international administration. An impediment to Kosovo's dismal success to tackle organized crime was the often cited lack of political will from its government, the interference of politics in the judiciary and a general hesitation from the local institutions to try big cases of organized crime and corruption. The fact that at least some of the funding for the war of KLA came from illicit activities and the continuity of the KLA into politics through the establishment of different political parties after the conflict raised concerns about the infiltration of criminal organizations into the highest echelons of the government. Hard evidence is difficult to come by due to the tight knit social structure of the country, clan allegiances, and often witness intimidation and neutralization but some leaked reports by foreign intelligence services have reported on the link between high-ranking politicians and organized crime that date back to the years during the conflict, implicating among others the former Prime Minister Hashim Thaci as one of the 'big fish'.⁸⁵

The current state of organized crime and corruption: The EU conditionalities

The requirement to fight organized crime and corruption has been a continuous vocal demand from the EU on local institutions as part of the preparation for EU integration. It is a conditionality that is tied to the Visa Liberalization Roadmap and an obligation needed to be fulfilled under the Stabilization and Association Agreement.

The EU Commission's Progress Report of 2014⁸⁶ on Kosovo cites that the rule of law, judicial independence and the limited results in fight against organized crime and corruption remain a concern and challenge.

The local population shares the concerns about the rule of law and more importantly the fight against organized crime and corruption as well since the mandate of the EU Rule of Law (EULEX) mission is coming to an end. As of June 15th, 2014 EULEX has transferred its competencies to its local counterparts, a move that was met with trepidation by the locals that know the fight against organized crime and corruption will experience a setback in its already bleak results shown over the years. When the EULEX mission was deployed in 2008 with the objective to help the local authorities in the areas of justice, police and customs the hopes of the citizens disillusioned and untrusting of the judiciary that was plagued with corruption and political interference ran high. The main objective of fighting high profile organized crime and corruption, areas deemed too sensitive for the local prosecutors further raised the expectations.

⁸⁵Lewis, Paul., 'Report identifies Hashim Thaci as 'big fish' in organized crime', The Guradian, January 24, 2011, available at: <http://www.theguardian.com/world/2011/jan/24/hashim-thaci-kosovo-organised-crime>

⁸⁶ Kosovo Progress Report 2014, available at: http://ec.europa.eu/enlargement/countries/detailed-country-information/kosovo/index_en.htm

The mission, however, did not succeed in its objective of trying high profile cases that it initially set out to do and has been repeatedly criticized for not delivering on the promised results. In 2012, four years into the mission with no indictments on any of the top suspects in organized crime and corruption, EU deputies voiced their criticisms of the mission. The EU deputy Pino Arlacchi, who helped create Italy's Direzione Investigativa Antimafia (DIA) was derisive of the mission comparing EUR 150 million annual budget of EULEX to that of DIA which has indicted several mafia bosses in a country of 60 million with one of the worst organized crime problems in the world.⁸⁷

Now the ongoing corruption allegations that have emerged against current and former EULEX prosecutors and judges of collusion with local organized criminal groups have further tainted its reputation and decreased hopes of any high-ranking trials commencing soon.

In relation to organized crime the progress report states that drug related crimes, and human trafficking remain the most prevalent forms of organized crime in the country. It has praised the efforts being made to combat organized crime and corruption, particularly the increase in the investigations in drug related crimes. However, the seizure of narcotics at the border crossings as well as the actual low number of convictions remains low. Similarly, regarding the fight against human trafficking, the report takes note of the dismantlement of some human trafficking groups but cites the low number of convictions as an issue that needs to be worked on. Overall, with the low number of convictions of criminal activities Kosovo is at its early stages in its fight against corruption and organized crime.

The National Strategy Against Organized Crime (2012-2017) has been drafted by the Ministry of Internal Affairs and it outlines the weak intra-institutional cooperation in the fight against organized crime and corruption as one of the most important challenges to be tackled.

The strategy also provides an overview of the forms of criminal activity that are most prevalent in the country as well as the structure of criminal groups identified. The border crossing with Serbia in northern Kosovo which is de-facto outside of Kosovo state control and controlled by criminal groups has been used for contraband of narcotics, trafficking with weapons, human beings, customs and tax evasion. The criminal groups operating while predominantly Serb since it is an area populated by Serbs, transcend ethnic divisions and Albanian criminal groups operate with both Bosniak and Serbian criminal organizations, which as stated in the strategy presents a new structure of organized criminal groups.

As far as trafficking in narcotics is concerned Kosovo remains a transit country and as stated above has had limited success in the seizure of drugs destined for the EU. According to UNODC estimates of the 75-80 tons of heroin trafficked through to Western Europe some 60 tons have

⁸⁷ Rettman, Andrew "Organized crime problem dogs EU record on Kosovo", EUOBSERVER, January 25, 2012, available at: <https://euobserver.com/foreign/115010>

been trafficked from Southeast European countries.⁸⁸ While the region overall doesn't fare well in detecting and seizing of narcotics with 2 tons seized in the entire Balkans in 2009⁸⁹, Kosovo falls way behind the other countries.⁹⁰ One possible explanation as to why large drug seizures have been made outside of the region instead of within could be that the traffickers may be splitting the large amounts into smaller quantities, which is then shipped in smaller packages to Western Europe. There is evidence that suggests that heroin is adulterated and repackaged in Southeast Europe with official reports pointing to processing facilities in Greece and repackaging activities in Kosovo, Albania and the Former Yugoslav Republic of Macedonia (FYROM).⁹¹ The low number of seizures in Kosovo is reflected with only 2.5 kg of heroin seized by the Kosovo Police in the period of September 2013 – March 2014.⁹²

Given the large amounts of narcotics that move through the porous borders of different countries in the region undetected points to the ineffective border management and more damningly to corruption allegations within the customs and police structures. Moreover, the Kosovo national strategy does point out that an area of emerging concern has been the involvement of officials from the judiciary and the prosecution in corruption affairs as well as aiding and supporting criminal organizations within the territory of Kosovo. In addition, the infiltration of criminal groups within operational structures of the Kosovo Police has been identified as an issue that hinders the effective fight against organized crime.⁹³ While the importance of corruption to facilitate the smooth proceeding of criminal activities is often cited “it is difficult to estimate the extent to which corruption in Kosovo influences drug trafficking.”⁹⁴

Human trafficking also remains an area where judiciary and prosecution lack the necessary expertise to prosecute trafficking cases. Kosovo is a place of origin, transit and destination for human trafficking. The source countries are predominantly Eastern European. Women are trafficked within the country as well as outside and primarily for sexual exploitation. An increase in underage victims for sexual exploitation has been recorded in the recent years⁹⁵ while child-trafficking with the purpose of begging has also experienced an increase.

Another widespread and lucrative form of illegal activities is contra-banding. The goods that are mostly smuggled by criminal organizations are fuel and fuel derivatives, tobacco, alcohol and medications.⁹⁶ Surprisingly the smuggling of weapons and ammunition, which was high during the war, has seen an emergence in the past years and is considered a serious threat by the

⁸⁸ UNODC, Drug Situation Analysis Report – South East Europe, November 2011.

⁸⁹ Ibid.

⁹⁰ Kosovo Progress Report 2014, available at: http://ec.europa.eu/enlargement/countries/detailed-country-information/kosovo/index_en.htm

⁹¹ UNODC, The Illicit Drug Trade Through South-Eastern Europe, March 2014.

⁹² First Input of Institutions of the Republic of Kosovo to the European Commission 2014 Progress Report, May 2014, available at: <http://mei-ks.net/?page=2,135>

⁹³ National Strategy and Action Plan of the Republic of Kosovo Against Organized Crime (2012-2017), June 2012, pp. 10.

⁹⁴ U.S. Department of State Report (2011), International Narcotics Control Strategy Report.

⁹⁵ Kosovo Progress Report 2014, available at: http://ec.europa.eu/enlargement/countries/detailed-country-information/kosovo/index_en.htm

⁹⁶ National Strategy and Action Plan of the Republic of Kosovo Against Organized Crime (2012-2017), June 2012

Government of Kosovo. The Northern part of Kosovo is a route used for smuggling of weapons produced in Serbia destined for the local market as well as the region.⁹⁷

Smuggling of migrants from Middle East and Northern African countries has been a recently captured market brought upon by the conflicts of the past years in the region that involves creation of routes towards Western European countries. The trafficking of migrants from outside of Kosovo though is not the only activity undertaken by criminal groups operating in this sector. The dire economic situation in Kosovo is leading a lot of young people to seek opportunities for employment outside of Kosovo, with Germany, Austria and Switzerland being destination countries. The isolation of Kosovo and the imposition of visas for travelling abroad has provided criminal organizations a niche market to exploit the plight of many people who resort to traffickers to get them out of the country.

The international cross border nature of many criminal activities requires a strong cooperation between law enforcement and judicial bodies not only in the region but with the EU member states as well. With regards to the EU requirements for better results in the fight against organized crime and corruption the latest report notes that law enforcement agencies remain reluctant when it comes to the initiation of financial investigations and the number of freezing and confiscating assets ordered by the judiciary and executed by the police continues to be low.⁹⁸ While the necessary legislation to fight corruption has been adopted and aligned with the new Criminal Code the track record of convictions remains very low. The fight against laundering of proceeds procured through criminal activity has also been limited. Most of the proceeds from smuggling activity are believed to be laundered directly into the economy in areas such as construction and real estate, retail and commercial stores, banks, financial services, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system.⁹⁹ During the first quarter of 2014, the Financial Intelligence Unit has received 43 Suspicious Transaction Reports (STR) out of which 13 were transferred to relevant authorities. The Kosovo Police during the same reporting period dealt with only 4 cases of money laundering. In addition to the specific recommendations outlined in the annual Progress Report, the EU Commission singled out the procurement sector as very vulnerable to corruption and the lack of local expertise among prosecutors and judges to deal with procurement fraud. The perception and anecdotal evidence on large procurement contracts being awarded in breach of procurement laws abound but the hard evidence and indictments on corruption in the tendering sector remain scarce.¹⁰⁰ The head of the Anti Corruption Agency, Hasan Preteni, has called the phenomenon

⁹⁷ Ibid.

⁹⁸ Kosovo Progress Report 2014, available at: http://ec.europa.eu/enlargement/countries/detailed-country-information/kosovo/index_en.htm

⁹⁹ U.S Department of State Report, 2011.

¹⁰⁰ Kajtazi, Vehbi and Prebreza, Visar, "Arti i Vjedhjes", Koha Ditore, 12 October 2014 [Print edition]

‘tenderomania’¹⁰¹. According to Mr. Preteni, corruption starts at the first phase of tendering, when the specifications of the contract to be awarded are drafted. The public officials decide on the company that will win the award and then accordingly set the specifications in minute details that only the chosen company can fulfill and thus eliminate other competitors.¹⁰² Nexhat Gashi, who was employed in the Public Procurement Regulatory Commission for five years, in an interview for a local newspaper stated that he estimates that more than 50 percent of tenders are awarded via corruptive activities.¹⁰³

In lieu of the analysis of the state of Kosovar institutions in fighting organized crime and corruption the Commission has demanded that the new government pledge to a zero tolerance towards corruption and organized crime and has reiterated the importance of fighting the phenomena to counter the infiltration of criminal groups in the political, legal and economic systems.

Legislation Assessment

A. The Organization of Crime

A.1 Criminal offence

The Criminal Code of the Republic of Kosovo was approved in 2003 by UNMIK¹⁰⁴ Regulation 2003/25 and was in force until 2012. The new Criminal Code is in force as of January 2013. The Code, pursuant to the United Nations Convention for the fight against organized crime, defines an organized group as a structured association established over a period of time, of three or more persons for the commission of criminal offences in order to obtain a financial or material benefit. The structured association as defined in the Code is not randomly formed for the commission of an offense but it does not need to have formally defined roles for its members. Article 283 of the Code spells out the sanctions for participation in or organization of a criminal group. Active participation with the intent and knowledge in an organized criminal group contributing to the groups criminal activity shall be punished a fine of 250.000 EUR and an imprisonment of at least seven years. According to the same article ‘whoever organizes, established, supervises, manages or directs the activities of an organized group’ shall be punished by a fine of 500.000 EUR (the largest monetary fine for organized crime activities per Article 46) and an imprisonment sentence of at least ten years. In the case the activities listed above result in the death of someone the punishment levied on the perpetrator is a fine of 500.000 EUR and a prison sentence of at least ten years.

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Kajtazi, Vehbi. “Mbi 50 për qind të tendërve jepen me korrupsion”, Koha Ditore, 12 October 2014 [Print edition]

¹⁰⁴ UNMIK-United Nations Mission in Kosovo

(d) Drug Trafficking

Use, possession, and illicit trafficking are considered criminal violations and are sanctioned by the Criminal Code. According to article 273 'Whoever, without authorization purchases, possesses with the intent to sell or distribute or offers for sale substances or preparations which have been declared by law to be narcotic drugs, psychotropic substances or analogues shall be punished by a fine and by imprisonment of two to eight years.' Distribution, transportation, brokering or dispatching of narcotic drugs aside from being fined as a punishment will get a prison sentence of two to twelve years. Article 279 lists the sanctions for the organizers, managers, or financiers of offences related to narcotic trafficking which starts at a sentence of two years up to ten years of imprisonment. In the cases when the offences involve large quantities of narcotic drugs the perpetrator shall be punished by imprisonment of three to fifteen years.

(e) Trafficking in Human Beings

Article 171/6.1 of the Criminal Code defines trafficking in persons as 'the recruitment, transportation, transfer, harboring or receipt of persons, by threat or the use of force or other forms of coercion, abduction, fraud, deception, the abuse of power or the abuse of a position of vulnerability or the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.' Exploitation as used in paragraph 6.1 refers prostitution of others, pornography or other forms of sexual exploitation, begging, forced or compulsory labour or services, slavery or practices similar to slavery, servitude or the removal of organs or tissue. Paragraphs 1-5 of Article 171 specify sanctions for different activities related to human trafficking. Engagement in trafficking in persons is punishable by a fine and imprisonment of five to twelve years. If however, the offense is committed in the vicinity of a school and the victim is a minor the perpetrator shall be punished by a fine and an imprisonment of three to fifteen years. The organization of the a group to engage in human trafficking receives a sentence of 500.000 EUR and a prison sentence of seven to twenty years. Should the offence result in death the punishment will be no less than ten years up to life imprisonment. Moreover, Article 171 specifies sanctions against abuse of public authority and position for a person who engages in offences related to trafficking in human beings of a fine¹⁰⁵ and imprisonment of five to fifteen years. The Republic of Kosovo adopted Law no. 04/L-218 'On preventing and combating the trafficking in human beings and protecting victims of trafficking' that among other provisions defines the responsibilities of various institutional bodies in combating human trafficking. The National Coordinator Against

¹⁰⁵ Article 46 of the Criminal Code specifies the punishment of fine as 'The punishment of a fine may not be less than one hundred (100) European Euros (hereinafter "EUR"). The punishment of a fine may not exceed twenty five thousand (25,000) EUR or, in the case of criminal offenses related to terrorism, trafficking in persons, organized crime or criminal offenses committed to obtain a material benefit, it may not exceed five hundred thousand (500,000) EUR.'

Trafficking in Human Beings is a recent structure established with the endorsement of the Prime Minister through Decision no. 029 in 2008 within the Minister of Interior with the task to draft, implement and oversee the three year National Strategy and Action Plan Against Trafficking in Human Beings. The criminal prosecution and punishment of the offenders is the responsibility of Kosovo Police, Kosovo Judicial Council, and Kosovo Prosecutorial Council.

A.2 Legal and investigative tools for combating organised crime

(a) Sequestration and confiscation of assets

The legal framework for the sequestration and confiscation of assets in Kosovo is covered by the Criminal Code, Criminal Procedure Code and the Law on the Management of Sequestered or Confiscated Assets. Article 69 of the Criminal Code mandates that objects that are used or destined to be used in the commission of a criminal offence as well as objects that are derived as a result of the commission of a criminal offence shall be confiscated. Paragraph 2 of this article says that the objects as mentioned previously may be confiscated even if they are not the property of the perpetrator if ‘confiscation is necessary for the interests of general security or for moral reasons if such confiscation does not adversely affect the rights of third parties to obtain compensation from the perpetrator for any damage.’ Chapter VII of the Criminal Code covers the confiscation of material benefits¹⁰⁶ acquired by the commission of criminal offence. Article 96 stipulates that no person shall retain any material benefits accrued through criminal offence (paragraph 1) and the material benefit shall be confiscated by the court establishing the criminal offence (paragraph 2). In the case when the confiscation of material benefits is not possible the perpetrator needs to pay an amount of money that corresponds to the value of the accrued material benefit as laid down by Article 97/1. Moreover, the confiscation of material benefits is possible when the assets have been transferred to another person, without compensation if that person knew of the criminal origin of the assets. The same is applicable in the case the transfer has been made to a family member (Article 97/2). According to Article 99 ‘when a business organization or legal person has acquired a material benefit by the commission of a criminal offence of a perpetrator, such material benefit shall be confiscated from the business organization or the legal person.’

The proceedings for the confiscation of material benefits derived from criminal offence are regulated with the Criminal Procedure Code. The Law no. 03/L-141 On Managing Sequestered or Confiscated Assets entered into force in 2010 and established the Agency for Administration of Sequestered and Confiscated Assets (ASSCA) as an executive agency within the Ministry of Justice. ASSCA is mandated to manage the assets in cooperation with the court, customs and other competent bodies, assist in the execution of confiscation or sequestration as requested by competent body, provide logistical support in estimating the value of the assets (Article 4). The implementation of the Law on ASSCA so far has been limited due to the several conflicting

¹⁰⁶ The term “material benefit” is defined by Article 120.34 of the Criminal Code as any property derived directly or indirectly from a criminal offense

issues between the Criminal Code, Criminal Procedure Code and the Law on AASCA which states that AASCA is responsible for assisting in execution of sequestrating decisions while the Procedural Code mandates it with the responsibility to execute the decisions. In 2013, the Assembly approved Law No. 04/L-140 On Extended Powers for Confiscation of Assets Acquired by Criminal Offence specifying extended powers for confiscation and sequestration when the procedures foreseen in the Criminal Procedure Code are insufficient.

A draft law was initiated to make non-conviction based confiscation of suspicious assets by shifting the burden of proof on the accused but the law has not been adopted yet. Also, to date Kosovo does not yet have a Law on fighting organized crime.

(b) Witness protection and collaborators of justice

Witness protection has been a very challenging task for Kosovar authorities and even though the Law on Witness Protection has been adopted in 2011, its implementation has remained rudimentary, mainly due to the lack of infrastructure as well as professional expertise to ensure the safety of the witnesses.

The Witness Protection Directorate as mandated by this law was established within the Kosovo Police and is operational. Until recently witness protection was the competence of the European Security and Defense Policy mission European Union Rule of Law Mission (EULEX) in Kosovo. The Ministry of Interior has been cooperating with EULEX's Witness Security Unit for developing its local capacities.

B. Economy

B.1 Finance

The Law no. 03/L-196 On Prevention of Money Laundering and Terrorist financing (amended by Law no. 04/L-178 is the main legislation in place to sanction activities on laundering and concealing of proceeds derived from criminal activity. Article 4 of the Law establishes the Financial Intelligence Unit (FIU), within the Ministry of Finance, as the central independent institution responsible for requesting and disseminating information concerning money laundering and financing of terrorist activities. As mandated by law among the reporting subjects to the FIU are banks, casinos and gambling institutions, real estate agencies, financial institutions. Banks and Financial Institutions shall report to the FIU when a suspicion transaction has been noted and all single transactions in currency of 10.000EUR (Article 22). The provision of incomplete information or failure to declare possessions in value of 10.000EUR can be seized by Customs Police. As far as investigative techniques are concerned, Article 88 of the Criminal Procedure Code provides possibilities such as interception of communications, undercover investigations, interceptions of communication by computer networks, and disclosure of financial data to name a few.

The criminal sanctions applied to natural persons in case of laundering of money as spelled out in Article 32/2.8 are as follow:

- i. a term of imprisonment of up to ten years
- ii. a fine of up to three times the value of the property subject to the money laundering offence.

C. Corruption

C.1 Political corruption

(a) Corruption of public officials

The Criminal Code of Kosovo criminalizes the active and passive taking of bribes as well as abuse of public office by public officials. Chapter XXXIV (Official Corruption and Criminal Offences Against Official Duty) specifies the sanctions against a list of offences committed while on official duty. Article 422 states that ‘an official person, who, by taking advantage of his office or official authority, exceeds the limits of his or her authorizations or does not execute his or her official duties with the intent to acquire any benefit for himself or another person or to cause damage to another person or to seriously violates the rights of another person, shall be punished by imprisonment of six months to five years.’ Misuse of official information with the intent to acquire an advantage for him/herself or another person by a public official shall be punished by a fine and imprisonment of six months to five years. In the specific case when the public information is related to a procurement action or public action, the perpetrator shall receive a fine and an imprisonment of two to eight years (Article 423). Article 424 specifies sanctions applicable in the case of conflict of interest when a public official participates in a official matter where relatives have a financial interest shall be punished by a fine or imprisonment of up to three years. Should the conflict of interest include information pertaining to any public procurement the levied punishment shall be imprisonment of one to five years.

Per article 428, if an official person receives or requests (directly or indirectly) any gift or advantage for him/herself or another person in a matter that the official does not act in accordance with the official duties then he/she will be punished by fine and imprisonment of six months to five years. Should the offense of this article exceed 15.000EUR the perpetrator shall be punished by a fine and a prison sentence of one to eight years.

(b) Electoral corruption

Vote buying is not regulated by the available legislation in Kosovo but chapter XVIII of The Criminal Code criminalizes offenses against voting rights. In the case when a political candidate is forced to withdraw the candidacy the punishment on the perpetrator shall be a fine or imprisonment of up to one year. If the threat has been by use of force then the punishment is

imprisonment of six months to three years (Article 211). The specification here does not pertain to a mafia like group or any other organized criminal organization. If someone by the use of force or serious abuse of the economic and professional dependence of a voter, influences or compels a voter to vote in a particular way or to abstain from voting in an election will be punished by imprisonment of one to five years.

Political party finances are regulated by the Law on Political Party Financing adopted in 2010. The political party contributions are limited to 2.000EUR per annum for natural persons and up to 10.000EUR for legal persons. The provisions on transparency require that all contributions be made public and that all donations be recorded with the full name and bank account of the donor. In the case of suspicious donations the political is legally obliged to report the donation and either return it to the donor within 14 days or transfer it to the budget of Kosovo. Moreover, political parties are not allowed to take any party contributions through third parties and from persons who do not disclose their identity.

(c) National anticorruption plan

The institution responsible for investigation (referring to the enforcement of the Law on Declaration of Assets and the Law on Conflict of Interest) and prevention of administrative corruption is the Agency for Anticorruption (ACA). ACA is an independent body established in 2006 and operational since 2007. The legal basis for the establishment of the Agency was the Law against Corruption (2004/34), however, the current legal framework covering the responsibilities of the Agency includes: Law on Anti Corruption Agency, Law on Assets Declaration and Law on Conflict of Interest. The Head of the Agency is appointed by the Assembly of Kosovo for a five year mandate and it reports directly to the Assembly.

ACA is responsible for drafting and monitoring the National Anticorruption Strategy and Action Plan and the responsible institutions for implementing the action plan have to report every six months to ACA. The strategy is usually drafted for a period of 3-4 years since 2004. In the continuous efforts to fight corruption a special prosecutor within the Office of the Prosecutor has been appointed to deal exclusively with cases involving corruption.

Tab. 1 Policies, practices and institutional actors against organised crime and corruption in Kosovo

Policies and practices				Actors
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	<ul style="list-style-type: none"> - Ministry of Interior - Kosovo Police - State Prosecution - Customs - Kosovo Judicial Council - Kosovo Prosecutorial Council - Witness Protection Directorate
			Drugs trafficking	
			Trafficking in Human Beings	
			Terrorist organizations	
<i>Investigation and Prosecution</i>	Witnesses Protection			
	Special Investigative Tools			
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of material benefits	<ul style="list-style-type: none"> Regular Criminal Confiscation Special Criminal Confiscation of 'Unjustified Assets' 	<ul style="list-style-type: none"> - Ministry of Justice - Agency for Administration of Sequestrated and Confiscated Assets (AASCA)
	<i>Finance</i>	Money-laundering legislation	Suspicious Financial Flows	<ul style="list-style-type: none"> - Special Prosecution Office - Financial Intelligence Unit - Department Against Economic Crimes (within the Kosovo Police) - Central Bank of Kosovo
Corruption	<i>Political Corruption</i>	Corruption of public officials		
		Electoral corruption		Central Electoral Commission
	<i>Public procurement</i>	Exclusion of tenderers (Black List system)		Public Administration Minister of Interior
			Re-use of confiscated properties	<ul style="list-style-type: none"> - Public Administration - Minister of Interior - National Mafia Confiscation Agency
		Traceability of financial services in public procurement		<ul style="list-style-type: none"> - Public Administration - Bank of Italy
<i>Administrative corruption</i>	National anti-corruption plan	Anticorruption framework and tools to be adopted by all public bodies	<ul style="list-style-type: none"> - Agency for Anticorruption (ACA) 	

Albania



General overview

Since its transition from communism towards democracy, Albania like many post communist countries has undergone a series of structural reforms that to date have left the country with a weak economy, high unemployment rate, widespread corruption and organized crime. Albanian organized crime to date is considered as one of the most expanding criminal networks in Balkans with main activities concentrated in drugs and human trafficking and cigarette smuggling. As part of the Balkan Route, Albania is a transit country for heroin distribution from Afghanistan towards Western Europe and according to some estimates as much Albanian criminal groups distribute as much as 70-80% of the heroin.¹⁰⁷ Despite many concerted efforts to shut it down, cannabis production in certain areas of the country is remains prevalent.

Albania signed the Stabilization and Association Agreement (SAA) with the EU in 2006 and applied for EU membership in 2009. Since June 2014, Albania was granted a full candidate status as recognition for its efforts to reform the institutions and legislative framework to meet the EU requirements. While most legal and institutional mechanisms to combat corruption and organized crime are in place the implementation and institutional effectiveness remains a challenge. Moreover, the fight against corruption and organized crime with a specific emphasis on crimes related to immigration and human trafficking remains one of the most important determinants of Albania's progress towards the much-coveted EU integration.

Legislation against organised crime in Albania

A. The Organization of Crime

A.1 Criminal offence

¹⁰⁷ Michaletos, I. (2010), *Shape of Albanian Organized Crime*, Research Institute for European and American Studies.

The Criminal Code of Albania (Kodi Penal), ratified in 1995¹⁰⁸ defines criminal acts, sentencing and other measures taken against perpetrators who commit them. Article 25 of Chapter IV (Collaboration of persons in committing criminal acts) defines collaboration as the agreement of two or more persons to commit a criminal act. Articles 26 and 27 go on to define who is considered a collaborator and spell out the responsibilities of each form of collaboration. Collaborators in committing a criminal act are considered: the organizers, executors, instigators and helpers and they all bear the same responsibility as the executor of the criminal act, subject to evaluation of the gravity of the committed crime (Article 27). In Article 28 different forms of criminal collaboration are defined as listed below:

1. A criminal organization is the highest form of association of more than two persons distinguished by its particular level of organization, structure, stability, duration, as well as by the purpose of committing one or more criminal acts to gain material or non-material benefits.
2. The terrorist organization is a special form of the criminal organization, composed of two or more persons that have a stable collaboration extended in time, with the purpose of committing acts with terrorist purposes.
3. The armed gang is a special form of cooperation that, by possessing arms, military armaments and other necessary means, aims at the commission of criminal acts provided in Chapter V, VI and VII of the Special Part of this Code.
4. The structured criminal group is a special form of cooperation, composed of three or more persons, which have the purpose of committing one or more criminal acts, and which aim at achieving material and non-material benefits.

Chapter XI of the Criminal Code (Criminal Acts Committed by an Armed Gang or Criminal Organization) spells out the punishment for the various forms of organized criminal groups. According to Article 333, added to the Criminal Code in 2004, the establishment, organization or leading of criminal organizations is sentenced with imprisonment of five to fifteen years while participation in the organization leads to a prison term of four to eight years. The possession of weapons by the members of the organization is further sanctioned with a one third addition to the imprisonment sentence. On the other hand the establishment, organization or leading of a *structured criminal group* leads to a lesser imprisonment term of three to eight years while the participation in the group is punished with a term of two to five years (Article 333/a). Article 334 of the Code spells out the punishment for commitment of crimes by criminal organizations and structured criminal groups. Commitment of crimes by the members of the criminal organization and structured criminal group is sentenced according to the respective criminal provisions by augmenting the sentence of the crime committed with five years of imprisonment as well as with the fine in the measure of one third but without exceeding the maximum limit of the imprisonment sentence. When

¹⁰⁸ The information here is based on the consolidated version of the code of 2013.

the respective criminal provision contains imprisonment or life imprisonment, then it is punishable by twenty five years of imprisonment or life imprisonment while a criminal provision containing life imprisonment is punished with life imprisonment (Article 334/1 and 334/2 respectively).

(f) Drug Trafficking

The Criminal Code of Albania spells out the sanctions on individuals and groups who are involved in manufacturing, selling and trafficking of narcotic and psychotropic substances. An imprisonment of five to ten years is levied on a person who sells, trades, delivers and transports narcotic substances. Organizing, managing or financing this activity receives a larger sentence of ten to twenty years of imprisonment (Article 283). The illegal import, export of narcotic substances is punished with imprisonment of a minimum of seven years while organizing and leading a criminal organization with the goal of trafficking narcotics is punished with a sentence of ten to twenty years. Persons with state functions who create conditions or facilitate activities related to illegal trafficking are punished with imprisonment of five to fifteen years.

(g) The Trafficking-in-Persons Association Crime

The inclusion of human trafficking clause in the Criminal Code of Albania was made with the amendment by Law no. 8733 in 2001 in Section VII – Criminal Acts Against Person’s Freedom. A punishment by imprisonment of eight to fifteen years is levied per Article 110/a in the case of ‘the recruitment, transport, transfer, hiding or reception of persons through threat or the use of force or other forms of compulsion, kidnapping, fraud, abuse of office or taking advantage of social, physical or psychological condition or the giving or receipt of payments or benefits in order to get the consent of a person who controls another person, with the purpose of exploitation of prostitution of others or other forms of sexual exploitation, forced services or work, slavery or forms similar to slavery, putting to use or transplanting organs, as well as other forms of exploitation, within and beyond the territory of the Republic of Albania.’ The commitment of such offences against an adult female receive a harsher punishment of ten to fifteen years of imprisonment.

In the case or organization, management and financing of the trafficking of persons the punishment handed out is seven to fifteen years and includes a monetary fine ranging from four to six million ALL.¹⁰⁹ The amendments made to the Criminal Code have included trafficking in women and minors separately regulated by Article 114/b and 128 respectively. The Deputy Minister of Interior serves at the National Coordinator for Anti Trafficking of the

¹⁰⁹ The listed amounts when converted to EUR are approximately EUR 28000-42000.

Anti Trafficking unit, which was established in 2005 in order to monitor the work of the institutions charged with implanting the National Strategy on Fighting the Trafficking in Human Beings.

A.2 Legal and investigative tools for combating organised crime

(a) Seizure and confiscation of assets

Seizure and confiscation of assets and proceeds from criminal activities is one of the most important tools that can be used to combat organized crime and corruption. Under the Albanian Criminal Code the property can be seized as part of the criminal sanction if the property/object has served or was connected to the crime, thus relationship must be established prior to confiscation. Article 36 of the Criminal Code provides the general rules for the confiscation of means and proceeds from criminal activity and transfer to the state. The criminal confiscation is regulated by the Criminal Procedure Code whereby the property is subject to confiscation if (i) there is a final judgement convicting the defendant of a criminal offence, and (ii) the Court imposes the confiscation of the property as a supplemental punishment (per Article 30 of the Criminal Code).

Chapter VI of the Criminal Procedure Code covers the confiscation of proceeds from criminal activity. Article 274 of the Criminal Procedure Code warrants the seizure of assets if (i) there is a danger that free possession of an item connected to the criminal offence may aggravate or prolong its consequences or facilitate the commission of other criminal offences, and (ii) it is permitted by article 36 of the Criminal Code.

In September 2004, Albania passed the law 'On Preventing and Fighting of Organized Crime', which laid down for the first time the provisions for non-conviction based forfeiture, which target the proceeds of criminal activity and not the criminal. The non-conviction based forfeiture by being civil in nature does not require a criminal prosecution and seeks to identify the origin of the proceeds and assets and determine their unlawfulness. The implementation of the law, however, revealed a series of loopholes and was questioned on grounds of constitutionality and in 2009, the Ministry of Justice passed a series of amendments and the so called Anti-Mafia Law ('On Preventing and Fighting of Organized Crime and Trafficking through Preventive Measures Against Assets and Wealth') was adopted.

The Anti-Mafia Law relies on the Albanian Civil Procedure Code and provides a detailed outline when confiscation can be enforced and sets the ground for preventive confiscation as a tool to fight crime, corruption, and tax evasion. Under this law as opposed to the Criminal Code the confiscation of proceeds and assets is based on sufficient evidence and not on proofs. Moreover, the burden of proof on the lawfulness of the confiscated property is transferred from the prosecutor to the suspect who needs to provide evidence on the legality of the proceeds and assets (Article 21). The threshold for collecting evidence as stated above is lower under the Anti-Mafia Law compared to the Criminal Code. Another difference

constitutes regarding the applicability of the Law, which does not only fall on the main suspect but also to his/her relatives and family members up to the 4th generation. Article 22.2 states that the confiscation of the proceeds can continue regardless whether the person is physically present in the country or not. Also, according to this Law as opposed to the Criminal Code the preventive confiscation can continue after the completion of the criminal proceedings and even if the suspect is found innocent which cannot happen under Criminal Law since the defendant has to be found guilty in order to proceed with confiscation and seizure. The Serious Crimes Court (SCC) is the responsible court for these proceedings and its jurisdiction is defined in Article 7 of the Law.

(b) Witness protection and collaborators of justice

Article 52/a of the Albanian Criminal Code states that the person sentenced for one of the criminal offences related to trafficking of narcotics, arms or munitions, trafficking in human beings or criminal offences committed by criminal organisations, who collaborates and assists the criminal prosecuting authorities in fighting against them, or, where appropriate, in uncovering other persons who commit such crimes, cannot be sentenced for a period of more than half of the sentence foreseen for the offence committed by him/her. Apart from these general measures towards witness protection, in 2004 Albania adopted the Law ‘On Justice Collaborators and Witness Protection’, which spells out additional protection measures. Under this law the beneficiaries of protection include ‘witness to justice’, ‘collaborator of justice’, ‘related persons’, ‘close persons’. This law regulates the special measures and the procedures and conditions when the special measures are applicable.

Two institutional bodies are set up for approving the special measures when general protection measures are not enough:

- i) Department for Witness Protection and Justice Collaborators;
- ii) Commission for Evaluation of Special Measures of Witness Protection and Justice Collaborators.

The special measures applied by the Department for Witness Protection and Justice Collaborators, which operates within the Directorate for Fighting Organized Crime and Witness Protection in the General Directorate of the State Police, are change of residence – in and outside of Albanian territory, change of the personal identity, physical protection, protection of their residence, financial aid for the protection period.

B. Economy

B.1 Finance

The laundering and investment of the proceeds of criminal activity are penalized by Article 287 of the Criminal Code of Albania which covers the methods of laundering and respective punishment. The Criminal Code criminalizes laundering of the proceeds of the following conducts:

1. The conversion or transfer of property, for the purpose of concealing or disguising the illicit origin of the property, knowing that such property is the proceeds of criminal offence or criminal activity;
2. The concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of criminal offence or criminal activity;
3. The acquisition, possession or use of property, knowing, at the time of receipt, that such property is the proceeds of criminal offence or criminal activity;
4. Commission of financial actions or divided transactions to avoid reporting according to the legislation on the prevention of money laundering;
5. Investment in economic or financial activities of money or objects, knowing that they are proceeds of criminal offence or criminal activity;
6. Consultation, assistance, instigation or public call for the commission of each of the offences defined above, shall be punishable by five up to ten years of imprisonment.

Article 287 spells out the following sanctions for money laundering: three to ten years of imprisonment and a fine of 500.000 – 5 million ALL (EUR 3500- 35000) for basic offences; five to fifteen years of imprisonment and a fine of 800.000 to 8 million ALL (EUR 5700-57000) if the offence has been carried out during the criminal activity, in collaboration or more than once; and five to fifteen years of imprisonment and a fine of 3-10 million ALL (EUR 21000-71000).

Article 287/b of the Criminal Code criminalizes ‘whoever purchases, receives, hides or, in any other way, appropriates for himself or a third party, or assists in purchasing, taking, hiding of money or other goods, knowing that another person has obtained these money or goods, as a result of a criminal offence or criminal activity’ with a sentence of six months to three years of imprisonment. In 2008, the Albanian Parliament passed Law no. 9917 for prevention of money laundering derived from criminal activities and financing of terrorism (‘On the Prevention of Money Laundering and Terrorism Financing’).

C. Corruption

C.1 Political corruption

(a) Corruption of public officials

The Criminal Code of Albania has clearly specified sanctions for public officials who solicit direct or indirect taking of bribes by outside parties or who obstruct the law to favour a certain bidder in an auction over other bidders. Article 258 states that if a state official commits a breach of law to create illegal advantage for a third party by obstructing the equality of citizens in public bids or auctions is sentenced with a sentence of three years of imprisonment. Articles 259 and 260 spell out sanctions for 'soliciting or taking, directly or indirectly, by a person who exercises public functions, of any irregular benefit or of any such promise for himself or for a third person, or accepting an offer or promise deriving from an irregular benefit, in order to act or not act in the exercise of his duty' for public officials and high state officials or local elected officials. The sentences for high state officials in the case of collusion are harsher for state officials and start from four to twelve years of imprisonment compared to the sentence of two to eight years for public officials.

(b) Electoral corruption: mafia vote-buying

The Albanian Electoral Code contains no provisions to regulate vote buying by mafia or other parties. There are however provisions that regulate the acceptance of donations by physical or legal persons. The donations cannot come from public funding and are subject to restrictions in terms of amount (maximum of 1 million ALL (7000 EUR) (or equivalent value of goods and services). In case of monetary donation greater than 100.000 ALL(5000 EUR) the transfer can be made only to a party's (or candidate's) single specified account. All donations and their related donor(s) must be declared in a special registry approved by the Central Electoral Commission, and all will be audited after the results of the election round are published. In the event of procedural violations, administrative sanctions will be imposed on the party/candidate as regulated in paragraph XIV of the Electoral Code.

C.2 Public procurement

(a) The exclusion of tenderers in public procurement

Article 26 of the Law on Public Procurement regulates the so-called corruptive actions and conflict of interest. This article states that the contracting authority can refuse a bid for a tender if the tenderer engages in any activity that can be considered as bribery towards any of the agents of the contracting authority, and/or if the tenderer is subject to conflict of

interest. The contracting authority can even press charges if any of the corruptive activities are of criminal nature.

Article 45 of the Law on Public Procurement provides for the mandatory exclusion from the tendering process of those tenderers who have been under investigation and/or part of a criminal organization, or having engaged in corruption, fraud, money laundering. The contracting authority can contact authorities for background information on the tenderers. This article mandates the exclusion from the tendering process of those candidates who have declared bankruptcy and their capital is being liquidated, or has been sentenced by a court on offenses related to her professional activity, or has committed tax evasion, or has been giving false and/or withholding information.

(b) National anticorruption strategy

The Government Commission for the Fight Against Corruption in Albania was established in 1999 as an inter ministerial body and derives its mission, authority and responsibility from Decision no. 470 of the Council of Ministers, adopted in October 1999. The Anti Corruption mechanisms and bodies in Albania have undergone a series of reforms since its early establishment. Currently, the Minister of State and Local Government serves as the National Coordinator for Anti Corruption and is responsible for drafting the National Anti Corruption Strategy as well as the comprehensive action plan, known as the Matrix, which is updated on an annual basis. The Council has approved the National Strategy for Anti Corruption (2014-2017) and the implementation of the action plan is foreseen to start in 2015. Among other institutional bodies established to fight political corruption and conflict of interest is the High Inspectorate for the Declaration and Audit of Assets (HIDAA), an independent agency in charge of collecting assets declarations and oversee potential conflict of interest of high-ranking officials. The statute of HIDAA mandates it to unilaterally start investigations if suspicion might arise as to the untruthful declaration of wealth.

Tab. 1 Policies, practices and institutional actors against organised crime and corruption in Albania

Policies and practices				Actors
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	<ul style="list-style-type: none"> - Ministry of Interior - State Police - Crime Prosecution Department (within the General Directory of the State Police) - General Prosecutor's Office - Anti Drug Department (within the Ministry of Interior) - Serious Crime Court
			Drugs trafficking	
			Illicit and Human trafficking	
			Terrorist organizations	
<i>Investigation and Prosecution</i>	Witnesses and Collaborators of Justice	Special Investigative Tools		
<i>Execution of sentences</i>				
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets	Regular Criminal Confiscation	<ul style="list-style-type: none"> - Ministry of Finance - Agency for Administration of Sequestered and Confiscated Assets
	<i>Finance</i>	Money-laundering legislation	Suspicious Financial Flows	<ul style="list-style-type: none"> - General Directorate for the Prevention of Money Laundering (the Albanian Financial Intelligence Unit) - Bank of Albania
Corruption	<i>Political Corruption</i>	Criminal-political nexus	Corruption of elected officials	
		Electoral corruption	Party financing	Central Electoral Commission
	<i>Public procurement</i>	Exclusion of tenderers (Black List system)		<ul style="list-style-type: none"> - Ministry of Public Administration - Public Procurement Agency
<i>Administrative corruption</i>	National anti-corruption plan	Anticorruption framework and tools to be adopted by all public institutions	<ul style="list-style-type: none"> - Minister of State and Local Government 	

Georgia



Tab. 1 Policies, practices and institutional actors against organised crime and corruption in Georgia

Targets	Policies and practices			Actors
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime	Common-type	Central Criminal Police Department
			Drugs trafficking	
			Human trafficking	
	<i>Investigation and Prosecution</i>	Witnesses (powers of prosecution to summon witnesses, criminal responsibility for refusal to give testimony) Special Investigative Tools		Chief Prosecutor's Office of Georgia
<i>Execution of sentences</i>			no	
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets	Regular Criminal Confiscation	Chief Prosecutor's Office of Georgia Courts
			Civil forfeiture - offenses of racketeering, trafficking in drugs or human beings, or membership in the thieves-of-law organization	
	<i>Finance</i>	Money-laundering legislation	Suspicious Financial Flows	National Bank of Georgia AML Unit of the Office of the Chief Prosecutor Investigative Department Office of the Chief Prosecutor Investigative Service of the Ministry of Finance
			Monitoring the import into and export from Georgia of cash and securities	
Corruption	<i>Political Corruption</i>	Criminal-political nexus	Criminalisation of bribery / corruption of public officials (incl. passive bribery, abuse of office)	Investigative Department of the Chief Prosecutor's Office
			Criminal liability of legal persons for corruption	MoIA Anti-corruption Agency
		Electoral corruption	Political party financing Financing of election campaigns	State Audit Office of Georgia
	Vote buying crime (incl. criminal liability of voters)		Chief Prosecutor's Office of Georgia	

	<i>Public procurement</i>	Audit of procurement procedures		Chamber of Control of Georgia
		Georgian Electronic Government Procurement system		State Procurement Agency
		Registry of qualified suppliers and blacklisted companies		
	<i>Administrative corruption</i>	National Anti-Corruption Strategy		Anti-Corruption Council
		Anti-corruption Action Plan		
Society	<i>Associations</i>			
Legend		<i>Criminal policy/practice</i>		
		<i>Administrative policy/practice</i>		



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



WP9.1 Integrated Report

Part III

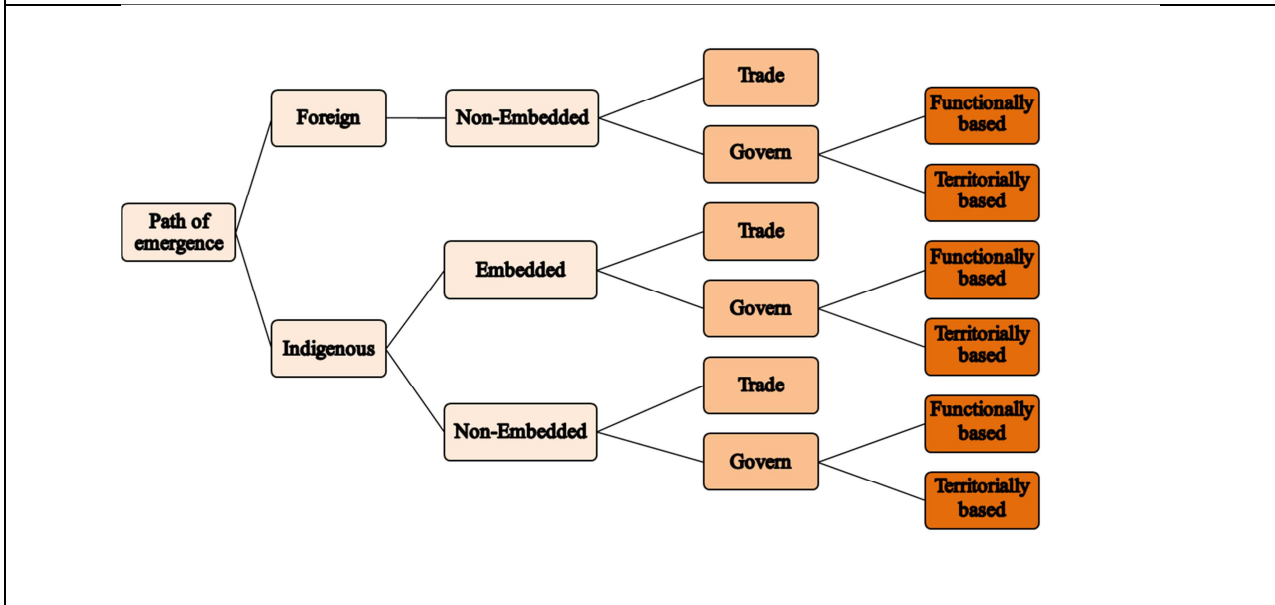
Comparative assessment of the link between organised crime and political corruption

Chapter 4

4.1 Criminal markets and organised crime groups in a comparative perspective

Current efforts to collect and analyse information on organised crime at EU level suffer from the lack of standardised quantitative information, due to the different definition of the issue across EU member states, and the lack of systematic qualitative information for all EU member states that might serve for cross-country comparisons. More recently, some research projects have tried to reverse this problem by designing more standardised procedures to collect information within and across countries about organised criminal activities (Transcrime 2011), consumption of illegal goods in Europe, or legal definitions (Calderoni 2014; Calderoni et al. 2014). This report aims to contribute to this stream of research by presenting a standardised procedure for gathering qualitative data on organised crime and political corruption. In this chapter the early findings on patterns and trends in organised crime are presented and compared along three axes: (a) path of emergence; (b) core business; (c) organizational model. According to the evidence collected, these three dimensions affect the modalities and resources criminal groups use to engage in political corruption networks.

Fig. 1 Path of emergence and development of organised crime groups



(a) Path of emergence

Europol analyses the origin of organised groups active in the EU, distinguishing between **indigenous** and **foreign** organised crime groups. According to some estimates, 3600 criminal international organizations are estimated to be active in the EU (SOCTA 2013: 33). 70% of these

are multi-national in their membership, while only 25% are homogeneous groups with one dominant nationality (SOCTA 2013:34)¹¹⁰. According to the same crime assessment “non-EU groups consist of individuals from Latin America, the former Soviet Union countries, Afghanistan, Pakistan, East-Asian countries and the Maghreb. The most frequent combinations of groups consisting of EU and non-EU nationals are Latin American-Portuguese, Latvian-Russian and Maghreb-Portuguese or Spanish nationals” (SOCTA 2013:34). Policing data and the increasing number of arrests of foreign nationals shows that there is evidence of an intensification of international criminal operations since the 1990s. A process of internationalization has also been emphasized on several occasions by Europol in almost all OCTA and SOCTA reports.

In contrast with these findings, the present report shows that, as we focus our attention upon the most dangerous liaisons between criminality and politics, indigenous forms of criminal groups still play an almost exclusive role in connecting with business and government officials¹¹¹. This might not hold true when we deal with other forms of corruption, such as police or judicial, because similar strategies of influence might be used by both foreign and indigenous groups. But the evidence collected in this report reveals that even when foreign groups engage in political corruption exchanges, it is again the local dimension that plays a pivotal role. Environmental conditions and reciprocity mechanisms between non-indigenous and indigenous actors explain the success of illicit transactions. In general, the marginalisation of minority groups not integrated with the surrounding society and the significant pool of illegal or non-integrated immigrants within the EU are fertile ground for “the establishment of vicious cycles where marginalisation and exploitation by organised crime feed each other” (OCTA 2009: 42-43). Organised crime groups capitalize on marginalised communities that are typically more vulnerable to them. Criminals aspire to establish themselves as brokerage actors ascending to the role of points of reference for these non-integrated communities, while also providing brokerage services for indigenous and legitimate actors. Such activities can also easily bring about exploitative situations during elections, through voter manipulation and control. Some of the country studies presented in this report show the organization of vast vote-buying campaign in some marginalized ethnic communities (see Bulgaria country chapter and HU4). In other countries, such as in Italy¹¹², where large and marginalized communities of immigrants exist, there has not been similar evidence during official elections, though some cases occurred in a limited fashion during parties’ primary elections.¹¹³

¹¹⁰ The methodology used by Europol to estimate the number of international organised crime groups in Europe seems to lack transparency and reliability. The report does not provide data at a disaggregated level, and thus it does not allow any analysis of the geographical and temporal distribution of the phenomenon in Europe. In particular, data provided in SOCTA 2013 seems to underestimate the number of homogenous groups with one dominant nationality. Therefore, more systematic and reliable data collection is needed for research able to yield comparable national and supranational assessments.

¹¹¹ This is also partially recognised in some Europol reports, which state “the OCGs with access to the most substantial resources are more likely to be composed of EU nationals, and are more often involved in financial crimes like fraud and money laundering. The cash turnover of these groups is substantial and they are able to launder their proceeds within their own criminal infrastructure. Investments are mostly made in real estate that may be used to facilitate criminal activities, but are also used to enable criminals to live a lavish, even luxurious, lifestyle” (OCTA 2011)

¹¹² “In Italy, Chinese organised crime tends to create small areas in urban districts in which fellow-nationals can be controlled both socially and economically. In the UK, criminals victimise fellow-nationals and also profit from offering criminal services, such as the transfer of migrants’ remittances to China. In France, where there is a significant Chinese community, Chinese criminals also focus on exploiting their fellow-nationals. [...] For example, in Greece, Pakistani criminals exert influence on the Pakistani immigrant community through control of the labour black market. In Greece, Kurdish criminals exert pressure over the Kurdish immigrant community, a phenomenon also observed in Germany” (OCTA 2009:42).

¹¹³ See for instance a survey of cases in <http://www.linkiesta.it/primarie-pd-tutte-le-polemiche>

In any case, these vicious cycles contradict the mainstream policy paradigms that portray cross-border groups as a form of criminality different and alien to the communities in which they operate, and that otherwise would be pure and healthy until exposed to a criminal “contamination” (Gachevska 2012). According to this approach, organised crime is mainly a transnational threat to the economy and to security, rather than a local one. As stated by some observers, it is the “‘Mafia’ ghost that might be haunting Europe” (Gachevska 2012:361). In keeping with this, such a paradigm underestimates the dramatic impact of recent political and economic changes in the world and in Europe, “where the growth of the black economy and associated violent crime – organized or not, professionalized or amateur – should be of a much more serious concern to politicians and law enforcement than the old-fashioned views of ‘travelling’ local crime gangs who venture beyond their traditional territories” (Gachevska, 2012:363).

Most of the cases selected for this research show that connections between indigenous organized and corporate crime remain the most relevant and recent development of organised criminality in Europe, as opposed to the cross-border crime paradigm. The case studies of this report give insight into another transmission medium that can explain the rise or change in organised criminality in Europe. This is not only the result of the removal of borders and the globalization of markets, but also of local institutional and economic enablers brought about by the overall deregulation of markets promoted at both global and European level, the growing informalization of the workforce and economy, the retreat of the state and failed liberalization cycles (Stiglitz 2003). These local enablers have already been proven as crucial in explaining both the success and the modalities of criminal groups’ diffusion and transplantation in new territories (Campana 2013; Sciarrone and Storti 2014; Varese 2013), but they also have an essential explanatory function in the assessment of the link between organised crime and political corruption. The foreign/indigenous origin is only one dimension of comparison amongst criminal groups in terms of their path of emergence. The degree of embeddedness, either in legitimate or illegal, markets leads to different types of criminal entrepreneurship and political rent seeking behaviour.

Not-embedded into legitimate institutions. These are groups typically emerging from illegal markets (IT1-IT5; BG5; BG6; BG8; BG10; HU1; HU3). Hence they are primarily producers and providers of illegal goods or services. Though they rise from the underworld, this does not exclude that they have extensive ramifications both within legitimate institutions, due to the participation of legitimate actors in the criminal network (e.g. politicians, government professionals, law-enforcement or judicial officials), and in licit markets, due to the involvement of legitimate entrepreneurs and professionals, or their direct infiltration into legitimate sectors. There is a path-dependency effect from being originally an illegal actor, because illegality affects the repertoire of action (e.g. violence might be needed to enforce illegal transactions) and the industrial organization of the production and selling of goods (Fiorentini and Peltzman 1997). Concerning corruption, these groups are more likely to be interested in judicial and police corruption, rather than political. The latter indeed gains more relevance in at least two cases: (a) when political institutions are a necessary medium towards influencing law-enforcement or in developing economies of scale within infiltrated legitimate markets; and (b) when illegal proceeds or services (e.g. illegal protection) are demanded on the political market in the forms of illegal political finance, vote-buying, electoral fraud or enforcement of corrupt exchanges. Europol and Council of Europe reports on organised crime have usually focussed attention on this path of emergence, showing that the large majority of foreign and indigenous groups operating in Europe rise from the underworld. Also in the data

collected here, traditional mafia-like organizations from Italy have in common this path of emergence, being typically involved both in illegal business (e.g. drug trafficking, counterfeiting) and in protection-rackets. By no coincidence, in the Italian OCC dataset most of the observations see the involvement of groups from the underworld. Similar paths of emergence are observed in some groups from Bulgaria and Hungary, though other types of groups have been selected and scrutinised. In fact, this research shows that organised crime and political corruption can be even more intertwined phenomena when the former has a different path of emergence, for instance from legitimate to illegal markets.

Embedded into legitimate institutions. This is the case of groups emerging from legitimate channels (IT4; BG4; BG7; HU4; HU5; HR1; HR3; KS1-KS5). It involves primarily actors who used to have or still have a legal and legitimate status, but then move towards a deliberate or coerced criminalization of their activities and resources. This change might be favoured by political or economic transformations, such as the collapse of past regime institutions following democratic or authoritarian transitions, or substantial economic reforms leading to a market-based economy, liberalization cycles or prohibition policies. Not only might traditional organised crime groups follow this path of emergence (e.g. former members of state armies becoming providers of illegal protection), but also other individual or collective actors originally involved in other types of crime. This report shows that in certain circumstances corporate-state and white-collar crimes can be carried out along more institutionalized forms, characterized by the same continuity and diversification of activities typical of more traditional organised crime models. Illicit transactions might be more or less vertically integrated and oriented towards either a hierarchical or a network-based structure, like the same mafia-like groups, which do not follow a single organizational model. For instance, in some political corruption cases, business and government professionals are not merely individuals, but rather nodes within institutionalized networks of actors (e.g. party-factions, cartels of companies, branches of public administration) connected through a common transmission medium (e.g. policy-making). These cases differ from crimes that are simply organised, because they rely on a permanent basis, interoperable and permeable contacts, multiple and reiterated transactions instead of occasional ones, a sophisticated division of labour and growing economies of scale (e.g. a company might use employees both as workers or voters when elections are approaching). If they aspire to vertical integration, such networks can resemble “business-political corruption machines”, often relying on longstanding economic and political ties. Business and government professionals often coordinate these structures (through legal business entities), heavily influencing the legislative process, regulative policies, and state-controlled or semi-privatized enterprises.

These networks do not usually resort to physical violence. However, although violence or the threat of it might not be part of their repertoire of action, the lack of it does not prevent these networks from buying violent services on the market or enforcing a governance of transactions so effective as to deter or punish breaching of informal contracts. The elusiveness of transactions and less visible strategies of influence explain the success of these networks. As a matter of fact, if conventional means and practices are adequate to guarantee the respect of corrupt exchanges, even more traditional mafia-like organizations discard or constrain violence in order to keep transactions secret and less visible (see the results of the OCC events analysis in Italy).

This phenomenon of criminalization “from the legitimate to the underworld” explains the development of various organised criminal groups in Europe. This is the case in the former Soviet

republics with those criminal organizations that benefited from the criminal opportunities offered by the transition to liberal and market-based democracies and from the dismantling of several branches of the former state apparatus (e.g. the army or secret intelligence), to emerge as providers of illegal protection or simply as criminal economic syndicates (see BG3-BG6). In the case of Bulgaria, for instance, there emerges the role of former law-enforcement officers who turned to organised crime to use corruption as a tool. The involvement of former security and law-enforcement personnel in organised crime in Southeast Europe is explored in depth also by CSD (2004). To continue on the same path, when transitions to more transparent, competitive and open markets have failed in former Soviet countries, and also in many western European countries, liberalization cycles have been easily captured by private interests and heavily influenced by political rent seeking dynamics and state capture, either at national or subnational level. In some cases, the distinction has blurred between companies' anti-competitive conduct and racketeering practices, leading to higher criminalization of market dynamics. Along this logic, the capture – also through an extensive recourse to corrupt exchanges and other forms of hidden influence – of regulatory institutions and decision-makers in crucial policy arenas is essential to protect privileged positions in the market, and vertical or horizontal forms of integration might push towards an institutionalization of this capture and its maintenance over time. The data collected for this research show strong evidence about the significance of this path of emergence to explain the most recent developments in political corruption exchanges. The criminalization of several kinds of informal practices and anti-competitive conduct seems to be less the focus of policy-makers and analysts as opposed to the threat represented by the infiltration into the political corruption networks of traditional criminal organizations. In Italy, for instance, the investigations into EXPO 2015 in Milan have revealed that the leading brokers of the political corruption network gaining the most important public contracts were aware of the dumping strategy that traditional mafia-like organizations could have carried out, as they had penetrated into public procurement sectors. Knowing this, they tried to protect their network from mafia infiltration, because mafiosi were not only competitors within the same public procurement sector, but, more importantly, they were more visible and cumbersome – being more likely to attract the attention of law-enforcement agencies. The effectiveness of this gatekeeping initiative against mafia infiltration has been interpreted by judges as strong evidence of an organization of corrupt exchanges sophisticated and strong enough to prevent such penetration¹¹⁴.

(b) Core business

In the theoretical framework used in this report to collect information two options have been considered to describe the activities of criminal groups: **trafficking** on markets or **governing** them. The latter option is typically adopted by mafia-like organizations, which are by definition “suppliers of protection”, at least in their territories of origin. Governing functions are those related to the provision of illegal protection-rackets, which usually tend to be supplied in a monopolistic fashion.

For traditional **non-embedded groups**, trafficking in multiple commodities remains the most significant activity. In fact, as shown in many studies (Gambetta 1996; Varese 2014), protection-racket business is heavily dependent on local conditions, more so than any other illegal business. According to Europol, about one third of all organised crime groups in the EU are

¹¹⁴ The Tribunal of Milan convicted most of the members taking part in the political corruption network, called “Cupola EXPO 2015”, for corruption crimes and criminal association (art. 416 c. p.).

involved in the production and distribution of illicit drugs (SOCTA 2013). Nonetheless, criminal groups are increasingly “multi-commodity and poly-criminal in their activities”, gathering diverse portfolios of criminal business interests, and strengthening their capability to identify and exploit new illicit markets (OCTA 2011). This is also the result of the characteristics of certain illegal activities, such as trafficking in drugs, which facilitate economies of scale in other illicit sectors, such as illegal immigration and weapons trafficking. Police and judicial corruption are important enablers in the development and sustainability of illegal trafficking over time, as opposed to political corruption, which becomes crucial when reciprocity mechanisms between crime and politics are at stake. Concerning the penetration of legitimate markets, trading criminal groups might also be active in numerous licit sectors and use any type of legitimate business, including companies mainly operating with cash, manufacturing companies, import-export, transport and distribution businesses, as well as service providers such as travel agencies, taxi companies, hotels, motels or bars (OCTA 2011). These businesses can be shell companies with no obvious commercial activity, except for money-laundering objectives, or active companies active aggressively in the market also through a criminal *modus operandi*. Criminal actors can be directly involved in the running of businesses or choose to remain in the background through the contribution of intermediaries as fictitious owners or directors to control the companies. In both cases, criminal-owned legitimate companies can engage in political corruption networks as corrupting actors, much as any other legitimate entrepreneurs interested in a privileged access to public funds or regulations.

More interestingly, as shown by the evidence collected in this report, traditional non-embedded criminal groups have to face competition from other legitimate actors when they lobby government officials or policy-makers. This occurs especially when criminal groups have no resources and capabilities in governing markets through protection-rackets, such as is also the case with mafia-like groups operating in new territories. This evidence contradicts the paradigm of traditional criminal groups as absolute dominant players both in illegal and legitimate markets. In fact, highly institutionalized political corruption networks can easily resist the access of traditional criminal groups and exclude them from the network (see IT6), unless the latter are not only traders but also providers of illegal protection. In this particular case, “continuous and systematic exchanges between organised crime, entrepreneurs, and members of the political class” can emerge (Della Porta and Vannucci 1999) forming an “iron triangle”, a sophisticated “cartel” in which each partner profits from votes, money, protection and public contracts. The governmental services provided by mafia-like groups are then useful in enforcing a governance structure over corrupt exchanges. Various evidence has been found in the case of Italy, where in 35% of the observations collected in the OCC dataset mafias provide protection services in the exchange of public contracts or loose regulations in legitimate sectors and public procurement.

Concerning **embedded indigenous groups**, trading activities are often linked to financial and corporate crimes such as tax evasion, VAT fraud, private corruption, commercial and public funds fraud, counterfeiting, misappropriation of public funds, money-laundering and embezzlement when involving public officials. In the cases considered here, business and government officials are usually well placed in the market; they strive for market domination through their control of public procurement or regulations and create conditions of unlawful competition, which make it difficult for other legitimate companies to enter (see BG7-BG8; HR2; IT5-IT6; HU2) The complexity and sophistication of operations makes it very difficult to distinguish between criminal and non-criminal

activities. Moreover, the evidence gathered suggests that embedded indigenous groups are more likely to trade on the market, instead of governing it through a protection-racket business. The former scenario is clearly depicted in IT6, in which the companies operating in the sector of public community services at city level actively seek protection and cooperation with a local mafia-like group to enforce corrupt exchanges, and thus generate additional profit. However, although these networks rarely provide and sell illegal protection services on the market, they are often able to produce and keep these services “in-house” for their own transactions.

(c) Organizational model

The organization of groups emerges as one of the leading factors shaping their strategies and their chances of success. The evidence collected shows that whatever their size, longevity, functional diversification or market share, all groups must face many organizational constraints in their activities, both internal and external. Therefore if **illegality makes organization**, in the sense that some types of illegal activities need an organization and structure to be carried out, at the same time it is also true that **organization makes illegality**. In other words, the organizational structure of groups affects the way they trade on or govern both illicit and legitimate markets. Two important axes of comparison have been used in this research to disentangle the effect: functionally or territorially based organization of business; hierarchical or network structure.

One of the findings of this research is that economic syndicates’ criminal groups are more likely to be functionally based, since they seek to operate in single or multiple sectors across territories. This dimension becomes more relevant in the case of mafia-like groups. The majority of the cases collected are about groups policing and providing illegal protection to the businesses carried out in a limited territory, rather than controlling a single economic sector across territories. The higher coordination, information and enforcement costs for the latter type of functional organization of illicit business have been widely explained by many authors (Schelling 1984; Gambetta and Reuter 1995; Fiorentini and Peltzman 1997). A more territorially-based organization has a relevant impact on the way groups engage in political corruption networks. The combined effect of protection-racket activities and their territorial dimension can explain the capacity of mafia-like groups to achieve organizational stability over time within and amongst groups, higher embeddedness within legitimate business, and higher opportunities to exploit economies of scale that can also lead to the provision of electoral services. In fact, **political arenas and illegal protection have something in common**. They are not unlike mining, because they are heavily dependent on the local environment. Voters are territorially-based as much as public spending on infrastructure, transport, and local public services. Therefore, the lower are the costs in controlling a territory (low criminal competition and contestability of markets, weak law-enforcement, high and constant demand for illegal protection), the more likely it is that a criminal group is durable, can institutionalize itself over time, and can aspire to provide varied forms of protection also in electoral arenas, such as voter mobilization or candidate selection. The OCC dataset for Italy supports this hypothesis in several ways.

Concerning their **structure**, criminal groups are organized in various forms ranging between two models. The evidence collected support the hypothesis that non-embedded criminal groups

more likely have a vertical structure, which relies on classical hierarchies. As opposed to these, embedded criminal groups are more horizontally structured as networks with a cellular structure and less rigid or permanent hierarchies. In avoiding formal organisational structures and adopting a more flexible hierarchical organisation, these groups enhance their ability to obscure their activities and pursue their criminal objectives. In institutionalized political corruption networks, the elites often adopt a shared leadership approach and/or a flexible hierarchy, though core groups direct wider criminal networks and have a relatively stable and cohesive membership (see BG3-BG6; HU2). More cohesive families, in fact, can control better their markets and territories of interest, and thus also better manipulate voters and offer more services to those politicians who demand mafia protection before and after elections. The internal organization of crime is only a part of the problem. The capacity of criminal groups to influence politics and/or their demand for protection from law enforcement is also the result of the stability of criminal markets. The presence of a plurality of criminal groups in the same territory more likely leads to conflicts among them if there are not mafia-like “governing bodies” settling such disputes. If there are, not only will the market show more stability, but, more importantly, the coordination of groups will facilitate economies of scale, and thus a more effective control and influence over voters and politicians as well.

In any case, between these two models there are other varying forms of organisation whose typical features are not necessarily mutually exclusive. Groups can adapt to the characteristics of either or even both models. According to Europol (SOCTA 2013), more than 40% of criminal groups have a ‘network’ type of structure, which suggests that criminal groups are becoming more networked in their organisation and behaviour than has previously been, or was perceived to be, the case. These findings carry significant implications for the formulation of crime-fighting policies, strategies and responses.

Tab. 1 Comparative assessment of criminal groups

Tab. 1 Comparative assessment of criminal groups													
		Origin		Path of emergence		Core business		Type		Structure		Continuity	
		<i>Local</i>	<i>Foreign</i>	<i>Embedded</i>	<i>Non-embedded</i>	<i>Trade</i>	<i>Govern</i>	<i>Territorially based</i>	<i>Functionally based</i>	<i>Hierarchy</i>	<i>Network</i>	<i>Emergence</i>	<i>Continuity</i>
In-depth cases studies	IT1	✓			✓		✓	✓		✓			✓
	IT2	✓			✓		✓		✓	✓			✓
	IT3	✓		(✓)	✓		✓		✓		✓		✓
	IT4	✓			✓	✓			✓		✓		✓
	IT5	✓		(✓)	✓		✓		✓	✓		✓	
	IT6	✓		✓			✓	✓		✓			✓
	BG1	✓		✓			✓	✓		✓		✓	
	BG2	✓		✓			✓	✓		✓		✓	
	BG3	✓		✓		✓			✓		✓		✓
	BG4	✓		✓		✓		✓			✓	✓	
	BG5	✓			✓	✓		✓			✓	✓	
	BG6	✓			✓	✓			✓		✓	✓	
	BG7	✓	(✓)	✓			✓	✓		✓			✓
	BG8	✓	(✓)		✓	✓		✓			✓		✓
	BG9	✓		✓		✓			✓		✓	✓	
	BG10	✓			✓	✓	(✓)	✓		✓			✓
	HU1	✓			✓	(✓)	✓		✓	✓		✓	
	HU2	✓		✓		✓			✓		✓	✓	
	HU3	✓			✓		✓		✓	✓			✓
	HU4	✓	(✓)	✓			✓	✓		✓		✓	
	HU5							✓				✓	
	HR1	✓		✓			✓	✓			✓		✓
	HR2	✓		✓			✓		✓		✓		✓
	HR3	✓		✓			✓		✓	✓		✓	
	KS1		✓	✓		✓			✓		✓	✓	
	KS2	✓		✓		✓			✓		✓	✓	
	KS3	✓		✓		✓			✓		✓	✓	
	KS4	✓		✓		✓		✓			✓	✓	
KS5	✓			✓	✓			✓		✓	✓		

4.2 Anti-organised crime policy efforts and initiatives across European countries: A comparative assessment

In Table 2 a comparative assessment is presented of the most relevant policies and (best) practices implemented in the seven countries considered. As for each country's report, the main targets of anti-corruption and anti-organized crime policy tools are singled out. Efforts at repression pursued by the state can in fact be addressed against the criminal organization as such: (i) providing a more or less extensive legal specification of how the typical criminal group's activities and structure have to be identified by prosecutors; (ii) enhancing investigation and prosecution effectiveness; (iii) finally – as in the Italian case – harshening with a specific regulation the application of convicted for mafia-like crimes.¹¹⁵ Other targets of such policies are directly connected to the main areas of intersection between the activities of criminal organizations and the economic system – with the purpose of avoiding and sanctioning potential infiltration of criminal groups into markets and finance – and with the political system – against the corruptive influence of criminal groups on politicians, bureaucrats, and voters, with a special attention to public procurement. The contribution of civil society in the fight against criminal organizations and corruption is also taken into consideration.

The resulting picture shows many similarities and some interesting differences among national approaches. Not surprisingly, the reality of criminal associations is taken as a serious threat by the criminal codes of all the countries considered. While definitions of criminal association crimes do not differ drastically,¹¹⁶ each country, besides a general “common-type” crime, provides a specific definition of the main illegal operations of criminal organizations: drug trafficking and selling (AL, BG, HR, GE, HU, IT, KS); human trafficking (AL, HR, GE, IT, KS); terrorism (AL, KS); offences against the state, citizens' rights, etc. (BG); and fuel bleaching (HU).

Quite interestingly, Bulgaria and Italy – two countries having a more “institutionalized” presence of criminal organization, embedded within certain territorial areas, societal groups and economic sectors – regulate criminal association crimes taking into consideration not only *what* such groups can do, but also *how* they can operate, i.e. focusing on their internal structure and modes of operation. While in the case of Bulgaria the relevant factor is the mere use of force or intimidation by the criminal group in the conclusion of transactions or acquisition of benefits, the Italian criminal definition of mafia-like organization can be considered as a paradigmatic description of a violent provider of private protection, whose force of intimidation derives from the strengths of its associative constraints, which produce a generalized condition of subjugation, codified in a deep-rooted code of silence.

¹¹⁵ A more specific assessment of legislative measures and regulations dealing with a specific crime – extortion racketeering – usually (but not necessarily) committed by organized crime can be found in Transcrime (2008).

¹¹⁶ In general terms, legal definitions of criminal organization in the selected countries consider as a distinguishing factor the presence of a group of persons who collaborate in the long term to deliberately engage in an organized fashion in criminal acts (BG, HU, IT), distinguished by a particular level of organization, structure, stability, duration (AL), even without a formal attribution of roles for its members (KS). A weaker definition of criminal association has been introduced in Croatia in 2011, eliminating pre-existing references to durability and the presence of a hierarchical structure in the criminal organization.

A high level of harmonisation can be found in investigative and prosecution activities: to balance the threat of retaliation coming from enduring criminal organization, in the countries considered special investigative tools and witness protection programmes are currently implemented. A reinforcement of these tools can be observed in Italy, where mafia trials are conducted using special procedures and a distinct detention system is applied in case of conviction. Also, homogeneity in regulation prevails in policies aimed at combating the infiltration of criminal organizations in the economic and financial sectors: all the countries considered have regular criminal confiscation – in some cases extended also to “unjustified assets” (HR, IT, KS) – money laundering legislation, and administrative measures to detect suspicious financial flows. Only Italy has approved a law stating that confiscated properties must be re-used for social purposes, with the involvement of NGOs and civil society groups in the management of such assets.

The dangerous overlap between criminal organizations and the political sphere may take the “simpler” form of bribery or electoral corruption, which obviously are severely criminalized in all the countries considered. Also in this context, however, Bulgaria and Italy enlarge the toolkit of anti-organized crime norms and measures. Besides corrupt exchanges, in fact, the criminal-political nexus can assume subtler and less direct forms of interaction and reciprocal influence. *Aiding and abetting* and *external participation* crimes (BG, IT) enforce those OCC events in which the involvement of political actors in the CO’s activities is closer to a *symbiotic* interaction, i.e. when politicians offer to criminal actors a (potentially) all-encompassing protective shield against risks related to their illegal activities, as well as opportunities for profit in public decision-making. The symbiotic link is fully realised when criminal organizations reciprocate using their coercive and reputational resources to guarantee their political counterparts an extensive and wide-ranging influence over electoral and political processes. To combat such mechanisms, the adoption can be observed of anti-organized crime administrative controls and sanctions focused on the criminal financing of parties (BG) and against the pervasive control of mafia-like groups over local government (IT) – which may lead to the dissolution of city councils (with new elections after a phase of compulsory administration). In Italy, a specific law introducing the crime of mafia vote-buying has also been approved, taking into account the specific gravity of this form of electoral corruption.

In the sector of public procurement a comparable mix of legislative and administrative measures has been approved and implemented in the countries considered. Among these are blacklisting with exclusion of bidders (AL, HR, BG, GE, KS) and the specular white-listing (IT), traceability of financial services in public procurement (HR, HU, IT, KS), centralization of procurement in few (or a single) purchasing bodies (HR, HU, IT), also using a electronic procurement system (GE), auditing mechanisms and ex-ante/ex-post controls (BG, GE). The regulation of administrative prevention of corruption practices has also developed along similar lines. A national anti-corruption plan (AL, HR, HU, IT, KS) or integrated strategy (BG, GE) generally provides a wider framework of procedural provisos sustaining more circumstantial, local or sectorial policies and practices, i.e. annual (BG) or three years (HR, IT) anticorruption action plans (GE). None of these anticorruption tools, however, is specifically targeted to counter the risk of criminal influence over the political arena, even if it may be addressed against the risk that a criminal organization of corrupt activities develops within certain domains of public policy.

Finally, a very limited involvement of NGOs and civil society in anti-organized crime and anticorruption policies emerged in the six countries analysed in this report. Integrity pacts – typically promoted by the NGO Transparency International through voluntary agreements with public bodies – are occasionally used (HU, IT) to constrain both public decision-makers and entrepreneurs to transparency and honesty in public procurement procedures. An inventive anti-mafia tool, which may potentially also be extended to properties confiscated as illicit profits to corrupt agents, has been introduced in Italy with the law 109/1996. Assets (buildings, land, firms, etc.) confiscated from criminal organizations cannot be sold, but are assigned to social cooperatives and NGOs entrusted to pursue a social purpose through their use. Beyond the economic profitability of such assets, in fact, the adoption of such measures stresses the symbolic value of the restitution to a community of the social value which criminal organizations expropriate through violence and criminal subjugation.

Table 2: Targets, policies and practices against organised crime and corruption: a comparative assessment

		Albania	Bulgaria	Croatia	Georgia	Hungary	Italy	Kosovo			
Organization of Crime	<i>Criminal Offence</i>	Criminal association crime <ul style="list-style-type: none"> • Common-type • Drugs trafficking • Illicit and Human trafficking • Terrorist organizations 	Criminal association crime <ul style="list-style-type: none"> • Common type • Offences against national, racial and ethnic equality, and religious and political tolerance • Offences against the Republic • Offences against citizens' political rights • Transactions or benefits obtained by use of force or intimidation • Drugs production 	Criminal association crime <ul style="list-style-type: none"> • Common-type • Drugs trafficking • Illicit and Human trafficking 	Criminal association crime <ul style="list-style-type: none"> • Common-type • Drugs trafficking • Illicit and trafficking 	Criminal association crime <ul style="list-style-type: none"> • Common type • Fuel bleaching • Illicit trafficking • Money laundering • Drug selling 	Criminal association crime <ul style="list-style-type: none"> • Common-type • Drugs trafficking • Human trafficking • Mafia-type 	Criminal association crime <ul style="list-style-type: none"> • Common-type • Drugs trafficking • Trafficking in Human Beings • Terrorist organizations 			
	<i>Investigation and Prosecution</i>	1. Witnesses Protection 2. Special Investigative Tools	1. Witnesses Protection 2. Special Investigative Tools	1. Witnesses Protection 2. Special Investigative Tools	1. Witnesses (powers of prosecution to summon witnesses, criminal responsibility for refusal to give testimony) 2. Special Investigative Tools	1. Witnesses Protection 2. Special Investigative Tools and Organizations	1. Witnesses and Collaborators of Justice 2. Special Investigative Tools 3. Special Criminal Procedures in Mafia trials	1. Witnesses Protection 2. Special Investigative Tools			
	<i>Execution of sentences</i>					-	Special detention system (art. 41bis)				
Economy	<i>Infiltration into legal and illegal markets</i>	Confiscation of assets <ul style="list-style-type: none"> • Regular Criminal Confiscation 	Confiscation of assets <ul style="list-style-type: none"> • Regular Criminal Confiscation 	Confiscation of pecuniary benefit <ul style="list-style-type: none"> • Regular Criminal Confiscation • Special Criminal Confiscation of 'Unjustified Assets' 	<ul style="list-style-type: none"> • Regular Criminal Confiscation • Civil forfeiture - offenses of racketeering, trafficking in drugs or human beings, or membership in the thieves-of-law organization 	Confiscation of assets <ul style="list-style-type: none"> • Regular Criminal Confiscation 	Confiscation of assets <ul style="list-style-type: none"> • Regular Criminal Confiscation • Special Criminal Confiscation of 'Unjustified Assets' • Re-use of confiscated properties for social purposes 	Confiscation of material benefits <ul style="list-style-type: none"> • Regular Criminal Confiscation • Special Criminal Confiscation of 'Unjustified Assets' 			
	<i>Finance</i>	Money-laundering legislation	Money-laundering legislation	Money-laundering legislation	Monitoring the import into and export from Georgia of cash and securities	Money-laundering legislation	Money-laundering legislation	Money-laundering legislation			
		Suspicious Financial Flows	Suspicious Financial Flows	Suspicious Financial Flows	Suspicious Financial Flows	Suspicious Financial Flows	Suspicious Financial Flows	Suspicious Financial Flows			
Corruption	<i>Political Corruption</i>	Criminal-political nexus	Corruption of elected officials	Criminal-political nexus	Aiding and abetting crime	Criminal-political nexus	Corruption of public officials	Criminal-political nexus	Corruption of public officials	Corruption of public officials	Electoral corruption
		Electoral corruption	Party financing	External participation	Financing of political parties	Vote-buying crime	Electoral corruption	Political party financing Financing of election campaigns	Electoral corruption	City council dissolution	Electoral corruption: Mafia vote-buying crime

			Ex ante checks of public procurement procedures	Exclusion of tenderers	Audit of procurement procedures	Central purchasing body	Inclusion of tenderers (White-list system)	Exclusion of tenderers (Black List system)
			Annulment of the public procurement contract	Annulment of the public procurement contract	Georgian Electronic Government Procurement system			Re-use of confiscated properties
	<i>Public procurement</i>	Exclusion of tenderers (Black List system)	Ex post control	Traceability of financial services in public procurement (Direct payment to the subcontractor)	Registry of qualified suppliers and blacklisted companies	Traceability in public procurement	Traceability of financial services in public procurement	Traceability of financial services in public procurement
				Central purchasing bodies				Central purchasing bodies
	<i>Administrative corruption</i>	National anti-corruption plan	An integrated strategy on the fight against corruption and organised crime	1.National anti-corruption program	National Anti-Corruption Strategy	1.Government anti-corruption plan (Open Government Partnership)	1. National anti-corruption plan	National anti-corruption plan
		Anticorruption framework and tools to be adopted by all public institutions		Annual action plan on the strategy				
				3.Five-year Anti-corruption strategy		3.Integrity project		
Society	<i>Associations</i>					Monitoring activities of international and local NGOs Integrity Pacts (TI)	Integrity pacts	
							Assignment to social cooperatives of properties confiscated to criminal groups for social purposes	
Legend		<i>Criminal policy/practice</i>						
		<i>Administrative policy/practice</i>						

4.3 Comparative analysis of policy arenas

The limited sample of 29 case-studies on the interactions between organized crime and politics in the five countries (BG, HR, HU, IT, KS) does not allow any generalization of results, nor any testing of hypotheses.¹¹⁷ A comparative assessment of findings, however, may provide relevant information on common features and patterns, as well as on variations in the observed structures of the relationship between criminal and political actors in the three policy arenas. As a caveat, cases were selected on the basis of public availability of data – which implies some kind of disclosure due to judicial inquiries and/or media coverage – and relevance, so they cannot be taken as representative of the hidden universe of unexposed cases, which may include episodes characterized by a stronger and more effective capability of protection of criminal activities.

As shown in Table 3, 11 out of 29 cases (approx. one third) can be observed in the arena of public procurement. Also privatization – 9 cases – is an economic activity highly vulnerable to organized crime infiltration in the economy, while EU funds are at stake in 2 cases only.

In these sectors *corruption events affected mostly local levels of government and minor public bodies (Municipalities, Regions, local public enterprises, etc.) when criminal groups and political/public actors had distinct and autonomous identities*, even when working symbiotically (BG-1; BG-2; BG-3; BG-8; IT-1; IT-2; IT-3; IT-4; IT-5). National – and even less European – arenas of decision-making seem in fact much less easily accessible to criminal organizations. Where OC activities overlap with lower levels of government, connections and trust relationships among criminal actors, politicians, bureaucrats, entrepreneurs, and professionals – in Italy conceptualized as the “social capital” of mafia-like groups (Sciarrone 2009) – become the natural substratum of corruption and other hidden forms of influence favouring OC infiltration. Only occasionally and rarely do violence and intimidation also enter into play (IT-2; IT-5).

When a larger amount of resources is allocated in procurement or privatization through national decision-making processes or high-level public bodies, there is the tendency for “fusion” between political and criminal actors (BH-4; BG-7; HU-5; KS-2; KS-4) In other words, an “endogenous” criminal organization of corrupt activities is the result of the opportunity for political, bureaucratic and entrepreneurial actors – in policy arenas where the rents allocated are large enough (della Porta and Vannucci, 2012) – to manage autonomously their illegal deals, “internalizing” also the governance mechanisms and enforcement structures which allow them to regulate and protect hidden transactions. “Organized corruption” could be the definition of similar cases of self-organization of informal norms and protection by

¹¹⁷ In-depth coded information about 15 case studies are presented in Appendix 2.

political actors, able to marginalize or exclude autonomous criminal organizations from public procurement and other allocations of public rents having relevant value.

Apart from Italy, in other case-studies of vote-buying and undue electoral influence organized by criminal or political actors there is no overlapping of such activities with forms of criminal influence in the economic sectors considered. While in Italy episodes of re-investment of proceeds from corrupt activities (derived also from public procurement) through electoral influence are quite common, in the other four countries analysed the capability of criminal organizations to organize, purchase or address votes towards political counterparts is not associated with their involvement in procurement or privatization. Only sporadically (HR-2; HU-3) is criminal influence over the electoral process associated with the attempt to obtain – even through corruption – a shield against judicial inquiries.

In Tables 8 and 9 of chapter 2 a list of corruption-risk indicators resulting from previous research was presented. The 29 in-depth case- studies offer a robust corroboration of the validity of such findings. The corruptive influence of organized crime in the policy arenas of public procurement and privatization generates recurrent “red-flags” and anomalies that have been singled out. They can be summed up as follows, following the phases of the public tender procedure:

Public procurement

- ✓ Distortion in the formulation of public demand (IT-5)
- ✓ Distortion in the allocation of public spending (IT-5; BG-2)
- ✓ Lack of any contract assignment notice (HU-2)
- ✓ Secrecy of the tender (e.g. due to national security issue) (HU-2)
- ✓ “Tailor-made” bid announcement (HU-2, IT-2, IT-3; IT-5)
- ✓ Artificial fractioning of tenders to avoid the threshold of value imposing open competition (HU-5)
- ✓ Specific exclusion clauses and constraints in the bid announcement (e.g. technical or economic requirements) (BG-3, HU-2, IT-5)
- ✓ Overlapping of tenders having the same object (BG-2)
- ✓ Threats, intimidation, attacks against competing businesses (IT-2; IT-5)
- ✓ Regular assignment of tenders to a de facto monopolistic private business (BG-1; BG-2)
- ✓ Direct assignment of public contracts with no open competition (BG-3; HR-3; IT-2; IT-3)
- ✓ Overvalued prices for public contracts (IT-5; BG-2; KS-2)
- ✓ Legal disputes concerning the assignment of the contract (BG-7)
- ✓ Annulment of a tender and new assignment (BG-7)
- ✓ Unusual and unexplainable variation in the price offered by the same business in reiterated tenders (HU-2)

- ✓ Poor quality of the services, products, works provided (HU-2)
- ✓ Contract extension and integration without tender (HU-2)
- ✓ Abstention from control or sanctioning in case of contractual non-fulfilment (IT-2)

Privatization

- ✓ Fictional “emergency condition” allowing urgent direct assignation of the privatized service (IT-1)
- ✓ Privatization of public resources without auction (BG-4, BG-7)

In our limited sample of case-studies only Bulgarian and Italian criminal organizations operating as mafia-like groups, i.e. power-syndicates capable of operating as effective protection-suppliers in legal and illegal relationships, have shown the capacity to occasionally extend their range of influence along the initial (IT-5; BG-2) and ultimate (IT-2) phases of the tender procedure. During the selection and adjudication phases, in fact, corruptive influence – mediated or not by OC – is relatively easier to exercise on the decision to assign the contract or to allocate the privatized asset, having a contingent and tangible *quid pro quo*. *Criminal organization akin to “protection firms” with a hierarchical structure can provide more effective regulation and enforcement services also in illegal deals and exchanges involving actors and resources temporally and spatially distant from decision-making.* Formulation of public needs, allocation of public spending, political and electoral support towards political decision-makers, and public controls over contractual fulfilment enter into the criminal “protective shield”, allowing partners to trust each other in the resulting complex web of illegal exchange, necessarily non-simultaneous and multilateral, and therefore exposed to a stronger risk of defection, fraud, and betrayal.

Finally, even if focused on cases of criminal organizations’ interaction with the political sphere, in the sample of case-studies where public contracts, privatized assets or EU funds are at stake, resort to violence – to a limited extent – was observed only in two Italian cases (IT-2; IT5). *Opposing a common view of the stereotyped role of criminal organization, their use of coercion seems severely restrained when they enter into policy arenas.* In those cases, in fact, employing other resources – money, reputation, intelligence, blackmail power, social connection – to gain influence or access over such decision-making processes seems a more profitable strategy in fulfilling their interests. Criminal organizations aiming at the accumulation through corruption of the huge rents potentially generated by public contracting or by privatization of public assets – when possible – prefer a peaceful splitting up of the illegal profits made possible by their arbitration and protection services to violent disputes and imposed sanctions, which would create social alarm and attract police and judicial attention.

In different policy arenas, however, a common pattern is detected in the five countries analysed: an evolution of criminal-political networks, often generating a symbiotic nexus which profoundly links criminal and political actors. Significant variation can be noted,

however. In some countries (BG; IT), hierarchically structured criminal organizations having the capacity to enforce legal and illegal exchanges maintain a high degree of autonomy when they interact with equally self-ruling political and bureaucratic counterparts. Network-like criminal groups can instead be engendered within specific public structures or instrumentally generated by certain political actors, high-ranking bureaucrats, and officials (HR). In other countries, networks of public actors are able to autonomously organize their corrupt practices in public procurement and privatization, as well as in other domains of public choice, while criminal organizations seem to prefer to constrain their activities to illegal markets (HU, KS).

Table 3: Case studies of OC interaction with political actors

		<i>Economic and political arenas</i>				<i>Criminal organization of the market</i>		
		<i>Public procurement</i>	<i>Privatization of public assets and services</i>	<i>EU funds management</i>	<i>Vote-buying and OC electoral influence</i>	<i>OC infiltration in the economic sector through corruption</i>	<i>Criminal Organization of corrupt activities within the economic sector</i>	<i>Corruption used by OC to buy protection from inquiries and specific advantages</i>
In-depth cases studies	IT1		√			√		
	IT2	√			√	√		√
	IT3	√	√		√	√		
	IT4			√				√
	IT5	√	√		√	√		√
	IT6	√					√	
	BG1	√				√		
	BG2	√				√		
	BG3	√				√		
	BG4		√		√		√	
	BG5							√
	BG6							√
	BG7	√	√				√	
	BG8			√		√		
	BG9				√			
	BG10							√
	HU1					√		
	HU2	√				√		
	HU3				√			√
	HU4				√		√	
	HU5	√	√				√	
	HR1						√	
	HR2				√			√
	HR3	√			√		√	
	KS1						√	
KS2	√					√		
KS3						√	√	
KS4		√				√		
KS5						√		

Bibliography

- Albanese, Giuseppe, and Giuseppe Marinelli. 2013. "Organized Crime and Productivity: Evidence from Firm-Level Data." *Rivista Italiana Degli Economisti* 3: 367–94.
- Albrecht, Hans-Jörg, and Michael Kilchling. 2002. "Crime Risk Assessment, Legislation, and the Prevention of Serious Crime-Comparative Perspectives." *European Journal of Crime Criminal Law and Criminal Justice* 10: 23–38.
- Allum, Felia, and Monica Den Boer. 2013. "United We Stand? Conceptual Diversity in the EU Strategy against Organized Crime." *Journal of European Integration* 35 (2): 135–50.
- Allum, Felia, and Renate Siebert. 2004. *Organised Crime and the Challenge to Democracy*. Routledge.
- Anselmo, M., and M. Braucci. 2008. *Questa Corte Condanna: Spartacus, Il Processo Al Clan Dei Casalesi*. Gli Alberi. L'ancora del Mediterraneo.
<https://books.google.it/books?id=IxGTJAAACAAJ>.
- Apollonio, Andrea. 2014. "Sacra Corona Unita and 'Ndrangheta: 'Structural' Differences of Organized Crime." In *The 'Ndrangheta and Sacra Corona Unita*, edited by Nicoletta Serenata, 12:133–45. Studies of Organized Crime. Springer International Publishing.
http://dx.doi.org/10.1007/978-3-319-04930-4_9.
- Arlacchi, P. 1983. *La Mafia Imprenditrice: L'etica Mafiosa E Lo Spirito Del Capitalismo*. Contemporanea (Bologna. 1983). Il Mulino.
<https://books.google.it/books?id=GtrtAAAAIAAJ>.
- Asmundo, Adam. 2011. "Indicatori E Costi Di Criminalità Mafiosa (Indicators and Costs of Organized Crime)." AA. VV., *Alleanze Nell'ombra. Mafie Ed Economie Locali in Sicilia E Nel Mezzogiorno*, Donzelli.
- Asmundo, Adam, and Maurizio Lisciandra. 2008. "The Cost of Protection Racket in Sicily." *Global Crime* 9 (3): 221–40.
- Beare, Margaret. 2002. "Organized Corporate Criminality – Tobacco Smuggling between Canada and the US." *Crime, Law and Social Change* 37 (3): 225–43. doi:10.1023/A:1015077526420.
- Becker, Gary S, and George J Stigler. 1974. "Law Enforcement, Malfeasance, and Compensation of Enforcers." *The Journal of Legal Studies*, 1–18.
- Benson, Bruce L. 1988. "Corruption in Law Enforcement: One Consequence of 'the Tragedy of the Commons' Arising with Public Allocation Processes." *International Review of Law and Economics* 8 (1): 73–84.
- Berlusconi, Giulia. 2013. "Do All the Pieces Matter? Assessing the Reliability of Law Enforcement Data Sources for the Network Analysis of Wire Taps." *Global Crime* 14 (1): 61–81.
- Bjorvatn, Kjetil, and Tina Søreide. 2005. "Corruption and Privatization." *European Journal of Political Economy* 21 (4): 903–14.
- Block, Alan A. 1982. *East Side, West Side: Organizing Crime in New York, 1930-1950*. Transaction publishers.
- Brancaccio, Luciano. 2009. "Guerre Di Camorra. I Clan Napoletani Tra Faide E Scissioni." *Traffici Criminali. Camorre. Mafie E Reti Internazionali Dell'illegalità*.
- Briquet, J.L., and G. Favarel-Garrigues. 2010. *Organized Crime and States: The Hidden Face of Politics*. CERI Series in International Relations and Political Economy. Palgrave Macmillan.
<https://books.google.it/books?id=kV7FAAAAQBAJ>.

- Buscaglia, Edgardo. 2003. "Controlling Organized Crime and Corruption in the Public Sector." In *Forum on Crime and Society*. Vol. 3.
- Calderoni, Caneppele. 2009. *La Geografia Criminale Degli Appalti. Le Infiltrazioni Della Criminalità Organizzata Negli Appalti Pubblici Nel Sud Italia*. FrancoAngeli.
- Calderoni, Francesco. 2008. "Definition That Could Not Work: The EU Framework Decision on the Fight against Organised Crime, A." *Eur. J. Crime Crim. L. & Crim. Just.* 16: 265.
- . 2010a. "Harmonization and Approximation Policies in the European Union." In *Organized Crime Legislation in the European Union*, 1–20. Springer.
- . 2010b. *Organized Crime Legislation in the European Union: Harmonization and Approximation of Criminal Law, National Legislations and the EU Framework Decision on the Fight against Organized Crime*. Springer Science & Business Media.
- . 2011. "Where Is the Mafia in Italy? Measuring the Presence of the Mafia across Italian Provinces." *Global Crime* 12 (1): 41–69.
- . 2012. "A Definition That Does Not Work: The Impact of the EU Framework Decision on the Fight against Organized Crime." *Common Market Law Review* 49 (4): 1365–93.
- . 2014. "Mythical Numbers and the Proceeds of Organised Crime: Estimating Mafia Proceeds in Italy." *Global Crime* 15 (1-2): 138–63.
- Calderoni, Francesco, Stefano Caneppele, Jackie Harvey, and Sara Martocchia. 2009. "Not Only Banks: Criminological Models on the Infiltration of Public Contracts by Italian Organized Crime." *Journal of Money Laundering Control* 12 (2): 151–72.
- Calderoni, Francesco, Serena Favarin, Lorella Garofalo, and Federica Sarno. 2014. "Counterfeiting, Illegal Firearms, Gambling and Waste Management: An Exploratory Estimation of Four Criminal Markets." *Global Crime* 15 (1-2): 108–37.
- Calderoni, Francesco, and Valentina Maiolli. 2013. "Analisi Esplorativa Sull'applicazione Del Reato Di Associazione Di Tipo Mafioso a Gruppi Stranieri." *Sicurezza E Scienze Sociali*.
- Campana, Paolo. 2011. "Eavesdropping on the Mob: The Functional Diversification of Mafia Activities across Territories." *European Journal of Criminology* 8 (3): 213–28.
- . 2013. "Understanding Then Responding to Italian Organized Crime Operations across Territories." *Policing* 7 (3): 316–25.
- Caneppele, Stefano, and Sara Martocchia. 2014. "Italian Mafias, Public Procurement and Public Works in Southern Italy." In *Organized Crime, Corruption and Crime Prevention*, 293–99. Springer.
- Carrapiço, Helena, and Florian Trauner. 2013. "Europol and Its Influence on EU Policy-Making on Organized Crime: Analyzing Governance Dynamics and Opportunities." *Perspectives on European Politics and Society* 14 (3): 357–71.
- Casas-Zamora, K. 2013. *Dangerous Liaisons: Organized Crime and Political Finance in Latin America and Beyond*. Brookings Institution Press.
<https://books.google.it/books?id=EZxdAAAAQBAJ>.
- Catino, Maurizio. 2014a. "How Do Mafias Organize?" *European Journal of Sociology* 55 (02): 177–220.
- . 2014b. "L'organizzazione Del Segreto Nelle Associazioni Mafiose." *Rassegna Italiana Di Sociologia* 55 (2): 259–302.
- Ciccarello, Elena. 2014. "Politica E'ndrangheta Nel Nord Italia. Il Caso Di Leinì." *Meridiana*, 221–41.
- Dalla Chiesa, F. 2010. *La Convergenza: Mafia E Politica Nella Seconda Repubblica*. Melampo.
- Daniele, Vittorio, and Ugo Marani. 2011. "Organized Crime, the Quality of Local Institutions and FDI in Italy: A Panel Data Analysis." *European Journal of Political Economy* 27 (1): 132–42.

- Della Porta, Donatella. 2004. "Political Parties and Corruption: Ten Hypotheses on Five Vicious Circles." *Crime, Law and Social Change* 42 (1): 35–60.
- Della Porta, Donatella, Salvatore Sberna, and Alberto Vannucci. 2015. "Centripetal and Centrifugal Corruption in Italy." In *Italian Politics*, Berghahn Books. Oxford.
- Della Porta, Donatella, and Alberto Vannucci. 1994. *Corruzione Politica E Amministrazione Pubblica: Risorse, Meccanismi, Attori*. Vol. 56. Mulino.
- . 1997a. "The 'perverse Effects' of Political Corruption." *Political Studies* 45 (3): 516–38.
- . 1997b. "The Resources of Corruption: Some Reflections from the Italian Case." *Crime, Law and Social Change* 27 (3-4): 231–54.
- . 1999a. *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption*. Transaction Publishers.
- . 1999b. *Un Paese Anormale: Come La Classe Politica Ha Perso L'occasione Di Mani Pulite*. Vol. 235. Laterza.
- . 2007a. "Corruption and Anti-Corruption: The Political Defeat of 'Clean Hands' in Italy." *West European Politics* 30 (4): 830–53.
- . 2007b. *Mani Impunite. Vecchia E Nuova Corruzione in Italia*.
- . 2012. *The Hidden Order of Corruption: An Institutional Approach*. Ashgate Publishing, Ltd.
- Della Porta, Donatella, and Alberto Vannucci. n.d. "Centripetal versus Centrifugal Corruption A Framework for the Analysis of Corrupt Exchange and Hidden Governance Structures."
- Dimulescu, Valentina, Raluca Pop, and Irina Madalina Doroftei. 2013. "Risks of Corruption and the Management of EU Funds in Romania." *Romanian Journal of Political Science* 13 (1): 101.
- Edwards, Adam, and Michael Levi. 2008. "Researching the Organization of Serious Crimes." *Criminology and Criminal Justice* 8 (4): 363–88.
- Fazekas, Mihály, Jana Chvalkovska, Jiri Skuhrovec, István János Tóth, and Lawrence P King. 2013. "Are EU Funds a Corruption Risk? The Impact of EU Funds on Grand Corruption in Central and Eastern Europe." *The Anticorruption Frontline. The ANTICORRP Project 2*: 68–89.
- Fazekas, Mihály, István János Tóth, and Lawrence P King. 2013. "Anatomy of Grand Corruption: A Composite Corruption Risk Index Based on Objective Data." *Corruption Research Center Budapest Working Papers No. CRCB-WP/2013 2*.
- Fiandaca, Giovanni. 2010. "Il Concorso 'esterno' Tra Sociologia E Diritto Penale." *Scenari Di Mafia. Orizzonte Criminologico E Innovazioni Normative*, 203.
- Fiandaca, Giovanni, and Costantino Visconti. 2006. "Nuovi Scenari Nel Rapporto Tra Mafia E Politica?" *Questione Giustizia*.
- Finckenauer, James O. 2005. "Problems of Definition: What Is Organized Crime?" *Trends in Organized Crime* 8 (3): 63–83.
- Fiorentini, Gianluca, and Sam Peltzman. 1997. *The Economics of Organised Crime*. Cambridge University Press.
- Franchetti, L. 2011. *Condizioni Politiche E Amministrative Della Sicilia*. Donzelli.
<https://books.google.it/books?id=Op9f6ChuCssC>.
- Gachevska, Katerina. 2012. "On the Persistence of the Mafia 'ghost': A Reply to Felia Allum." *Policing* 6 (4): 360–64.
- Gambetta, Diego. 1988. "Fragments of an Economic Theory of the Mafia." *European Journal of Sociology* 29 (01): 127–45.
- . 1996. *The Sicilian Mafia: The Business of Private Protection*. Harvard University Press.

- . 2009. *Codes of the Underworld: How Criminals Communicate*. Princeton University Press.
- Gambetta, Diego, and Peter Reuter. 1995. "Conspiracy among the Many: The Mafia in Legitimate Industries." *The Economics of Organised Crime*, 116–36.
- Godson, Roy. 2003. *Menace to Society: Political-Criminal Collaboration Around the World*. Transaction Publishers.
- Gounev, Philip, and Tihomir Bezlov. 2010. "Examining the Links between Organised Crime and Corruption." In . CSD.
- Gounev, Philip, and Vincenzo Ruggiero. 2012. *Corruption and Organized Crime in Europe: Illegal Partnerships*. Routledge.
- Griffin, SeanPatrick. 2002. "Actors or Activities? On the Social Construction of 'white-Collar Crime' in the United States." *Crime, Law and Social Change* 37 (3): 245–76. doi:10.1023/A:1015029710490.
- Kelly, Robert J. 1999. "The Political-Criminal Nexus in the United States." *Trends in Organized Crime* 5 (2): 85–122.
- Kleemans, Edward R. 2007. "Organized Crime, Transit Crime, and Racketeering." *Crime and Justice* 35 (1): 163–215.
- La Spina, Antonio. 2008. *Recent Anti-Mafia Strategies: The Italian Experience*. Springer.
- Lavezzi, Andrea Mario. 2008. "Economic Structure and Vulnerability to Organised Crime: Evidence from Sicily." *Global Crime* 9 (3): 198–220.
- . 2014. "Organised Crime and the Economy: A Framework for Policy Prescriptions." *Global Crime* 15 (1-2): 164–90.
- Lavorgna, Anita, and Anna Sergi. 2014. "Types of Organised Crime in Italy. The Multifaceted Spectrum of Italian Criminal Associations and Their Different Attitudes in the Financial Crisis and in the Use of Internet Technologies." *International Journal of Law, Crime and Justice* 42 (1): 16–32.
- Levi, Michael. 1998. "Perspectives on 'organised Crime': An Overview." *The Howard Journal of Criminal Justice* 37 (4): 335–45.
- Lisciandra, Maurizio. 2014. "Proceeds from Extortions: The Case of Italian Organised Crime Groups." *Global Crime* 15 (1-2): 93–107.
- Lupo, S. 2004. *Storia Della Mafia: Dalle Origini Ai Giorni Nostri*. Donzelli. <https://books.google.it/books?id=LU88NcBnr0kC>.
- Lupo, Salvatore. 2004. *Storia Della Mafia: Dalle Origini Ai Giorni Nostri*. Donzelli editore.
- Manzetti, L. 1999. *Privatization South American Style*. Oxford Studies in Democratization. Oxford University Press. <https://books.google.it/books?id=jLAJngEACAAJ>.
- Massari, Monica. 1998. *La Sacra Corona Unita: Potere E Segreto*. Vol. 221. Laterza.
- Meeker, James W, John Dombrink, and Henry N Pontell. 1987. "White-Collar and Organized Crimes: Questions of Seriousness and Policy." *Justice Quarterly* 4 (1): 73–98.
- Montani, Eleonora. 2013. "Organised Crime and Corruption. The Effects on Legitimate Business: Evidence from Northern Italy." *International Journal of Monetary Economics and Finance* 6 (2): 261–70.
- Moro, Francesco N, Andrea Petrella, and Salvatore Sberna. 2014. "The Politics of Mafia Violence: Explaining Variation in Mafia Killings in Southern Italy (1983–2008)." *Terrorism and Political Violence*, no. ahead-of-print: 1–24.
- Olivieri, Elisabetta, and Salvatore Sberna. 2014. "'Set the Night on Fire!' Mafia Violence and Elections in Italy." In . <http://ssrn.com/abstract=2451701>.

- Paoli, Letizia. 2002. "The Paradoxes of Organized Crime." *Crime, Law and Social Change* 37 (1): 51–97.
- . 2003. *Mafia Brotherhoods: Organized Crime, Italian Style*. Oxford University Press.
- . 2004. "Italian Organised Crime: Mafia Associations and Criminal Enterprises." *Global Crime* 6 (1): 19–31.
- . 2007. "Mafia and Organised Crime in Italy: The Unacknowledged Successes of Law Enforcement." *West European Politics* 30 (4): 854–80.
- . 2008. "The Decline of the Italian Mafia." In *Organized Crime: Culture, Markets and Policies*, edited by Dina Siegel and Hans Nelen, 7:15–28. Studies in Organized Crime. Springer New York. http://dx.doi.org/10.1007/978-0-387-74733-0_2.
- Pinotti, Paolo. 2012. "The Economic Costs of Organized Crime: Evidence from Southern Italy." *Bank of Italy Temi Di Discussione (Working Paper) No 868*.
- Pizzini-Gambetta, Valeria. 2009. "Heroes Among Villains: The Personal Cost of Commitment Against Organised Crime in Italy." *South European Society and Politics* 14 (1): 121–24.
- Ponsaers, Pail. 2002. "What Is so Organised about Financial-Economic Crime? – The Belgian Case." *Crime, Law and Social Change* 37 (3): 191–201. doi:10.1023/A:1015061125512.
- Puntillo, R. 1996. "Mass Privatization in Poland and Russia: The Case of the Tortoise and the Hare?" *Journal of Emerging Markets* 1: 7–28.
- Rawlinson, Paddy. 2002. "Capitalists, Criminals and Oligarchs – Sutherland and the New 'robber Barons.'" *Crime, Law and Social Change* 37 (3): 293–307. doi:10.1023/A:1015033811399.
- Reuter, Peter. 1983. *Disorganized Crime: The Economics of the Visible Hand*. MIT press Cambridge, MA.
- Riccardi, Michele. 2014. "When Criminals Invest in Businesses: Are We Looking in the Right Direction? An Exploratory Analysis of Companies Controlled by Mafias." In *Organized Crime, Corruption and Crime Prevention*, 197–206. Springer.
- Rose-Ackerman, S. 1999. *Corruption and Government: Causes, Consequences, and Reform*. Corruption and Government: Causes, Consequences, and Reform. Cambridge University Press. <https://books.google.it/books?id=XBA1cZIB5AoC>.
- Ruggiero, Vincenzo. 2002. "Introduction–Fuzzy Criminal Actors." *Crime, Law and Social Change* 37 (3): 177–90.
- Savona, Ernesto. 2014. "Organised Crime Numbers." *Global Crime* 15 (1-2): 1–9.
- Savona, Ernesto U. 2010. "Infiltration of the Public Construction Industry by Italian Organised crime1." In *Situational Prevention of Organised Crimes*. Willan Publishing Devon.
- Savona, Ernesto U, Francesco Calderoni, Sara Martocchia, and Stefano Montrasio. 2006. "Finalising the Crime Risk Assessment Mechanism for the Crime Proofing Activities of European Legislation/regulation." *European Journal on Criminal Policy and Research* 12 (3-4): 365–97.
- Sberna, Salvatore, and Alberto Vannucci. 2013. "'It's the Politics, Stupid!'. The Politicization of Anti-Corruption in Italy." *Crime, Law and Social Change* 60 (5): 565–93.
- Schelling, Thomas C. 1984. *Choice and Consequence*. Harvard University Press.
- Schneider, Friedrich, and Dominik H Enste. 2013. *The Shadow Economy: An International Survey*. Cambridge University Press.
- Sciarrone, R. 2009. *Mafie Vecchie, Mafie Nuove: Radicamento Ed Espansione*. Virgola / [Donzelli]. Donzelli. <https://books.google.it/books?id=areeI4sxDMAC>.
- . 2011. *Alleanze Nell'ombra: Mafie Ed Economie Locali in Sicilia E Nel Mezzogiorno*. Fondazione Res. Donzelli. <https://books.google.it/books?id=J633ete6wugC>.
- Sciarrone, Rocco. 2014. *Mafie Al Nord*. Roma: Donzelli editore.

- Sciarrone, Rocco, and Luca Storti. 2014. "The Territorial Expansion of Mafia-Type Organized Crime. The Case of the Italian Mafia in Germany." *Crime, Law and Social Change* 61 (1): 37–60.
- Siegel, Dina, and Hans Nelen. 2007. *Organized Crime: Culture, Markets and Policies: Culture, Markets and Policies*. Vol. 7. Springer Science & Business Media.
- Soreide, Tina. 2002. "Corruption in Public Procurement." *Causes, Consequences and Cures, CMI Report R 1*.
- Spina, A.L. 2005. *Mafia, Legalità Debole E Sviluppo Del Mezzogiorno*. Il Mulino/Ricerca. Il mulino. <https://books.google.it/books?id=rYjaAAAAMAAJ>.
- Spina, AntonioLa. 2008. "Recent Anti-Mafia Strategies: The Italian Experience." In *Organized Crime: Culture, Markets and Policies*, edited by Dina Siegel and Hans Nelen, 7:195–206. *Studies in Organized Crime*. Springer New York. http://dx.doi.org/10.1007/978-0-387-74733-0_14.
- Stiglitz, J.E. 2003. *Globalization and Its Discontents*. W. W. Norton. <https://books.google.it/books?id=geN6MUthHdkC>.
- Tanzi, Vito. 1998. "Corruption and the Budget: Problems and Solutions." In *Economics of Corruption*, 111–28. Springer.
- Treisman, Daniel. 2007. "What Have We Learned about the Causes of Corruption from Ten Years of Cross-National Empirical Research?" *Annu. Rev. Polit. Sci.* 10: 211–44.
- Tullio, Giuseppe, and Stefano Quarella. 1999. "Convergenza Economica Tra Le Regioni Italiane: Il Ruolo Della Criminalità E Della Spesa Pubblica, 1960-1993." *Rivista Di Politica Economica* 89: 77–128.
- Turnovec, František. 1999. "Privatization, Ownership Structure and Transparency: How to Measure the True Involvement of the State." *European Journal of Political Economy* 15 (4): 605–18.
- Turone, Giovanni. 2006. *Legal Frameworks and Investigative Tools for Combating Organised Transnational Crime in the Italian Experience*.
- UNODC. 2002. *Results of a Pilot Survey of Forty Selected Organized Criminal Groups in Sixteen Countries*. Turin: United Nations.
- Van Dijk, Jan. 2007. "Mafia Markers: Assessing Organized Crime and Its Impact upon Societies." *Trends in Organized Crime* 10 (4): 39–56.
- Van Dijk, Jan, and ACM Spapens. 2013. "Transnational Organized Crime Networks." *Handbook of Transnational Crime and Justice, Second Edition*, 213–26.
- Vannucci, Alberto. 2001. "Istituzioni, Costi Di Transizione E Organizzazioni Mafiose." *Polis* 15 (3): 363–84.
- . 2004. *Governare L'incertezza: Scelte Pubbliche E Cambiamento Istituzionale*. Vol. 3. Rubbettino Editore.
- Varese, F. 2001. *The Russian Mafia : Private Protection in a New Market Economy: Private Protection in a New Market Economy*. OUP Oxford. <https://books.google.it/books?id=aXgtWB7R24IC>.
- . 2013. *Mafias on the Move: How Organized Crime Conquers New Territories*. Princeton University Press. <https://books.google.it/books?id=6qRJcnRXdXoC>.
- Varese, Federico. 2011. "Mafia Movements: A Framework for Understanding the Mobility of Mafia Groups." *Global Crime* 12 (3): 218–31.
- . 2014. "Protection and Extortion." *Oxford Handbook of Organized Crime*, 343–58.
- . n.d. "What Is Organized Crime? Introduction." In *Organized Crime.*, 1–35. *Critical Concepts in Criminology*. Abingdon: Routledge.

Von Lampe, Klaus. 2006. "The Interdisciplinary Dimensions of the Study of Organized Crime." *Trends in Organized Crime* 9 (3): 77–95.

Williams, Phil, and Dimitri Vlassis. 2001. *Combating Transnational Crime: Concepts, Activities and Responses*. Psychology Press.

CNEL, 2010. L'infiltrazione della criminalità organizzata nell'economia di alcune regioni del Nord Italia, Roma.

Corte dei Conti (2014), Relazione speciale, Semplificazione delle regole sui fondi strutturali, Deliberazione 4/2014, in http://www.corteconti.it/export/sites/portalecdc/documenti/controllo/sez_contr_affari_com_internazionali/2014/delibera_4_2014_e_relazione.pdf.

CPA– Commissione Parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare (2006a), Relazione conclusiva – Tomo I, Commissione Parlamentare Antimafia, Rome.

CPA– Commissione Parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare (2006b), Relazione conclusiva – Tomo II, Commissione Parlamentare Antimafia, Rome.

CPA– Commissione Parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare (2008a), Relazione conclusiva, Commissione Parlamentare Antimafia, Rome.

CPA– Commissione Parlamentare di inchiesta sul fenomeno della criminalità organizzata mafiosa o similare (2008b), Relazione annuale sulla 'Ndrangheta, Commissione Parlamentare Antimafia, Rome.

European Commission (2012), Public procurement indicators 2011, Brussels, 5 December, in http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/public-procurement-indicators-2011_en.pdf.

European Commission (2013a), Identifying and reducing corruption in public procurement in the EU, pwc and Ecorys, June 30, in http://ec.europa.eu/anti_fraud/documents/anti-fraud-policy/research-and-studies/identifying_reducing_corruption_in_public_procurement_en.pdf

European Commission (2013b), Cohesion policy: Strategic report on implementation 2007-2013, Brussels, 18.4.2013 COM(2013) 210 final, in http://ec.europa.eu/regional_policy/how/policy/doc/strategic_report/2013/strat_report_2013_en.pdf

European Commission (2014a), EU Anti-corruption Report, Brussels, 3.2.2014, COM(2014) 38 final, in http://ec.europa.eu/dgs/home-affairs/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr_2014_en.pdf

European Commission (2014b), Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions, Brussels, 8.10.2014, COM(2014) 700 final, in http://ec.europa.eu/enlargement/pdf/key_documents/2014/20141008-strategy-paper_en.pdf.

European Commission (2014c), Report from the Commission to the European Parliament and the Council, Protection of the European Union's financial interests — Fight against fraud 2013, Annual Report, Brussels, 17.7.2014 COM(2014) 474 final, in http://ec.europa.eu/anti_fraud/documents/reports-commission/2013/1_act_part1_en.pdf.

European Parliament, (2008), I fondi europei nel mezzogiorno d'Italia. Il caso della Calabria e della Sicilia, 15 March in http://www.europarl.europa.eu/RegData/etudes/etudes/join/2008/392967/IPOL-JOIN_ET%282008%29392967_IT.pdf.

European Parliament, (2011), How does organised crime misuse EU funds?, in http://www.europarl.europa.eu/meetdocs/2009_2014/documents/cont/dv/crime_misuse_/crime_misuse_en.pdf

DIA – Direzione Investigativa Antimafia (2005), Attivita` svolta e risultati conseguiti, Ministero dell'Interno, Rome.

DIA – Direzione Investigativa Antimafia (2006a), Attivita` svolta e risultati conseguiti, Ministero dell'Interno, Rome.

DIA – Direzione Investigativa Antimafia (2006b), Attivita` svolta e risultati conseguiti, Ministero dell'Interno, Rome.

DIA – Direzione Investigativa Antimafia (2007a), Attivita` svolta e risultati conseguiti, Ministero dell'Interno, Rome.

DIA – Direzione Investigativa Antimafia (2007b), Attivita` svolta e risultati conseguiti, Ministero dell'Interno, Rome.

DNA – Direzione Nazionale Antimafia (2005), Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso, Ministero della Giustizia, Rome.

DNA – Direzione Nazionale Antimafia (2006), Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso, Ministero della Giustizia, Rome.

DNA – Direzione Nazionale Antimafia (2007), Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso, Ministero della Giustizia, Rome.

DIA. Relazione del Ministro dell'Interno al Parlamento sull'attivita` svolta e sui risultati conseguiti dalla Direzione Investigativa Antimafia: Secondo semestre 2010. Roma: Direzione Investigativa Antimafia, 2010.

DIA. Relazione del Ministro dell'Interno al Parlamento sull'attivita` svolta e sui risultati conseguiti dalla Direzione Investigativa Antimafia: Secondo semestre 2011. Roma: Direzione Investigativa Antimafia, 2011. http://www.interno.it/dip_ps/dia/semestrali/sem/2011/1sem2011.pdf.

DNA. Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso nel periodo 1° luglio 1999–30 giugno 2000. Roma: Direzione Nazionale Antimafia, 2000.

DNA. Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso nel periodo 1° luglio 2005–30 giugno 2006. Roma: Direzione Nazionale Antimafia, 2006.

DNA. Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione

nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso nel periodo 1° luglio 2007–30 giugno 2008. Roma: Direzione Nazionale Antimafia, 2008.

DNA. Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di tipo mafioso nel periodo 1° luglio 2009–30 giugno 2010. Roma: Direzione Nazionale Antimafia, 2010.

DNA. Relazione annuale sulle attivita` svolte dal Procuratore nazionale antimafia e dalla Direzione nazionale antimafia nonche´ sulle dinamiche e strategie della criminalita` organizzata di

tipo mafioso nel periodo 1° luglio 2010–30 giugno 2011. Roma: Direzione Nazionale Antimafia, 2011.

DNA. Relazione annuale sulle attività svolte dal procuratore nazionale antimafia e dalla Direzione

nazionale antimafia nonché sulle dinamiche e strategie della criminalità organizzata di tipo mafioso nel periodo 1° luglio 2011–30 giugno 2012. Roma: Direzione Nazionale Antimafia, 2012.

Guardia di Finanza, (2009), Frodi comunitarie, Sistemi nazionali di monitoraggio e recupero, December, in

http://www.gdf.gov.it/repository/ContentManagement/information/N60985850/Annali_10_Frodi_comunitarie_sistemi_nazionali_di_monitoraggio_e_recupero.pdf?download=1

OECD – Organization for Economic Cooperation and Development, 2005, Fighting Corruption and Promoting Integrity in Public Procurement, in http://www.oecd-ilibrary.org/fr/governance/fighting-corruption-and-promoting-integrity-in-public-procurement_9789264014008-en;jsessionid=3ki7lai8c7oa4.delta.

OECD – Organization for Economic Cooperation and Development, 2007a, Integrity in Public Procurement. Good practice from A to Z, in <http://www.oecd.org/development/effectiveness/38588964.pdf>

OECD– Organization for Economic Cooperation and Development, 2007b, Bribery in Public Procurement: Methods, Actors and Counter-Measures (2007), in <http://www.oecd.org/investment/anti-bribery/anti-briberyconvention/44956834.pdf>.

OLAF and Transparency International Lithuania (2013), Corruption Risks in implementation of EU fundings, in

http://transparency.lt/media/filer_public/2013/10/16/corruption_risks_in_implementation_of_eu_funding.pdf

Transcrime. Progetto PON Sicurezza 2007–2013: Gli investimenti delle mafie. Rapporto Linea 1. Milano: Ministero dell’Interno, 2013



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



WP9.1 Integrated Report

APPENDIX 1

Codebook

Codebook_OCC events database

CASE_ID

0	Not available
(countrycode)(number)	ex. IT01 or BG01

CASE_Name

0	Not available
(name)	String variable for case title, ex. "Siino"

CASE_Where

0	Not available
(town name)	ex. Milan

CASE_Year

0	Not available
(year)	ex. 2002

Actors_Type

Information about the type of actors involved in the corruption network. Please input comma-separated values for multiple entries (ex. 1,3,7).

0	Not available
1	Organised criminals
2	Politicians
3	Public servants
4	Legitimate Business-entrepreneurs
5	Brokers
6	Professionals (e.g. lawyers, engineers, architects, etc.)
7	Voters-clients
8	Other

Actors_POL_Type

Information about the type of political actor involved in the network, either an individual one (single official or politician) or a collective organization (e.g. parties, party's faction). Please input comma-separated values for multiple entries.

0	Not available
1	Single
2	Collective
3	Other

Actors_POL_Gov

Information about the type of political actor involved in the network, either an elected official (belonging to in-government or opposition parties) or an not-elected one (like in the case of a politician who is member of the party-in-office as party treasurer). Please input comma-separated values for multiple entries

0	Not available
1	In-government actor
2	Opposition actor
3	Not-elected actor
4	Other

Actors_POL_Level

Information about the governance level of the political actors involved in the network. Please input comma-separated values for multiple entries.

0	Not available
1	Local
2	Regional
3	National
4	Transnational
5	Other

Actors_OC_Type

Information about the type of criminal organization involved in the network, either controlling more sectors in a limited territory or operating in a single sector across territories (e.g. construction sector, human trafficking, gambling).

0	Not available
1	Territorially based
2	Functionally based
3	Other

Actors_OC_Buss

Information about the type of criminal organization involved in the network, i.e. provider of illegal goods and services (economic syndicate) or provider of protection-racket (power syndicate)

0	Not available
1	Economic Syndicate
2	Power Syndicate (Racket)
3	Other

Actors_OC_Time

Information about the continuity of the criminal organization involved in the network

0	Not available
1	Recently emerged
2	Enduring (more than 5 years)
3	Other

Actors_OC_Level

Information about the territorial level in which the criminal organization operate.

0	Not available
1	Local
2	Regional
3	National
4	Transnational
5	Other

OCC_Case_Type

Information about the arena of exchange between criminal and political actors, either the political market (elections and party politics) or policy making (e.g. public procurement, policy sector regulations, policy implementation).

0	Not available
1	Electoral politics
2	Policy-making
3	Other

OCC_Mechanisms_Type

Information about the mechanisms of exchange between criminal and political actors (see appendix 3 and WP9 literature list).

0	Not available
1	Symbiotic
2	Replacement
3	Neutrality
4	Gatekeeping
5	Other

OCC_Resources_Type

Information about the resources of exchange between criminal and political actors. Please input comma-separated values for multiple entries (e.g. 1, 5, 6)

0	Not available
1	Violence
2	Money
3	Information
4	Political rents
5	Impunity from law enforcement
6	Voters' control
7	Reputation and network

OCC_POLMAK_Type

Information about the type of infiltration of criminal organizations into the policy-making.

0	Not available
1	Infiltration in public procurement
2	Infiltration in liberalization or privatization
3	Infiltration in EU funds

4	Other
---	-------

OCC_POLMAK_OC_Type

Information about the infiltration strategy carried out by criminal organizations to penetrate the policy-making process: (1) through companies directly owned by the criminal group; (2) through shell companies indirectly owned by the criminal group; (3) through companies using the proceeds of criminal organizations.

0	Not available
1	Mafia enterprise
2	Front company
3	Mafia investments
4	Other

OCC_ELECT_Type

Information about the infiltration strategy carried out by criminal organizations to penetrate the political market. Please input comma-separated values for multiple entries (e.g. 1, 5, 6).

0	Not available
1	Political finance
2	Candidate selection
3	Electoral intimidation/violence
4	Electoral fraud/ballot stuffing
5	Post-election bargaining
6	Other

Codebook_In-deep case study reports

CODEBOOK for data collection and analysis. WP9 Corruption and Organised Crime		
Organised crime		
Structure	Hierarchical	Is the organization vertically integrated with a clear internal structure, leadership and division of labor?
	Network	Does the group resemble a network?
Nationality	Local	
	Foreign	
Type	Territorially based	Does the criminal organization operate in and police a single territory? (e.g. the group controls a single district/town)
	Functionally based	Does the criminal organization operate in and police a single sector? (e.g. construction sector, human trafficking, gambling)
Core business	Economic syndicates	Is the organization involved only in illegal business?
	Power syndicates	Is the organization involved in racketeering and protection?
Illegal activities	Types of activities	Which types of business does this criminal organization carry out? In how many and which illegal markets does it operate?
Legal activities	Types of activities	Does the organization invest its proceeds in the legitimate sector? Where? Which recycling channels does it use?
Continuity	Emergence	When does the organization start its activities?
	Continuity	How long has the organization been conducting its business?
Corruption and Organised Crime		
Actors	Organised criminals	What type of actors operate in the criminal-political network?
	Politicians	
	Public servants	
	Legitimate Business-entrepreneurs	
	Brokers	
	Professionals (e.g. lawyers, engineers, architects, etc.)	
	Voters-clients	
Political actor	Single	Is the political counterpart a single politician?
	Collective	Is the political counterpart a collective organization such as a party organization, a party faction, a party list?
	In-government actor	Is the political counterpart in government?

	Opposition actor	Is the political counterpart in opposition?
Level of governance	Local	
	Regional	
	National	
Resources	Violence	What type of resources can the actors exchange? (e.g. money, protection, violence and intimidation, votes)
	Money	Political financing Bribes
	Information	
	Political rents	Favored regulation/public contracts/public funds and subsidies/privatization benefits
	Impunity from law enforcement	
	Voters' control	
	Reputation and network	
Channels and mechanisms	Electoral politics	There are exchanges during and for elections
	Policy-making	There are exchanges in relation with the formulation, adoption and implementation of policies (e.g. public works contracts, regulations of certain sectors, law enforcement implementation)
Type of interactions	Symbiotic	Are criminal and political actors strong enough to mutually reinforce each other?
	Replacement	Are criminal groups strong enough to infiltrate directly the political arena by putting their own members?
	Neutrality	Are criminal and political actors only occasionally exchange resources?
	Gatekeeping	Are political actors strong enough to control the access of criminal interests in the arena and/or to strategically use criminal resources for their own purpose?
Elections	Political Finance	Do criminal groups finance electoral campaigns of candidates?
	Candidate selection	Do criminal groups affect the selection of candidates?
	Voters manipulation	Do criminal groups control voters?
	Electoral fraud	Do criminal groups organize electoral fraud?
	Post-election bargaining	Do criminal groups affect the formation of cabinet following the elections?



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



WP9.1 Integrated Report

APPENDIX 2

In-depth case studies

BG_01	Extortion and racketeering across Bulgaria. The case of the Al. P. (a.k.a. The Tractor) and his organized criminal group	
Source	<p>Bulgarian Ministry of Interior. (1 January 2005). Penal Code. Retrieved on February 7 2015 from Legislature: https://www.mvr.bg/NR/rdonlyres/330B548F-7504-433A-BE65-5686B7D7FCBB/0/04_Penal_Code_EN.pdf</p> <p>Bulgarian Ministry of Interior. (8 August 2013). Law of the Ministry of Interior. Retrieved on February 9 2015 from: http://www.mvr.bg/NR/rdonlyres/379531D2-0059-4223-86F8-ABA9D17680D8/0/ZMVR_BG.pdf</p> <p>Sofia City Prosecution. (2010). Indictment based on Pre-trial Proceedings 3214/2010.</p> <p>Monitor. (20 November 2010). Rumen Petkov and the Tractor Split the Drug Market. Retrieved 7 February 2015 from http://www.monitor.bg/article?id=269263</p> <p>Mediapool. (31 January 2013). Cvetanov: “Interesting Things” Are Coming Out from the Hearings on Zlatko the Beret’s Shooting. Retrieved 6 February 2015 from http://www.mediapool.bg/tsvetanov-izlizat-interesni-neshta-ot-razpitite-za-strelbata-sreshu-baretata-news202332.html</p> <p>EurActiv. (12 February 2010). Bulgarian PM: ‘I am at War with the Mafia Octopus’. Retrieved 5 February 2015 from http://www.euractiv.com/enlargement/bulgarian-pm-am-war-mafia-octopu-news-259518</p> <p>Lev Coporation website. Structure. Retrieved 6 February 2015 from http://www.levcorporation.com/index.php?m=458&lang=1</p> <p>Capital. (19 February 2010). The Mutations of “Lev Ins”. Retrieved 7 February from http://www.capital.bg/biznes/finansii/2010/02/19/861400_mutaciite_na_lev_ins/</p> <p>Capital. (20 June 2009). Aleksei Petrov’s Brother is in Iane Ianev’s Lists. Retrieved 5 February 2015 from http://www.capital.bg/vestnikut/kapital_prim/2009/06/20/738930_bratut_na_aleksei_petrov_popadna_v_listie_na_iane/</p> <p>Mediapool. (31 March 2013). Coalition “Proud Bulgaria” is Registered, Aleksei Petrov Supports It. Retrieved 2 February 2015 from http://www.mediapool.bg/registrira-se-koalitsiya-gorda-bulgaria-podkrepyal-ya-i-aleksei-petrov-news204671.html</p> <p>Sega. (6 November 2010). Firms Connected to Aleksei Petrov Financed GERB. Retrieved 8 February 2015 from http://www.segabg.com/article.php?work=print&issueid=7466&sectionid=2&id=0000301</p> <p>Mediapool. (12 February 2010). “Lev Ins” Took on Public Contracts Amounting to 1.7 Million Levs in 4 Years. Retrieved 31 January 2015 from http://www.mediapool.bg/lev-ins-vzeli-obshtestveni-porachki-za-17-mln-lv-za-chetiri-godini-news161850.html</p> <p>TV7. (13 December 2011). A Witness to the Case “Octopus” Is Afraid for His Life.</p> <p>Monitor. (25 September 2014). Fines and Forced Bringing of Witnesses to the Trial “Octopus”. Retrieved 29 January 2015 from http://www.monitor.bg/article?id=444305</p> <p>TV7. (17 May 2012). Schemes to Buy Votes.</p> <p>Mediapool. (16 July 2013). The Court Brought Aleksei Petrv’s Organization Back in the Three Side Framework. Retrived 5 February from http://www.mediapool.bg/sadat-varna-organizatsiyata-na-aleksei-petrov-v-tristrankata-news208945.html</p> <p>Mediapool. (10 February 2010). BSP and DPS Distanced Themselves from Aleksei Petrov. Retrieved 3 February from http://www.mediapool.bg/bsp-i-dps-se-razgranichiha-ot-aleksei-petrov-news161744.html</p> <p>Mediapool. (26 February 2014). The Investiation around “Big Octopus” Ends with Faliure. Retrieved 2 February from http://www.mediapool.bg/razsledvaneto-za-golemiya-oktopod-zavarshva-s-bezslaven-krah-news217317.html</p> <p>Mediapool. (3 July 2013). Boian Chukov’s Possible Return in the Council of Ministers as Head of the Council on Security. Retrieved 28 January from http://www.mediapool.bg/boyan-chukov-na-patda-se-varne-v-ms-kato-shef-na-saveta-po-sigurnostta-news208395.html</p>	
Organized crime		
Structure	Hierarchical	<p>Is the organization vertically integrated with a clear internal structure, leadership and division of labor?</p> <p>Hierarchical structure with Al. P. on top. His most trusted people</p>

		An. P. (aka the Hamster), M. D. and Ia. P. were operating under his direct orders and had themselves control over other lower level members (Indictment, 2010).
	Network	Since the group was involved in a wide-range of criminal activities, it is possible that some of those were carried out with the help of others in more of a horizontal network engagement. For example, it is not entirely clear what type of engagement Al. P. has with the drug market but he has a connection with the drug kingpins Galevi Brothers (Monitor, 2010) and Z. the Beret (Mediapool, 2013). An. P. the Hamster, on the other hand, has connections with auto thieves around the country (Indictment, 2010).
Nationality	Local	Yes
	Foreign	There is evidence of the participation of Chechens and Russian citizen in the group. However, these are low-level enforcers (Ibid). On the other hand, Al. P.'s insurance company received a license to operate only after it was disguised as an Israeli investment (Ibid).
Type	Territorially based	Does the criminal organization operate in and police a single territory? (e.g. the group controls a single district/town) Al. P. operated all over the country. For example, in Teteven, where Al. P. is from, many of the businesses are under his control (Ibid). Pleven appears to be another important site of operation. From the indictment it becomes clear that many businesses that were extorted were based in that city (Ibid). In Sofia, Al. P. has many registered firms as well.
	Functionally based	Does the criminal organization operate in and police a single sector? (e.g. construction sector, human trafficking, gambling) Al. P.'s group operated in multiple sectors, both legitimate (e.g. insurance) and illegitimate (e.g. large scale extortion and racketeering, money laundering, the drug market, prostitution rings). (EurActiv, 2010)
Core business	Economic syndicates	Is the organization involved only in illegal business? No, there are numerous legitimate businesses in different sectors connected to the group. L. Corporation, which is formally under the control of Al. P.'s girlfriend (Indictment, 2010) houses businesses that deal with private and corporate security, tourism, insurance, manufacturing, transport and other (L. Corporation website, 2015).
	Power syndicates	Is the organization involved in racketeering and protection? Yes. Al. P. is one of the founders of the insurance companies "A. and B." together with amongst other the Danevi Brothers and "S. M". Both companies were created in 1995. In 1996 he founded "S.", renamed "L. S." and later renamed again to "L. I.". Through these companies and other he was active in forceful insurance and debt collecting through threats and physical force. He would also take over businesses by intimidating other shareholders and forcing them to sign over their shares without payment (Indictment, 2010).
Illegal activities	Types of activities	Which types of business does this criminal organization carry out? In how many and which illegal markets does it operate?

		The group of Al. P. was involved heavily in large scale extortion and racketeering along with drug trafficking, running prostitution rings, VAT fraud and money laundering. Al. P. is also a key figure in the siphoning off of funds from the metallurgical plant “K.”. (EurActiv, 2010).
Legal activities	Types of activities	Does the organization invest its proceeds in the legitimate sector? Where? Which recycling channels does it use? Yes, under the umbrella of L. Corporation there are forty three registered firms from diverse sectors ranging from individual and corporate security, insurance, to manufacturing, transportation, foodstuffs and tourism through which illegitimate money can be laundered (Lev Corporation website, 2015). For example, Al. P. owns the largest taxi company in Sofia, T. E., which has more than 3500 cars.
Continuity	Emergence	When does the organization start its activities? The exact beginning of Al. P.’s involvement in criminal activities is uncertain. His official involvement in the market for insurance starts with the infamous “A. and B. Ins.” registered in 1995. However, it is likely that Al. P. was involved in protection rackets before that (Indictment, 2010). With the registration of companies in 1995 and 1996 he took advantage of the licensing of insurance companies initiative, designed to root out criminal elements from the market, to make a legal front for his business (Capital, 2010)
	Continuity	How long has the organization been conducting its business? Enduring criminal organization. The indictment against Al. P. charges him with leading an organized criminal group for forceful debt collection from 2004 until 2010 when he was arrested. Nevertheless, the Secret Services were working on were investigating “Spartak” since 1997. There are also records of witnesses who were extorted before 2004 – one complaint against Al. P. and his associates dates from 2000. (Indictment, 2010)
Corruption and Organized Crime		
Actors and Mechanisms	Organized criminals	What type of actors operate in the criminal-political network? Al. P., the boss of the organization was an officer at the former communist State Security Intelligence service. Al. P. continued his career in the special anti-terrorism unit, which he left in 1992 to join the private sector. Later on, in 2001 he started working in the Secret Services again until 2002 when an attempt on his life was made. His appointment was arranged by the ex-Prosecutor General N. F. He returns in 2005 and in 2008 is named a Senior Expert and an advisor to the then boss of the State Agency for National Security (SANS). He ends his career in the secret services in 2009. (Idictment, 2010)
	Politicians	It is rumored that Al. P. is close to an ex-prime Minster. It was at the request of the Interior Minister that Al. P. was appointed at a high position in SANS (Indictment, 2010). Because of his connections Al. P. was perceived to be the real boss of SANS. Closely after his arrest Al. P. was planning to become a member of a party (Mediapool, 2010). Al. P.’a brother was a candidate for municipal councilor in Teteven (Capital, 2009).
	Public servants	Numerous public servants were aiding Al. P. in his criminal endeavors. His strongest connections are at the ministry of

		Interior. He was a close friend of the former Prosecutor General N. F. and others from the Public Prosecutor Office (Indictment, 2010).
	Legitimate Business entrepreneurs	The group has enough companies that can carry out supporting functions.
	Brokers	Not mentioned.
	Professionals (e.g. lawyers, engineers, architects, etc.)	Lawyers help when there is legal trouble, especially when there is a problem with one of Al. P.'s associates (Indictment, 2010).
	Voters-clients	Not mentioned.
Political actor	Single	Is the political counterpart a single politician? There were single politicians that had a connection with Al. P., like a former-Interior Minister, who appointed Al. P. in SANS and who attended a scandalous meeting with the Galevi Brothers brokered by Al. P. (Monitor, 2010)
	Collective	Is the political counterpart a collective organization such as a party organization, a party faction, a party list? Party organizations (e.g. Bulgarian Socialist Party (BSP) and "Order Legitimacy Justice"). GORD, a party connected with the Galevi Brothers is supported by an organization that Al. P. is a director of (Mediapool, 2013).
	In-government actor	Is the political counterpart in government? BSP used to be the ruling party when Al. P. was appointed in SANS. OIJ and GORD are small parties which might have a couple of seats (especially OIJ) but have not participated in government.
	Opposition actor	Is the political counterpart in opposition? Yes
Level of governance	Local	Yes
	Regional	Yes
	National	Yes
Resources	Violence	What type of resources can the actors exchange? (e.g. money, protection, violence and intimidation, votes) Money, protection, violence and intimidation are the most often traded resources by the group.
	Money	Political financing There are speculations that "L. I." has financed the current ruling party GERB (Sega, 2010).
		Bribes No information.
	Information	As an official in the Ministry of the Interior and later on SANS, Al. P. had access to a lot of sensitive information. He could find any information that he needed with regard to debtors. Even when he did not work there, his connections in these institutions would provide him with information and so aided him in his criminal endeavors (Indictment, 2010).
Political rents	Favored regulation/public contracts/public funds and subsidies/privatization benefits During the government of the triple coalition headed by BSP (2005-2009), when Al. P. was working for the secret services, "L. I." received public contracts to the tune of 1.7 million leva. "L. I." received a contract to insure movable and immovable property of the Customs Agency, the automobiles of the Parliament and	

		buildings belonging to the Council of Ministers. (Mediapool, 2010).
	Impunity from law enforcement	As an official in the Ministry of the Interior and later on SANS, Al. P. was in practice untouchable. His connections in these institutions guaranteed him safety that even when he was not working there anymore. Al. P. has very good connections within the Public Prosecutor Office and he would use those to his own benefit, starting several cases against persons that filed complaints against him. Some witnesses stated that at some point filing a complaint to the police was like filing it directly to Al. P. himself (Indictment, 2010).
	Voters' control	No available information.
	Reputation and network	Police, procuracy and secret service network was used as resource for protection. Networks within the ruling elite were used as another resource used by the organization to further consolidate control over law-enforcement authorities and to obtain profitable public contracts. His reputation as a having contacts both in the criminal world and the ruling elite helped him to establish his business by intimidating many of victims to do his bidding without seeking justice. This is obvious in the fact that even after his trial began, many of the initial witnesses are afraid for their lives and do not show up for the court sessions. (TV7, 2011; Monitor, 2014)
Channels and mechanisms	Electoral politics	There are exchanges during and for elections There is no information about Al. P. engaging in the buying of votes. However, due to his extensive network, Al. P. can be useful in securing needed votes – according to a leaked recording a BSP politician was planning to use his help for that purpose (TV 7, 2012).
	Policy-making	There are exchanges in relation with the formulation, adoption and implementation of policies (e.g. public works contracts, regulations of certain sectors, law enforcement implementation) According to witness testimonies, the former-Prosecutor General N. F. orchestrated in 1999 a change in Criminal Procedure Code, which gave him the power to alter or scrape a ruling to press charges. A procurator close to Al. P. was authorized under this amendment and used this authorization to end prosecution against people close to Al. P. (Indictment, 2010). Another way Al. P. can affect policy is through the Union for Business Initiative which he is a director of. The Union is an employers' organization which was recently reinstated by the High Administrative Court as a nationally representative organization (Mediapool, 2013). This gives the Union the right to participate in three side negotiations between employers' organizations, employee syndicates and the government which have a bearing on Bulgaria's policy in the social sector.
Type of interactions	Symbiotic	Are criminal and political actors strong enough to mutually reinforce each other? As it is obvious in the public contracts that his core company "L. I." received there is some symbiosis between political actors and Al. P.'s criminal group. However, with his arrest the political costs of direct engagement with him went up and some members

		from BSP attempted to distance themselves from Al. P. (Mediapool, 2010). Nevertheless, Al. P.'s connections in the Public Prosecutor Office probably led to the fall of two of the three cases against him since indictments were not brought in court in the prescribed time limit. This happened after an amendment in the Criminal Process Code did away with the "eternal defendant" clause (Mediapool, 2014). It is unclear if this amendment was passed in order to serve Al. P.'s interests.
	Replacement	Are criminal groups strong enough to infiltrate directly the political arena by putting their own members? Al. P. sought direct involvement in the local political arena. He ran for president in 2011 but did not win many votes.
	Neutrality	Are criminal and political actors only occasionally exchange resources? No
	Gatekeeping	No
Elections	Political Finance	Do criminal groups finance electoral campaigns of candidates? No information.
	Candidate selection	Do criminal groups affect the selection of candidates? B. C. entered the European Parliament candidate list of BSP and the Movement for Social Humanism. His candidacy was taken on board after a proposal by "Union for Business Initiative", whose director is Al. P.. (Mediapool, 2013).
	Voters manipulation	Do criminal groups control voters? No information but as the incident with the recording shows, Al. P. is probably able to influence some voters.
	Electoral fraud	Do criminal groups organize electoral fraud? Not mentioned.
	Post-election bargaining	Do criminal groups affect the formation of cabinet following the elections? Not mentioned.

BG_02	Public Contracts. The Case of Z. I. (A.k.a. Z. ‘The Beret’).	
Organized crime		
Source	<p>Center for the Study of Democracy (2003). <i>The Drug Market in Bulgaria</i>. Retrieved on December 28, 2014 from: http://www.csd.bg/artShow.php?id=974</p> <p>Center for Advanced Study. <i>Shaken Order: Authority and Social Trust in Post-Communist Societies</i>. Retrieved on December 28, 2014 from: http://www.cas.bg/uploads/files/Shaken%20Order/M.%20Tzvetkova.pdf</p> <p>Bulgarian Ministry of Interior. (1 January 2005). <i>Penal Code</i>. Retrieved on December 19, 2014 from Legislature: https://www.mvr.bg/NR/rdonlyres/330B548F-7504-433A-BE65-5686B7D7FCBB/0/04_Penal_Code_EN.pdf</p> <p>Bulgarian Ministry of Interior. (8 August 2013). <i>Law of the Ministry of Interior</i>. Retrieved on December 23 2014 from: http://www.mvr.bg/NR/rdonlyres/379531D2-0059-4223-86F8-ABA9D17680D8/0/ZMVR_BG.pdf</p> <p>24 Hours (25 April 2010). <i>60 million levs profit for ‘The Firm’ of the ‘Beret’</i>. Retrieved on December 20, 2014 from 24 hours: http://www.24chasa.bg/Article.asp?ArticleId=460125</p> <p>Vesti (18 december 2014). <i>GDBOP is moving back to the Ministry of Interior</i>. Retrieved on December 23, 2014 from: http://www.vesti.bg/bulgaria/politika/prieto-na-pyrvo-chetene-gdbop-se-vryshat-v-mvr-6029169</p> <p>Mediapool (29 August 2014). Zlatko ‘The Beret’s’ 8 year sentence is decreased on Second Instance. Retrieved on December 24, 2014 from: http://www.mediapool.bg/vtorata-instantsiya-namali-8-godishnata-prisada-na-zlatko-baretata-news224250.html</p> <p>Dnevnik (23 July 2008). <i>The Company related to Zlatko ‘The Beret’ has bought scrap metal from Chelopechene after all</i>. Retrieved on December 23, 2014 from: http://www.dnevnik.bg/bulgaria/2008/07/23/529661_firmata_svrzvana_sus_zlatko_baretata_vse_pak_kupuvala/</p> <p>Capital (22 January 2010). Drug liberalization. Retrieved on December 22, 2014 from: http://www.capital.bg/politika_i_ikonomika/bulgaria/2010/01/22/846695_narkoliberalizaciia/</p> <p>Dnevnik (29 January 2013). Zlatko ‘The Beret’ – on both sides of the law. Retrieved on December 18, 2014 from: http://www.dnevnik.bg/bulgaria/2013/01/29/1992966_zlatko_baretata_ot_dvete_strani_na_zakona/</p> <p>24 Hours (13 February 2013). <i>The sister and wife of Zlatko ‘The Beret’ manage his legal business</i>. Retrieved on December 19, 2014 from: http://www.24chasa.bg/Article.asp?ArticleId=1769086</p> <p>Capital (1 February 2014). <i>Fences and thieves</i>. Retrieved on December 19, 2014 from: http://www.capital.bg/politika_i_ikonomika/bulgaria/2014/02/01/2252127_ogradi_i_apashi/</p> <p>Novinar (29 юни 2009) Zlatko Baretata will supervise the electoral process in Burgas, Retrieved on 13 February 2015 http://novinar.bg/news/zlatko-baretata-shtial-da-vsiava-red-na-izborite-v-burgas_Mjk4NDs4NA==.html?qstr=%D0%9C%D0%B8%D1%80%D0%B5%D0%BB%D0%B0%20%D0%97%D0%B0%D1%80%D0%B8%D1%87%D0%B8%D0%BD%D0%BE%D0%B2%D0%B0</p>	
Structure	Hierarchical	<p>Is the organization vertically integrated with a clear internal structure, leadership and division of labor?</p> <p>Z. I. was the leader of a drug cartel (a.k.a. The Firm), which had a clear-cut hierarchical structure. Other activities included drug trafficking, smuggling of cargo from Turkey and China, protection and racketeering of place of public resorts. The ‘Firm’ was directly governed by two people who regularly met with Z. I.. The priority for the two at the top was cocaine and heroin. One of the two was the manager of the ‘Firm’ who dealt with negotiating deals, distribution and was also a treasurer directly accountable to Z. I.. The other person was Z. I.’s first assistant and most trusted friend, who was briefed on shipments,</p>

		punitive operations and distribution. Immediately below the top were two persons dealing with heroin, marijuana and synthetic drugs. The firm had a specialized punitive squad with a leader. The 'Firm' tried to put under its influence ten of the Sofia's zones for distribution of drugs with inconsistent success. These zones are meant to copy the territorial division of District Police Offices. For each zone there was a person responsible for the distribution of drugs to street drug dealers.
	Network	Does the group resemble a network? No.
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	Does the criminal organization operate in and police a single territory? (e.g. the group controls a single district/town) Z. I.'s drug cartel 'The Firm' controlled and policed the whole city of Sofia and was divided in zones corresponding to the territorial structure of the District Police Offices.
	Functionally based	Does the criminal organization operate in and police a single sector? (e.g. construction sector, human trafficking, gambling) No. Apart from drug trafficking and drug sale, Z. I. invested in legal businesses in private security, gambling and oil trade.
Core business	Economic syndicates	Is the organization involved only in illegal business? No. Z. I. was involved in over 30 legal businesses in the sectors of gambling, private security, trade with oil, chemical and pharmaceutical products.
	Power syndicates	Is the organization involved in racketeering and protection? The drug cartel internalized violence as resource, which was employed to provide protection for drug dealers, who work under its umbrella, while rival drug dealers, who were not willing to join, were racketeered or killed. Similar protection was offered on the occasions of other illegal activities related with smuggling of goods.
Illegal activities	Types of activities	Which types of business does this criminal organization carry out? In how many and which illegal markets does it operate? Z. I. and his organization 'The Firm' is primarily involved in the drug trafficking and drug distribution market, as well as smuggling of goods and racketeering. According to research conducted by the Center for the Study of Democracy in 2003, Z. I. is one of the six drug lords in Bulgaria.
Legal activities	Types of activities	Does the organization invest its proceeds in the legitimate sector? Where? Which recycling channels does it use? Z. I. is involved in over 30 publicly known legal businesses in the sectors of gambling, private security, oil trade, chemical and pharmaceutical products. There is also a significant number of businesses registered to 'mans of straw' and controlled indirectly by Z. I. His legal businesses are mainly managed by his wife, sister and other trusted people. Officially, none of the companies are

		registered under his name. His companies are licensed and have branches all over the country, and participate in public biddings.
Continuity	Emergence	When does the organization start its activities? Z. I., a former officer in the Special Unit for Combating Terrorism at the Ministry of Interior started his crime activities in 1994 when he became one of the owners of 'Apolo and Bolkan' - an insurance firm infamous for extortion and racketeering practices throughout the 90s. It is believed that Z. I. has established his drug cartel 'The Firm' in 2003 after the disappearance of M. M.- I. and the assassination of K. D. 'Samokoveca' - two of the main players on the Bulgarian drug market.
	Continuity	How long has the organization been conducting its business? Enduring criminal organization. From 1994 Z. I. managed to conduct his business for 15 years until his arrest in 2009, followed by a failed assassination attempt in 2013.
Corruption and Organized Crime		
Actors and mechanism	Organized criminals	What type of actors operate in the criminal-political network? Z. I.'s criminal organization was involved in the following activities within the criminal-political network: - The setting up of legal companies within multiple sectors and participation in public biddings. - Bribery of public officials, including prosecutors, police and custom-house officers in return for profitable public contracts and the stealing of public material, securing of acquittals or undisrupted trafficking and smuggling.
	Politicians	- Apart from public officials, there is no information of any politicians or political party being involved in the public contracts scheme. In an interview Vanio Tanev, currently Director of the Customs Agency, says that certain people want Z. I. dead because he has too much information about corrupted judges, police officers and politicians. Tanev claims that if there was not high-level corruption people like Z. I. wouldn't exist.
	Public servants	- Mid-level and low-level public officials granted businesses related to Z. I. public contracts for buying of public resources at prices lower than the market value. - In return for payment public officials covered up the stealing of public resources by a company related to Z. I..
	Legitimate Business-entrepreneurs	Business entrepreneurs (mainly his sister, wife and trusted friends) managed Z. I.'s business empire and were proxies in illegal practices with regards to public procurement. For example, the company 'Alma-de' managed by his sister won a public contract for the purchase of scrap metal from a military base of Chelopechene. According to allegations the employees of 'Alma-de' stole tons of projectiles from the military base.
	Brokers	Not mentioned.
	Professionals (e.g. lawyers, engineers, architects, etc.)	M. I., a sister of Z. I. and a lawyer, is a manager of number of his companies and a corroborator in crime network schemes (e.g. the 'Alma-de' case described in the section 'Political

		rents') on behalf of her brother and also registered many of the legal businesses on her law firm's address. As a lawyer she also protected the interests of Z. I.'s partners in crime in lawsuits. -Employees of companies related to Z. I. were involved in the stealing of public resources.
	Voters-clients	Not mentioned.
Political actor	Single	Is the political counterpart a single politician? Single public officials were involved.
	Collective	Is the political counterpart a collective organization such as a party organization, a party faction, a party list? Not mentioned.
	In-government actor	Is the political counterpart in government? Not mentioned.
	Opposition actor	Is the political counterpart in opposition? Not mentioned.
Level of governance	Local	Not mentioned.
	Regional	In order to avoid legal prosecution, in 2009 Z. I. agreed with I. D., who was a majoritarian MP candidate of the party "Union of Bulgarian patriots" in Burgas at the moment, to become his election advocate, thus acquiring election immunity.
	National	Not mentioned.
Resources	Violence	What type of resources can the actors exchange? (e.g. money, protection, violence and intimidation, votes) -There is no information on whether violence was used in illegal activities related to public procurement.
	Money	Political financing -There is no information on whether Z. I. was involved in political financing.
		Bribes - Public officials were bribed.
	Information	Not mentioned.
	Political rents notorious	Favored regulation/public contracts/public funds and subsidies/privatization benefits In 2007 a military base in Chelopechene, which became infamous after series of deadly explosions of ammunition dumps in 2008, signed a contract with the company 'Alma-de', related to Z. I. and managed by his sister, for the purchase of 193 000 leva (approx. 98 000 euros) worth of scrap metal. Following an investigation it was found that due to corruption the price of the scrap metal was not updated since 1998, resulting in financial losses for the country. Investigation also found problems in accountability of the amount of projectiles being kept and their security. According to allegations the employees of 'Alma-de' stole tons of projectiles material before the explosion in the military base in July 2008. -One of the version, on which police authorities worked was that the explosion of the military base in Chelopechene was related to companies of Z. I. being interested in buying the terrain of the military base.
Impunity from law enforcement	-Although law-enforcement authorities on the local level provided protection for Z. I.'s drug cartel, there is no information whether public official participated in this particular	

		scheme.
	Voters' control	-There is no information whether Z. I. was involved in voters' control.
	Reputation and network	Not mentioned.
Channels and mechanisms	Electoral politics	There are exchanges during and for elections -There is no information on whether Z. I. participated in any exchanges during and for elections.
	Policy-making	There are exchanges in relation with the formulation, adoption and implementation of policies (e.g. public works contracts, regulations of certain sectors, law enforcement implementation) Not mentioned.
Type of interactions	Symbiotic	Are criminal and political actors strong enough to mutually reinforce each other? Not mentioned
	Replacement	Are criminal groups strong enough to infiltrate directly the political arena by putting their own members? Not mentioned
	Neutrality	Are criminal and political actors only occasionally exchange resources? Not mentioned
	Gatekeeping	Are political actors strong enough to control the access of criminal interests in the arena and/or to strategically use criminal resources for their own purpose? Not mentioned
Elections	Political Finance	Do criminal groups finance electoral campaigns of candidates? -There is no evidence of whether Z. I. was involved in electoral campaign financing. In an interview he denies any involvement with politicians.
	Candidate selection	Do criminal groups affect the selection of candidates? Not mentioned.
	Voters manipulation	Do criminal groups control voters? Not mentioned.
	Electoral fraud	Do criminal groups organize electoral fraud? Not mentioned.
	Post-election bargaining	Do criminal groups affect the formation of cabinet following the elections? Not mentioned.

BG_03	Elections in Dupnitsa. The Galev ‘Brothers’¹¹⁸ case	
Organized crime		
Source	<p>Gounev, P. (2012). Social Background of Organised Criminals in Bulgaria and Corruption. From Ecaterina Balica & Pascal Decarpes, <i>Violence and Crime in Europe- Social Interventions and Research Methods</i>. Bucharest: Ars Docendi.</p> <p>Bulgarian Ministry of Interior. (1 January 2005). <i>Penal Code</i>. Retrieved on December 19, 2014 from Legislature: https://www.mvr.bg/NR/rdonlyres/330B548F-7504-433A-BE65-5686B7D7FCBB/0/04_Penal_Code_EN.pdf</p> <p>Bulgarian Ministry of Interior. (8 August 2013). <i>Law of the Ministry of Interior</i>. Retrieved on December 23 2014 from: http://www.mvr.bg/NR/rdonlyres/379531D2-0059-4223-86F8-ABA9D17680D8/0/ZMVR_BG.pdf</p>	
Structure	Hierarchical	Is the organization vertically integrated with a clear internal structure, leadership and division of labor? Hierarchical structure with the Galev ‘brothers’ as leaders.
	Network	Does the group resemble a network? No
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	Does the criminal organization operate in and police a single territory? (e.g. the group controls a single district/town) The Galev ‘brothers’ primarily operated within the region of Dupnitsa and the Southwest Bulgaria.
	Functionally based	Does the criminal organization operate in and police a single sector? (e.g. construction sector, human trafficking, gambling) No. The Galev ‘brothers’ operated within different sectors such as drugs smuggling, drug trade, trafficking of women for sexual exploitation, smuggling and distribution of stolen cars, ensuring ‘duty-free’ delivery of goods across the border for legal companies (e.g. excise tax goods: oil, alcohol, or cigarettes), smuggling products of intellectual piracy (most often from China) and tax fraud.
Core business	Economic syndicates	Is the organization involved only in illegal business? No. The Galev ‘brothers’ invest in legal activities in both the private and public sector. They invest in businesses related to real estate, logistics and transport, construction and infrastructure and also participate in local politics, invest in public services, public relations campaigns and charity work.
	Power syndicates	Is the organization involved in racketeering and protection? -Using extortion, the Galevs ‘brothers’ took over various businesses in the South-western Bulgaria, particularly the Dupnitsa region. The size of their business allows them to

118 In fact their names were P. G. and A. H., but as they have been business partners and best friends for over a decade, they are known as the Galev “brothers”. For ease we refer to them either as the Galev “brothers” or the Galevs.

		have influence at national level as well.
Illegal activities	Types of activities	<p>Which types of business does this criminal organization carry out? In how many and which illegal markets does it operate?</p> <p>The organized crime group directly internalizes several illegal businesses:</p> <ul style="list-style-type: none"> - Drugs production, smuggling and trade. - The control over the channels for trafficking of women for sexual exploitation (Predominantly for Southern Europe, as the city of Milano is considered their biggest market.) - Smuggling and distribution of stolen cars - By racketeering and protection they control different restaurants, bars, taxis, glossary stores in Dupnitsa - Ensuring ‘duty-free’ delivery of goods across the border for legal companies (e.g. excise tax goods: oil, alcohol, or cigarettes) - Smuggling products of intellectual piracy (most often from China)
Legal activities	Types of activities	<p>Does the organization invest its proceeds in the legitimate sector? Where? Which recycling channels does it use?</p> <p>-The Galev ‘brothers’ invest in legal activities in both the private and public sector. They invest in businesses related to logistics and transport, construction and infrastructure and also participate in local politics, invest in public services, public relations campaigns and charity work.</p>
Continuity	Emergence	<p>When does the organization start its activities?</p> <p>The organized crime group known as The Galev ‘Brothers’ starts to function in the end of the 1990s края на 90-те when they both resign from the Ministry of Interior and establish themselves in a village close to Dupnitsa and register their first companies.</p>
	Continuity	<p>How long has the organization been conducting its business?</p> <p>From the inception of the Galev ‘brothers’ activities in 2000 to their arrest in 2008, the organization has operated for 8 years.</p>
Corruption and Organized Crime		
Actors and Mechanisms	Organized criminals	<p>What type of actors operate in the criminal-political network?</p> <p>The Galev ‘brothers’ were involved in the following activities within the criminal-political network:</p> <ul style="list-style-type: none"> - Direct financing of mayor candidate in Dupnitsa. They financed the 2005 campaign of the Bulgarian Socialist Party (BSP) mayoral candidate in Dupnitsa. - Intimidation of voters during local mayoral elections. The Galev ‘brothers’ went around poorer neighbourhoods of Dupnitsa with their bodyguards threatening the local citizens and forcing them to vote for the BSP’s mayor

		<p>candidate</p> <ul style="list-style-type: none"> - Buying of votes (P. G. even claimed to have given the BSP mayoral candidate ‘cash money’ to buy the votes he needed). -Direct participation in politics. The Galevs’ political investment was even more direct, as they funded the establishment of their own political party and won the elections through their own party. They made significant efforts in legitimizing their mayor (and themselves) by investing in local infrastructure and public services.
	Politicians	<p>Politicians provided:</p> <ul style="list-style-type: none"> - High- ranking national and local politicians provided the Galevs with protection. Minister of Interior guaranteed non-interference of national police authorities. After a complaint from the Mayor of Dupnitsa he visited the town and concluded that no organised crime structures have control of Dupnitsa. It was only a few months after this meeting that the Minister met with the Galevs. -Local politicians (the mayor from their own party) provided the Galevs with influence over local public policy by hiring them as advisors. - Local politicians and public officials on the local level provided the Galev ‘brothers’ with profitable public contracts. -Local politicians
	Public servants	<p>Politicians and Public Officials provided:</p> <ul style="list-style-type: none"> - The Local (Dupnitsa) Police Department and the head of the regional police district protected the Galev ‘brothers’ allowing them to intimidate voters and buy votes with impunity. The numerous complaints filed in police departments by victims of the Galevs never turned into prosecutions. - High- ranking national and local politicians provided the Galev ‘brothers’ with protection. -Local politicians (the mayor from their own party) provided the Galev ‘brothers’ with influence over local public policy by hiring them as advisors. - Local politicians and public officials on the local level provided the Galev ‘brothers’ profitable public contracts.
	Legitimate Business-entrepreneurs	-Not mentioned.
	Brokers	-No
	Professionals (e.g. lawyers, engineers, architects, etc.)	-Not mentioned.
	Voters-clients	-Voters were intimidated and paid by the criminal organization to vote for a particular candidate/party.
Political actor	Single	<p>Is the political counterpart a single politician?</p> <ul style="list-style-type: none"> - Political counterparts included individual politicians on the local and national level: The Minister of Interior, Dupnitsa’s Mayor from BSP and later the Mayor from the party established by the Galev ‘brothers’.
	Collective	Is the political counterpart a collective organization

		<p>such as a party organization, a party faction, a party list?</p> <p>-The political counterpart was a party. It received support from the Galevs (via intimidation of voters and financial support) for their mayor candidates. The Party also received support during parliamentary elections from the Galevs, who formed lobbies in the parliament..</p>
	In-government actor	<p>Is the political counterpart in government?</p> <p>Yes.</p>
	Opposition actor	No
Level of governance	Local	Yes
	Regional	Yes
	National	Yes
Resources	Violence	<p>What type of resources can the actors exchange? (e.g. money, protection, violence and intimidation, votes)</p> <p>Violence was used for intimidation of voters in Dupnitsa.</p>
	Money	<p>Political financing</p> <p>-Money were paid to finance electoral campaigns of mayors in Dupnitsa.</p> <p>- Money were paid to support the BSD in parliamentary elections.</p>
		Individuals from law-enforcement agencies and custom authorities were consistently bribed.
	Information	Law-enforcement agencies disclosed intelligence to the Galevs on investigations against them and warned them against raids.
	Political rents	<p>Favored regulation/public contracts/public funds and subsidies/privatization benefits.</p> <p>- Corrupted politicians and public officials on the local level provided the Galev ‘brothers’ profitable public contracts and investment in infrastructure projects and other public investments.</p>
	Impunity from law enforcement	<p>- The Local (Dupnitsa) Police Department and the head of the regional police district protected the Galev ‘brothers’ allowing them to intimidate voters and buy votes with impunity. The numerous complaints filed in police departments by victims of the Galevs never turned into prosecutions.</p> <p>-Political corruption on the national level and nationwide web of connections in police agencies gave them influence over national police authorities (e.g. protection from the Minister of Interior).</p>
	Voters’ control	Voters control was ensured via intimidation and buying of votes.
	Reputation and network	Having served in elite units (SATS, NSCOC) The Galevs had nationwide web of connections, and very strong local links to police agencies. This is the instrument they have used throughout their careers, utilizing the informal networks created during their service.
Channels and mechanisms	Electoral politics	<p>There are exchanges during and for elections</p> <p>-They financed mayoral elections on the local level as well</p>

		as parliamentary elections for the BSD.
	Policy-making	<p>There are exchanges in relation with the formulation, adoption and implementation of policies (e.g. public works contracts, regulations of certain sectors, law enforcement implementation)</p> <p>- After the candidate for Mayor from Galevs' party "Our city" won the 2007 mayoral race in Dupnitsa the Galev 'brothers' became advisors to the Mayor and profited from public contracts and further consolidated their grip on local law-enforcement police, thus ensuring a policy of non-interference.</p>
Type of interactions	Symbiotic	<p>Are criminal and political actors strong enough to mutually reinforce each other?</p> <p>- The Galev 'brothers' achieve a 'symbiotic' stage by fully integrating themselves into the local political structure of Dupnitsa (e.g. becoming advisors to the Mayor). The Galev 'Brothers' and political elites reinforce each other by financial support and services for elections (from the Galevs' side) in exchange for protection, privileged access to public contracts and influence in the public sector on the local level (from the politician's side).</p>
	Replacement	<p>Are criminal groups strong enough to infiltrate directly the political arena by putting their own members?</p> <p>- In the 2007 local elections, the Galevs formed their own local political party, called "Our city", and their candidate won the 2007 mayoral race in Dupnitsa. The Galev 'brothers' became advisors to the Mayor.</p>
	Neutrality	No
	Gatekeeping	No
Elections	Political Finance	<p>Do criminal groups finance electoral campaigns of candidates?</p> <p>- They financed the 2005 campaign of the Socialist Party mayoral candidate in Dupnitsa. (P. G. even claimed to have given the BSP mayoral candidate 'cash money to buy the votes he needed')</p> <p>- The Galev's political investment was even more direct, as they funded the establishment and won the elections through their own party. They made significant efforts in legitimizing their mayor (and themselves) by investing in local infrastructure and public services.</p>
	Candidate selection	<p>Do criminal groups affect the selection of candidates?</p> <p>- The criminal group directly affects selection of candidates for Mayors by financing electoral campaigns, buying of votes and intimidation of voters. The influence on candidate selection was even more direct when they established a political party and had a mayor candidate of their own. Their influence in supporting parties in parliamentary elections by formation of parliamentary</p>

		lobbies was far less due to the structure of Bulgarian electoral system ¹¹⁹ .
	Voters manipulation	Do criminal groups control voters? The Galev 'brothers' went around poorer neighbourhoods of Dupnitsa with their bodyguards threatening the local citizens and forcing them to vote for the BSP mayoral candidate
	Electoral fraud	Not mentioned.
	Post-election bargaining	Do criminal groups affect the formation of cabinet following the elections? After their own mayor was elected the Galevs directly influenced the mayor's cabinet by electing themselves as his advisors.

¹¹⁹The election system is based on proportional not majority based system. Therefore the election campaign requires support for individual candidates that could later form the lobby. The same candidate could also appear in different electoral lists and is not solely dependent on the particular region.

HU_01	“Black Army” (The criminal organization of Magyar)	
Source	See below, at the end of the reports. (References)	
Organized crime		
Structure	Hierarchical	Yes, the organization is structured hierarchically and vertically as well. It has a clear hierarchy: on the top R. M., the leader who make decisions and . Under him there are some trusted person who also take partly part in decision-making. Than the leaders of subgroups, alias executors instructed the soldiers to execute the order properly. Sometimes outsider soldiers (mainly assassins) were involved. Next to the executors a finance department were responsible for money-laundering. According to vertical hierarchy the organization had division on the one hand based on the type of illegal activity, and on the other hand based on territories.
	Network	The organization was operating in a well-structured network system throughout the country.
Nationality	Local	Yes. The organization is operating in different, but well-located parts of Hungary with a Budapest headquarters.
	Foreign	No. In the scope of the activities there is the taxing of illegal cigarette trade over the Hungarian and Ukrainian border. So the organization has some international relations but primarily oriented in Hungary. Although after Magyar's escape in 2010, he comitted other violent crimes in Spain, and he could have comitted other crimes between 2010-2012 because Swtzerland, Iceland and Norway also asked for his extradition when he was finally caught in 2012.
Type	Territorially based	Yes. There were several headquarters in the countryside like in Miskolc, Szekszárd, Szeged or Debrecen. These territories had there own leaders and also were functionally based at the same time.
	Functionally based	Yes, the organization was divided by the type of illegal activities, by prostitution, drug-smuggling, cigarette-smuggling and protection money. These territories had there own leaders and also were territorially based at the same time.
Core business	Economic syndicates	No, because R. M.ran a disco and a casino (Colosseum Disco and Casino) at the same time. These legal services make place for money-laundering.
	Power syndicates	Yes, the organization’s main activity were giving protection to anybody who asked for it. Probably racketeering was involved as well, albeit no evidence was found for this.
Illegal activities	Types of activities	Collecting protection money, drug-smuggling, prostitution, taxing illegal cigarette-smuggling from Ukraine, money-laundring. Give protection to anybody who asks for and arrange variances and arguments between other criminal organizations, criminals.
Legal activities	Types of activities	Ran Coloseum Disco and Colosseum Casino.
Continuity	Emergence	The organization became organized in 2002 when R. M.was released from prison.

		That time the headquarter was moved from Edelény to Budapest. Before 2002 the R. M. also was the head of a criminal group in Edelény. The criminal organization partly emerged from this gallery.
	Continuity	2002-2006 In 2006 the court of first instance adjudicated but R. M. was hiding from authorities until 2012. In 2014 the arbitrament remained the same. Magyar was sent to life-imprisonment and other members of the organization also were sentenced for different periods.
Corruption and Organized Crime		
Actors	Organized criminals	All the members were criminals or had criminal background. Most of them were R. M.'s partner in the gallery in Edelény or acquaintances from prison. Some was indebted to Magyar mostly for protection.
	Politicians	It was not attested that politicians were involved but it is probable.
	Public servants	No
	Legitimate Business-entrepreneurs	Yes
	Brokers	Probably Yes
	Professionals (e.g. lawyers, engineers, architects, etc.)	Yes
	Voters-clients	No
Resources	Violence	Protection, violence and intimidation are the basic activities of the organization.
	Money	No Bribes no or not proved the existence of bribes.
	Information	No
	Political rents	No.
	Impunity from law enforcement	No
	Voters' control	No
Channels	Electoral politics	No
	Policy-making	No
Type of interactions	Symbiotic	N
	Replacement	No
	Neutrality	Yes
	Gatekeeping	No
Political actor	Single	Probable yes
	Collective	No
Political actor	In-government actor	Not proven.

	Opposition actor	Not proven.
Level of governance	Local	Yes
	Regional	Yes
	National	No
Elections	Political Finance	No
	Candidate selection	No
	Voters manipulation	No
	Electoral fraud	No
	Post-election bargaining	No

References - Black Army

Zsigmond Csaba (2012): "Notes of an investigation against a criminal organisation, or how to end a criminal organisation" *Rendvédelem* Year 1. Issue 1. Downloaded from:

<http://www.rvki.hu/images/downloads/rentudfoly/2012-i.pdf>

Download date: 2014. 10. 05. 19:36.

<http://www.origo.hu/itthon/20140122-nincs-tovabb-magyar-robert-orokre-bortonben-marad.html>

http://index.hu/belfold/2014/01/22/magyar_robert/

http://index.hu/belfold/2013/04/24/nem_tartja_magat_bunosnek_a_fekete_sereg_fovezere/

http://index.hu/belfold/2012/09/03/svajc_izland_es_norvegia_is_akarta_magyar_robertet/

http://index.hu/belfold/2010/01/26/het_rendort_terhel_felelosseg/

http://hvg.hu/itthon/20100618_nagyar_robert_kaszino

HU_02	The Eclipse Case (Public Procurement on Vehicle Information Checking and Tax Fraud in Hungary)	
Source	See below, at the end of the reports. (References)	
Organized crime		
Structure	Hierarchical	The organization has some vertically integrated structure, but it has to be very flat.
	Network	It is more like a network. Members from the Ministry of Internal Affairs has strong ties with former members of the Hungarian Intelligence Services. These Ministry officials gave their companies overvalued public procurements and classified the whole process. After it they classified the money laundering of the network members.
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	No, but it was centered in Budapest.
	Functionally based	Specific sector was infiltrated (IT and security services). In this case, corrupt exchanges were designed along the real and fictional needs of the Ministry of Internal Affairs in the mentioned sectors.
Core business	Economic syndicates	No
	Power syndicates	The networks is involved in racketeering.
Illegal activities	Types of activities	The networks main activity was tax fraud, money laundering and bribery regarding public procurements. It is realistic, that they are involved in homicide as well.
Legal activities	Types of activities	Technical vehicle information checking, biometrical identification and other related IT services were their main activity.
Continuity	Emergence	

		In this case their first evident step was in 2003.
	Continuity	As the whole group was acquitted or never held before trial, they could operate from 2003 till now. Although their main legal company was shut down in 2010.
Corruption and Organized Crime		
Actors and Mechanisms	Organized criminals	The network members were involved in several activities within the network: <ul style="list-style-type: none"> - Information and contacts brokerage between institutional and not-institutional actors of the network; - Setting pre-bargained public procurement contracts - Tax fraud and money laundering through fake invoices.
	Politicians	<ul style="list-style-type: none"> - Design of a tailor-made bid, in fact, they were the only bidders, because the Ministry of Internal Affairs made the whole issue to the level of national security - Classify the whole process, and the police investigations - Obstruct the investigations - Remove certain investigators from the police force - Politicians provide “clean” companies all the legal and formal requirements to participate to public tendering and procedures;
	Public officials	<ul style="list-style-type: none"> - Design of a tailor-made bid, by setting specific constraints or exclusion clauses (e.g. economic and technical requirements imposed on participants) and selection procedure (private treaty). - Favored monitoring of contract execution.
	Legitimate Business-entrepreneurs	Unknown
	Brokers	<ul style="list-style-type: none"> - No fourth part brokers are known. As the investigation is classified, we can only assume, that only the network members were acting as brokers and enforcers.
	Professionals (e.g. lawyers, engineers, architects, etc.)	<ul style="list-style-type: none"> - White collar workers and professionals belonging to the public and private sector contribute to the network by creating “clean” businesses or temporary associations of companies which will act as contractors or subcontractors;

		- Favored monitoring of contract execution.
	Voters-clients	-
		-
Resources	Violence	Probable use of violence to kill a quitting member.
	Money	Money were probably paid to finance political activities of both of the two big parties, as they keep on voting unanimously for somehow erase the whole case.
		Bribes were probably paid to public officials and public professionals, but not essentially.
	Information	The exact information exchanges are unknown due to the classification of the investigation. But it's highly probably, that the network changed the regulation in order to give certain real or completely unnecessary public procurements to the members of the network.
	Political rents	Favored regulation in relation with companies' requirement to access public procurement contracts / public bid design favoring the pre-selected company / public contracts awarding
	Impunity from law enforcement	The investigation of the national police force was obstructed, certain important members of the network were taken out from the investigation at once. Later the whole investigation was classified and the leading detective was terminated. The investigation still goes on.
	Voters' control	
Channels	Electoral politics	Not mentioned
	Policy-making	Corruption network involving public officials in the Ministry of Internal Affairs, white-collar workers in the IT sector and national politicians. The network aimed at infiltrating and manipulating public contracts and procurements. The mechanism was to write classified and

		heavily overvalued public procurements for only one company. The Ministry wrote a public procurement even for a software they already had.
Type of interactions	Symbiotic	The politicians with the public officials and the corrupt entrepreneurs with the former Intelligence members both reinforced themselves by exchanging services and resources. The first group played a regulatory role, by setting contract conditions among the actors and by enforcing the same contracts. The latter gave them some real or fake IT services and laundered the money.
	Replacement	No
	Neutrality	No
	Gatekeeping	Neither groups could fully internalize the network, and as the investigation is classified, it is not exactly clear which group played the dominant role or where the money have disappeared. Although, the investigation process and timing (just before the elections) shows, that the politicians could have played the bigger role, and use the whole network for mainly their purpose.
Political actor	Single	No
	Collective	As the investigation is classified it is unclear who got the money from the criminal activities. Although after a few weeks, both the governing party members and biggest opposition party members tried to keep the whole case quiet. First, the oppositions party's television channel made strong efforts to defile one of their leading member strongly involved in the case, but it suddenly stopped after a few weeks.
Political actor	In-government actor	Politicians were involved, who were members of the governing party.
	Opposition actor	There were politicians involved, who were members of the biggest opposition party.
Level of governance	Local	No
	Regional	No
	National	The involved procurements were always centralized to the Ministry of Internal Affairs, and they were about national level issues.
Elections	Political Finance	Unknown

	Candidate selection	No
	Voters manipulation	No
	Electoral fraud	No
	Post-election bargaining	No

References - Eclipse case (all documents were downloaded in 2014.11.07.)

Antagon (2009): *Egy Figyelő-cikk margójára*, antagon.blog.hu, 2009.08.07.
http://antagon.blog.hu/2009/08/07/egy_figyelo_cikk_margojara

GVH (2008): *A GVH álláspontja a kötelező eredetiségvizsgálat szabályozásáról, a szabályozás működéséről, és a piacról*, GVH Tanulmányok, October 2008.
http://www.gvh.hu/gvh/elemezések/gvh_tanulmányok/5530_hu_a_gvh_allasponjtja_a_kotelezo_eredetisegvizsgalat_szabalyozasarol_a_szabalyozas_mukodeserol_es_a_piacrol.html

Index (2011a): *A BM-ben maradt a felmentett helyettes államtitkár*, Index.hu, 2011.10.03.
http://index.hu/belfold/2011/10/03/meg_mindig_a_bm-ben_dolgozik_a_felmentett_helyettes_allamtitkar/

Index (2012a): *Vádat emeltek az Eclipse-ügyben*, Index.hu, 2012.01.03.
http://index.hu/belfold/2012/01/03/vadat_emeltek_az_eclipse-ugyben/

Index (2012b): *Ötmillió díjat tűztek ki a kézigránatos robbantó fejére*, Index.hu, 2012.02.27.
http://index.hu/belfold/2012/02/27/otmillios_dijat_tuztek_ki_a_kezigranatos_robbanto_fejere/

Index (2012c): *Megkezdődött Eclipse-ügy büntetőpere*, Index.hu, 2012.03.27.
http://index.hu/belfold/2012/03/27/megkezdozott_eclipse-ugy_buntetopere/

Index (2013a): *Ferrari-foglalással indult 3 éve az Eclipse-ügy*, Index.hu, 2013.01.07.
http://index.hu/belfold/2013/01/07/lendulettes_ferrari-foglalassal_indult_3_eve_az_eclipse-ugy/

Index (2013b): *Felmentették az Eclipse-ügy vádlottait*, Index.hu, 2013.01.08.
http://index.hu/belfold/2013/01/08/eclipse_itelethez/

Népszabadság (2010a): *Eclipse-ügy: sokaknak szemet szűrt a pénzmosás*, Népszabadság, 2010.03. 17.
http://nol.hu/gazdasag/20100317-eclipse-ugy__sokaknak_szemet_szurt_a_penzmosas-586871

Népszabadság (2010b): *Eclipse-ügy: Ignác István cáfolja, hogy eljárás folyik ellene* Népszabadság, 2010.05.05.
http://nol.hu/archivum/eclipse-ugy__ignacz_istvan_cafolja__hogy_eljaras_folyik_ellene-650821

Népszabadság (2011): *Eclipse-ügy: gyanúsított gyanúsítók*, Népszabadság, 2011.07.15. http://nol.hu/belfold/20110715-gyanusított_gyanusítók-1136821

Figyelő (2009a): *Titkosan drágább*, Figyelő, 2009.08.05. http://figyelo.hu/cikkek/160398_titkosan_dragabb

Figyelő (2009b): *Nagy üzlet a titkosított közbeszerzés*, Figyelő, 2009.08.05.
http://figyelo.hu/cikkek/160221_nagy_uzlet_a_titkosított_kozbeszerzes

Figyelő (2010a) *Szilveszteri mulatság*, Figyelő, 2010.01.26. http://figyelo.hu/cikkek/146142_szilveszteri_mulatsag

Figyelő (2010b): *Az Eclipse szoftverét kell használni*, Figyelő, 2010.03.31.
http://figyelo.hu/cikkek/140413_az_eclipse_szoftveret_kell_hasznalni

HU_03	The Portik case (The criminal organization of Portik and its political ties)	
Source	See below, at the end of reports. (References)	
Organized crime		
Structure	Hierarchical	Regarding his whole career we might say it was a hierarchical organization: Portik was the head of his organization, had some subordinates, gave them the instructions. In the case of Portik-Laborc meeting: less participants, the relation between Portik and Laborc it was more like cooperation.
	Network	Yes
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	Does the criminal organization operate in and police a single territory? (e.g. the group controls a single district/town) NO
	Functionally based	Regarding the whole career: On one hand Portik was interested in “oil-mafia”, they bleached back to yellow the tinted, poor quality oil and sold it as gasoline. On the other hand several homicides can be related to his name as an abetter (Prisztás-case, detonation in Aranykéz street, Seress-case). Regarding the Portik-Laborc meeting: they had the intention to influence the national elections (but was not literally functionally based).
Core business	Economic syndicates	Regarding the whole criminal carrer as part of the ‘oil-mafia’ Portik was involved in illegal oil business: bleacing back the oil to yellow and sell it as a good quality gasoline.
	Power syndicates	Regarding the Portik-Laborc meeting they aimed to influence the national elective with racketeering the political elite of the governing party (even with artificially generated scandals). Albeit they didn’t manage to do that.
Illegal activities	Types of activities	‘Oil-mafia’, prostitution, owner of several different enterprises (e.g. took part in nightlife activities, so leaded discos and party places), real estate land speculation, wish to influence the results of national elections.
Legal activities	Types of activities	No
Continuity	Emergence	Portik started as a safe-cracker, but was involved in organized crime with oil-business, the Energol Ltd. Was founded in 1994. Both of the Portik-Laborc meetings were in June 2008.
	Continuity	Portik was the head of Energol Ltd. Until 1997 after that he escaped and lurked with his family in Europe.He was arrested in 2012.
Corruption and Organized Crime		
Actors	Organized criminals	- ‘oil-mafia’: they bleached back to yellow the tinted, poor quality oil and sold it as gasoline -commit homicides (as an abetter): Prisztás-case, detonation in Aranykéz street,

		Seress-case -willingness to influence the results of the national elections in Hungary in 2010
	Politicians	Probably yes.
	Public servants	S. L. was the executive of the “Nemzetbiztonsági Hivatal” (National Security Office) and was willing to cooperate with Tamás Portik
	Legitimate Business-entrepreneurs	Yes
	Brokers	No
	Professionals (e.g. lawyers, engineers, architects, etc.)	Yes
	Voters-clients	No
Resources	Violence	Some of those who were obstacles for Portik, made bad for his business, confessed against him etc. were murdered (József Prisztás, Tamás Boross, Zoltán Seress)
	Money	Political financing Probably yes
		Bribe Probably yes
	Information	He gave information about real and artificial scandals of governing party politicians to S. L.
	Political rents	Favored regulation/public contracts/public funds and subsidies/privatization benefits No
	Impunity from law enforcement	No
	Voters' control	Unsuccessful try
Channels	Electoral politics	Portik and Laborc wanted to influence the results of the national elections in Hungary in 2011. Portik gave information about real and artificial scandals of governing party politicians to S.L..
	Policy-making	No
Type of interactions	Symbiotic	Portik and Laborc wanted to influence the results of the national elections in Hungary in 2011. Portik gave information about real and artificial scandals of governing party politicians to S.L..
	Replacement	No
	Neutrality	Just for the national elections in Hungary in 2010.
	Gatekeeping	No
Political actor	Single	Probably yes
	Collective	Probably yes
Political actor	In-government actor	Yes
	Opposition actor	No

Level of governance	Local	Yes
	Regional	Yes
	National	Yes
Elections	Political Finance	Probably yes
	Candidate selection	Portik and Laborc wanted to influence the results of the national elections in Hungary in 2011. Portik gave information about real and artificial scandals of governing party politicians to S.L..
	Voters manipulation	Unsuccessful try
	Electoral fraud	Portik and Laborc wanted to influence the results of the national elections in Hungary in 2011. Portik gave information about real and artificial scandals of governing party politicians to S.L..
	Post-election bargaining	No (It had just remained an intention.)

References - The Portik case

<http://valasz.hu/itthon/itt-a-teljes-portiklaborc-jegyzokonyv-63127>

<http://nol.hu/belfold/sok-huho-semmiert-1450705>

<http://www.origo.hu/itthon/20140210-itelet-a-prisztas-gyilkossag-ugyeben.html>

<http://www.origo.hu/itthon/20130501-m1-hirado-portik-tamas-allhatott-a-kosa-lajos-ellen-indult.html>

<http://www.origo.hu/itthon/20140218-a-bortonben-hallgattak-ki-portikot-a-parlamenti-kepviselok.html>

<http://www.origo.hu/itthon/20140210-itelet-a-prisztas-gyilkossag-ugyeben.html>

<http://www.origo.hu/itthon/20130705-letoltendo-bortonre-iteltek-első-fokon-szilvasy-gyorgyot-a-kemugyben.html>

http://mandiner.hu/cikk/20130424_nyilvanosak_a_portik_laborc_jegyzokonyvek

http://nol.hu/belfold/portik-laborc_ugy_feloldottak_a_bizottsagi_meghallgatas_jegyzokonyveinek_titkossagat-1382363

<http://mno.hu/belfold/az-mnohu-megszerezte-a-laborcportik-talalkozok-leiratait-1156227>

<http://www.origo.hu/itthon/20130423-a-laborc-sandor-es-portik-tamas-kozott-zajlo-első-beszelgetes.html>

<http://valasz.hu/itthon/az-ujgazdag-reteg-idealis-celpontja-lett-a-vagyon-elleni-buncselekmenyek-elkovetoinek-52352/>

<http://valasz.hu/itthon/a-ketes-figurak-csupan-a-rendkivuli-jovedelmezoseget-latva-kapcsolodtak-be-az-uzletagba-52389/>

<http://valasz.hu/uzlet/uzleti-tevekenysegu-fokeppen-az-eroszakra-epult-52482/>

<http://valasz.hu/uzlet/az-akciok-csupan-reszeredmenyeket-hoztak-52519>

<http://valasz.hu/uzlet/magyarorszagra-tevodott-at-a-heroincsempeszes-balkani-utvonala-52618>

<http://valasz.hu/uzlet/a-ketpolusu-alvilag-magyar-szegmense-szetzilalodott-es-benyomultak-az-oroszok-52640/>

<http://valasz.hu/uzlet/felbukkan-a-belugyminiszter-neve-is-52672/>

<http://valasz.hu/uzlet/robbannak-a-bombak-likvidaljak-a-szereploket-52675/>

The first tapped Portik-Laborc meeting's documents: <http://www.origo.hu/attached/20130423doc1.pdf>

The second tapped Portik-Laborc meeting's documents <http://www.origo.hu/attached/20130423doc2.pdf>

http://index.hu/belfold/2014/02/10/portik_prisztas_gyilkossag_itelet/

http://hvg.hu/itthon/20130502_Valaki_hazudik_Kosat_meg_a_PortikLaborc

The Hungarian Prosecution's indictment in the Portik case - registration nr. 3208/2013/1-I.
Prosecution's registration nr. 576

HU_04	Vote purchasing in Hungary from the 2000s, focused on the <i>Local Interim Election in Baja, 2013.</i>	
Source	See below, at the end of reports. (References)	
Organized crime		
Structure	Hierarchical	<p>Vote purchasing has a clear hierarchical structure because parties have hierarchical and (regarding FIDESZ the current governing party) centralized structure.</p> <p>Because vote purchasing is risky tool for winning elections it has to be allowed from the top of the parties and because of the risk the actors try to hide away. The process of hiding away of evidences reinforce the hierarchical structure, because politicians try to keep away from themselves these issues and incorporate new levels (entrust brokers to manage the organizing work) in the whole system.</p> <p>In case of local politics and local elections the length of the hierarchy narrower, especially in small villages, where the dependencies are higher.</p>
	Network	Political parties have hierarchical and centralized structures; therefore we can't speak about networks in this case.
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	<p>Political parties operate within a country. Their actions territoriality in this case is a country, Hungary. The hierarchical structure refers to the different parts of the country and the territory refers to the voting areas or the settlements.</p> <p>Vote purchasing is possible in three cases:</p> <ul style="list-style-type: none"> - Parliamentary election - Municipal election - Referendums (in Hungary there were four since 1989) <p>(PE and ME could be interim elections, too.)</p> <p>In case of municipal election the voting areas are smaller than the parliamentary elections, and regarding the election of mayors it depends on the settlement's size</p> <p>- even though interim local elections could became nationally important –as in our case– before the parliamentary elections for the reason of political competition.</p>

	Functionally based	Politics and power is a main function within our society in this sense vote purchasing is functionally based.
Core business	Economic syndicates	No
	Power syndicates	Previous vote purchasing issues appeared on the agenda often just one or two years later when parties tried to influence the actual political situation. Basically in Hungary both big parties: MSZP and FIDESZ are concerned in vote purchasing issues, it is accidental who could use it influencing the agenda.
Illegal activities	Types of activities	Vote purchasing is fully illegal by the law. Its relation with usury is also illegal, but the last one is essential for the poor roma communities.
Legal activities	Types of activities	No
Continuity	Emergence	Before 1989 the form of government was socialism in Hungary. Although there were parliamentary elections (between 1956 and 1989 seven) mostly there was only one candidate, so there was no chance to manipulate the results.
	Continuity	We traced back evidences to the 2000s, and we see that it occurred at all of the elections. (See the attached map regarding its presence territorially in Hungary.)
Corruption and Organized Crime		
Actors and Mechanisms	Organized criminals	Usurers can participate in vote purchasing but they are not necessarily organized criminals.
	Politicians	Politicians, mostly mayors are the main actors of vote purchasing but they try keep themselves as far as it is possible.
	Public officials	No
	Legitimate Business-entrepreneurs	In some cases local entrepreneurs supporting the mayor's campaign indicate how their employees should vote at the

		election. (Therefore they can receive further work from the local authorities.)
	Brokers	The role of brokers can be interpreted within the roma community. Their leaders belong to or leader one of the roma parties, and they can intermediate between politics and poor people.
	Professionals (e.g. lawyers, engineers, architects, etc.)	No
	Voters-clients	
Resources	Violence	Violence would be counter-productive is not applied in case of vote purchasing. But controlling the votes is an important issue, because the act of vote happens in a secret situation.
	Money	Money is paid for votes for (usually) poor people. Recently the cost of votes around 2000 HUF in Hungary. (cca seven euro.)
		Vote purchasing happens not all the time by money. It is common, that the price of votes is paid by food or fuel for heating in winter.
	Information	The main aim to keep the vote-purchasing process as secret as it is possible. Technological changes offer new possibilities for recording evidences. Taking audio and visual records became more easy that is why vote purchasing more risky than it is was ten years ago.
	Political rents	Those people, whose votes are paid by money or natural resources, are usually poor ones and the question of any types of political rents don't appear, the exchange is social support or the possibility of public work.
	Impunity from law enforcement	It is really rare that somebody is convicted because of vote purchasing. Looking at the juridical rules it is typical that nobody is sentenced for vote purchasing just for violation of campaign silence. This happened in the case of Baja.
	Voters' control	As mentioned at violence, control of the voters is an important issue. Regarding roma people the "gypsy oath" is the main controlling device. It means that they have to take a serious oath where they have to take a statement: their children will be goddam if they violate this oath.

Channels	Electoral politics	No
	Policy-making	No
Type of interactions	Symbiotic	No
	Replacement	No
	Neutrality	No
	Gatekeeping	Some cases politicians are strong enough controlling alone or with the resources of their parties the vote purchasing issues. It happens when they offer public work in return for vote. In case of Roma people usurers are often used or other influenced people involve the process of buying votes.
		In case of vote purchasing we can't speak about interactions, because it is limited to the election. Of course there is a forced exchange e.g. the right vote and the possibility participating in public work.
Political actor	Single	Yes
	Collective	Whole parties' organization can stand behind the act of vote purchasing. In case of Baja, especially the story of the fake video signals that it is not about only the local politicians.
Political actor	In-government actor	Yes. Vote purchasing occurs in-government actor as in Baja, and opposition actor as in Fót, some months later.
	Opposition actor	Yes
Level of governance	Local	Yes – Level of governance means the actual level of the (direct) election.
	Regional	Yes
	National	Yes
Elections	Political Finance	No
	Candidate selection	No
	Voters manipulation	Vote purchasing is definitely manipulation of voters.
	Electoral fraud	As a consequence vote purchasing is an electoral fraud, but usually those people who are bought in case of parliamentary election usually has no information at all about the candidate in case of municipal election its consequences are more visible. (They know the candidate or the major, and through the resource of public work they have strong influences.)
	Post-election bargaining	No

HU_05	The Zuschlag-case - Malversation and fraud with tenders	
Source	See below, at the end of reports. (References)	
Organized crime		
Structure	Hierarchical	No
	Network	It is supposed that the group was influenced from above higher political pressure group. In the group there is no clear hierarchy just the head (Zuschlag) and others can be separated clearly.
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	No
	Functionally based	Maleversations and frauds related to tender money (even from the state, from foundations and from EU support)
Core business	Economic syndicates	No
	Power syndicates	Racketeering can be taken into consideration as the tender money was divided into proportions among the head of the group, the conveyer, and the officials at the government.
Illegal activities	Types of activities	Fraud
Legal activities	Types of activities	No (The group didn't ploughed back money to legal activities money just was laundered.)
Continuity	Emergence	1995 – The network of left-wing youth organizations were founded.
	Continuity	From 1995 until 2007, until the start of the trial
Corruption and Organized Crime		
Actors	Organized criminals	No
	Politicians	Members of left-wing youth organizations were involved as like the higher executives from left- and right-wing parties (the two parties changed each other in the governmental position).
	Public servants	Only left-wing public servants were included from the youth organizations.
	Legitimate Business-entrepreneurs	No
	Brokers	No
	Professionals (e.g. lawyers, engineers,	Yes

	architects, etc.)	
	Voters-clients	No
Resources	Violence	No
	Money	Tender money was divided into smaller proportions and the contemporary government was also part of this process.
		Bribes Yes
	Information	No
	Political rents	The head of the group had his connections at foundations and at the state to make easier winning the tender money.
	Impunity from law enforcement	No
Voters' control	No	
Channels	Electoral politics	No
	Policy-making	The group recruited fictive members for new fictive (and non-fictive) organizations in favor of money (after a while the organizations in the most frequented county were dissolved). Money laundry is a typical form of white-collar crime.
Type of interactions	Symbiotic	No
	Replacement	No
	Neutrality	No
	Gatekeeping	Yes
Political actor	Single	There are members of the group who are personally involved.
	Collective	Impliedly the whole left-wing were part of it, at least they knew about money laundry, but many was directly concerned.
Political actor	In-government actor	Yes, from 1995 until 2007 there were left- and right- wing parties as well (1998-2002: right-wing, otherwise left-wing)
	Opposition actor	Yes
Level of governance	Local	Yes
	Regional	Yes
	National	Yes (EU tenders were also part of the story)
Elections	Political Finance	Probably yes
	Candidate selection	No
	Voters manipulation	No
	Electoral fraud	No
	Post-election bargaining	No

References - Zuschlag case

<http://mno.hu/belfold/feloszlatja-zuschlagek-szervezetet-az-mszp-elnoksege-415051>

http://hu.wikipedia.org/wiki/Zuschlag_J%C3%A1nos

<http://www.jogiforum.hu/hirek/18795>

http://mno.hu/migr_1834/folytatodik-a-vasi-botrany-586910

<http://index.hu/belfold/hill0123/>

<http://www.es.hu/?view=doc:26913>

http://www.nyugat.hu/tartalom/cikk/36506_zuschlag_toth_csaba_fiktiv_mszp_tagbeleptetes_vas

<http://www.origo.hu/valasztas2014/20140317-interju-zuschlag-janossal.html#>

http://index.hu/belfold/2011/01/31/zuschlag_jogerosen/

http://hvg.hu/itthon/20100217_zushlag_vedoje_perbeszed

http://hvg.hu/itthon/20100126_zuschlag-per

http://hvg.hu/itthon/20091007_zuschlag_per_szervezetek_penz

http://hvg.hu/itthon/20091005_zuschlag_per

http://hvg.hu/itthon/20090923_zuschlag_janos_lados_istvan

http://hvg.hu/itthon/20090707_zuschlag_per_mszp_partalapitvany

http://hvg.hu/itthon/20090225_zuschlag_per_egyesulet

<http://www.origo.hu/itthon/20071019-eupenzeket-is-kaptak-a-zuschlagugy-gyanusitottjai.html>

<http://www.korrupedia.hu/index.php?title=Zuschlag-%C3%BCgy>

<http://www.origo.hu/itthon/20081008-szerdan-kezdodik-a-zuschlagper.html>

http://hvg.hu/itthon/20110114_utoolso_szo_joga_zuschlag

HR_01	Infiltration in public service contracting. The “Pripuz case”	
<p>JUDICIAL ACTS/SOURCES:</p> <ul style="list-style-type: none"> a. Decision on initiation of an investigation against 16 accused and 2 trade associations. October 21st 2014. Office for the Suppression of Corruption and Organised Crime (USKOK). b. A verdict of abandonment, August 22nd 2003. Supreme Court of the Republic of Croatia. Reference number: I KŽ-531/03-17. c. First-instance verdict against Nikica Jelavić and others. November 26, 2002, County Court of Zagreb, Reference number: K-101/00. d. A verdict in a criminal case against Munir Podumljak on the occasion of a private lawsuit made by Petar Pripuz. December 9th, 2009. Municipal criminal court of Zagreb. Reference number: XIX K-50/08. e. Nezirović, V. (2014) Bandic set up a job worth 7.5 million HRK to the <i>King of Waste</i>, Petar Pripuz. Jutarnji list. October 10th. 		
Organised crime		
Structure	Hierarchical	Although the organisation is not fully vertically integrated which suggests that no top-level leader is present, it looks as though there are two figures who are dominant in this group – Nikica Jelavić and Zoran Pripuz (Jutarnji list, October, 2014).
	Network	It is a network of hidden influences, interests and exchange relationships with a plurality of other criminal entities/subjects and institutional/economic actors, mostly on local level (City of Zagreb).
Nationality	Local	Yes.
	Foreign	No.
Type	Territorially based	The criminal organisation operates mostly in Zagreb, neighbourhood Knežija.
	Functionally based	The legal economic sector was heavily infiltrated by the members of this criminal organisation through public procurement procedures and the privatisation of public services (waste management).
Core business	Economic syndicates	No.
	Power syndicates	Yes. The core business is realised through extortion pressure towards entrepreneurs and protection racket in public works and contracts for services.
Illegal activities	Types of activities	Racketeering, extortion, loan sharking
Legal activities	Types of activities	Public contracts for Waste disposal services. Construction sector. The City of Zagreb is heavily infiltrated by the criminal network. USKOK initiated an investigation on

		business relations between the City of Zagreb and the C.I.O.S. Group ¹²⁰ , stating “there is a reasonable suspicion that the leadership of the City of Zagreb, including Mayor Milan Bandić, were contracting the C.I.O.S. group without implementing the public procurement procedure”
Continuity	Emergence	The CO started its criminal activities during the '90s
	Continuity	
Corruption and Organised Crime		
Actors	Organised criminals	“..it is clear that there is not only a family tie between Petar Pripuz (C.I.O.S. group owner) and Zoran Pripuz, but as well a mutual and joint business relationship“ (Reference number: XIX K-50/08).
	Politicians	There is a reasonable suspicion that politicians at the City of Zagreb level provided the opportunity of illicit profit in the public sector to the criminal organisation, by contracting them without any prior procedure. Just for the period from October 2013 to May 2014, USKOK estimates that the unlawful gain obtained by the C.I.O.S. group amounts around 210.000 EUR.
	Public servants	There is a reasonable suspicion that public managers and CEOs of public enterprises have contracted the C.I.O.S. group for waste management services in expeditious proceedings, without any procedure.
	Legitimate Business-entrepreneurs	Zoran Pripuz’s brother Petar Pripuz acts as a legitimate business-entrepreneur, owner of C.I.O.S. group.
	Brokers	No.
	Professionals (e.g. lawyers, engineers, architects, etc.)	No.
	Voters-clients	No.
Political actor	Single	Yes. Mayor of Zagreb, Milan Bandić.
	Collective	No.
	In-government actor	No.
	Opposition actor	No.
Level of governance	Local	Yes. City of Zagreb, Enterprises owned by the City.
	Regional	No.
	National	No.
Resources	Violence	Money, power.
	Money	Political financing – unknown.
		Bribes – unknown.

¹²⁰ A number of companies dealing with waste disposal services owned by Zoran Pripuz’s brother; Petar Pripuz.

	Information	No.
	Political rents	Public contracts for waste management services.
	Impunity from law enforcement	No.
	Voters' control	No.
	Reputation and network	No.
Channels and mechanisms	Electoral politics	No.
	Policy-making	There were exchanges in relation with the implementation of policies (e.g. public works contracts)
Type of interactions	Symbiotic	Yes. There is a reasonable suspicion that the Mayor of Zagreb, the CEO of Zagreb Holding and the Special adviser for Waste management in the City of Zagreb, by abusing their position and authority and in deal with Petar Pripuz, have ordered public contracting for waste services without any procedure.
	Replacement	No.
	Neutrality	No.
	Gatekeeping	No.
Elections	Political Finance	No.
	Candidate selection	No.
	Voters manipulation	No.
	Electoral fraud	No.
	Post-election bargaining	No.

HR_02	Infiltration in public procurement. The “Osijek Koteks case”	
<p>JUDICIAL ACTS/SOURCES:</p> <ul style="list-style-type: none"> a. A verdict of abandonment, August 22nd 2003. Supreme Court of the Republic of Croatia. Reference number: I Kž-531/03-17. b. First-instance verdict against Nikica Jelavić and others. November 26th 2002., County Court of Zagreb, Reference number: K-101/00. c. A verdict in a criminal case against Munir Podumljak on the occasion of a private lawsuit made by Petar Pripuz. December 9, 2009. Municipal criminal court of Zagreb. Reference number: XIX K-50/08. d. Nezirović, V. (2014) Bandic set up a job worth 7.5 million HRK to the <i>King of Waste</i>, Petar Pripuz. Jutarnji list. October 10th. e. A first instance verdict against Drago Tadić for associating for the purpose of committing criminal offenses under Article 333(1) of the Criminal Law Act, and for instigating another illegal intercession referred to in Article 343 of the same Act. Supreme Court of the Republic of Croatia. February 27th 2013. f. Indictment against Drago Tadić, Damir Ivić and Ramiz Pandžić for associating for the purpose of committing the criminal offense of bribery. January 27th 2012. Office for the Suppression of Corruption and Organised Crime (USKOK). g. Commercial Court Register. Historical excerpt for Osijek-Koteks. h. State Audit Office (2004) The transformation and privatisation audit Report – Osijek Koteks. 		
Organised crime		
Structure	Hierarchical	Although the organisation is not fully vertically integrated which suggests that no top-level leader is present, it looks as though there are two figures who are dominant in this group – Nikica Jelavić and Zoran Pripuz (Jutarnji list, October, 2014).
	Network	It is a network of hidden influences, interests and exchange relationships with a plurality of other criminal entities/subjects and institutional/economic actors.
Nationality	Local	Yes.
	Foreign	No.
Type	Territorially based	The criminal organisation operates mostly in Zagreb, neighbourhood Knežija.
	Functionally based	The legal economic sector was heavily infiltrated by the members of this criminal organisation through public procurement procedures; privatisation of public services (waste management) and the construction sector, which is the case for the company Osijek Koteks.
Core business	Economic syndicates	No.
	Power syndicates	Yes. The core business is realised through extortive pressure towards entrepreneurs and protection rackets in public procurement works (construction) and contracts for services (waste management).

Illegal activities	Types of activities	Racketeering, extortion, loan sharking, bribery
Legal activities	Types of activities	Construction sector. Infiltration in public procurement. From 2012, Osijek Koteks have been contracted with 31 work contracts with a total value of around EUR 27 million. ¹²¹
Continuity	Emergence	After the privatisation of Osijek-Koteks was implemented in 1992.
	Continuity	Yes.
Corruption and Organised Crime		
Actors	Organised criminals	“..it is clear that there is not only a family tie between Petar Pripuz (former shareholder and CEO of Osijek Kotekst) and Zoran Pripuz, but a mutual and joint business relationship as well “ (Reference number: XIX K-50/08). Osijek Koteks was involved in the notorious Croatian Motorways Ltd affair, which was managed by former Prime Minister Ivo Sanader. The figures mentioned in the affair go up to staggering 6, 9 billion Kn, and Osijek – Koteks was one of the participants. Drago Tadić, shareholder of and CEO of Osijek Kotekst, was convicted for attempting to bribe the judges of the Supreme Court so they would reduce the sentence of Branimir Glavaš, a convicted war criminal. The money for that Tadić borrowed from his friend and business associate, Petar Pripuz. “Drago called me asking if I could lend him EUR 50.000 in cash. That wasn't strange or anything, because we were lending each other money before, as well. He paid me back a month later and I have no idea what he did with money I lent him” (quote from Petar Pripuz, published in Jutarnji list, October, 2014).
	Politicians	Politicians provide information on tenders.
	Public servants	Designing tailor-made bids, by setting specific constraints or exclusion clauses;
	Legitimate Business-entrepreneurs	Entrepreneurs pay protection money to members of criminal group. Osijek Koteks, ie. Tadić acts as a legitimate business-entrepreneur.
	Brokers	
	Professionals (e.g. lawyers, engineers, architects, etc.)	
	Voters-clients	
Political actor	Single	Yes.
	Collective	No.

¹²¹ Public procurement database www.integrityobserver.eu

	In-government actor	Yes, belonging to competing political parties and coalitions.
	Opposition actor	No.
Level of governance	Local	Yes.
	Regional	Yes.
	National	Yes.
Resources	Violence	Protection money.
	Money	Osijek Koteks is a political donor to the Croatian Democratic Union and the Croatian Democratic Alliance of Slavonia and Baranja.
		Drago Tadić was convicted for attempting to bribe the judges of the Supreme Court so they would reduce the sentence of Branimir Glavaš, a convicted war criminal.
	Information	Hidden informations (about tender) are selectively transmitted by public agents to group members and protected entrepreneurs.
	Political rents	Privatisation benefits (Osijek Koteks was privatised in 1992); Public contracts for works.
	Impunity from law enforcement	
	Voters' control	
Reputation and network		
Channels and mechanisms	Electoral politics	Yes. Public procurement work contracts and donations.
	Policy-making	
Type of interactions	Symbiotic	Yes, but the network is not strong enough to guarantee a stable political environment, and political counterparts and politicians are not strong enough to protect group members against judicial proceedings.
	Replacement	No.
	Neutrality	Occasional exchanges realised between members of the network and politicians not directly involved in corrupt activities
	Gatekeeping	No.
Elections	Political Finance	Yes. Croatian Democratic Union (national level) and Croatian Democratic Alliance of Slavonia and Baranja (on local level – city of Osijek)
	Candidate selection	No.
	Voters manipulation	No.
	Electoral fraud	No.
	Post-election bargaining	No.

HR_03	Public Procurement and political financing. The “Fimi-Media” case	
JUDICIAL ACTS/SOURCES:		
a. County Court of Zagreb, First-instance verdict, Reference number: 13 K-US-8/12, March 11 th 2014.		
Organised crime		
Structure	Hierarchical	The core of the organisation is vertically integrated with a clear internal structure, leadership and division of tasks. “I. The accused Ivo Sanader organised a group of people with the aim of committing criminal acts for which the law may impose three years in prison or a more severe punishment, and the II. The accused Mladen Barisic, III. Ratko Macek, IV. The accused Branka Pavošević and V. The accused Nevenka Jurak belonged to a group of people who aimed to commit criminal acts for which the law may impose three years of imprisonment or a more severe punishment” (RN: 13 K-US-8/12, p. 2)
	Network	The group resembles a network, as well.” I. The accused Ivo Sanader, using the authority of the President of the Croatian Government, has via II. The accused Mladen Barisic, who acted on his orders, suggested to the leaders of some governmental bodies, CEOs and responsible persons of trading companies that are exclusively or predominantly state-owned, and to some state institutions, that for the activities of public procurement of certain goods and services, they engage VII. The accused company Fimi Media Ltd. “ (RN: 13 K-US-8/12, p. 3)
Nationality	Local	Yes.
	Foreign	No.
Type	Territorially based	No.
	Functionally based	The group operated in public procurement sector (public contracting)
Core business	Economic syndicates	No.
	Power syndicates	The organisation is involved in racketeering, but in the wider range of illicit deals regarding public procurement procedures and allocation of financial resources.
Illegal activities	Types of activities	Racketeering
Legal activities	Types of activities	Public procurement procedures and allocation of financial resources.
Continuity	Emergence	In 2003, when the HDZ returned to power under the

		leadership of Prime Minister Ivo Sanader
	Continuity	“in the period of time from the end of 2003 to 02 nd of July 2009” (RN: 13 K-US-8/12, p.1)
Corruption and Organised Crime		
Actors	Organised criminals	“I The accused Ivo Sanader personally and on his orders II the accused Mladen Barisic and III the accused Ratko Macek stepping in front of VI the accused Croatian Democratic Union, taking advantage of the fact that the party, as the leading parliamentary party, is the concentration of decision-making power and authority in all aspects of societal life, and as such can contribute to the realisation of interests of its financial supporters, collected financial support from individuals and legal entities in the form of donations for funding of VI the accused Croatian Democratic Union, and the raised funds, in accordance with the plans, IV the accused Branka Pavošević per order of I the accused Ivo Sanader personally or via III the accused Ratko Macek did not express in the official documentation and business books of VI the accused Croatian Democratic Union and to raise further funds I the accused Ivo Sanader has, using the authority of the Croatian Prime Minister, personally engaged, and also via II the accused Mladen Barisic, who acted on his orders, asked for the responsible persons of certain government agencies, companies owned or majority-owned by the Republic of Croatia and public institutions, to acquire certain goods and services, regardless of the terms offered, engage VII the accused company Fimi Media Ltd., Directress of which is V the accused, Nevenka Jurak, and when those companies, government bodies and public institutions, because of the above stated, acted in that way, V the accused Nevenka Jurak has, in line with the planned, part of the income held to herself, partly accommodated the financial obligations of VI the accused Croatian Democratic Union, while part of the money was handed over to II the accused Mladen Barisic who then gave a part of the money to I the accused Ivo Sanader, who kept it for himself, and a part was used for financing of VI the accused Croatian Democratic Union” (RN: 13 K-US-8/12, p.2)
	Politicians	Politicians at highest level (Prime Minister)
	Public servants	“Responsible persons of certain government agencies, companies owned or majority-owned by the Republic of Croatia and public institutions, for acquiring certain goods and services, regardless of the terms offered, engaged VII the accused company Fimi Media Ltd.” (RN: 13 K-US-

		8/12, p.2)
	Legitimate Business-entrepreneurs	The private marketing company Fimi Media secured over 25 million EUR through contentious deals with over 3 million EUR ending up in the HDZ slush fund and in private pockets.
	Brokers	No.
	Professionals (e.g. lawyers, engineers, architects, etc.)	Professionals are included in the group (accountants)
	Voters-clients	No.
Political actor	Single	No.
	Collective	Yes. Croatian Democratic Union (HDZ)
	In-government actor	Yes. The HDZ in power was at that time. Ivo Sanader was the Prime Minister
	Opposition actor	N/A
Level of governance	Local	
	Regional	
	National	Yes. (State owned enterprises)
Resources	Violence	Main resources were money and influence/power. "...taking advantage of the fact that the party (HDZ), as the leading parliamentary party, is the concentration of decision-making power and authority in all aspects of societal life" ." (RN: 13 K-US-8/12, p.2)
	Money	Political financing. "...part of the income which VII the accused company Fimi Media Ltd. will gain in such way, V the accused Nevenka Jurak will hand over to II the accused Mladen Barišić, who will then hand it over to Ivo Sanader personally, or to the persons he authorizes, and partly, by order of I the accused Ivo Sanader, make payments in the interest of the Croatian Democratic Union.." (RN: 13 K-US-8/12, p.4)
	Information	No.
	Political rents	
	Impunity from law enforcement	
	Voters' control	No.
	Reputation and network	
Channels and mechanisms	Electoral politics	There are exchanges during and for elections.
	Policy-making	
Type of interactions	Symbiotic	The group was not strong enough to guarantee a stable political environment for a long period of time (11 years), due to the fact that the leader of the group was the most powerful person in the country – Prime Minister.
	Replacement	

	Neutrality	
	Gatekeeping	
Elections	Political Finance	The HDZ obtained an unlawful gain in the amount of over 3 million EUR. (RN: 13 K-US-8/12, p.5)
	Candidate selection	Yes. As the leading parliamentary party, the HDZ and its members had the authority to appoint CEOs and responsible persons of trading companies, that are exclusively or predominantly state-owned, and responsible persons in state institutions.
	Voters manipulation	
	Electoral fraud	
	Post-election bargaining	Yes. Appointments in state owned enterprises, state institutions, agencies...

References

A first instance verdict against Drago Tadić for associating for the purpose of committing criminal offense under Article 333(1) of the Criminal Law Act, and for instigating another to illegal intercession referred to in Article 343 of the same Act. Supreme Court of the Republic of Croatia. February 27th 2013. Available at:

http://www.documenta.hr/assets/files/Sudjenja/POKUSAJ_PODMICIVANJA_SUDACA_VSR_H_izvjestaji.pdf.

A verdict of abandonment, August 22nd 2003. Supreme Court of the Republic of Croatia. Reference number: I Kž-531/03-17.

Act on the Prevention of Conflict of Interest (Official Gazette No. 26/11, 12/12, 124/12, 48/13) Available at: <http://www.zakon.hr/z/423/Zakon-o-sprje%C4%8Davanju-sukoba-interesa>.

Bartulica, N. S. (2013) “Lessons Learned from the Transition from Communism to Free-Market Democracy: The Case of Croatia”, Catholic Social Science Review 18: 187-202.

Center for the Study of Democracy (2004) Partners in crime: the risk of symbiosis between the security sector and organised crime in Southeast Europe. Sofia: Center for the Study of Democracy. Available at: <http://www.csd.bg/artShow.php?id=2040>

Confiscation Procedure for Pecuniary Gain Acquired by Criminal Offenses Act (Official Gazette No. 145/10) Available at: <http://www.zakon.hr/z/435/Zakon-o-postupku-oduzimanja-imovinske-koristi-ostvarene-kaznenim-djelom-i-prekr%C5%A1ajem>.

Council of Europe (2005) Organised crime situation report 2005. Focus on the threat of economic crime. Strasbourg: Council of Europe

County Court of Zagreb, First-instance verdict, Reference number: 13 K-US-8/12, March 11th 2014. Available at:

<https://sudovi.pravosudje.hr/zszg/img/File/presuda%20sanader%20fimimedia.pdf> .

Criminal Code (Official Gazette No. 110/97) Available at: http://narodne-novine.nn.hr/clanci/sluzbeni/1997_10_110_1668.html.

Criminal Code (Official Gazette No. 125/11, 144/12) Available at: <http://www.zakon.hr/z/98/Kazneni-zakon> .

Criminal Procedure Act (Official Gazette No. 152/08, 76/09, 80/11, 121/11, 31/12, 56/13, 145/13, 152/14) Available at: http://narodne-novine.nn.hr/clanci/sluzbeni/2008_12_152_4149.html.

Cuckovic, N. (2002) Grey economy and privatization in Croatia 1997-200. Institute for International Relations (pdf). Available from: http://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=9145

IT_03	The “Honored Healthcare”. Infiltration in private healthcare services	
Source: Tribunale di Reggio Calabria (2010), Ordinanza di applicazione di misura cautelare N° 1272/07 R.G.N.R.D.D.A.		
Organized crime		
Structure	Hierarchical	The mafia groups involved are hierarchically organized groups and highly institutionalized.
	Network	A larger system either of occasional and more structured interactions between vertical ‘ndrangheta groups and more network-oriented groups exists. This is based on either strong ties (i.e. between mafia clans, organized business and white-collar criminals operating in the private healthcare sector) or weak ties (i.e. based on occasional exchanges with some public officials at regional level or vote collectors at local level)
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	Families act on a territorial basis. Each group controls a limited territory usually corresponding with the administrative boundaries of municipal governments. The area in which the criminal groups operate is the North-East part of the district of Reggio Calabria, one of the districts in Italy with the largest number of operating mafia-type groups. The leading group in this case is the “Morabito-Zavettieri” clan from the cities of Africo and Roghudi, but two other allied groups also contributed: the “Cordi” clan from Locri and the “Talia” group from Bova Marina.
	Functionally based	Criminal groups control a specific sector, i.e. healthcare, infiltrating both private and public providers. However, their control is only over those hospitals located in their territories. Therefore, corrupt exchanges are still limited within the territorial domain of criminal families, that are not able to influence the same sectors in neighboring districts. According to the judges, “In the health care system there has been identified a clear development path for organized crime, which has spread from the extensive hoarding of public procurement contracts for goods and services (through mafias’ strategies), to the founding and / or financing of companies accredited to the National Healthcare Service. This has resulted in the impoverishment of public resources and services, as opposed to the enormous profits made by the mafias. It is clear that these criminal strategies are achieved through the control of local government branches, and the collusion with politicians and bureaucrats at local level» (ODC 1272/07, p. 384).

Core business	Economic syndicates	The mafia groups are also involved in several illegal businesses, including large-scale drug trafficking, fraud, and firearms trafficking, and they also extensively invest their illegal proceeds in legitimate sectors (i.e. construction, tourism, agriculture).
	Power syndicates	Extortion and protection racketeering is the core business of these criminal groups, even though they also actively operate as producers and sellers in both legal and illegal markets.
Illegal activities	Types of activities	Large-scale drug trafficking, fraud, firearms trafficking
Legal activities	Types of activities	Construction, forestry, tourism, agriculture.
Continuity	Emergence	The historically institutionalized criminal families in the area;
	Continuity	Enduring and long lasting organizations, these 'ndrangheta clans operate in the same territories as single families since the 1960's.
Corruption and Organized Crime		
Actors and Mechanisms	Organized criminals	<p>'Ndrangheta families contribute to the activities of the criminal network in several ways:</p> <ul style="list-style-type: none"> - Information and contacts brokerage between institutional and non-institutional actors in the network; - Providing electoral services to party candidates, such as electoral mobilization of voters, vote-buying management, monitoring pre- and post- electoral procedures in polling stations. According to the evidence collected, in many circumstances the criminal support during elections is a necessary, though not sufficient, condition to being elected. This also explains the systemic connections between clans and elected officials. As stated by the magistrates, "No matter whom the Mafiosi will grant support to, they will still win the elections. [A Mafioso once affirmed] "I still do not know where we go, but wherever we go we win!". This is further evidence that the support needed to win the elections is exclusively based on the backing of Mafia families, that are able to secure the victory through the pervasive presence in the area" (ODC 1272/07, p. 387); - Labour racketeering practices;

		<ul style="list-style-type: none"> - Infiltrating both public and private healthcare providers through extensive forms of criminal patronage, i.e. the criminal use of state/public resources to reward individuals for their criminal support of the clans. In this case, this is achieved through the systematic appointment of mafia members or relatives inside and outside public or private healthcare providers. According to judicial records, more than 68 employees in three public hospitals in Calabria had criminal records for serious crimes, or mafia-type association, or strong blood ties with the leading bosses of the area (see next section for a detailed description)
	<p>Politicians</p>	<ul style="list-style-type: none"> - The politician involved in the network is Domenico Crea, former regional MP in Calabria and member of the regional executive, running for a new mandate in the 2005 regional elections. In 2011 he started a new business in the healthcare sector, by opening a new private clinic, formally managed by his son and wife. He was accused of criminal association and embezzlement. Prosecutors raised several doubts about the money he invested for this new business, questioning its legitimacy. According to some preliminary investigations, these were probably the proceeds of bribes previously collected while he was member of the regional cabinet, “Apart from the validity of these specific accusations, this evidence shows the pivotal role of Crea within a larger network and system of business interests, which allows him to benefiting from his leading position within the regional institutions by gaining high profits then reinvested in new financial operations (such as the creation of "Villa Anya" on December 2001)” (ODC 1272/07, pp. 470-471); - The politician intentionally looks for criminal support during regional elections. According to the magistrates, “Domenico Crea is fully aware of the origin of his electoral support, by choosing Mafiosi as supporters or members of his electoral team” (ODC 1272/07, p. 375);
	<p>Public officials</p>	<ul style="list-style-type: none"> - Some public officials are direct members of mafia clans and contribute to the success of the criminal infiltration into public hospitals and local government; - In the case of public procurement for healthcare goods or services, they design tailor-made bids, by setting specific constraints or exclusion clauses (e.g. economic and technical requirements imposed on participants) and selection procedures (private treaty, public procurement, auction). These decisions will make pre-selected companies win the bid and permit a closer control of procedures; - They do not implement antimafia certification procedures and do not efficiently monitor contract

		<p>execution (ODC 1272/07, pp. 624-636); ;</p> <ul style="list-style-type: none"> - They license and accredit Villa Anya (owned by Domenico Crea) under the public reimbursement scheme of the Regional Healthcare, though neither infrastructural nor quality standards set up by regional regulations were respected (ODC 1272/07, p. 687); ; - They do not monitor the effective provision of healthcare services declared by Villa Anya, then favoring illegitimate reimbursement for services never provided (ODC 1272/07, p. 632);
	Legitimate Business-entrepreneurs	<ul style="list-style-type: none"> - Domenico Crea as also a legitimate entrepreneur who recruits and employs in his private hospitals local workers who belong to supporting criminal groups or are close to them. There is no evidence of the payment of protection-money to the local mafia clan, but this is probably a proxy of the intertwined interests between the legitimate entrepreneur and the local mafiosi; - Other entrepreneurs interacting with this criminal network pay protection costs, also by awarding subcontracts to protected mafia companies;
	Brokers	<ul style="list-style-type: none"> - No third-party brokers were allowed, only criminal families were acting as brokers and enforcers
	Professionals (e.g. lawyers, engineers, architects, etc.)	<ul style="list-style-type: none"> - Doctors were charged for writing fake notes to make Mafiosi getting out of jail (see Operazione "Saggezza").
	Voters-clients	<ul style="list-style-type: none"> - As reported by investigators, £The electoral results of the elections clearly show that Domenico Crea [the protected politician] obtained the majority of votes in the municipalities of Reggio Calabria where his backing mafia families exercise a particularly active and pervasive control. In Africo, Roghudi, Roccaforte, Melito Porto Salvo, Montebello, S. Lorenzo and Condofuri, votes were fully controlled by the cartel of the mafia clans supporting Crea, i.e. the Talia, Iamonte, Zavettieri, Cordi" (ODC 1272/07, p. 36); - The trading of electoral services is a business for mafia, and requires coordination among more clans. In a conversation intercepted by the police, a Mafioso says "we need to organize the other ten locali [locale is a single criminal family] from which we can draw votes, then let's see whom we can support during regional elections, in order to have someone who can grant us something, and at worst some jobs and public works" (ODC 1272/07, p. 270);
Resources	Violence	The threat of violence is used as a resource for search

		<p>and bargaining activities in the mobilization of vote collectors, and to keep control of the territories in which the clans operate. In fact, criminal competition among clans also affects intra-party competition among candidates supported by different criminal groups. In an intercept, a Mafioso says there is a lack of voter control because “in politics you should use the rod and the force, and not diplomacy, as it was once in the past”, the other Mafioso replies by saying that “the rod is not enough, we need a bazooka” (ODC 1272/07, p. 232)</p> <p>Violence is really used in the post-electoral phase when the protected candidate of the clans, Domenico Crea, does not win the regional elections and takes the second place behind the rival candidate from his own party, Francesco Fortugno. Fortugno was appointed Vice President of the Regional Assembly after the elections, but a few months later he was shot dead while exiting a polling station as he cast his vote at the primary elections of the centre-left coalition on Oct. 16 2005. On February 2, 2009, four men received life sentences for the 2005 murder of Fortugno. The mafia bosses, Alessandro Marciandò and his son Giuseppe, were convicted of ordering the killing, while Salvatore Ritorto was found guilty of being the gunman. The fourth man, Domenico Audino, was judged to have been an accomplice.</p>
	Money	<p>Money was paid to finance the political activities of candidates. There is no precise evidence of the use of money for vote-buying; but the fact that this is a widespread practice can be inferred from the conversations intercepted by the police. The protected politician lost the elections by 300 votes, in one conversation between his son and a local mafioso following the official results, the first said: “300 votes were enough to get elected, and to enter in the regional cabinet. If I had known if before, I would have used 50,000 euros to buy these remaining votes” (ODC 1272/07, p. 452).</p>
		<p>Bribes were paid to public officials and public professionals to obtain licensing in the provision of private healthcare services under the regional public reimbursement scheme; to avoid a strict enforcement and monitoring of quality standards set up by regional regulations for private healthcare providers; and to receive regional funds for healthcare services never provided or higher costs out of market (ODC 1272/07, p. 671)..</p>
	Information	<p>Bosses of the families involved in the infiltration and politicians shared privileged information about public contracts.</p>
	Political rents	<p>The seeking of political rents is the primary goal leading</p>

		the criminalization of regional politics. In a conversation intercepted by the police, the political candidate colluding with local mafia clans clearly explains his rationale and strategy. He wants to gather large electoral support in order to be then appointed as a member of the regional executive. He lists the different departments of the regional cabinet according to the yearly budget of each of them: “Healthcare is first, Agricultural, Food and Forestry Policies is the second, Economic Development is the third one. Sorted by budget, there are 7000 billion [lire] for the Healthcare dept., Agriculture and forestry policies together have 4.5 trillion [lire] a year to manage, Economic Development has almost 4 billion [lire] . The President has little power because the mandate is yours, then you are responsible for everything, from programming to management” (ODC 1272/07, p. 417).
	Impunity from law enforcement	No specific cases of police or judicial corruption were found. However, both the municipal governments of Africo and Melito Porto San Salvo were dissolved in the past due to infiltration by mafia clans in the government and in the municipal police. No influence was directly achieved over national police forces. –Some doctors were charged for writing fake notes to make Mafiosi getting out of jail (see Operazione “Saggezza”).
	Voters control	The clans heavily influenced voters during elections.
Channels	Electoral politics	The corrupt exchanges between the clans and the businessman-politician are primarily based on the attempt to manipulate the results of the 2005 regional elections
	Policy-making	Corruption network involving mafiosi, white-collar workers, and public officials in the healthcare sector. The network aimed at infiltrating and manipulating public contracts and procurement.
Type of interactions	Symbiotic	Mafiosi and corrupt actors (both entrepreneurs and politicians) both reinforced each other by exchanging services and resources. The first played a regulatory role, by setting contract conditions among actors and by enforcing the same contracts. The latter systematically manipulated public procedures in order to obtain privileged access to public contracts and resources. Neither mafiosi nor entrepreneurs/businessmen-politicians were able to fully internalize the networks, thus roles still remained separate in the network.

	Replacement	No
	Neutrality	No
	Gatekeeping	No
Political actor	Single	Yes
	Collective	No
Political actor	In-government actor	The politician involved was a member of the party in government, but then switched to the challenger center-left coalition that finally won the elections.
	Opposition actor	No
Level of governance	Local	Yes
	Regional	Yes
	National	No (national MPs were indirectly mentioned and protectors/supporters of subnational politicians)
Elections	Political Finance	There is no evidence of political financing by Mafiosi of political candidates.
	Candidate selection	Party organizations are particularly weak and do not fully control candidate selection. This was also favored by the electoral system for regional elections in Calabria, which was an open-list proportional system with preference voting. Rather than inter-party competition, preference voting traditionally increases intra-party competition.
	Voter manipulation	Yes (see above)
	Electoral fraud	Neither evidence of electoral fraud was found, nor were electoral results contested.
	Post-election bargaining	Through the assassination of Fortugno, mafia clans wanted to also influence the post-election bargaining in relation with the appointment of members of the regional cabinet.

IT_04	The Prato Verde (Green Grass) case	
Source	JUDICIAL ACTS/SOURCES: Ansa and newspapers (http://catania.livesicilia.it/2014/12/01/la-dia-sequestra-il-tesoro-dei-carateddi-beni-per-3mln-intestati-agli-uomini-di-privitera_319836 ; http://www.ilfattoquotidiano.it/2014/02/18/catania-una-donna-al-vertice-della-mafia-26-arresti-della-dia-in-tutta-italia/885931 ; http://www.si24.it/2014/02/18/blitz-della-dia-contro-il-clan-cappello-eseguite-27-ordinanze-di-custodia-cautelare/35892/) DIA transcripts of tapped conversations; (http://www.cataniaoggi.com/operazione-prato-verde-lintercettazione/)	
Organised crime		
Structure	Hierarchical	Fully hierarchical organization, highly institutionalized.
	Network	No
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	Families act on a territorial basis. The spheres of influence are historically defined and each family controls a given and well-defined territory, so that they can better organise and manage racketeering, public procurement, and fraud involving EU funds.
	Functionally based	No
Core business	Economic syndicates	No
	Power syndicates	Extortion and protection racketeering is the core business of the criminal organization
Illegal activities	Types of activities	Extortion, drug trafficking
Legal activities	Types of activities	Fraud in the allocation of EU funds to agricultural activities
Continuity	Emergence	High historical institutionalization of criminal families in the area
	Continuity	Enduring and long lasting organization, operating in Catania since 1970s. Criminal authority is transmitted

		following family and parental ties.
Corruption and Organised Crime		
Actors and Mechanisms	Organised criminals	The mafia family belongs to the Cosa Nostra, who were involved in several activities within the network: <ul style="list-style-type: none"> - Organization of fraud concerning EU funds allocated as subsidies to agricultural activities; - Racketeering practices; - Imposition of guard services on agricultural enterprises - Imposition of parking surveillance services on bathhouses - Infiltration of CO's affiliates in public procurement of cleaning services in public hospital
	Politicians	-
	Public officials	Public agents from the Agea – Agency for the erogation of agricultural aids – seem to have been involved
	Legitimate Business-entrepreneurs	Protection money paid to the criminal family;
	Brokers	-
	Professionals (e.g. lawyers, engineers, architects, etc.)	Professionals seem to have been involved as advisors in the management of fraud regarding EU funds
	Voters-clients	-
		-
Resources	Violence	Use of violence as a threat for the enforcement of illegal contracts in frauds management. A criminal boss in a taped conversation says about a rival clan: “Let’s start to exterminate them, and we will see what he does afterwards” (DIA transcripts)
	Money	-
		-
	Information	Information on opportunities for profit in the management of EU funds
	Political rents	Political rents deriving from public procurement and EU funds (more than 1.5 million euros of EU funds allocated to the criminal clan)
	Impunity from law enforcement	

		-
	Voter control	-
Channels	Electoral politics	Not mentioned
	Policy-making	Corruption network involving Mafiosi, professionals, public officials, and entrepreneurs in the allocation of EU funds in the agricultural sector and in public procurement.
Type of interactions	Symbiotic	No
	Replacement	No
	Neutrality	Potentially characterized by occasional exchanges
	Gatekeeping	No
Political actor	Single	No evidence
	Collective	No evidence
Political actor	In-government actor	-
	Opposition actor	-
Level of governance	Local	Yes
	Regional	Yes
	National	No
Elections	Political Finance	-
	Candidate selection	-
	Voters manipulation	-
	Electoral fraud	-
	Post-election bargaining	-

IT_05	Public Procurement and Contracts in Rome. The “Mafia Capitale” case	
Source	JUDICIAL ACTS/SOURCES: Tribunal of Rome, Ordinanza di custodia cautelare in the judicial proceeding N. 30546/10 R.G.N.R., November 28, 2014 (cit: OCC-MC)	
Organised crime		
Structure	Hierarchical	No
	Network	The criminal group has a leadership – a “great chief” is acknowledged as such in taped conversations – but he actually plays the role of coordinator/enforcer of a web of hidden influence and exchange relationships with a plurality of other criminal entities/subjects and institutional/economic actors. Mafia capitale, according to judges, is characterized by “an organizational structure of reticular or radial nature. (...) Some of its members have ample margins of autonomy, so that, in addition to being actively used for the association’s mission, they are individually and personally involved in illegal activities”; “high fluidity of criminal relations, in the absence of rigid organizational structures compensated, however, by the presence of charismatic figures of great criminal status” (OCC-MF, p.31)
Nationality	Local	Yes
	Foreign	No
Type	Territorially based	The “Mafia Capitale” criminal organization was born and has been operating exclusively in Rome, where it created and cultivated over a long period its web of connections
	Functionally based	A legal economic sector was heavily infiltrated by Mafia capitale: public contracts for works and services (cleaning, immigrant assistance, etc.), due to the political connections of the criminal organization bosses with decision-makers.
Core business	Economic syndicates	No
	Power syndicates	The core business of Mafia Capitale is realized through extortive pressure towards entrepreneurs and protection racketeering in public works and contracts for services
Illegal activities	Types of activities	Mafia Capitale operated in several illegal markets: extortion, usury, forced debt collection.
Legal activities	Types of activities	Public works, waste management, public contracts for cleaning services and immigrant assistance, public green maintenance, and public housing are all under the influence of businesses protected by Mafia Capitale. Several public bodies’ activities are heavily infiltrated by the criminal network (Municipality of Rome, AMA-Public society for waste management, EUR Spa-Public society for the management of buildings in the EUR area of Rome). In the case of AMA, according to judges: “it can be said with certainty that corruption reached the highest level, ‘polluting’ every public tender. Corruption has been used by the mafia-like association (...) to infiltrate public

		bodies' activities" ("La Repubblica, January 20, 2014, p.13)
Continuity	Emergence	The CO starts its criminal activities during the 2000s
	Continuity	While operating mainly in 2000-2014, the Mafia Capitale CO shows continuity (in the identity of some key members) with criminal gangs operating in Rome since the 1980s, specifically within the criminal network called "Banda della Magliana": "On an objective level Mafia capitale appears to have borrowed from Banda della Magliana some of its key organizational characteristics, such as the link with members of the right-wing subversive movements in Rome (...); partnership with the representatives of traditional mafia organizations in Rome; protection resulting from hidden ties with institutional bodies; the lasting bond with mobsters, i.e. with subjects involved in robberies, drug trafficking, usury" (OCC-MC, p. 33).
Corruption and Organised Crime		
Actors	Organised criminals	A boss "supervises and coordinates all the criminal association's activities, issuing directives to other participants, providing them with dedicated phone cards for confidential communications, identifying and recruiting entrepreneurs to whom he provides protection, maintaining relationships with affiliates of other criminal organizations operating in Rome as well as with members of the political, institutional, financial, law-enforcement, intelligence agencies context". Among the criminal activities of other members: a right-arm man "coordinates all criminal activities of the CO in debt collection, extortion, weapons"; another member is "the beachhead of the CO towards political and institutional counterparts", coordinating "corrupt activities and dealing with the appointment of trusted people in key position in the public administration" (OCC-MC, pp.3-4). The CO Mafia Capitale, besides illicit trade, was involved in the adjudication of public contracts through corruption, enforcement of bid rigging, extortion and intimidation of reluctant partners. The CO used hidden forms of influence, obtaining from journalists of a right-wing newspaper a media-campaign aimed at obtaining the annulment of a tender adjudication where a competing business had won ("Il fatto quotidiano, December 6).
	Politicians	Politicians at Municipal (Mayor, councillors) and Regional (councillors) level: provided to Mafia Capitale information on tenders and opportunities for illicit profits in the public sector; deliberated over allocation of funds in policy arenas where the OC was most heavily infiltrated; appointed public managers and public enterprise CEOs trusted by OC members; provided OC members information and protection against judicial inquiries

	Public servants	Public managers and CEOs of public enterprises: took decisions (immigrants' allocation; housing, etc.) aimed at distributing funds in sectors monopolized by entrepreneurs protected by the CO Mafia Capitale; adjudicated public contracts to selected entrepreneurs who are protected by the CO, excluding others; designed tailor-made tenders, by setting specific constraints or exclusion clauses; provided OC members reserved information on public activities and judicial inquiries
	Legitimate Business-entrepreneurs	Entrepreneurs pay protection money to CO; coordinate their activities according to CO commands. In a taped conversion their role is described by a member of the CO: having paid protection entrepreneurs "feel themselves as being on the safe side" (OCC-MC, p.41). "We always get in touch, I have learnt that they [the entrepreneurs] always call us since the starting of the project phase" (OCC-MC, p. 51)
	Brokers	A brokerage activity was internalized by the OC Mafia Capitale, whose localization in the illegal market is described by the criminal boss as a "middle-earth" connecting the underworld of illegal and violent activity and the upper-world of politicians, entrepreneurs, professionals, finance. As the boss explains in a taped conversation: "There is a world .. a middle-earth in which all come together and you say: 'how the fuck is it possible that one ... that one day I can have a dinner with Berlusconi' ... The fact is that in this 'middle-earth' everything and everyone meets ... they all meet there.. You stand there ... but not as a matter of class ... as a matter of merit, ok? ... then in the middle, also persons from the upper-world are interested that someone from the underworld does things it cannot do alone... and everything is mixed" (OCC-MC, pp. 33-4)
	Professionals (e.g. lawyers, engineers, architects, etc.)	Some professionals (accountants, fiscal experts) are included in the criminal networks.
	Voters-clients	No
Political actor	Single	Yes
	Collective	No
	In-government actor	Yes, at Municipal and Regional level, belonging to competing political parties and coalitions
	Opposition actor	Also political actors in opposition roles were paid bribes
Level of governance	Local	Yes: Municipality, Municipality owned enterprises.
	Regional	Yes
	National	No (but according to a taped conversation the criminal boss could blackmail several parties and MPs, obtaining impunity: "Do you know why he is untouchable? Because he brought bribes from Finmeccanica! [public enterprise] Big envelopes of money! To all of them he brought money! (...) Four million [euros] in the envelopes. To the whole Parliament, even to Communists!" (OCC-MC, p. 202)
Resources	Violence	Violence and intimidation is occasionally used to provide

		protection and enforce illegal and corrupt agreements. The OC Mafia Capitale, according to judges: “tends to reduce to a minimum the use of violence and intimidation in the pursuit of its objectives” (OCC-MC, p.44).
	Money	<p>Extensive <i>political financing</i> was used by the OC Mafia Capitale to increase the probability of having corrupt partners elected and included in ruling majorities, even if – due to political uncertainty – politicians from competing parties were financed in an underhand manner. As the entrepreneur states, in a taped conversation: “I pay for political advertising, I fund events, I pay a secretary, I pay dinners, I pay for posters, Monday I've got a dinner that will cost twenty thousand euros... this is the time I have to pay more because there are municipal elections. This is the time that I pay more... and if you make the wrong investment, if you bet on the wrong horse” (OCC-MC, p.124)</p> <p><i>Bribes</i> were paid to politicians and public servants in several forms: as a fixed (and clandestine monthly salary, calculated as a percentage of the value of the public contract (ranging from 2,5 to 5 per cent– OCC-MC: p.767 and p. 869), occasionally the amount of the bribe was negotiated bilaterally.</p>
	Information	Hidden information is selectively transmitted by public agents to OC members and protected entrepreneurs Information is collected by the OC Mafia Capitale to have blackmailing power with their counterparts (OCC-MC, p. 85). As judges observe, the theft by the OC boss of private documents belonging to institutional figures had “blackmailing purposes, or at least a blackmailing power came from it” (OCC-MC, p. 39)
	Political rents	Public contracts for works; concession of public services; public housing management.
	Impunity from law enforcement	
	Voter control	no
	Reputation and network	<p>Reputation is a crucial resource within the network. Diffuse awareness of the past criminal records of the OC boss and of his capability to use violence allows for extortive pressure to succeed, illegal deals to be realized, illegal contracts to be enforced among those actors operating within the political-criminal networks, as well as in their interactions with outsiders. As judges observe, his past involvement in inquiries for serious crimes “has strengthened his charisma and criminal reputation. Paradoxically, the acquittal for some of the most serious charges seems to have reinforced his criminal fame, creating a sort of myth of impunity, characterizing his public image as the partaker of dark plots with clandestine public powers” (OCC-MC, p.38)</p> <p>Trust and reciprocity bonds, guaranteed by the potential menace of violence, are the connective tissue of the network, characterized also by a strong capability to build bridges with both the upper-world of institutional, political and economic actors, and the underworld of criminal gangs. The purpose of the OC Mafia Capitale, as explained</p>

		<p>by its boss in a taped conversation, is not only to provide entrepreneurs protection in exchange for money, but to include them in a network where “instrumental friendship” and business go hand in hand: “It is normal that from friendship comes a relationship that lets us enter in business together” (OCC-MC, p.51).</p> <p>Past political connections – leading members of the OC had been involved in left and right-wing terrorist groups during the 80s – with politicians have also become a social capital that has been reinvested in business opportunities in local public policies. As judges observe: “Such bonds (...) seem to have evolved in parallel with the evolution of some of the leading exponents of that movement, who in the meantime have become politicians or managers of public bodies and public enterprises” (OCC-MC, p.33).</p>
Channels and mechanisms	Electoral politics	There are exchanges during and for elections
	Policy-making	There are exchanges in relation with the formulation, adoption and implementation of policies (e.g. public works contracts, regulations of certain sectors, law enforcement implementation)
Type of interactions	Symbiotic	Developing (but still weak) symbiotic interaction, still evolving when (in December 2014) the judicial inquiry led to the conviction of most participants in illegal activities. The criminal network was not strong enough to guarantee a stable political environment; shifting majorities and political instability made corruption and criminal lobbying more costly; political counterparts and politicians were not powerful enough to guarantee to OC members an effective protection against judicial inquiries.
	Replacement	No
	Neutrality	Occasional exchanges realized between members of the network and politicians not directly involved in corrupt activities
	Gatekeeping	No
Elections	Political Finance	Yes, extensively. The OC Mafia Capitale funded candidates of different competing parties. As explained by the leading entrepreneur belonging to the OC: “Now I have four ‘horses’ running with PD [candidates running in Municipal election in the centre-left party PD] , and I have three with PDL [centre-right party PDL], and with M. I have another [independent candidate] ” (OCC-MC, p.124)”
	Candidate selection	Yes, occasionally and indirectly, via their higher-level political connections
	Voter manipulation	No
	Electoral fraud	No
	Post-election bargaining	No

IT_06	Public Procurement in Venice. The MOSE case	
Source	JUDICIAL ACTS/SOURCES: Tribunal of Venice, Ordinanza di custodia cautelare in the judicial proceeding N. 12236/13 R.G.N.R.; N. 12646/R.G.N.R., May 31, 2014 (cit: OCC-MO)	
Organised crime		
Structure	Hierarchical	The criminal organization of corrupt activities overlaps with the hierarchical structure of the private consortium CNV (“consortium new Venice”) holding a public concession for works in the lagoon of Venice. The President of the Consortium is a commonly recognized authority among entrepreneurs, in charge of planning activities, imposing rules, solving disputes. He is labelled by his partners as "Supreme Leader", "King", "Monarch", "Emperor", "Doge" (OCC-MO, p.87)
	Network	A network of corrupt exchanges is created and managed by the President of CNV with multiple levels of public government – national, regional and municipal – with bureaucratic bodies (“Magistero alle acque”) in charge for technical supervision on the realization of public works, entrepreneurs, professionals.
Nationality	Local	yes
	Foreign	no
Type	Territorially based	The criminal organization of corruption was centered in Venice, even if its web of hidden connections involved decision-makers also in Veneto and in Rome
	Functionally based	A legal economic sector was monopolized by the illegal activities of the consortium: public contracts for the realization of the biggest public work in Italy (MoSE, aimed at saving Venice from tides) and all other works for the preservation of the lagoon.
Core business	Economic syndicates	Corruption was the Entrepreneurs operating for the preservation of the lagoon of Venice
	Power syndicates	No
Illegal activities	Types of activities	Fiscal frauds, money laundering
Legal activities	Types of activities	Public works for the preservation of the lagoon of Venice; occasionally other public works in Veneto
Continuity	Emergence	The CVN started its activities in the 1984, as monopolistic holder of a public concession – assigned directly without open tender, as stated by law 784/1984 – for all works and interventions aimed at the preservation of the lagoon of Venice
	Continuity	At least since 2001 – presumably also before – until 2014 corruption has been extensively used by the CVN to obtain financing for public works assigned to affiliated

		entrepreneurs, even if political partners in corrupt exchanges changed along time: "When the law 443/2001 changed the mechanism for the funding of the works (which were until then approved annually by the Parliament as a special law for Venice), considered thereafter as a public work of national strategic interest, the managers /decision makers become CIPE, Minister for Infrastructure and Minister of Economy - hence the need for the CVN maintain privileged relations with ministers and national and local and politicians" (OCC-MO, pp.111-2)
Corruption and Organised Crime		
Actors	Organised criminals	No criminal organization directly involved, some firms directly or indirectly owned or protected by criminal organizations was involved in public contracting or sub-contracting for the realization of MoSE
	Politicians	Politicians at Municipal (Mayor, councilors), Regional (President; councilors) and national (MP) level. They: provided to CVN information on opportunities of illicit profits in the sector of public works; deliberated allocation of funds in public works in where the CVN was operating (MoSE, etc.); appointed public managers and public enterprises CEOs trusted by CVN; solved political and bureaucratic impasse, disputes, problems.
	Public servants	High-level bureaucrats (Magistrato alle acque) took bribes regularly (in the form of an hidden additional salary) to avoid any form of control on the CVN's activities and to provide the consortium with technical specification aimed at maximizing entrepreneurs' illicit profits; Former General of the Revenue Police and Intelligence officials provided to manager of CVN information, influence on ongoing investigation and protection against judicial inquiries (OCC-MO, p. 101)
	Legitimate Business-entrepreneurs	All entrepreneurs – approx.- 100 convicted or prosecuted – gave back secretly to the President of the CVN from 50 to 60 per cent of the value of contracts and sub-contracts received by the consortium, to feed a slush fund from which bribes were paid
	Brokers	no
	Professionals (e.g. lawyers, engineers, architects, etc.)	Several professionals (engineers, architects, etc) politically labelled or close to politicians were involved in the criminal network, with the role of providing expertise in project financing and public projects to be finalized in corruption. As one manager of CVN explains: "in almost every project financing besides the public office some external private engineers is hired, having a local technical expertise, while others were necessary in order to get a general consent. In particular for Jesolo-Cavallino .works as external designers we commissioned the company Proteco ... very close to the former councilor Marchese

		Piero, and the architect Dario Lugato, a professional very close to the councilor Chisso. ... If you to do a favor to someone you can also introduce him within the company without any subscription of capital” (OCC-MO, p.551)
	Voters-clients	no
Political actor	Single	yes
	Collective	no
	In-government actor	Yes, at Municipal, Regional and national level, belonging to competing political parties and coalitions
	Opposition actor	Also political actors in opposition roles were paid bribes
Level of governance	Local	Yes: Municipality – Mayor and councilors
	Regional	Yes: President and councilors
	National	Yes; MP and consultant of the Ministry of Economy
Resources	Violence	no
	Money	Extensive <i>political financing</i> was used by CVN to increase the probability of politicians close to the consortium to win the seat. Illegal financing of the electoral campaigns of members and candidates of the Democratic Party (center-left), PDL and FI (center-right) was used to nurture their political career, having them in public roles which would allow them to subsequently favour the consortium (OCC-MO, p. 102) <i>Bribes</i> were paid to politicians and public servants in several forms: “- as a periodical payment of a series of persons, increased along time, to satisfy the so-called systemic need; - as a so-called episodic but regular payment, i.e. the payment in certain regular moments, as the signature of conventions of public officials of certain Authorities, registration of acts, etc.; - the so-called emergencies, i.e. the payment of certain subjects aimed at solving certain issues or problems” (OCC-MO, p. 101)
	Information	Among those paid by the CVN also public officials who could provide “confidential information on the investigation”(OCC-MO, p. 101)
	Political rents	The biggest public work ever realized in Italy – MoSE – and all public contracts which were necessary for its completion; project financing in Veneto. The amount of public rent allocated is very high: the cost for MoSE was quantified in 3441 billion euro when the realization started in 2003, in 2014 – when completion of the work is 80 per cent – 5493 billions have already been spent. The judicial inquiry shows that sums given by businesses to CVN to pay bribes range from 50 to 60 per cent of the value of contracts they got, at least 24 billion of euros of bribes have been “certified” by judges (OCC-CVN, p. 260).
	Impunity from law enforcement	Through the payment of bribes to General Spaziante (Revenue Police) the President of CVN got information on controls in progress against companies of CVN, but also on wiretaps taken by judges for the ongoing

		investigations (OCC-MO p. 455)
	Voters' control	no
	Reputation and network	Reputation is an important resource within the CVN, whose president is named as "Supreme Leader", "King", "Monarch", "Emperor", "Doge" (OCC-MO, p.87) and considered by other entrepreneurs, politicians and bureaucrats capable to reach and influence decision-making from the national until the local level, but also to connect in a web of hidden exchange different political and bureaucratic actors having the capability to provide CVN the needed resources to avoid controls, to obtain regular public funding, to get confidential information and influence ongoing investigations, to obtain authorization, to weaken the controls of the Court of Auditors (OCC-MO, p. 101)
Channels and mechanisms	Electoral politics	no
	Policy-making	There are corrupt exchanges in relation with the formulation, adoption and implementation of decisions (e.g. public works contracts) concerning the safeguard of the lagoon of Venice
Type of interactions	Symbiotic	A symbiotic nexus developed among entrepreneurs from CVN or regularly operating as contractors and subcontractors and following the "rules" of slush funds management and corruption; and public officials who strengthened their authority in public roles – at Regional, but also at Municipal and national level – reinvesting resources coming from corruption. The uncertainty of the political arena did not allow symbiotic links to become strong enough to preserve the stability of the criminal organization of corruption. Significantly enough, according to judges: "it emerged a widespread and branching system of corruption, where the link between corrupt and corrupting agents was so strong that it was not always possible to identify the individual act contrary to official duties, as they often did not need a payment for a single act (...) The corruption mechanism gets to the point that sometimes the bribe is paid even when the corrupt public official leave from office or when the politician has ended his mandate at the local level, the illicit favor being independent from any single wrongful act committed. Bribes paid are justified by the role formerly played by the public official and by the possibility that he still keeps to affect, using knowledge and personal relationships, other officials who remain in service" (OCC-MO, p.96)
	Replacement	no
	Neutrality	Occasional exchanges realized between members of the corrupt network, politicians and other public officials not directly and regularly involved in the core of corrupt activities
	Gatekeeping	no
Elections	Political Finance	Yes, illegal financing of the electoral campaigns of members and candidates of the Democratic Party (center-

		left), PDL and FI (center-right) was used to increase their chances to get favorable electoral results (OCC-MO, p. 102). The former Mayor of Venice justified irregular contribution as a common praxis widely accepted and encouraged by his party colleagues in the last elections.
	Candidate selection	No
	Voters manipulation	No
	Electoral fraud	No
	Post-election bargaining	No



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



Project profile

ANTICORRP is a large-scale research project funded by the European Commission's Seventh Framework Programme. The full name of the project is "Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption". The project started in March 2012 and will last for five years. The research is conducted by 21 research groups in sixteen countries.

The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP

Project full title: Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption

Project duration: March 2012 – February 2017

EU funding: Approx. 8 million Euros

Theme: FP7-SSH.2011.5.1-1

Grant agreement number: 290529

Project website: <http://anticorpp.eu/>