



BULGARIAN ORGANISED CRIME THREAT ASSESSMENT



**CENTER FOR
THE STUDY OF
DEMOCRACY**



European Union, Internal Security Fund

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GENERAL OVERVIEW OF CRIMINOGENIC FACTORS 2012 – 2017



28.6% increase in average salary for 2012 – 2017



In 2015 – 2017 annual GDP growth is between 3.6% and 3.9%



Negative demographic trend until 2016



Unprecedented migrant pressure from 2013



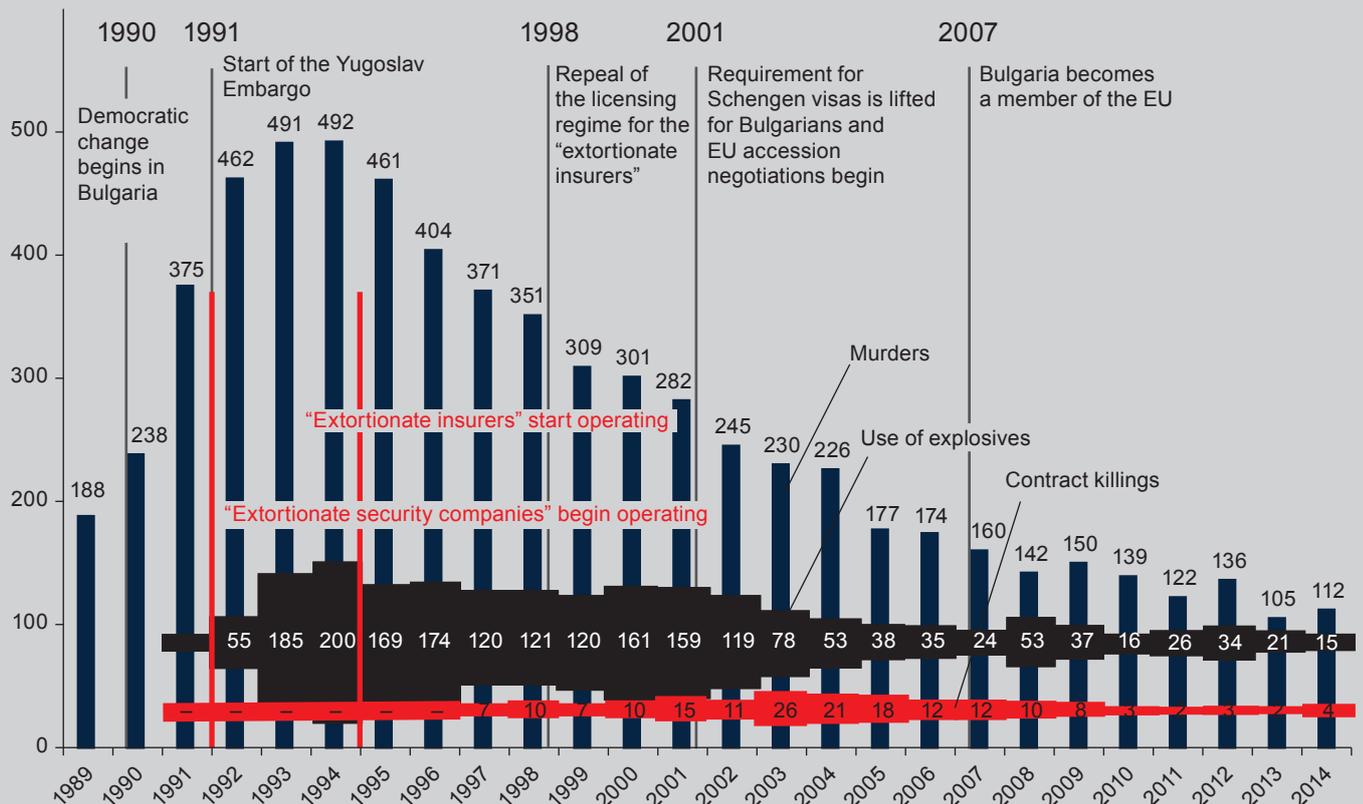
13% decrease in conventional crime for the period 2013 – 2017



Unemployment rate drops from 12.9% in 2013 to 6.3% in 2017



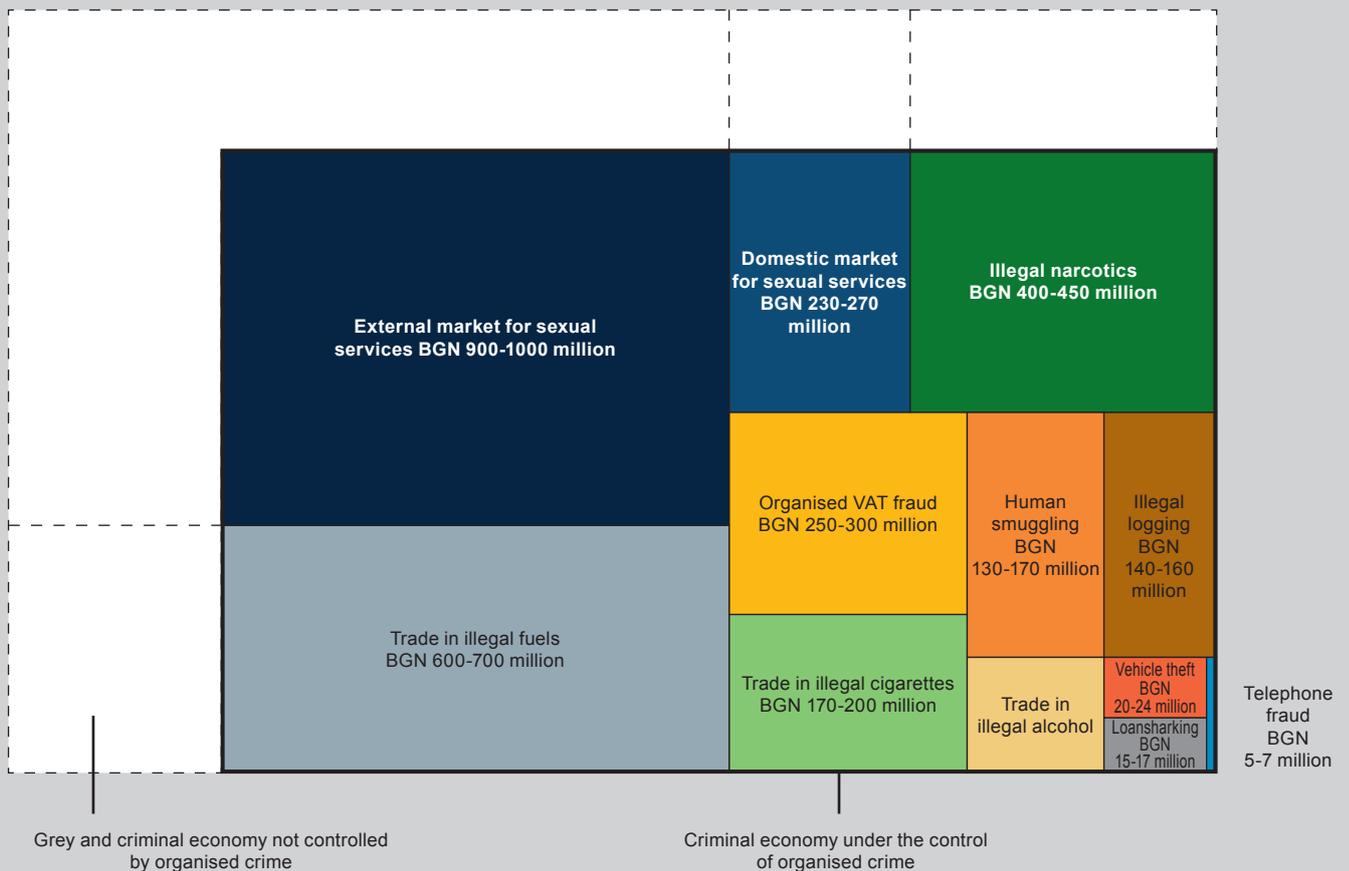
Sustained trend of decrease in the levels of violence used by organised crime in Bulgaria



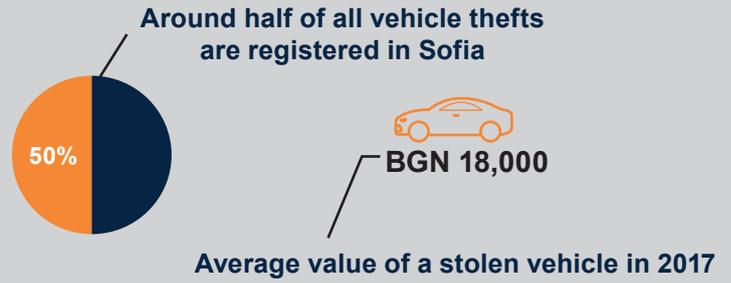
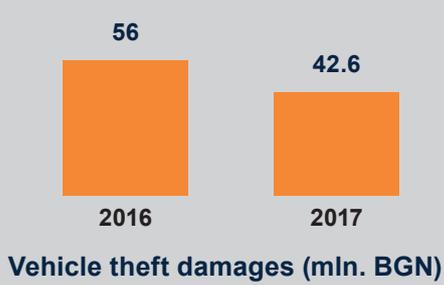
CRIMINAL MARKETS



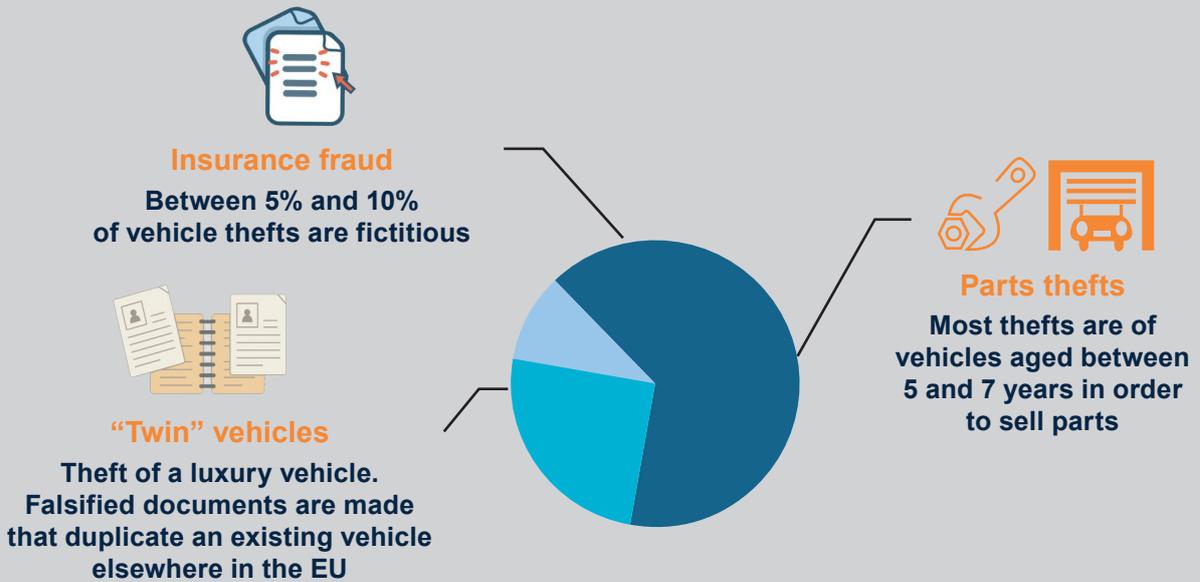
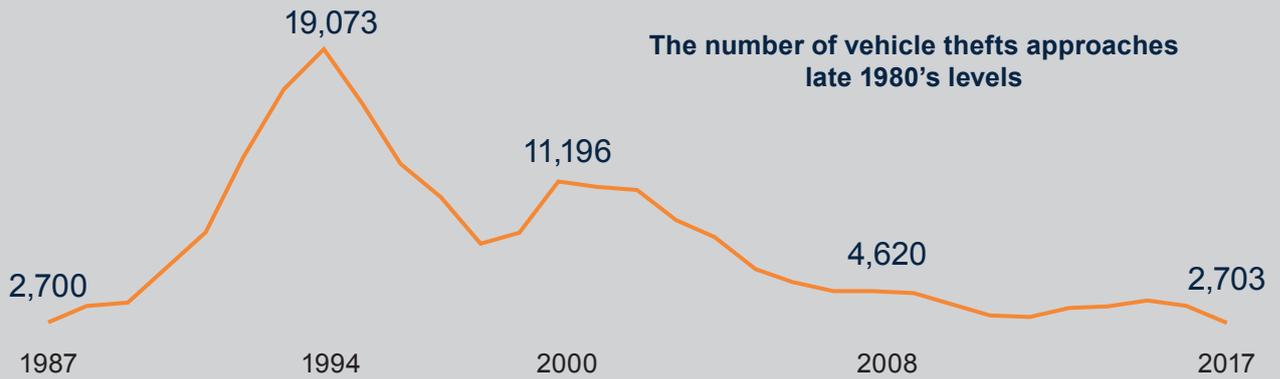
The overall assessment of the illicit economy under the control of organised crime indicates shrinking of some major criminal markets and increase in others. The market for illegal cigarettes and the volume of organised VAT fraud exhibit a significant drop, while at the same time the markets for illegal fuels and cannabis enjoy a noticeable rise. The domestic market for sexual services also displays a significant increase in turnover.



VEHICLE THEFT



TRENDS



STRUCTURE AND ORGANISATION



Between 60 and 70 are active in Bulgaria
3 to 4 participants
Often working in pairs



Usually owners of vehicle scrapyards
Assist with marketing the stolen vehicles and parts



Assist with unlocking the vehicle



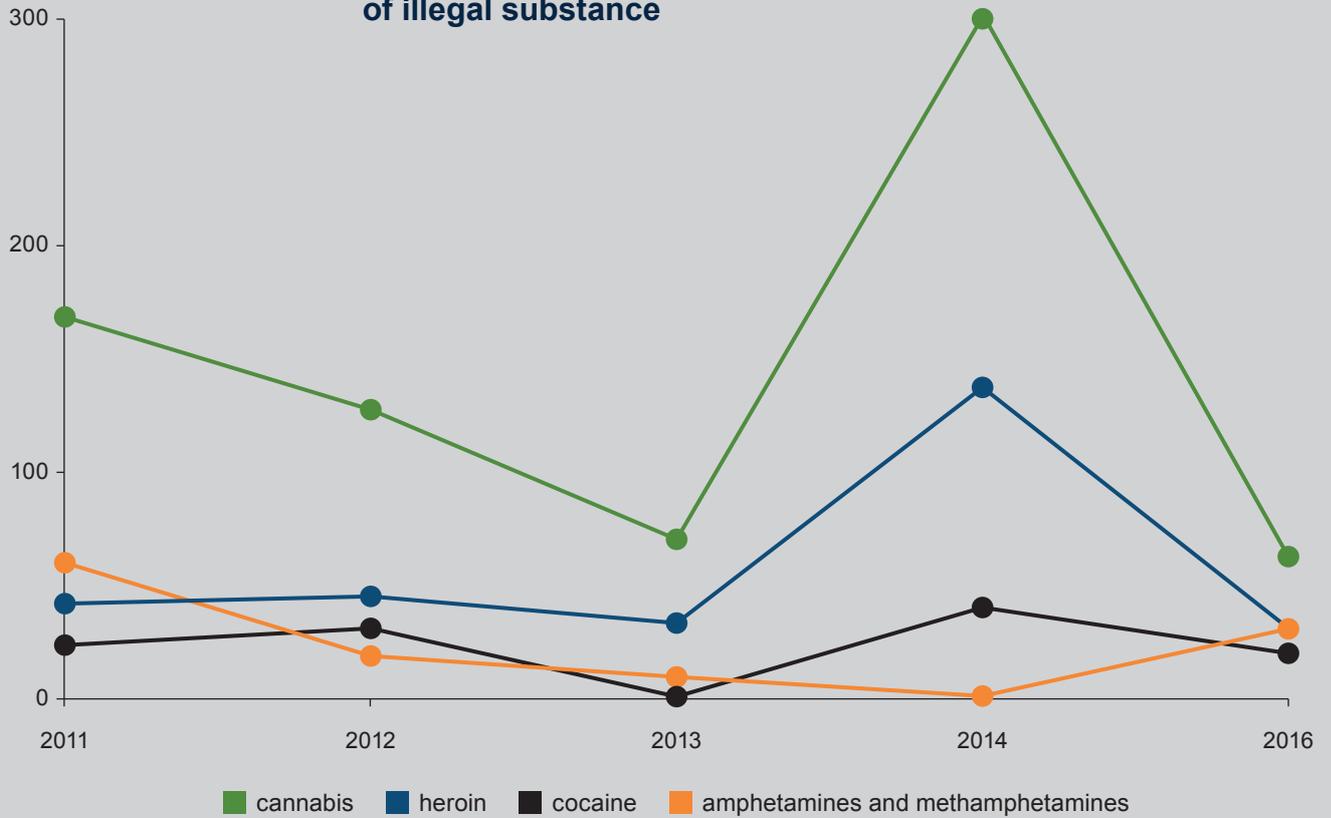
Document drafting and processing



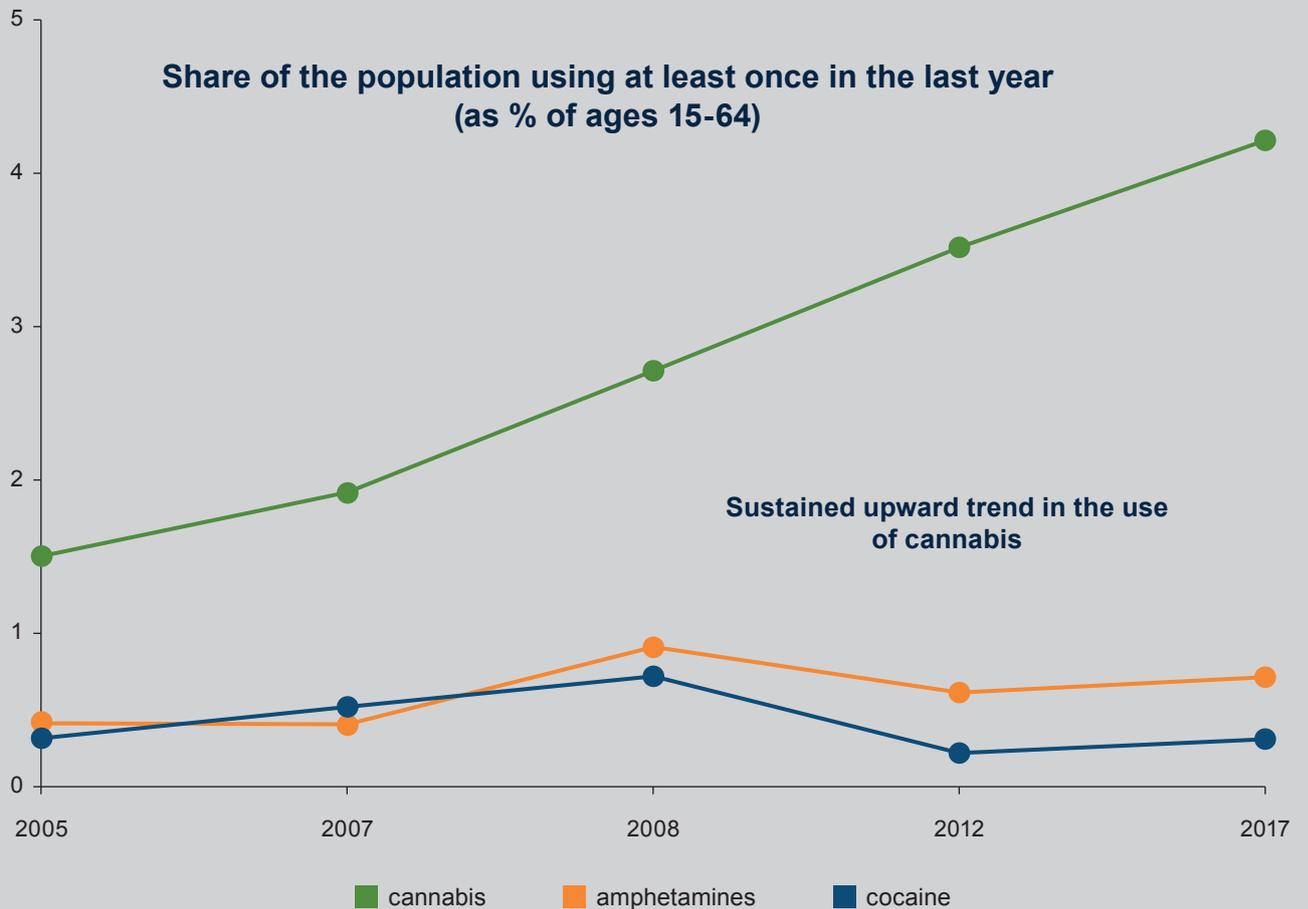
Disassembly and alterations



Confiscation cases in Bulgaria by type of illegal substance



Share of the population using at least once in the last year (as % of ages 15-64)



TRAFFICKING AND SALE OF ILLEGAL NARCOTICS (II)



After the lifting of economic sanctions in IRAN in 2016, there has been an increase in opium production in Afghanistan and in heroin trafficking from Iran through Turkey and Bulgaria into Western Europe

TRENDS



Sustained trend of increased influx of new psychoactive substances (designer drugs), derived through modification of the molecular structure of conventional narcotics.



Increased role of the internet for free access and delivery of precursors and chemical ingredients, as well as various narcotics.



Rising trend in the growing of cannabis both indoors and in open spaces.

235

participants in



Groups usually consist of 3 to 12 participants

44

organised groups for narcotics trafficking operate in Bulgaria in the period 2015 – 2017



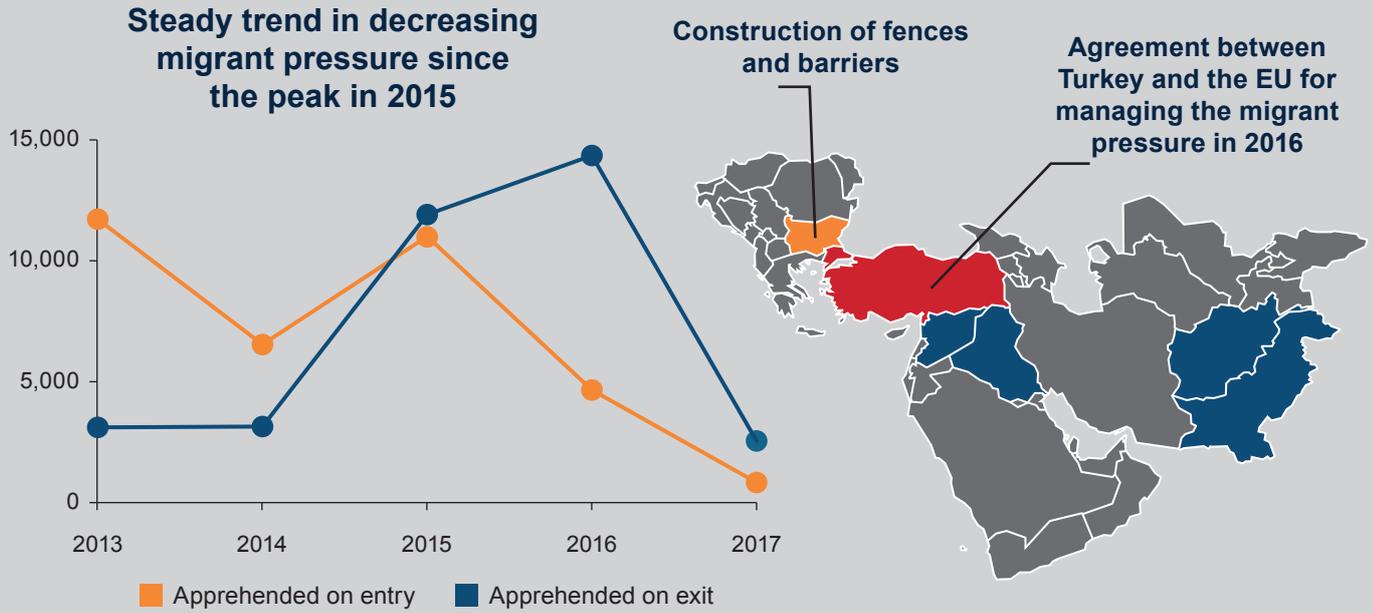
The new generation of traffickers and suppliers operate in flexible structures



Fragmented illegal drugs market with multiple small networks

STRUCTURE AND ORGANISATION

HUMAN SMUGGLING (I)



TRENDS



Multi-criminality

Human smuggling attracts actors from other criminal markets



Corruption pressure

Corruption is a frequently used tool for the facilitation of border crossing



Flexible and adaptive OCGs

Increased pressure from LEAs mobilises smuggling OCGs to change modus operandi and shift routes



Bulgarian networks smuggle migrants across the country and into Serbia and Romania

Sofia is a major logistics center where migrants are brought after crossing the Turkish-Bulgaria border

The potential number of persons crossing the country surpasses significantly the officially registered ones

HUMAN SMUGGLING (II)



ORGANISATION AND STRUCTURE



COORDINATORS

Bulgarian citizens of Middle Eastern or North African descent, as well as foreign nationals with a humanitarian status

Arrange the basic parameters of the smuggling with the other participants in the coordinator network, as well as with the local smuggling organisations in the respective countries.

Most often persons with Iraqi, Syrian and Afghan citizenship who arrange the smuggling of fellow nationals. Experts point to the existence of an independent Kurdish network.

Most often Bulgarian citizens. Organise and coordinate the actual border crossing into Bulgaria (rarely to the end-destination). They manage the operatives responsible for the different responsibilities associated with the crossing.



ORGANISERS



OPERATIVES

Guides, drivers, hosts, decoys, etc.

The degree to which operatives are integral part of the OCG varies from network to network.

Independent and informal system for value transfer popular in the Middle East and Africa.

Foreign or Bulgarian citizens of foreign origin.

Provide the settlement of the payment, while migrants deposit the whole amount in the country of origin or in Turkey.

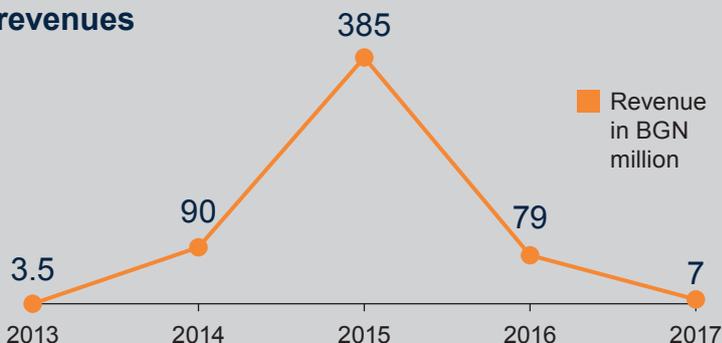
Transactions are completed using codes and coded messages.



HAWALLADARS

MARKET SIZE

Average values of human smuggling revenues in Bulgaria 2013 – 2017



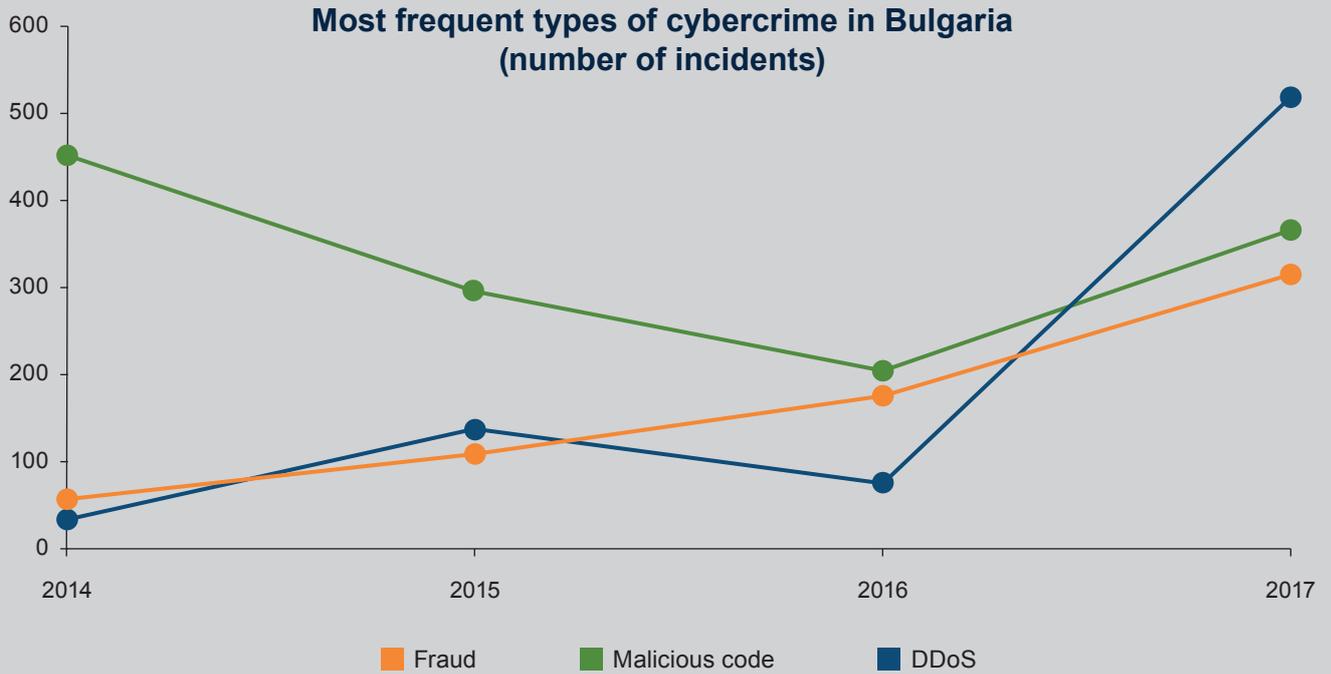
OUTLOOK



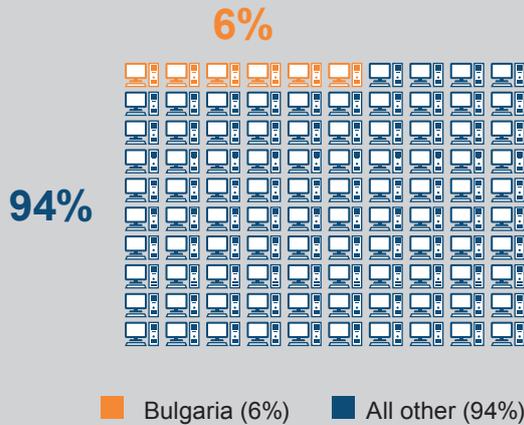
Human smuggling will remain a comparatively small market, particularly in relation with the volumes during 2014 – 2016.



The large volumes of criminal proceeds from human smuggling during the peak of the migrant crisis will be laundered or re-invested in other criminal activities.



Bulgarian ICT infrastructure is increasingly used to launch global attacks

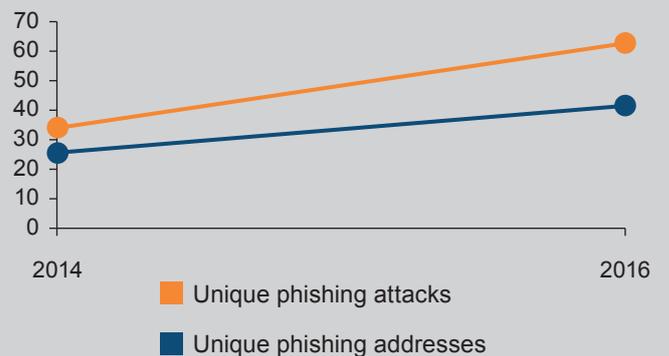


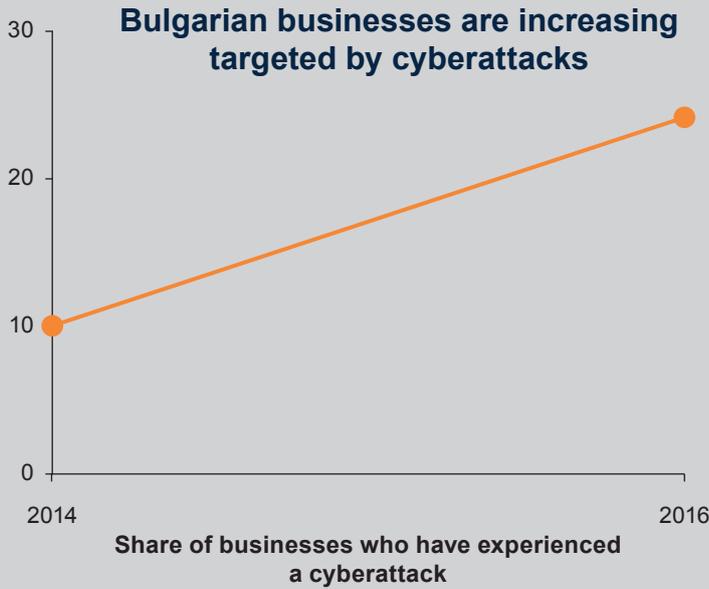
6% of all C&C servers operating globally in 4th quarter of 2016 are based in Bulgaria

Command & Control (C&C) servers are used for building and managing bot networks.

Phishing attacks are a key ingredient in economic cybercrime

Increasing trend of phishing attacks originating from Bulgarian IP addresses.





Most frequent targets of cyberattacks



banks and financial organisations



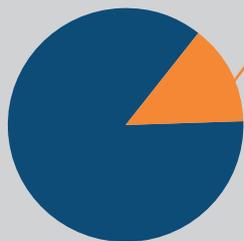
large e-commerce operators



cryptocurrency platforms and exchanges



automated systems for control and management



15,700

computers in Bulgaria were attacked by cryptovirus in 2017



“Business E-mail Compromise” attacks are on the rise, whereby cybercriminals use social engineering and ICT skills to deceive victims into wiring money into bank accounts under criminal control



INTERNATIONAL NETWORKS

Dominance of international networks, in many cases controlled by Russian, Ukrainian, Nigerian and North African groups.



HIDDEN COMMUNICATION CHANNELS

Cybercriminals use difficult to intercept communication channels through encrypted and anonymising applications, often on the dark web.



NETWORKS OF MULES

Due to the affordable availability of internet banking onsite mules are less frequently used to handle proceeds from cybercrime.



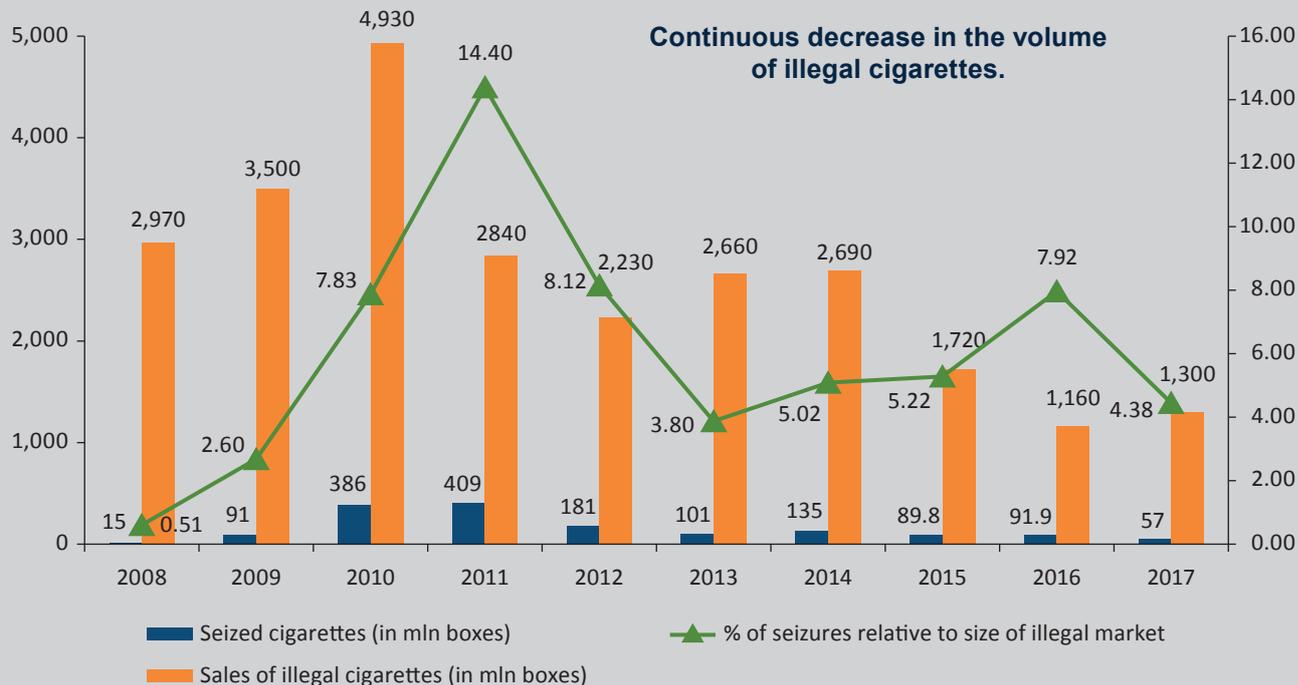
LOCAL INVOLVMENT

Local involvement may be secured provided through finding bespoke services offered on specialised forums, for example phishing kits, translations, etc.

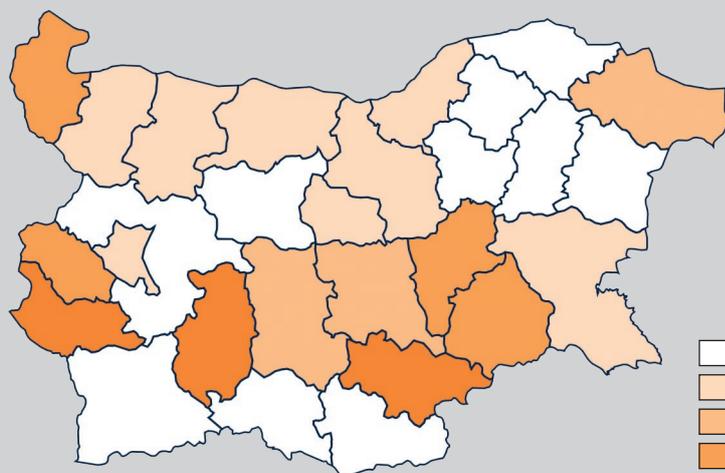
ILLEGAL CIGARETTES MARKET (I)



General trends in the illegal cigarettes market (in BGN million)



TRENDS



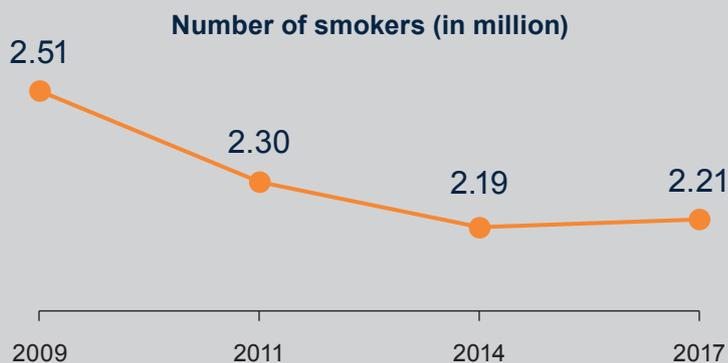
Shares of illegal cigarettes in 2017

Kyustendil, Haskovo and Pazardzhik regions exhibit significantly larger shares of illegal cigarettes

- less than 0.04
- less than 0.08
- less than 0.12
- less than 0.16
- less than 0.20



General trends in smoking



3% decrease in the number of smokers



The demographic slump facilitates the shrinkage of the market

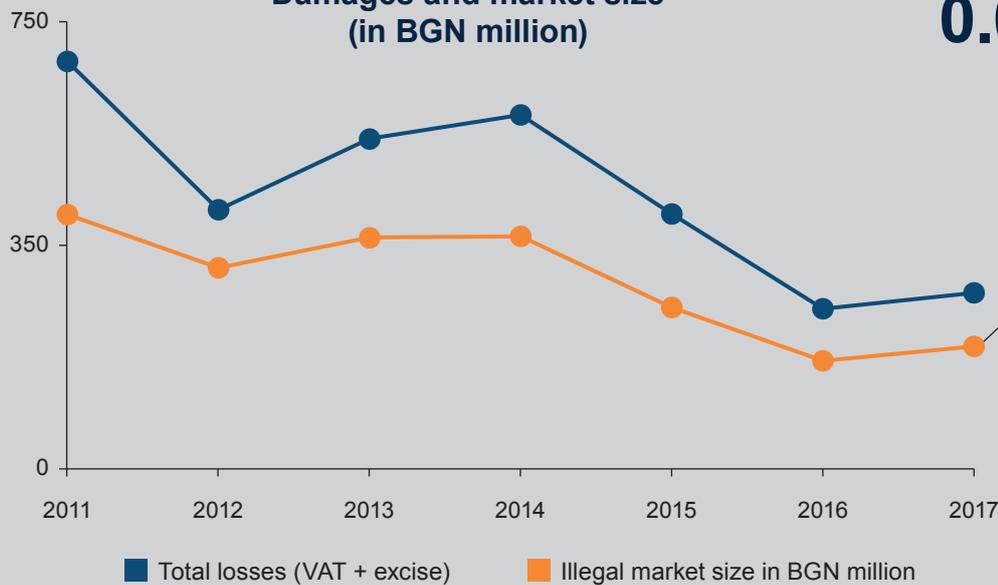
ILLEGAL CIGARETTES MARKET (II)



“Interconnected reservoirs” business model



Damages and market size (in BGN million)



0.05% of GDP

BGN 180-200 million



The development of innovative alternative nicotine delivery devices may contribute to the shrinking of the illegal cigarettes market.



New regulatory requirements, such as the Track & Trace system, may hinder the illegal cigarette trade, provided there is political will for implementation.

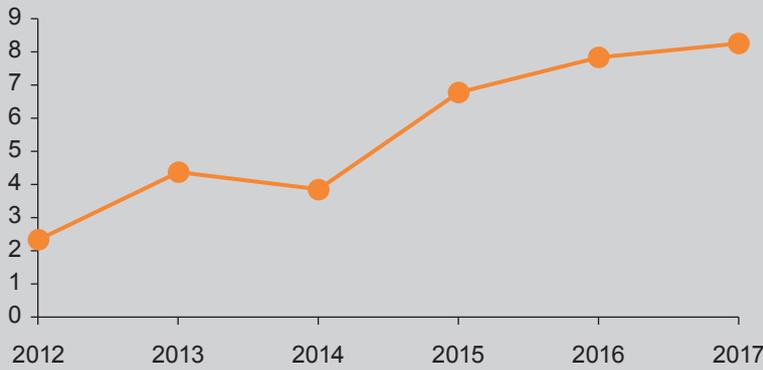


Sustain the current level of strict control over the producers, while expanding the capacity of effective control at border crossings.

TELEPHONE FRAUD



Every 4th person has been targeted by telephone fraudsters in the last 5 years

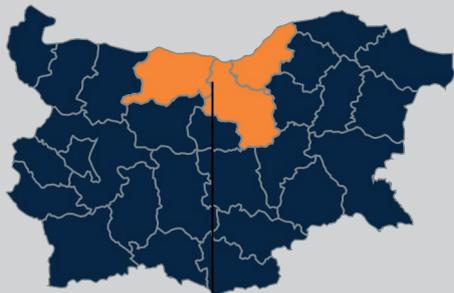


Criminal revenues from telephone fraud 2012 – 2017 (in BGN million)

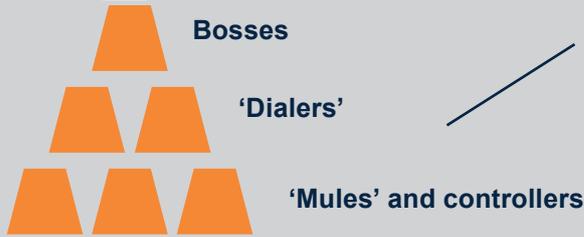
Losses from telephone fraud have a steady upward trend since 2012

(Data for the last quarter of 2017 are projected based on first 3 quarters of 2017)

TRENDS



A large share of telephone fraudsters are based in the regions of Ruse, Plevna and Veliko Tarnovo



approximately

200

'dialers' operate in Bulgaria, and sometimes dial from neighbouring countries

STRUCTURE AND ORGANISATION



33

BGN million are the losses from telephone fraud for the period 2012 – 2017, per estimates of the Ministry of Interior

DAMAGES



Collaboration with mobile operators to introduce risky profiles of dialing

Focus of investigation on the entire organised criminal group (instead of targeting mules only)

Targeted campaigns to increase awareness of telephone frauds and prevention

RECOMMENDATIONS

RACKETEERING AND USURY



TRENDS

Approximately

22,000

households have taken credit from usurers



Every 3rd person had overdue loans in 2017



Cases of physical violence by usurers have declined



'Protection' fee
'Certification' fee

Organised racketeering networks of state/municipal officers (e.g. in hotel, restaurant, retail)

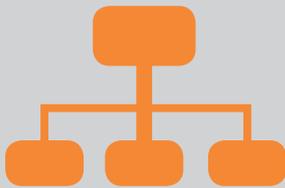


Aggressive collection methods: psychological harassment, threats, racketeering



Use of legal businesses as cover for usury

STRUCTURE AND ORGANISATION



The typical usury organised criminal group is hierarchical

Boss of organised criminal group

'Right hand'



'Credit' inspectors



Debt collection units



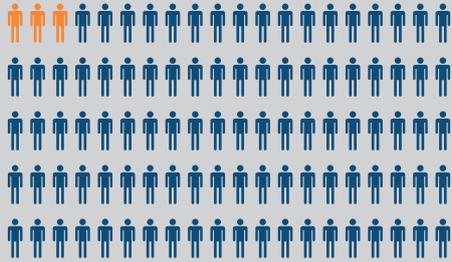
The classic usury structures are being transformed with the advent of companies for fast credits

TRAFFICKING IN HUMAN BEINGS AND SEX SERVICES



TRENDS

2.9%

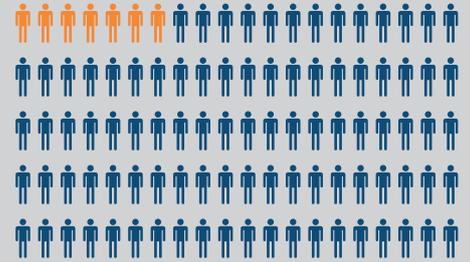


2013

Growth of sex services consumption in the domestic market



6.9%



2017

STRUCTURE AND ORGANISATION



Horizontal and flexible networks for recruiting and trafficking are most common



Intensive use of internet-based technologies for recruiting, advertising and control



Stable trend of avoidance of violence in trafficking and prostitution



hierarchical structures



flexible networks



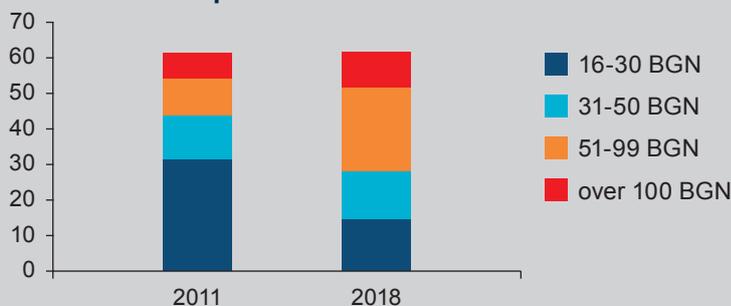
family-based networks



independent traffickers/sex workers

MARKET SIZE

Rise in prices for sex services



Growth of disposable income

Rise in the middle and high segments

Easier access to sex services through the internet

RECOMMENDATIONS



Investigation of trafficking in human beings should follow the financial flows

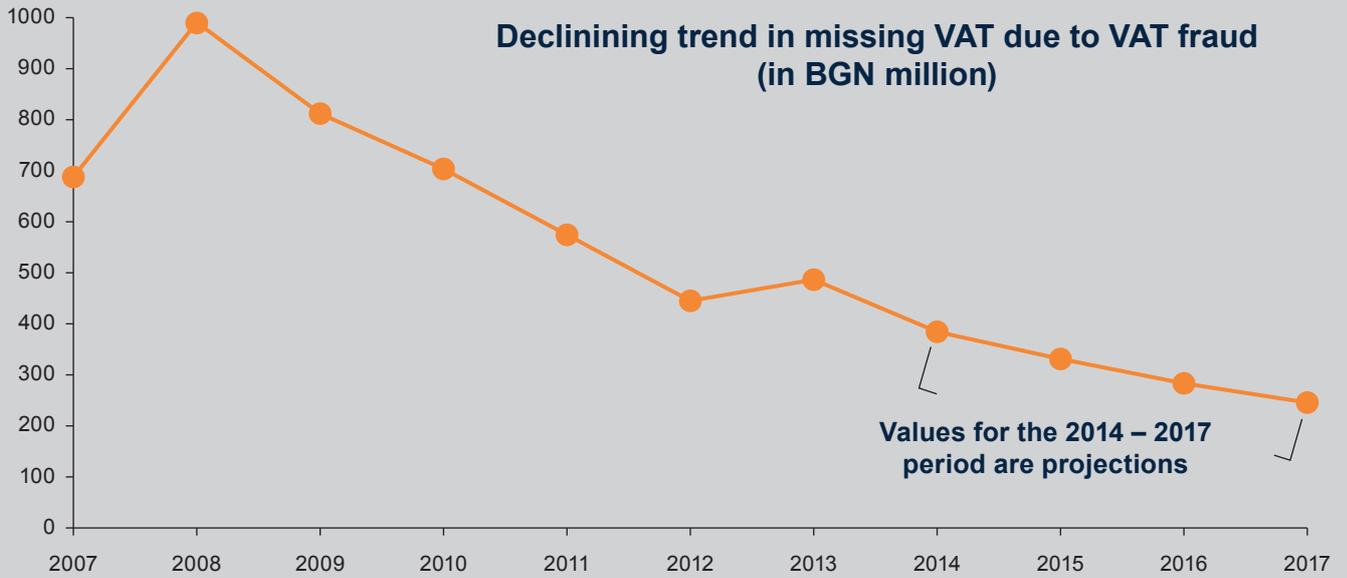


Improved coordination of criminal and financial investigations carried out by the prosecution

ORGANISED VAT FRAUD



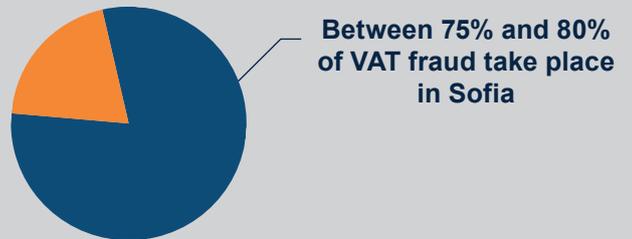
TRENDS



The number of 'missing traders' is going down



Declining number of 'consumers' of VAT fraud



SCHEMES



EU

60-70% of 'missing trader' frauds involve transactions within the EU

Companies of 'missing trader' are registered to socially disadvantaged or marginalised persons



Chains of purchases-sales through 'missing traders'



Taking of illegal VAT benefits



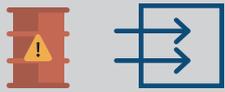
Import of goods at lower than actual prices and sale at actual prices without payment of VAT

Fraud involving Customs Procedure 42 where goods are declared as export to a member state but are sold in Bulgaria without payment of due VAT

ILLEGAL TRADE IN FUELS



SCHEMES



Import of heavy fuel oil



1000 L

Heavy fuel oil



Small oil refineries



Heavy fuel oil is processed into diesel fuel

800 L

Diesel fuel



Processed fuel is sold without paying excise duties and VAT



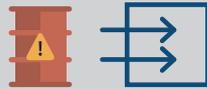
Small and/or corporate filling stations



Companies in the construction, transportation or agricultural sectors



Small refineries/chemicals producers



Import of bitumen with added gas oil from neighbouring countries



Fuel is extracted from the bitumen



Small and/or corporate filling stations



Companies in the construction, transportation or agricultural sectors



Refunded excise taxes and VAT



Agricultural producers

'serve'



Local 'village networks' of brokers and consumers



Mobile filling stations



0.4-0.5 BGN/L

Serve regular clients in certain neighbourhoods and towns.

SOURCES

Vehicle Theft:

Ministry of Interior; Center for the Study of Democracy.

Trafficking and Sale of Illegal Narcotics:

European Monitoring Centre for Drugs and Drug Addiction; Ministry of Interior; National Customs Agency.

Human Smuggling:

Ministry of Interior; Center for the Study of Democracy.

Cybercrime:

State E-Government Agency; Kaspersky – DDoS attacks in Q4 2016; APWG – Global Phishing Survey: Trends and Domain Name Use in 2016 – 2017; PWC, Global Economic Crime Survey, 2016 – Bulgaria Country report; Kaspersky Security Bulletin: Overall statistics for 2017, Kaspersky Lab, 2018.

Illegal Cigarettes Market:

Ministry of Interior; National Customs Agency; Center for the Study of Democracy.

Telephone Fraud:

Ministry of Interior; Center for the Study of Democracy.

Racketeering and Usury:

Ministry of Interior; Center for the Study of Democracy.

Trafficking In Human Beings and Sex Services:

Center for the Study of Democracy.

Organised Vat Fraud:

National Revenue Agency; Center for the Study of Democracy.

Illegal Trade in Fuels:

Center for the Study of Democracy.

PUBLICATIONS BY THE CENTER FOR THE STUDY OF DEMOCRACY

Cross-Border Organised Crime: Bulgaria and Norway in the Context of the Migrant Crisis, Sofia, 2017.
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Monitoring Radicalisation: A Framework for Risk Indicators, Sofia, 2017.
ISBN: 978-954-477-302-1

Situational Assessment of Extremist Trends, Sofia, 2017.
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Serious and Organised Crime Threat Assessment 2010 – 2011, Sofia, 2012.
ISBN: 978-954-477-185-0

Organised Crime in Bulgaria: Markets and Trends, Sofia, 2007.
ISBN: 978-954-477-150-8