

Security program

In 2018, the Security Program's efforts were focused on the following areas:

- **Assessing organised crime threats.** A strategic assessment of organised crime threats in Bulgaria was made as well as an in-depth analysis of two criminal markets – the financial aspects of trafficking in human beings and the illicit trade of tobacco products along the Balkan Route.
- **Corruption and fraud.** CSD participated in the development of an innovative methodology – *Private Corruption Barometer* – to measure and monitor business corruption in the EU. The current legislative and institutional anti-fraud framework was analysed and an international conference was held dedicated to countering fraud in EU funding for agriculture.
- **Monitoring and countering radicalisation and terrorism.** The latest trends in countering radicalisation and terrorism and the vulnerability factors for violent extremism in Jordan were analysed.
- **Monitoring and evaluation policies in the field of security and home affairs.** An innovative *Data Management System* for illegal assets was developed. The ICT tool aims to help practitioners collect, manage and analyse data on forfeited assets. CSD also prepared and presented an analysis of the current problems in managing seized illicit proceeds. External evaluations of the Internal Security Fund – Police and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) were performed.

I. Assessing organised crime threats

In 2018, CSD continued working on the second *Bulgarian Organised Crime Trend Assessment* (BOCTA) to be carried out over three successive years and covering ten organised criminal markets and their dynamics during the 2013 – 2019 period. The previous BOCTA performed by CSD had dealt with the period 2010 – 2011. Among the newly examined criminal markets in the [first of the three reports](#) are: human smuggling (which peaked in the period 2014 – 2016 and is linked to organised criminal networks), telephone frauds (despite generating only small revenues, this market has a rather adverse

effect on society), and certain cyber and web-based crimes.

On 2 October 2018, a BOCTA training was held to present the methodology used to analyse the criminal markets and discuss the assessment's findings. It was attended by prosecutors and officials from the Ministry of Interior, the Customs Agency and the National Revenue Agency. The report was officially launched at a [round table](#) on 9 October 2018 and the data was discussed before a wider audience, also including representatives of the National Commission for Combating THB, the Supreme Court of Cassation, and the State e-Government Agency.



Organised Crime Trend Assessment Round Table, Sofia, 9 October 2018



Financing organised crime – focus on human trafficking

A two-year study on the financial aspects of human trafficking was completed in 2018. It covered 9 EU Member States, including Bulgaria, and an overview of the findings concerning the state of the issue at home were published in the Policy Brief *Trafficking for Sexual Exploitation in Bulgaria: Criminal Finances and Capacity for Financial Investigations*.

The [report](#), covering all 9 countries, makes a detailed review of the structure and financial aspects of the THB market, the human trafficking networks, and the sources and ways of financing of this criminal activity. It also dwells on the role of the Internet in the human trafficking process and its financing, viewing it as a further source of oppor-

tunities for the traffickers, and considers the challenges to the financial investigation of THB crimes.

The study findings were presented at a series of events. The round table on *Financing of Human Trafficking for Sexual Exploitation* held on 28 June 2018 at CSD gathered representatives of the National Commission for Combatting Traffic in Human Beings, the National Police, the General Directorate for Combating Organised Crime, the Sofia Directorate of Interior, the Commission for Countering Corruption and Illegal Asset Forfeiture, academia and experts working in this field. On July 4, in Paris a seminar on *Financing and Financial Investigations of THB for Sexual Exploitation* was organised with the support of the French National Institute for Advanced Studies in Security and Justice. On November 15, a seminar on *Financing of Trafficking in Human Beings for Labour Exploitation* was held in partnership with the University of Trento


on university grounds. Both seminars were targeted at raising the awareness of THB and its financing among police officers and magistrates.

On December 13, a round-up international conference was held in Ghent, Belgium, to present the study findings to an audience from Europol, Eurojust, the National Institute for Advanced Studies in Security and Justice, the University of Trento, as well as Belgian, Bulgarian, French and Italian magistrates and police officers.

The tobacco market in Bulgaria: trends and risks

The revenue generated by VAT and excise tax on tobacco products forms a significant share of the Bulgarian state budget which makes the illicit tobacco market in Bulgaria worthy of exploration and essential to forming anti-organised crime policies. In 2018, CSD's experts coordinated a team of international researchers to conduct the study *Illegal Trade in Tobacco Products and the Balkan Route: Overcoming Institutional Gaps and Corruption*, which involved the collection and analysis of data for Bulgaria, Greece, Romania and Italy. The initial findings of the study were summarised in two successive publications. *The Tobacco Market in Bulgaria: Trends and Risks* report examines the development of the illicit tobacco market in Bulgaria and the deficiencies to overcome in order to sustain the current low levels of the market. Both the legal and illegal market are reviewed, as well as the existing risks that should be taken into account by policy-makers.

The Policy Brief *The Illicit Trade of Tobacco Products along the Balkan Route – Bulgaria, Greece, Italy and Romania* examines in detail the four countries along the Balkan route, dwelling on their specific excise policy and measures to curb smuggling



**TRAFFICKING FOR SEXUAL EXPLOITATION IN BULGARIA:
CRIMINAL FINANCES AND CAPACITY
FOR FINANCIAL INVESTIGATIONS**


Policy Brief No. 78, June 2018

Trafficking in human beings (THB) for the purpose of sexual exploitation has become one of the largest Bulgarian criminal markets since the beginning of the new millennium. After the lifting of Schengen visas for Bulgarian nationals in 2001, Bulgaria became a major country of origin for the trafficking in human beings exploited in the EU. THB and prostitution not only generate huge incomes for Bulgarian organised crime but also have detrimental social and economic impact on local communities. The changing nature and the level of sophistication of some trafficking operations is posing new challenges to law enforcement and judicial authorities. Apparently, none of them are fully equipped to meet these challenges. This is particularly true with regard to financial investigations, which struggle with a variety of impediments, such as the lack of sufficient resources and functional and structural gaps in the institutional setup.


The accession of Bulgaria to the European Union in 2007, and the lifting of the restrictions for access of Bulgarian citizens to the common EU labour market in 2013 resulted in significant transformations of THB phenomenon. The freedom to travel to and legally work in EU member states barred criminal networks from controlling victims' access to the common European labour market, including that of sexual services. In addition, as European and Bulgarian law enforcement and judiciary bodies stepped up cooperation with their counterparts on an international scale, criminal networks became less prone to use violence against THB victims and, therefore,

KEY POINTS

- Trafficking in human beings remains a highly profitable criminal market for Bulgarian organised crime.
- Unlike independent traffickers, organised crime groups often make significant initial investments and incur operational costs (e.g. for client acquisition, monitoring, protection and concealment).
- Information and communication technologies have transformed both the modus operandi and the cost structure of human trafficking operations.
- The 'follow-the-money' doctrine has still not been fully institutionalized in Bulgaria and money-laundering investigations are rarely carried out in parallel with criminal investigations of trafficking in human beings.
- Recruitment, training and deployment of additional police officers able to conduct complex financial investigations must be prioritised.
- There is an urgent need to develop effective mechanisms for coordination between criminal and financial investigations within the prosecution, as well as with the other relevant institutions.
- In the long term it should be considered to bring non-conviction based forfeiture of illegal assets within the remit of institutions charged with investigating and prosecuting the predicate offenses in order to avoid duplication of resources and streamline parallel financial investigations.



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Българско-швейцарско сътрудничество



The Illicit Tobacco Market: Limits to Institutional Enforcement Round Table, Sofia, 6 March 2018

and illegal trade as factors affecting the tobacco market.

On 6 March 2018, CSD held the round table *The Illicit Tobacco Market: Limits to Institutional Enforcement* to discuss the data and recommendations for the Bulgarian tobacco market with key stakeholders such as the National Revenue Agency, the General Directorate for Combating Organised Crime, the Border Police, the MoI Analyses and Policies Directorate, the Customs Agency, and the tobacco industry.



**THE TOBACCO PRODUCTS MARKET IN BULGARIA:
TRENDS AND RISKS**

Policy Brief No. 75, March 2018

The market for legal and illegal tobacco products has been one of the junctures of the transition where the interests of organised crime, secret services and political parties intersect. For this reason, public attention to the issue has always been high, with substantial political overtones. Paradoxically, after Bulgaria's accession to the European Union, in particular between 2009 and 2014, the illegal tobacco market resurfaced as one of the major sources of revenue for organised crime. In this period, illegal cigarette consumption in the country varied between 25 % and 40 %, while sales reached between BGN 300 and 500 million per year, equal to between 0.5 % and 1.0 % of the country's GDP.

The situation changed radically after 2014. The government undertook a series of measures to tighten border control, discourage illegal cigarette producers and tackle the spread of illicit tobacco products, which led to a record decline in illegal cigarette sales leaving the latter at 6-7 % of total sales. Accordingly, excise and VAT revenues rose by 25-30 %. This positive development, however, has turned out to be strongly dependent on the country's political stability. In 2016 and 2017, when presidential and early parliamentary elections were held, it became evident that the process of effectively reducing the illegal tobacco products market is rather unstable and unsustainable.

KEY POINTS

- Bulgaria's commitment to reach the minimum excise levels for tobacco products in the EU has been met through several sharp price hikes, amounting to 60-80 % in some years. This policy has practically boosted illegal tobacco trade.
- The illicit tobacco products market is one of the largest sources of revenue for organised crime in Bulgaria, reaching between 0.5 % and 1 % of the country's GDP.
- The huge revenues of this criminal market generate extremely strong corruption pressure at all levels.
- Revenue from tobacco products (excise and VAT) are of great importance for the state budget. Its share in total tax revenue is 9-10 % per year.
- The government's decision to curb the illegal market for tobacco products led to a sharp drop in the consumption of illegal cigarettes from an average of 20 % in 2016 to 6-7 % in 2017.

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II. Corruption and fraud

For over 20 years, CSD has analysed the causes and level of corruption in all its forms. In 2018, the Center finalised the tool *Private Corruption Barometer* developed and applied to assess levels of prevalence and specific characteristics of corruption in the private sector. In a pioneering attempt to explore the phenomenon of private corruption in Bulgaria, CSD published the report *Private Sector Corruption in Bulgaria* which also



*Delyan Dobrev, Chairman, Parliamentary Committee on Energy;
Ruslan Stefanov, Director, CSD Economic Program; and Dimitar Margaritov,
Chairman, Consumer Protection Commission, Sofia, 30 March 2018*

suggests the most effective indicators of its measurement.



The report was launched at a [round table](#) on 30 March 2018, at which participants united around the view that the existence of private corruption in such dimensions considerably distorts the market environment, leads to implementation of practices which destroy the free market competition and eventually decreases the overall effectiveness and competitiveness of the private sector.

Unlike in the majority of EU Member States, in Bulgaria and Romania the agricultural sector still has a major impact on the economy. The value added of the sector as a share of GDP in the two countries is more than twice as high as the average in EU28. Romania and Bulgaria remain the two countries in EU with the highest share of agriculture in their national GDP accounts. As such, fraudulent irregularities and corruption-related activities in the EU financing of Bulgaria's and Romania's agricultural sector present a serious threat to the financial interests of the EU.



Key speakers at the international conference “Standing Up To State Capture: Innovative Methods to Investigate Fraud and Corruption in EU Funding for Agriculture”, Sofia, 13-14 September 2018



Participants in the international conference “Standing Up To State Capture: Innovative Methods to Investigate Fraud and Corruption in EU Funding for Agriculture”, Sofia, 13-14 September 2018

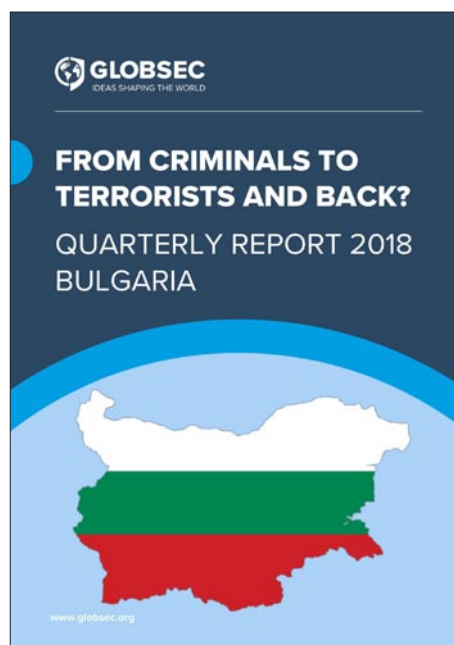
At the same time, the high concentration of land ownership, particularly in Bulgaria, together with persistent levels of irregularities and corruption in the procurement process, puts the national interest in agriculture at risk of being captured by private interests. This may lead to detrimental effects for economic life, opposite to those intended by the Common Agricultural Policy (CAP) funding rationale.

These were the topics in the focus of the high-profile international conference with the support of the European Anti-Fraud Office (OLAF) organised by CSD on 13 and 14 September 2018 and gathering law-enforcement practitioners, research institutes and academia. Participants also discussed state capture measurement and showcased the current and up-and-coming tools and methods in detecting, preventing and investigating fraud and corruption in the EU funding for agriculture.

III. Countering radicalisation and terrorism

In 2018, CSD continued pursuing innovative approaches in countering radicalisation and terrorism within and beyond the EU. A detailed report on violent extremism in Jordan was prepared. In addition, the development a radicalisation needs assessment in probation services and prisons of five EU Member States was started. The completed assessment will provide a basis for designing a mentorship program targeted at probation and prison staff.

CSD, in cooperation with GLOBSEC, took part in a study of the links between crime and terrorism in eleven Member States. The first in the series of publications – *From Criminals to Terrorists and Back: Bulgaria Quarterly Report* – presents emergent findings on the link



between extremism and crime in Bulgaria, whereas the second report – *Who Are the European Jihadists?* – analyses the



*Prof. Dr. Peter Neuman, Ruslan Stefanov and Rajan Basra,
Sofia, 8 November 2018*

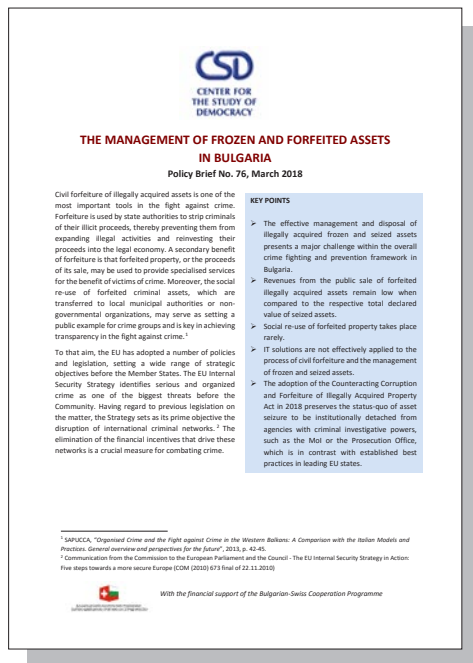
findings of the crime-terror nexus on a European level.

In 2018, CSD also hosted a round table entitled *The Links Between Crime and Terrorism in Europe* during which Prof. Dr. Peter Neumann, Rajan Basra and Zora Hauser from the International Centre for the Study of Radicalisation and Political Violence at King's College, London presented the results from the Crime-Terror Nexus project.

IV. Monitoring and evaluation policies in the field of security and home affairs

Civil forfeiture and management of illegally acquired assets is one of the most important tools EU and national governments use to fight political corruption and Bulgaria needs to bring its

system in line with them. In 2018, CSD made an overview of the current challenges Bulgarian institutions face in this area in the Policy Brief *The Management of Frozen and Forfeited Assets in Bulgaria*. An innovative Data Management System for illegal assets (prototype PAYBACK DMS) was developed and tested in partnership with the University of Trento. The ICT tool aims to help practitioners collect, manage and analyse data on forfeited assets. CSD also prepared and presented an analysis of the current problems in managing seized illicit proceeds. PAYBACK DMS is a scalable and transferable ICT tool with a multi-language interface for the collection, management and automatic analysis of data on seized assets that can be applied in various national contexts. The tool is expected to facilitate information sharing and more effective asset management within the EU.



In 2018, CSD also became involved in a full compliance assessment and an assessment of the practical implementa-

tion of the national measures in Bulgaria for transposing *Directive 2014/42/EU on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union* (“Confiscation Directive”) assigned by DG Migration and Home Affairs and implemented in partnership with the international consultancy Milieu Ltd.

In 2018, CSD was actively involved in the interim **evaluation of the Internal Security Fund – Police (2014 – 2017)** as well as in an **external assessment of the European Monitoring Centre for Drugs and Drug Addiction (2013 – 2017)**. Both studies were commissioned by DG Migration and Home Affairs, whereby the roles assigned CSD are data collection and analysis and recommendation drafting. In addition, CSD started work on an overview of the availability, comparability and consistency of administrative statistical data on recorded crime and on the stages of the criminal justice process in the EU in partnership with GOPA Consultants.