



# **BULGARIAN ORGANISED CRIME THREAT ASSESSMENT**

2019



European Union, Internal Security Fund

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# GENERAL OVERVIEW OF CRIMINOGENIC FACTORS 2012 – 2018



In 2018 average salary increased by 5% compared to 2017



3.1% increase in GDP



Continued negative demographic trend



Migration pressure since 2013



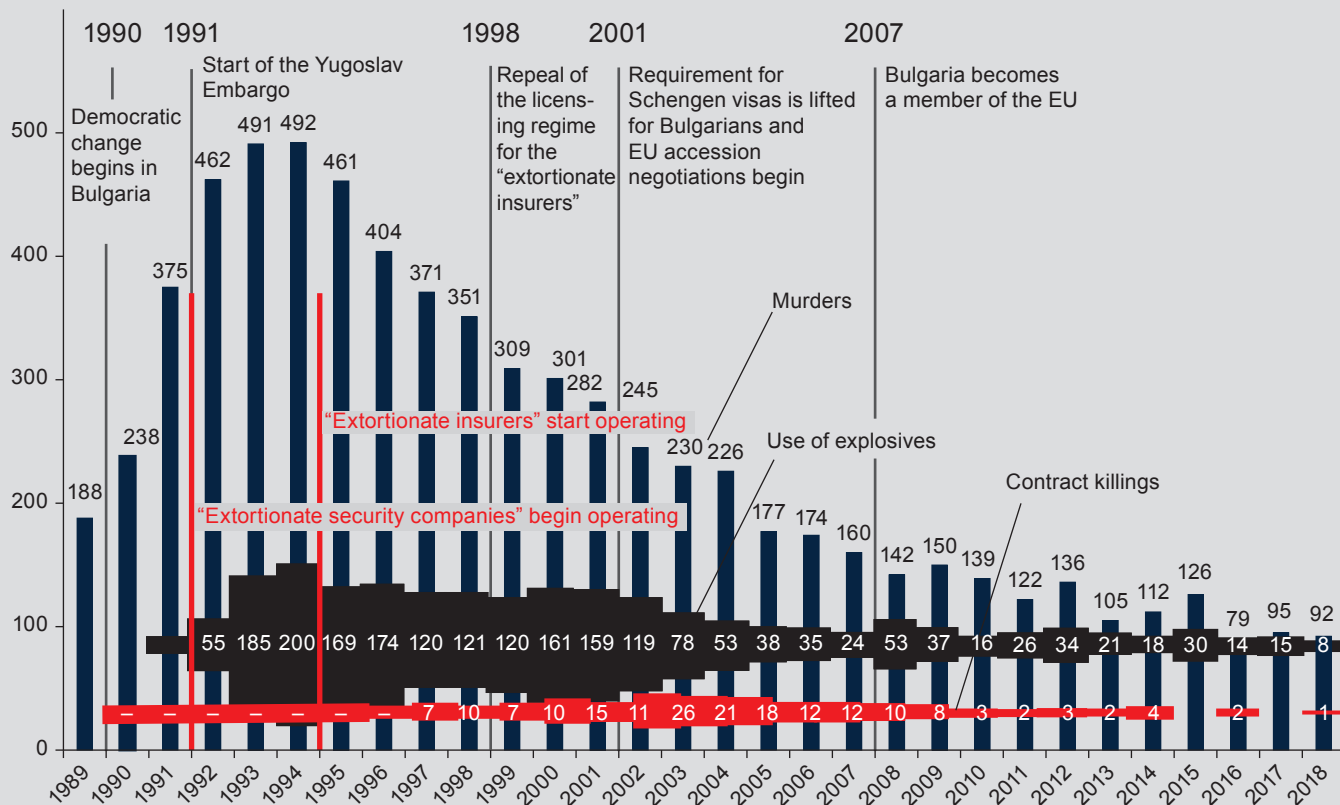
Over 9% decrease in registered conventional crime compared to 2017



Long-term decline in unemployment rate to 6.2% in 2018



Sustained downward trend in the level of violent crime committed by organised crime in Bulgaria



# CRIMINAL MARKETS COVERED IN THE THREAT ASSESSMENT



**Organised  
VAT fraud**



**Drugs trafficking**



**Human trafficking  
and prostitution**



**Illegal logging**



**Illegal trade  
in fuels**



**Illegal trade  
in tobacco products**



**EU funds fraud**



**Human smuggling**

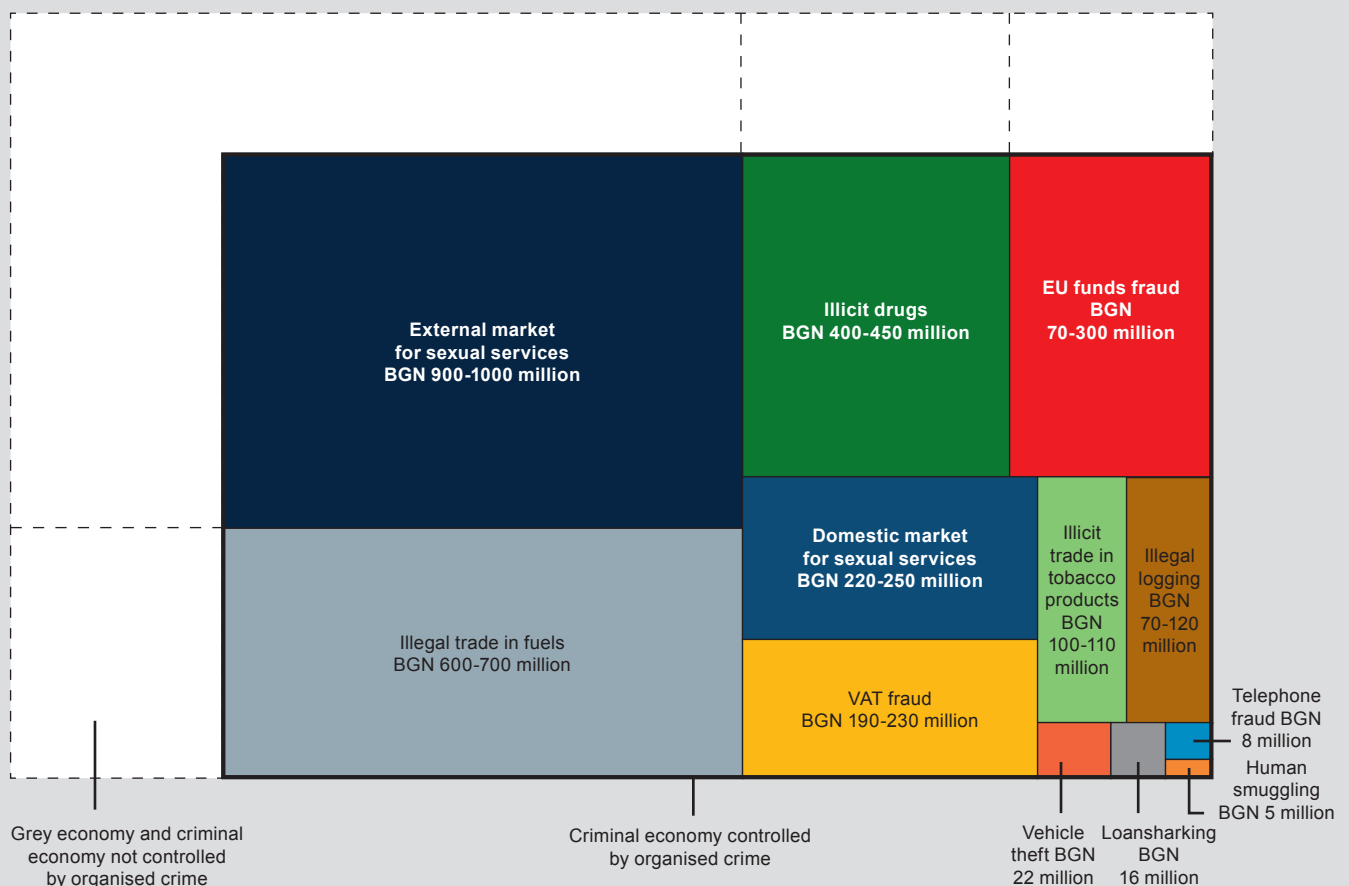


**Cybercrime**



**Telephone fraud**

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 has declined, while at the same time the illegal trade in fuels and cannabis trafficking went up. The domestic market for sexual services also declined slightly compared to 2017.





## 35.5%

of businesses in Bulgaria believe that access to EU funding can be obtained only through illicit payoffs

### Frequently used practices for abusing EU funds



Rural development

- false declaration of land ownership
- false claims of owning cattle or poultry
- false invoices and payment orders



Guest houses

- abuse of power
- abuse of administrative discretion
- false claims of targeted financing



Energy efficiency programme for residential buildings

- overcharging by construction companies
- cartel agreements



Direct subsidies

- abuse of loopholes in regulations to receive ineligible subsidies



Bribes



Document fraud



Crime tools



Conflicts of interest

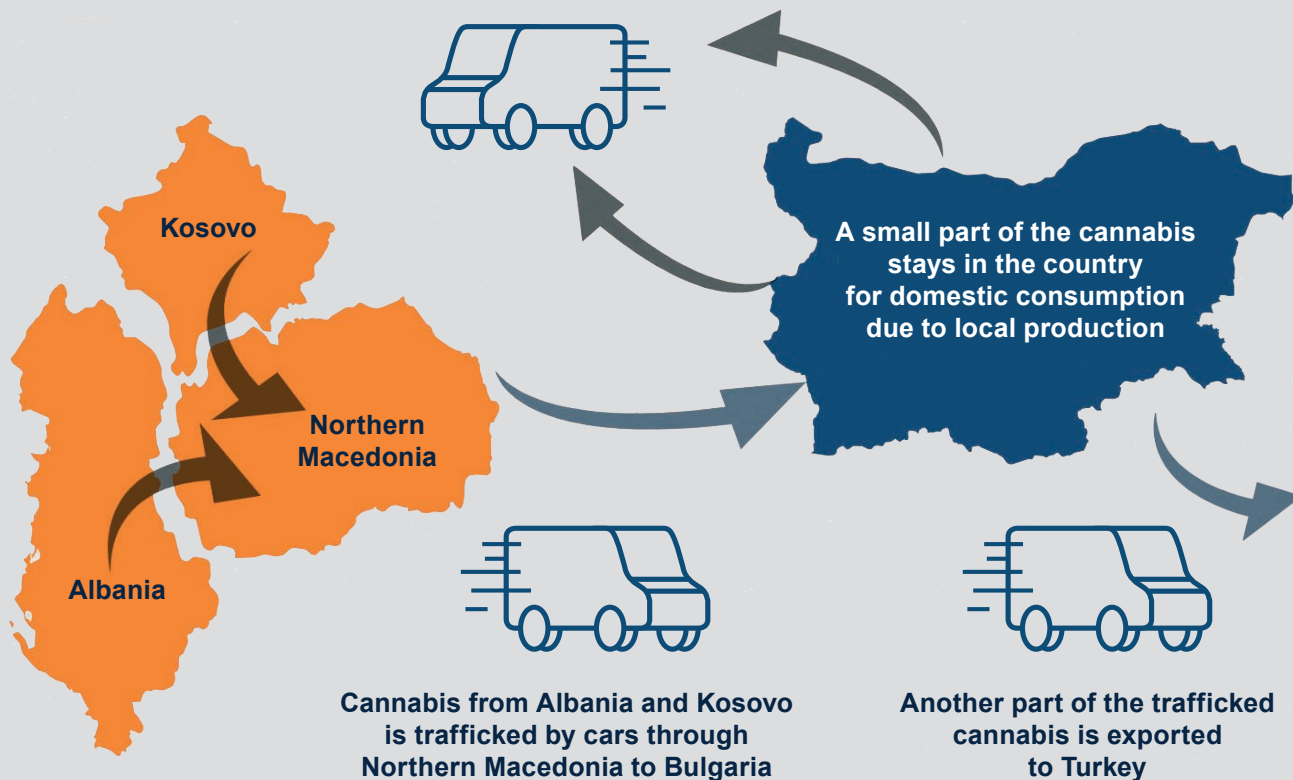


Abuse of power



## The cannabis route

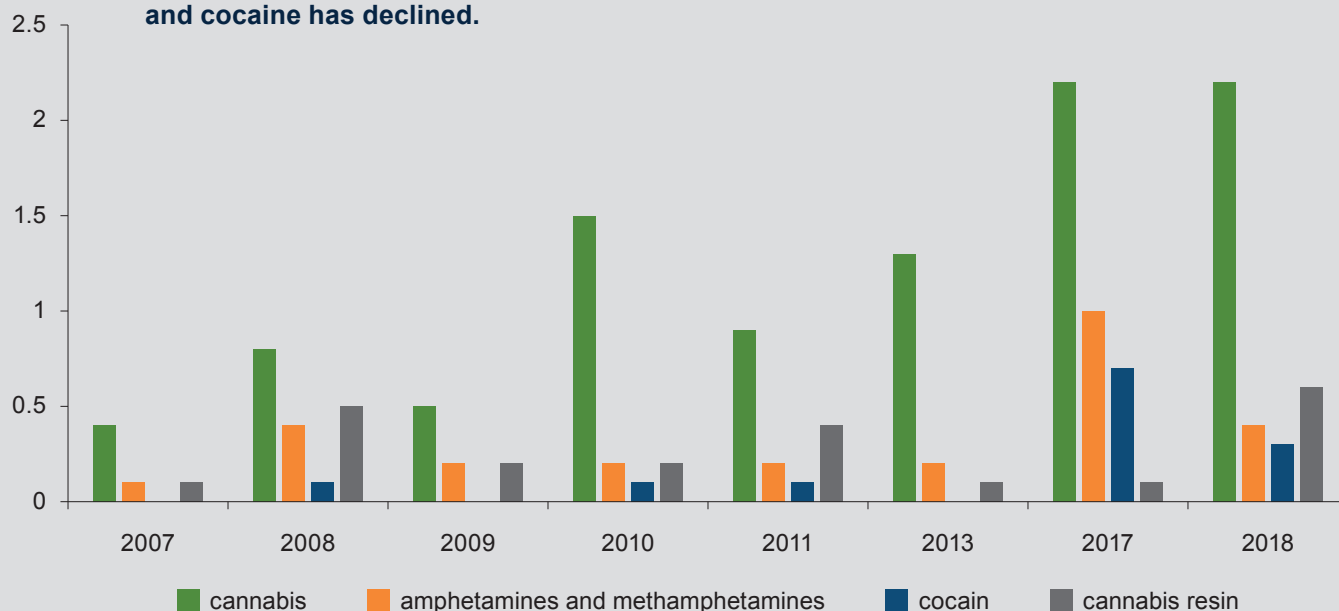
Most of the cannabis is trafficked from Bulgaria through Romania and Serbia to Central and Western Europe



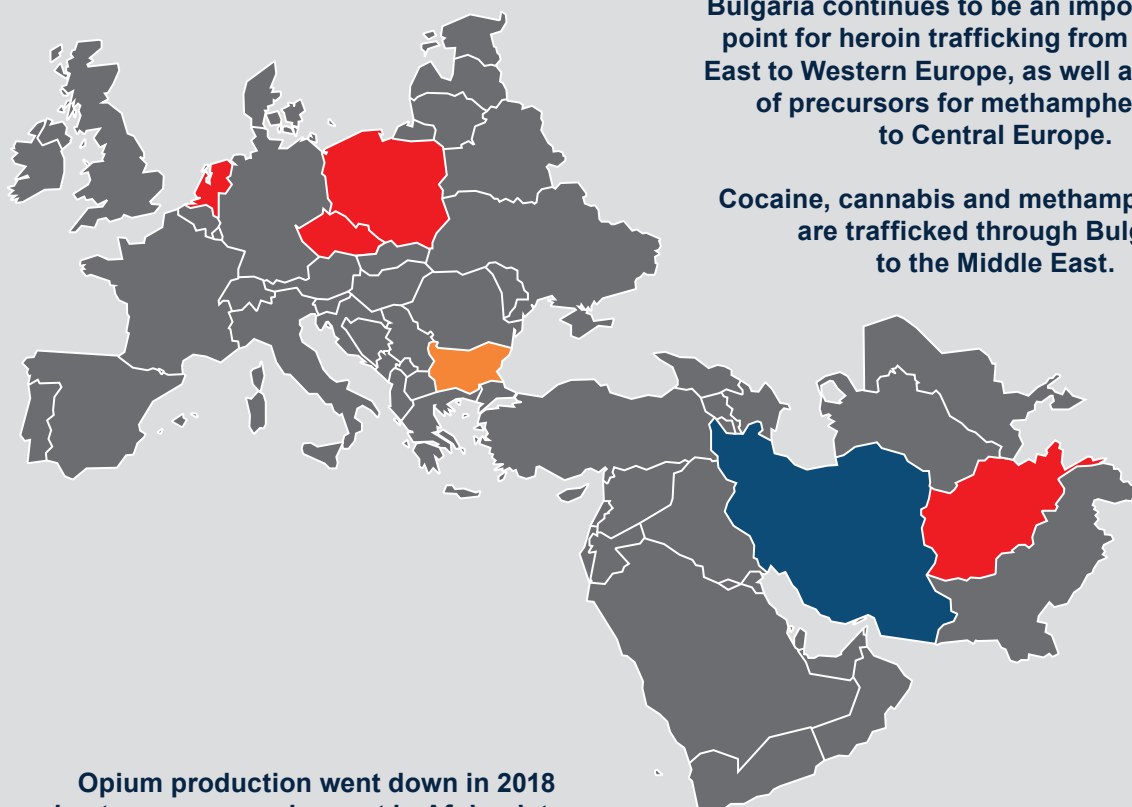
## Share of people who used illicit drugs at least once in the past year (15-64-year old)

Cannabis continues to be the most frequently used drug.

Use of cannabis resin has grown compared to 2017, while use of amphetamines, methamphetamines and cocaine has declined.



## DRUGS TRAFFICKING (II)



### TRENDS



Stable presence of new psychoactive substances (NPS, the so called designer drugs), derived by modification of the molecular structure of traditional drugs.



Internet is a major source for information and purchase of precursors and chemical components, and NPS.



Both open-air and indoor growth of cannabis is rising.



Increased prevalence of misuse and distribution of medicines, such as fentanyl, tramadol and clonazepam.

### ORGANISATION AND STRUCTURE



The new generation of drug dealers is made up of mostly loose, flexible structures

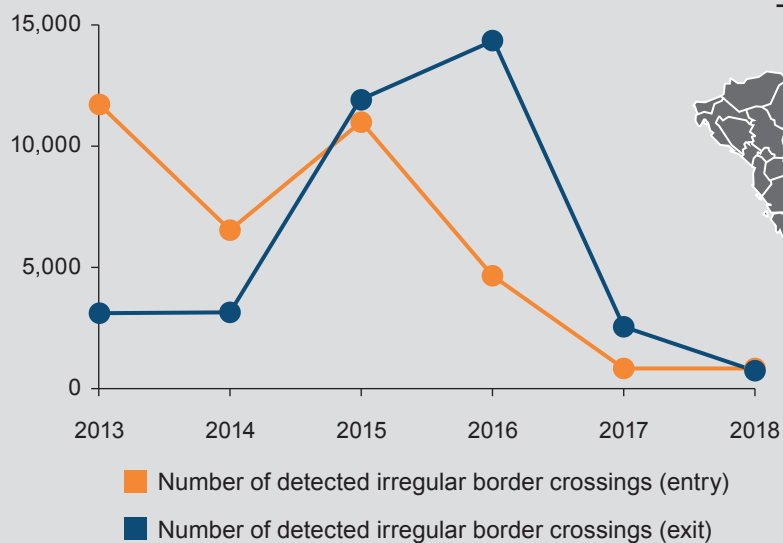


The illicit drugs market remains fragmented and is served by a multitude of small networks

# HUMAN SMUGGLING (I)

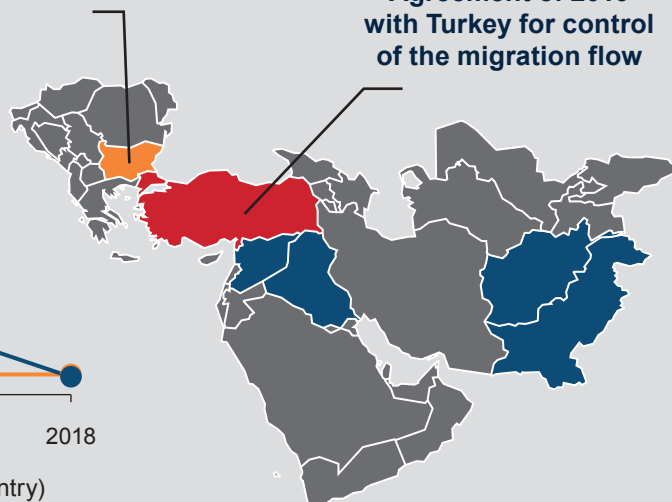


**Stable downward trend in migration pressure since the 2015 peak**



**Construction of border fences**

**Agreement of 2016 with Turkey for control of the migration flow**



## Multicriminality

Human smuggling attracts criminal entrepreneurs from other criminal markets



## Flexible and adaptive organised criminal groups

Law-enforcement measures pressure organised criminal groups to apply new modus operandi and new routes



## Corruption pressure

Corruption is frequently used by human smugglers to secure irregular border crossings



Bulgarian smuggling networks facilitate the transfer of migrants through the country to the borders with Serbia or Romania. There are also cases of smuggling through the Greek border.

Sofia is one of the main distribution hubs for migrants after they cross the Bulgarian-Turkish border.

**179,603**



2013 – 2018

The number of estimated irregular migrants (2013 – 2018) is significantly higher than suggested by official statistics.

## HUMAN SMUGGLING (II)



### COORDINATORS

Persons from the Middle East or North Africa with Bulgarian citizenship or permanent residence permit, or refugees residing in Bulgaria under humanitarian protection.

Coordinators arrange the basic issues of the smuggling process in coordination with the smuggling network in Bulgaria and with local networks in the countries of origin and transfer.

Most of the coordinators in Bulgaria are Iraqi, Syrian or Afghani citizens who arrange the smuggling of their compatriots. Experts believe there is also a separate Kurdish smuggling channel.

Organisers are usually Bulgarian citizens. They facilitate the transfer of migrants on Bulgarian territory (and rarely to the destination country) by recruiting various operatives.



### ORGANISERS



### OPERATIVES

Guides, drivers, accommodation providers, etc.

Provision of false or stolen IDs.

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.

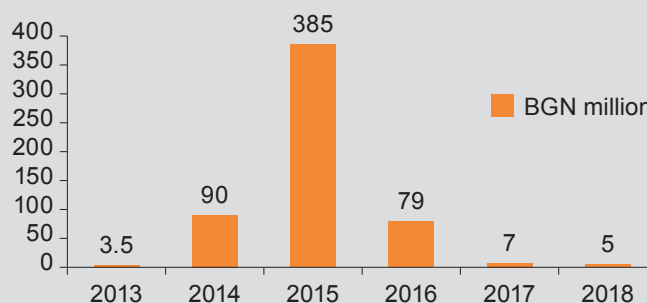
Provide the settlement of the payment, while migrants deposit the whole amount in the country of origin or in Turkey.

Transactions are completed using codes and coded messages.



### HAWALLADARS

### Average estimates of proceeds from human smuggling (2013 – 2018)

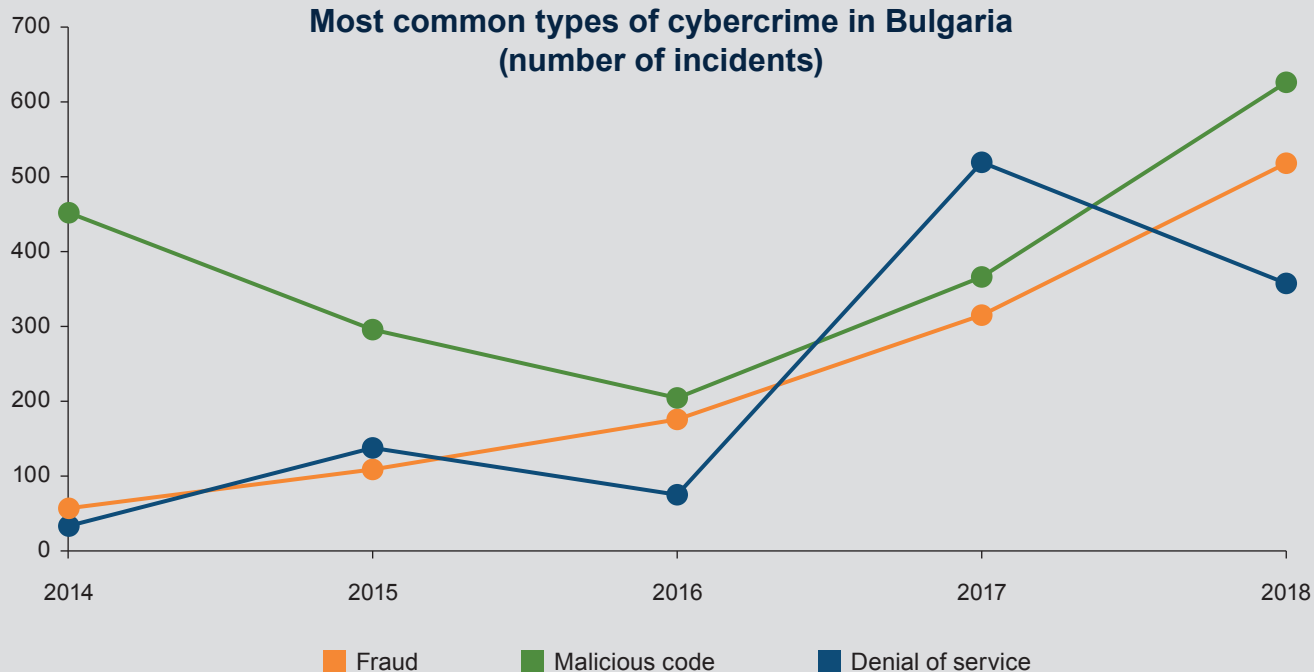


Despite the low level of migration pressure on the Bulgarian borders after 2016, the threat of illegal border crossings is still persistent, given Bulgaria's location on the Middle East and Central Asia migration route to Central and Western Europe.



Criminal proceeds from human smuggling during the peak of the migrant crisis are laundered or re-invested in other criminal activities.

Most common types of cybercrime in Bulgaria  
(number of incidents)

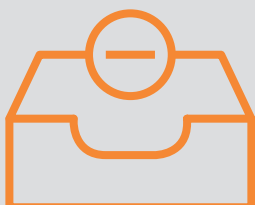


Bulgarian ICT infrastructure continues to be used  
for global cyber attacks



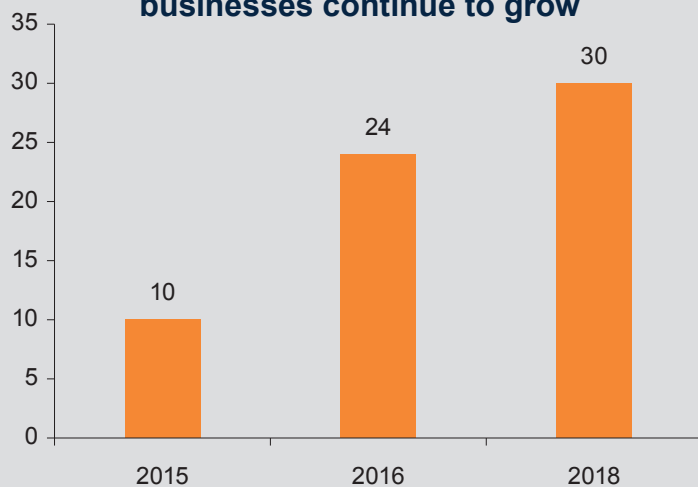
12% of all attacks to Microsoft cloud services globally come from Bulgarian IP addresses (per data from first half of 2019)

Close to 2% of the global volume of spam in the first half of 2019 is sent from servers located in Bulgaria



About 12% of consumers in Bulgaria have been targeted by a phishing attack via email in 2018

### Cyberattacks directed at Bulgarian businesses continue to grow



Share of businesses targeted by cyberattacks (%)

Most frequent targets of cyberattacks:



banks and financial institutions



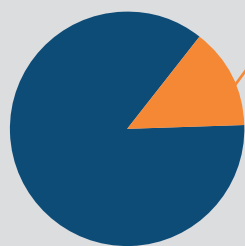
large internet vendors



cryptocurrency platforms



state institutions



14,500

mobile devices in Bulgaria have been attacked in 2018 with malicious code in attempt to access bank data



Growing number of fraud involving 'compromised business email' aiming to manipulate victims to transfer money to cyber criminals

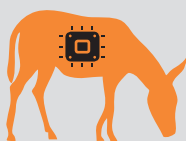


Fraud involving sale of financial services and instruments is on the rise, including trading of cryptocurrency and e-money via online platforms



#### INTERNATIONAL NETWORKS

The market is dominated by international networks, most often involving Ukrainian, Russian, Nigerian or North-African groups.



#### NETWORKS OF (ELECTRONIC) MULES

As a result of the wide penetration of internet banking, mules are more often used for opening and maintaining bank accounts rather than for handling cash.



#### CLANDESTINE COMMUNICATION CHANNELS

Criminals communicate through specialised forums, encrypted or anonymised applications.



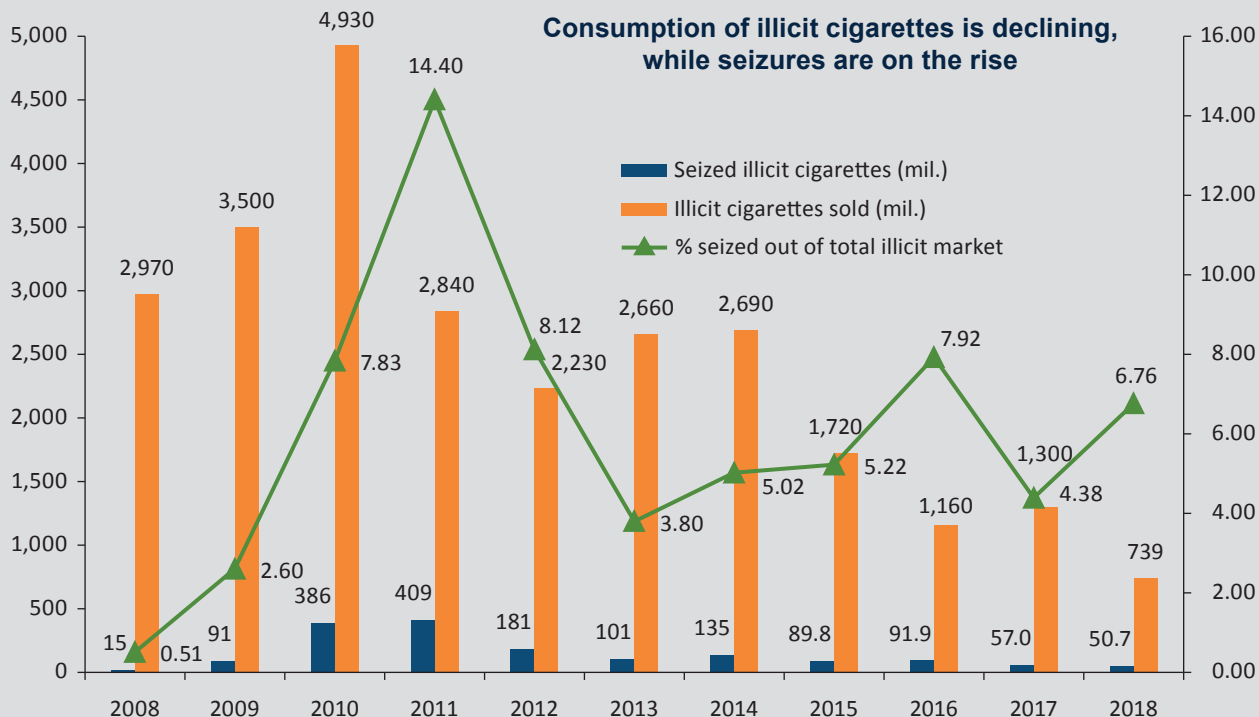
#### LOCAL INVOLVEMENT

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

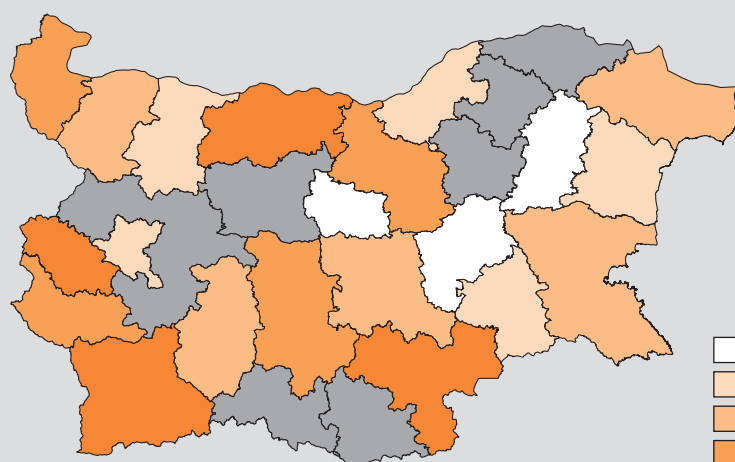
# ILLICIT TRADE IN TOBACCO PRODUCTS (I)



## Evolution of the illicit cigarettes market (BGN million)



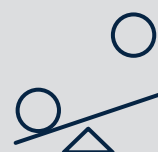
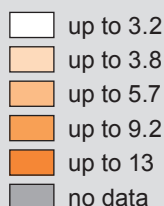
TRENDS



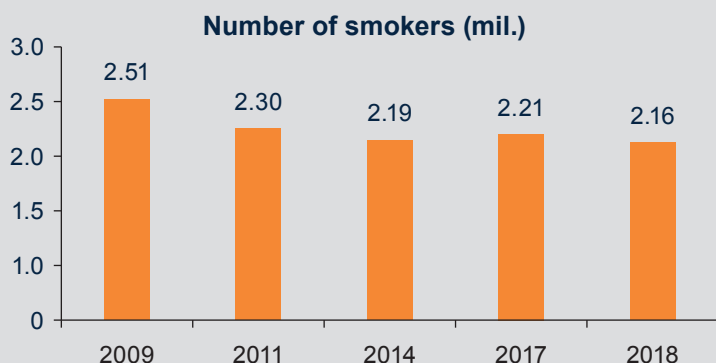
## Share of illicit cigarettes by region, 2018

Haskovo region (Haskovo, Svilengrad and Dimitrovgrad) has over two times higher level of illicit cigarettes compared to the national average.

In Pazardjik and Kustendil, the share of illicit cigarettes dropped significantly.



## Consumer trends



2.2% decline in the number of smokers

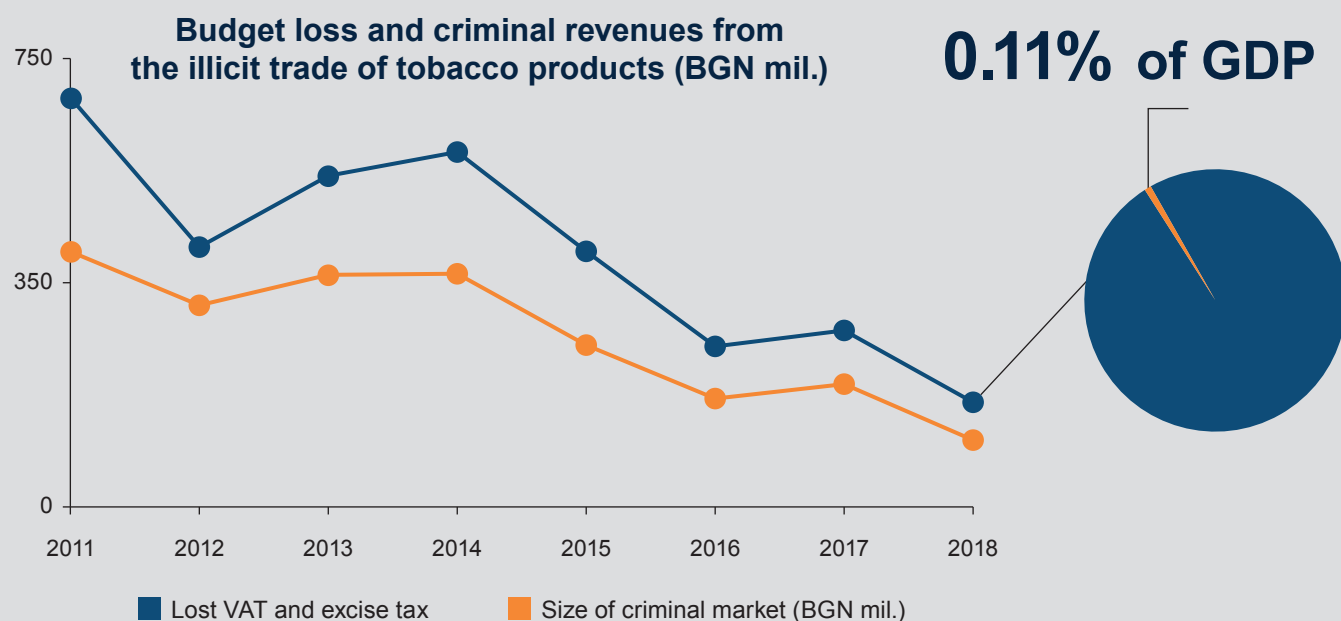


Change in attitudes of young people (up to 30-year olds) drives the market decline

# ILLICIT TRADE IN TOBACCO PRODUCTS (II)



## “Communicating vessels” business model



The market expansion of the innovative electronic nicotine devices may contribute to the shrinking of the illicit tobacco products market.



The market for illicit cigarettes is dominated by several large players.



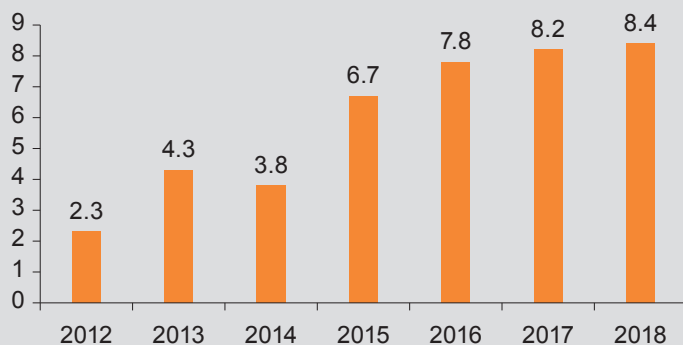
Efforts should be intensified to enhance the technological and technical capacities of Customs in border control.

# TELEPHONE FRAUD



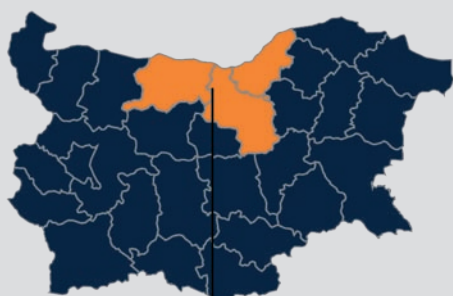
Every 4<sup>th</sup> Bulgarian has been a target of telephone fraud within the past 5 years

## Proceeds from telephone fraud 2012 – 2018 (BGN mil.)



Proceeds in 2018 were almost flat (less than 2% growth compared to 2017)

(Data for Q4 2018 is estimated)



Several hot spots of telephone fraudsters have been identified: Levski and Gradishte (Pleven), Gorna Oriajovica and Pavlikeni (Veliko Tarnovo), Vetovo (Ruse)



about  
**200**

'dialers' are involved in telephone fraud, using prepaid cards of Romanian telecoms and calling from Romania



million BGN are the losses from telephone fraud for the period 2012 – 2018 (according to police data)



Continue cooperation between police and telephone operators in disrupting telephone fraud campaigns, following the successful model with Vivacom.



Monitor the operation of organised telephone fraudsters to identify changes in their modus operandi and their reaction to the abrupt decline in attempted fraud in the first half of 2019.



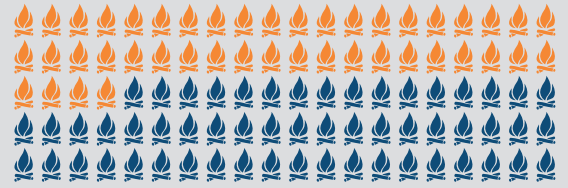
Establish cooperation with banks to enhance preventive work with potential victims of telephone fraud.

# ILLEGAL LOGGING



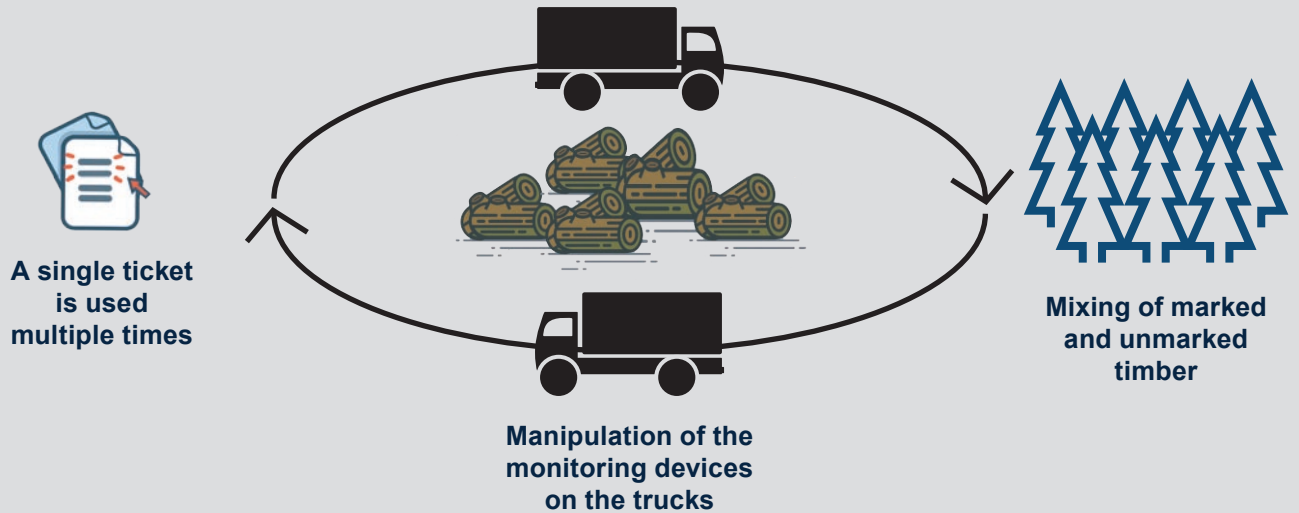
The annual size of the illegal logging market is estimated between

**50** ↔ **150**  
BGN (mil.) BGN (mil.)



In 2018, over 44% of Bulgarian households have used wood for heating

## Scheme for abusing logging permits



## A large share of illegal logging is carried out by well organised groups



Crime tools



Corrupt practices at local and regional level



Document fraud



False marking and documenting of timber

# TRAFFICKING IN HUMAN BEINGS AND SEX SERVICES



## TRENDS

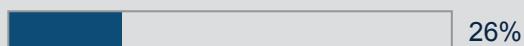
**45%**

of consumers  
of sex services search  
for them online

Specialised sites



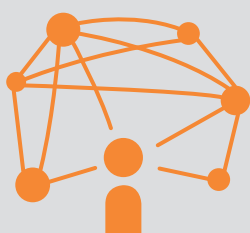
Facebook



Dating apps



## STRUCTURE AND ORGANISATION



Mostly horizontal  
and flexible networks for  
recruiting and trafficking  
of people



Widespread use of internet  
for recruiting, advertising  
and control of sex services



Violence is consistently  
avoiding in trafficking  
and prostitution



hierarchical  
structures



flexible  
networks



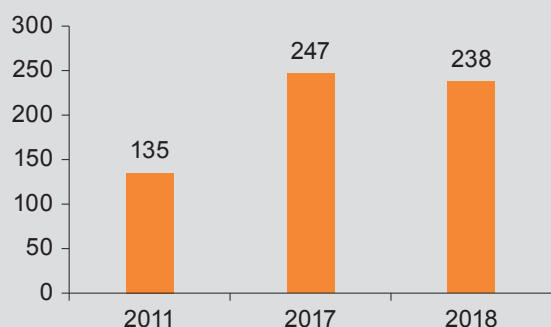
family  
networks



independent traffickers/  
sex workers

## MARKET SIZE

Slight decline in market size  
compared to 2017



Domestic market for sex services (BGN mil.)



Disposable income growth

Consumption in the middle and  
high segment is on the rise

Easy online access to  
sex services

## OUTLOOK



Applying parallel financial investigations in cases involving trafficking in human beings.

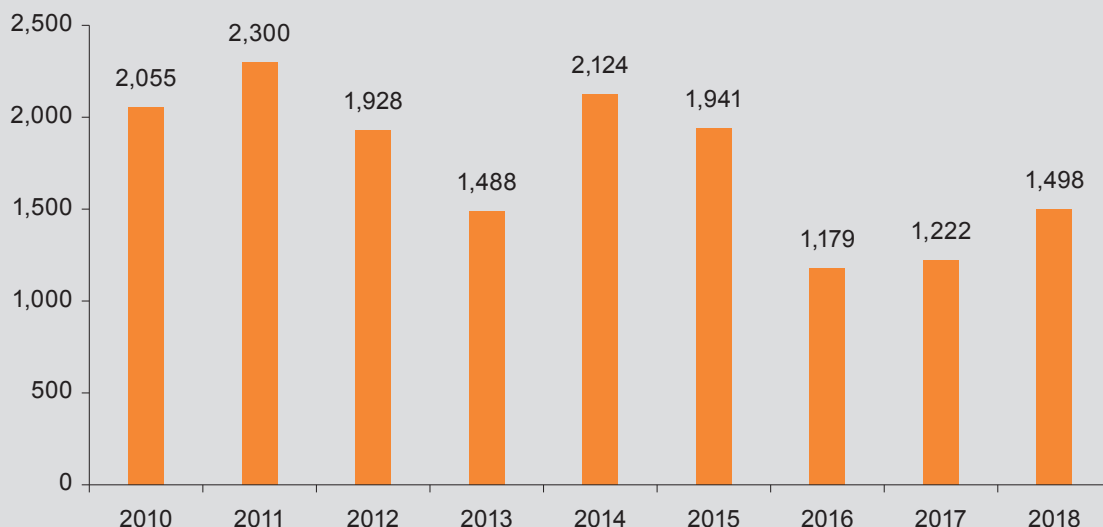


Improved coordination between criminal and financial investigations  
at the prosecution stage

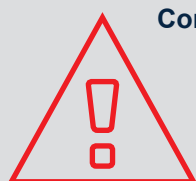
# ORGANISED VAT FRAUD



Upward trend in the VAT gap in the past two years (BGN mil.)



TRENDS



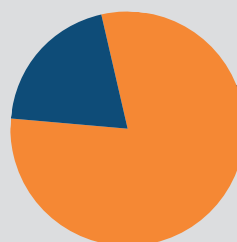
Most risky sectors

Construction

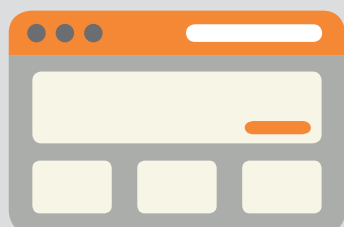
Fuel trade

Foods trade  
(meat, sugar, milk,  
fruits and vegetables)

Online trade

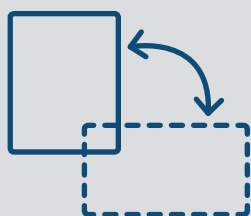


Between 75% and 80%  
of organised  
VAT fraud is committed  
in Sofia



The number of VAT fraud involving online trade  
is growing

SCHEMES



Replacement of shipping  
documents with companies  
controlled by the fraudsters

Registration of 'missing trader' companies on behalf  
of socially disadvantaged or marginalised persons



Registering of shipping documents  
to 'missing trader' for delivery  
to end consumers



'Missing traders' retain the payable VAT



Customs  
and tax fraud

Import of Chinese cargo without supporting documents



Issuing of payment note instead of a cash receipt

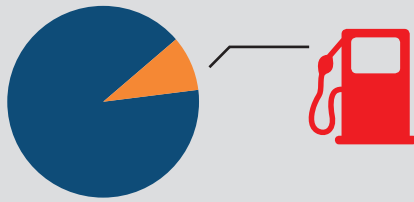
Manipulated cash register does not transmit data  
to the Revenue Agency



# ILLCIT TRADE IN FUELS



TRENDS



The size of the illicit trade in fuels has fallen by 2% to 5% in the last three years but still remains the criminal market that causes the largest losses in terms of excise tax and VAT.

Estimated size of the illicit trade in fuels varies between

**300**  
BGN mil.



**900**  
BGN mil.

Unlike with illicit trade in tobacco products, there is no generally accepted method for measuring the size of illicit trade in fuels.

Despite the estimated enormous losses caused by the illicit trade in fuels, the illicit fuel seized by law-enforcement in 2018 is 365 tonnes, or only

**0.1%**

of the lowest estimate of the illicit trade.

SCHEMES

## Production and distribution of illicit diesel through import and processing of bitumen



Illicit fuel is sold in selected neighbourhoods and towns to regular customers



Mobile fuel stations

**0.4-0.5** BGN/litre



## SOURCES

**EU Fund fraud:** Ministry of the Interior, Center for the Study of Democracy

**Drugs trafficking:** Ministry of the Interior, Customs Agency, UNODC, Center for the Study of Democracy

**Human smuggling:** Ministry of the Interior, Center for the Study of Democracy

**Cybercrime:** State E-Government Agency; Kaspersky Lab; PricewaterhouseCoopers, Microsoft Corporation, Center for the Study of Democracy

**Illicit trade in tobacco products:** Ministry of Interior; National Customs Agency; Center for the Study of Democracy

**Telephone fraud:** Ministry of the Interior, Center for the Study of Democracy

**Illegal logging:** 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; European Commission; Center for the Study of Democracy

**Illicit trade in fuels:** Center for the Study of Democracy

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**Best Practices in Anti-Corruption and Fraud Investigation in EU Funding**, CSD, 2019.

**CSD Policy Brief No. 82: Fraudulent Use of EU Funds in the Field of Agriculture: Current State, Investigation and Challenges**, S., 2019.

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**Bulgarian organized crime threat assessment 2018 (in Bulgarian only: Оценка на заплахите от организирана престъпност в България)**, Sofia, 2018.

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**Cross-Border Organised Crime: Bulgaria and Norway in the Context of the Migrant Crisis**, Sofia, 2017.

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**Situational Assessment of Extremist Trends**, Sofia, 2017.

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**Serious and Organised Crime Threat Assessment 2010 – 2011**, Sofia, 2012.