



BULGARIAN ORGANISED CRIME THREAT ASSESSMENT

2020



European Union, Internal Security Fund

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GENERAL OVERVIEW OF CRIMINOGENIC FACTORS



In 2019, the average salary increased by close to 12% compared to 2018



3.4% increase in GDP



Continued negative demographic trend



Declining migration pressure and labour shortage in some sectors



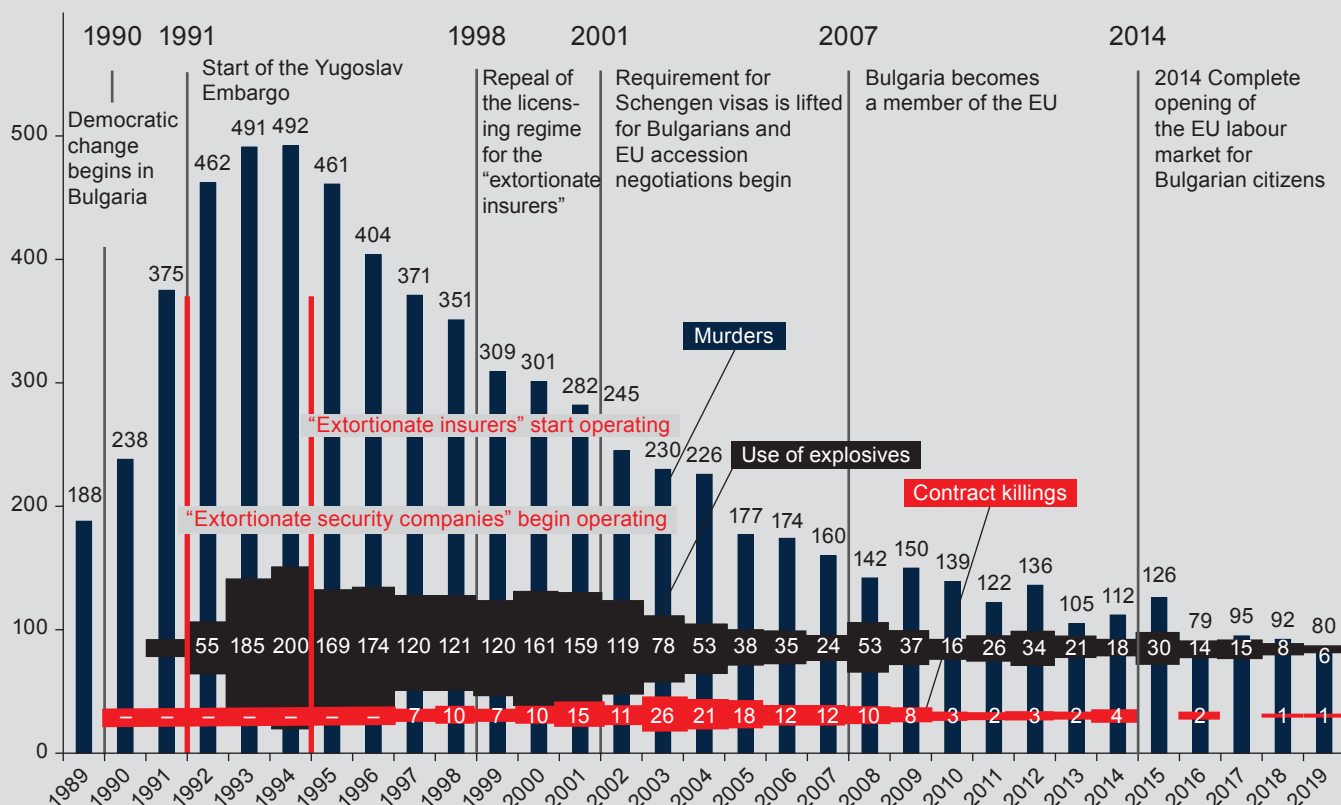
Over 7% decrease in registered conventional crime compared to 2018



The COVID-19 pandemic increased the risk of cybercrime but posed restrictions to other crime markets

The specific factors determining the dynamics of criminal activities are indicated under the respective markets.

There is a steady downward trend in the levels of violence used by organised crime in Bulgaria



CRIMINAL MARKETS COVERED IN THE THREAT ASSESSMENT

Traditional markets for organised crime



Trafficking in human beings and sex services



Drugs trafficking and distribution



Human smuggling



Vehicle theft



Racketeering and loansharking

Excise and tax crimes



Illegal trade in tobacco products



Illegal trade in fuels



Organised VAT fraud

Emerging markets



EU funds fraud



Illegal trade in medicines



Cybercrime



Electronic payment fraud

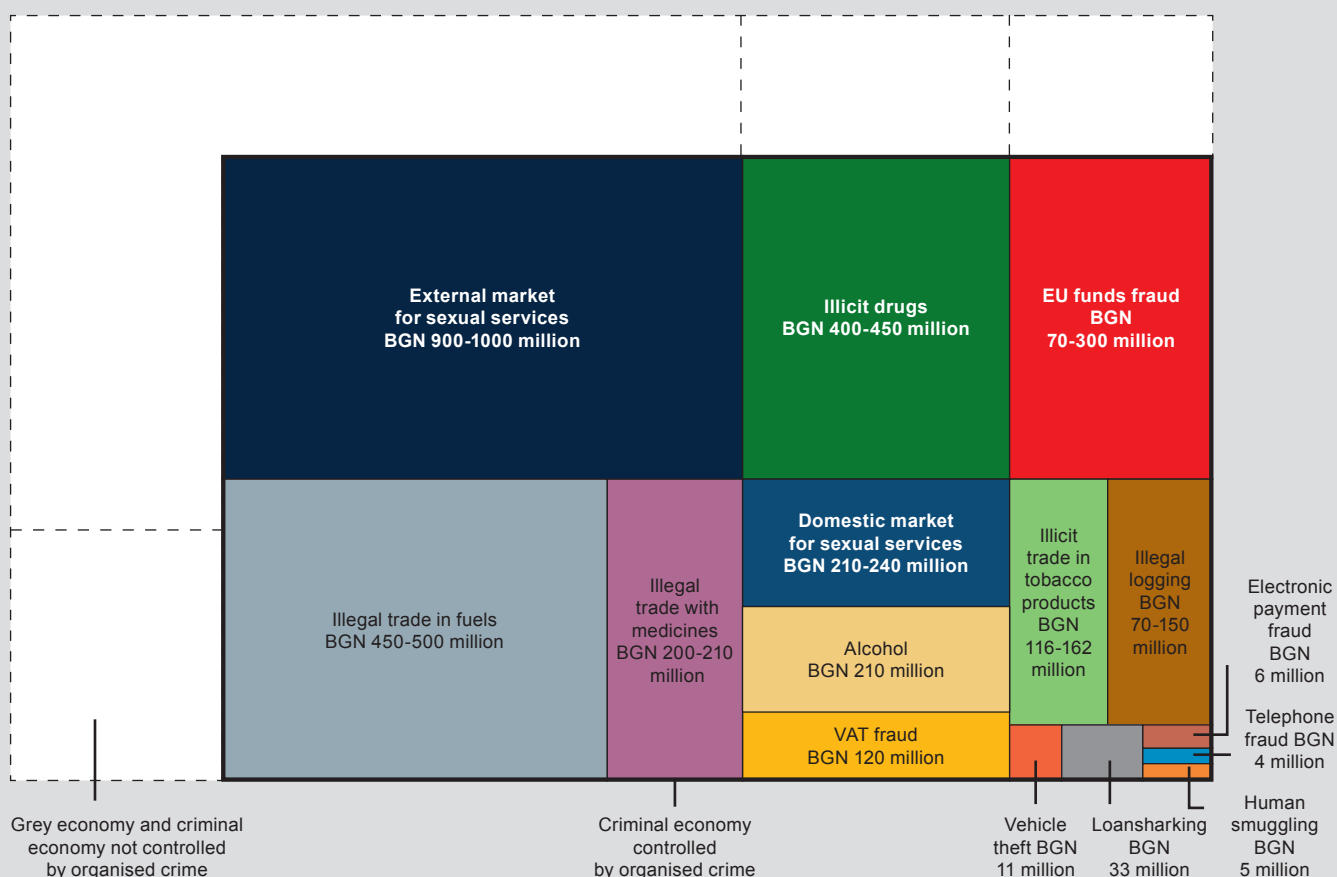


Telephone fraud



Illegal logging

The big traditional crime markets have maintained or increased their volume, while the excise and tax crime markets are gradually shrinking. The exceptions are the vehicle theft and telephone fraud markets which have decreased significantly.

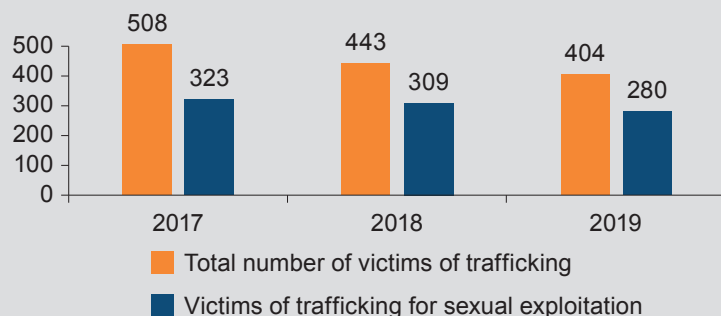


TRAFFICKING IN HUMAN BEINGS AND SEX SERVICES



TRENDS

Number of victims of human trafficking (according to data from the Supreme Cassation Prosecutor's Office)



Gradual decline in the number of victims of human trafficking in the 2017 – 2019 period, incl. trafficking for sexual exploitation

Victims for sexual exploitation are over 2/3 of all victims of THB

87% of all victims are women



Trafficking for begging is increasing, including large groups of victims to countries like Sweden and France.



In cases of labour trafficking, legal companies are increasingly being used.

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 2018



Domestic market for sex services (BGN mil.)



According to Eurostat, the Bulgarian market is comparable to Ireland in volume and is higher than those in Sweden and Slovenia.

3/4 of consumers receive paid sex services at home or in a hotel.

Consumption in the middle and high segment is on the rise.

Easy online access to sex services, with online specialised sites being the most preferred.

OUTLOOK



The restrictions imposed due to COVID-19 will reduce the volume of human trafficking in 2020.



Meanwhile, human trafficking victims become more vulnerable because of their inability to generate stable incomes for their traffickers and a tighter access to return and support services.



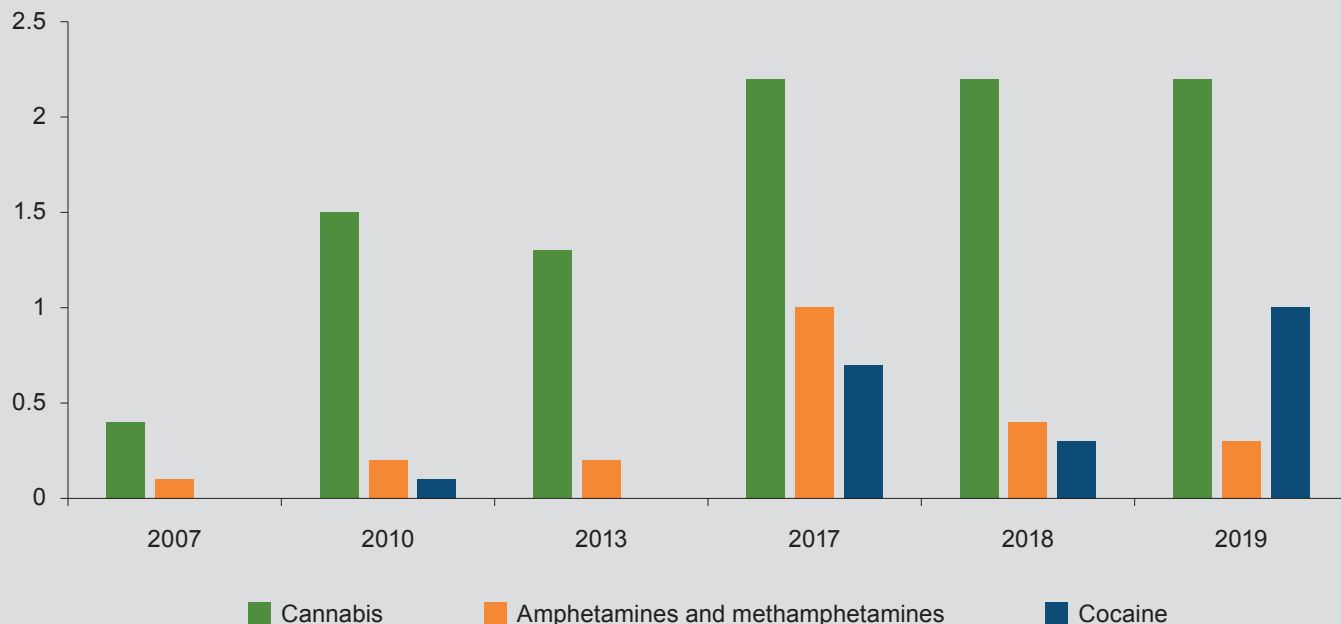
Bulgaria may become a destination country for labour traffickers due to the current labour shortage and a trend of hiring citizens of third countries.

DRUGS TRAFFICKING AND DISTRIBUTION (I)

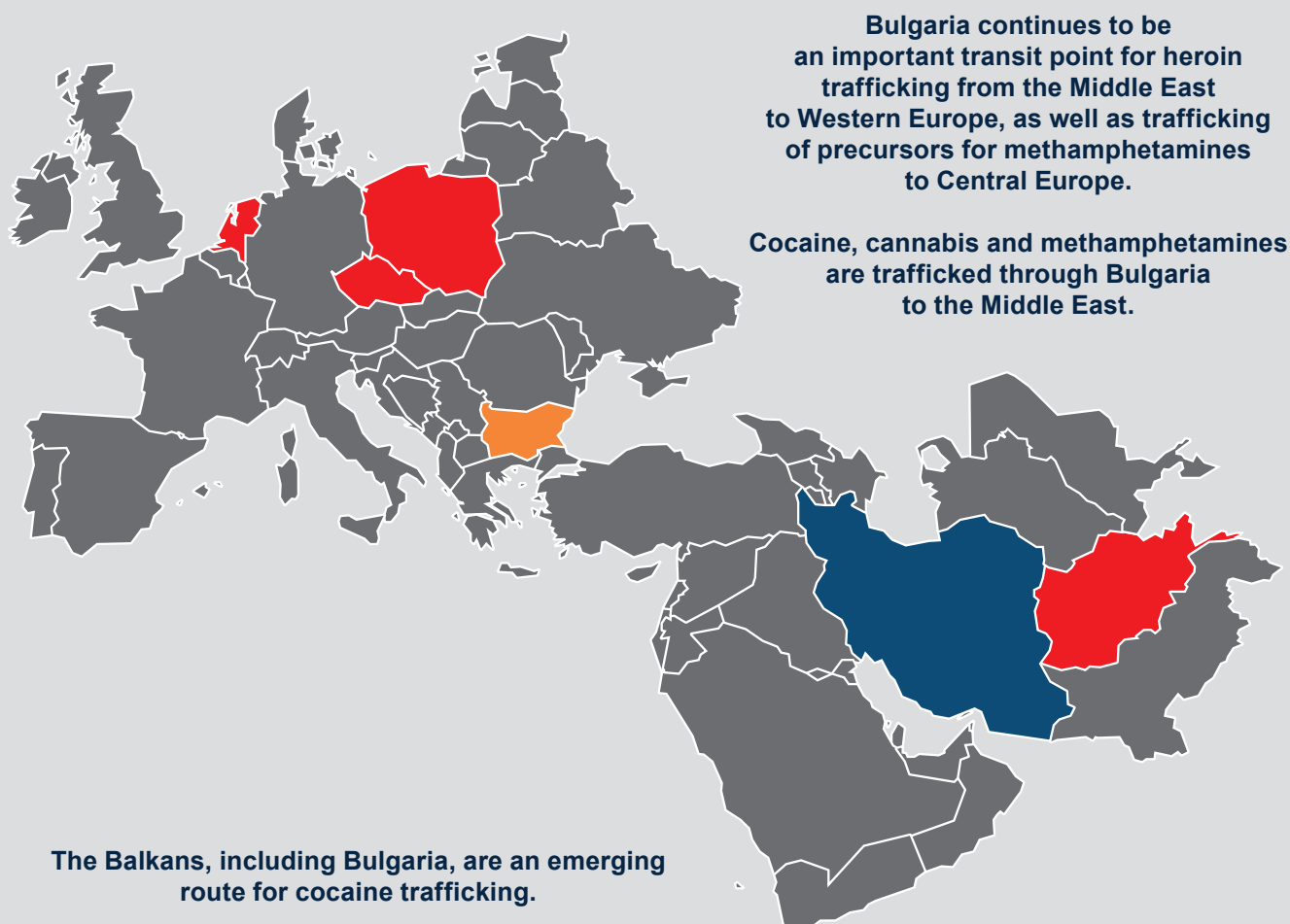


Share of people who used illicit drugs at least once in the past year
(15-64 years old)

Compared to 2018, the use of cocaine
has increased threefold



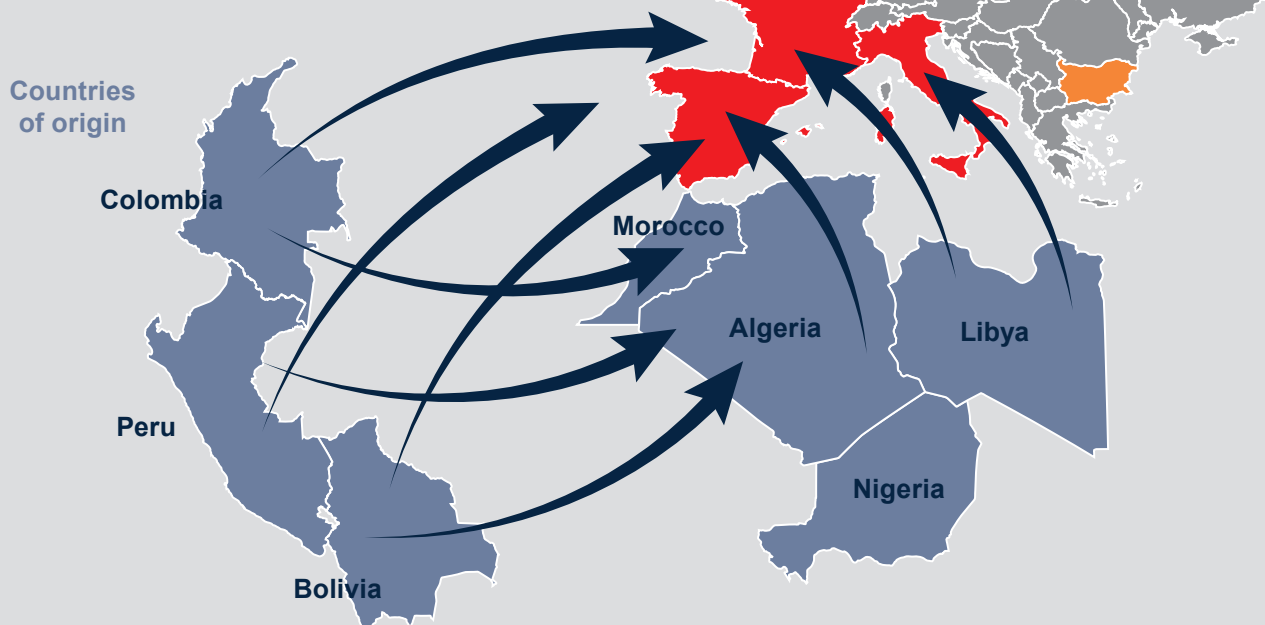
TRENDS



DRUGS TRAFFICKING AND DISTRIBUTION (II)



Cocaine is imported to European countries mainly by sea and sometimes by air. Starting from the countries of origin, cocaine passes through hubs in the Caribbean and the Atlantic Ocean, or Western and Northern Africa, where it is distributed and directed to the European market.



In 2019, the quality of cocaine imported in Europe improved and seizures rose. Still, the price for end users in Bulgaria remains consistent over the last two years (between BGN 140 and BGN 160 per gram).



Cannabis remains the most developed market in the country. Bulgaria retains its position as a producer, but also a transit point for cannabis produced in Albania and Kosovo and destined for the Turkish and the Middle East markets.



Seizures of amphetamines and methamphetamines in Bulgaria has maintained their levels in recent years. Evidence suggests that methamphetamines are produced in a number of Bulgarian cities.



The use of crypto currency in drug deals is increasing because it is easily convertible and still relatively difficult to trace.



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

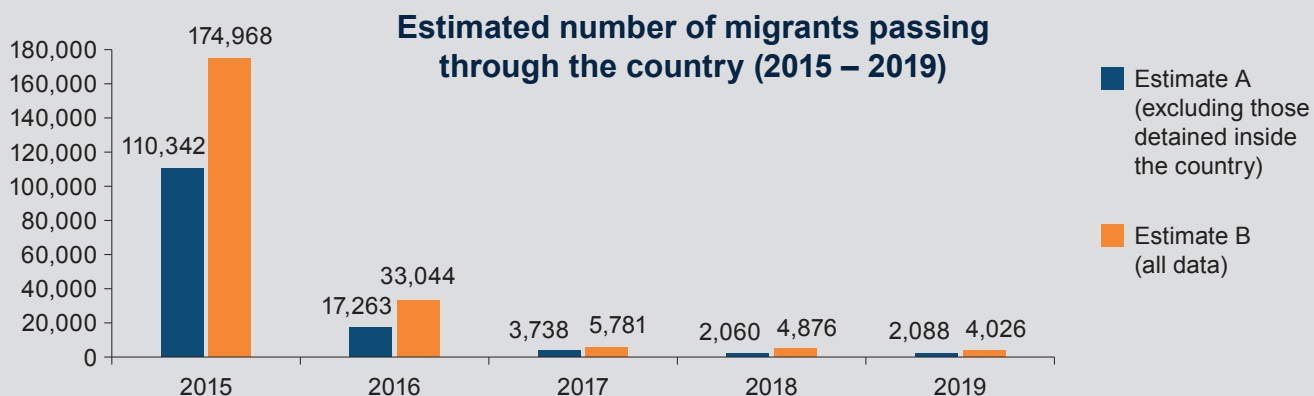


The illicit drugs market remains fragmented and served by a multitude of small networks

HUMAN SMUGGLING



TRENDS



Despite the decline in the total number of detained migrants in 2019 (2,495, compared to 3,123 in 2018), there has been an increase in the number of detected unregistered migrants at exit (from 353 to 494).



The main route is from Turkey through Greece and Bulgaria to Serbia or Romania.



Sofia remains the main distribution hub where migrants are taken after crossing the Bulgarian-Greek or the Bulgarian-Turkish border.



After successful law enforcement operations in 2019, Bulgaria has become a more risky and unpopular transit country for smugglers.



COORDINATORS



ORGANISERS

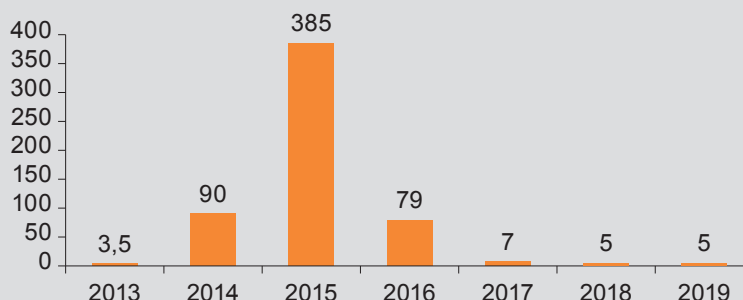


OPERATIVES AND FACILITATORS



HAWALLADARS

Average estimates of proceeds from human smuggling in Bulgaria (2013 – 2019, in BGN mln.)



MARKET VOLUME

OUTLOOK



The decline in migration pressure in 2019 has become even more noticeable as a result of the COVID-19 emergency measures introduced in 2020.

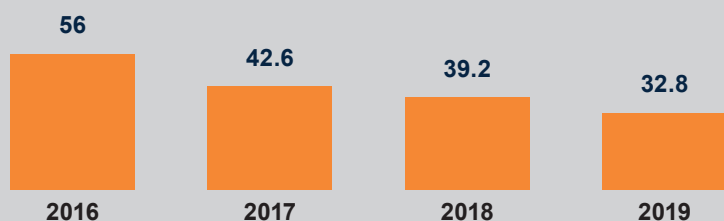
However, smuggling remains a flexible and profitable business which does not require substantial initial investment.



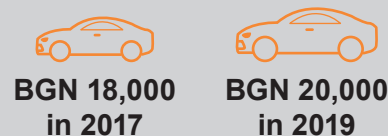
With the lifting of emergency measures, OCGs are expected to gradually reappear and migration pressure from Turkey and Greece will increase.

The political situation in Turkey will continue to play an important role in the dynamic of migration flows.

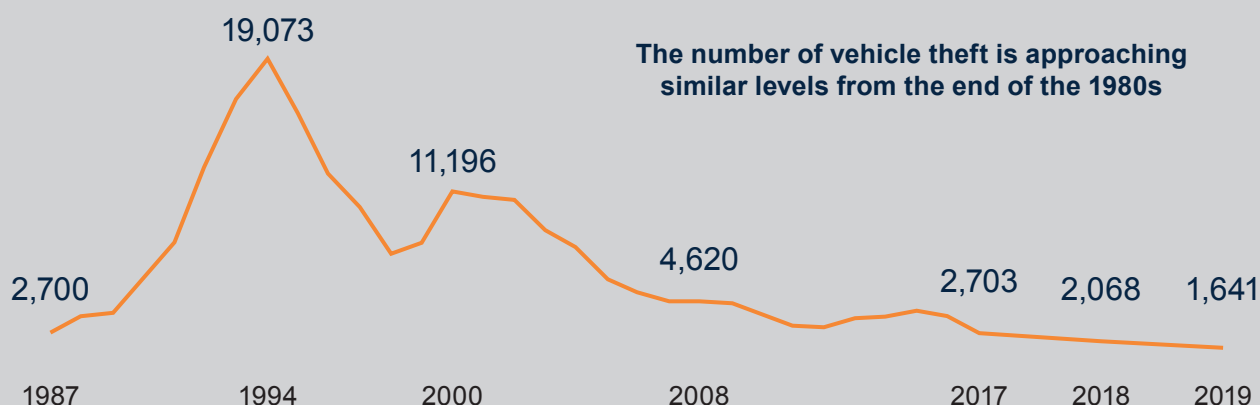
VEHICLE THEFT



Damages from vehicle theft (BGN million)



Average price of a stolen vehicle



The number of vehicle theft is approaching similar levels from the end of the 1980s



The number of stolen vehicles has steadily decreased in the 2015 – 2019 period, with an annual decline between 21% and 26% over the last 3 years.



The average price of a stolen vehicle in Bulgaria has increased from about BGN 18,000 in 2017 to BGN 20,000 in 2019.



Thefts appear to be concentrated in Sofia, where over 50% of all thefts in the country have been recorded since 2001.



The target of thefts are mostly expensive cars and construction equipment. The percentage of vehicles stolen for auto parts is declining.



OCGs

The number of OCGs has decreased in the last 3 years: 20-25 sustainable groups, with a total of 60-70 participants



PERIPHERY

Around the core OCGs there is a periphery of around 100-120 persons who take part in vehicle theft periodically. Some of them also steal vehicles in other EU Member States (mostly Spain and Italy).

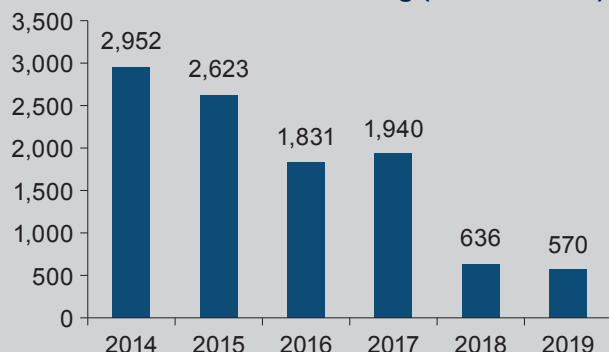


Vehicle theft groups use a specific criminal “infrastructure”: car morgues, companies selling second-hand vehicles, car repair shops, criminals specialised in forgery of documents, unlocking of electronic devices, etc.

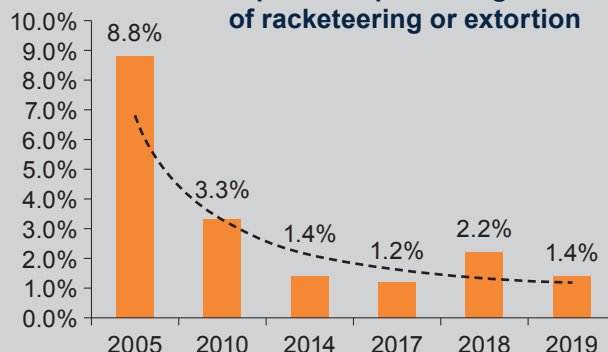
ILLEGAL FINANCIAL ACTIVITIES AND RACKETEERING



The number of overdue debts is decreasing (in thousands)



Persistently only small number of companies report being victims of racketeering or extortion



Nearly **40,000** families have taken loans from moneylenders.



There is an upward trend for loans from moneylenders: from 1.1% in 2017 to 1.9% in 2019.

TRENDS



Decreasing number of cases of physical violence by moneylenders



“Be left in peace” fee
“Permit” fee

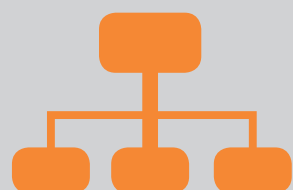
Organized extortion networks by government/municipal officials (eg. in hotels, restaurants and retail)



Using legitimate quick loans or debt collection companies as a cover for usurious activities.



Use of aggressive methods for debt collection, such as psychological harassment, threats and extortion.



The structure of the classic usurious OCGs is hierarchical

Right hand

OCG leader

The classic usurious OCGs remain prominent in the Roma communities.

“Credit inspectors”



Debt collection teams



The economic crisis resulting from the COVID-19 epidemic is expected to lead to a new increase in unserviced debts from households and demand for loans from moneylenders.



Adopting of a law regulating the activity of debt collection companies.

OUTLOOK AND RECOMMENDATIONS AND STRUCTURE

ILLICIT TRADE IN FUELS



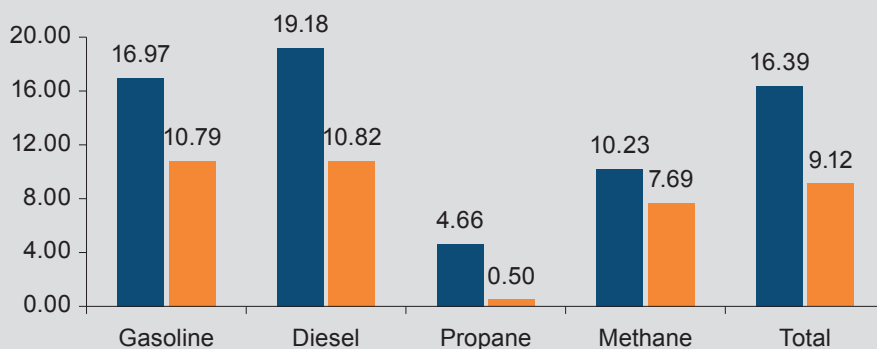
The volume of trade in illegal fuels has decreased by 2% to 5% annually up until 2018. In 2019, there was a sharp decline of about 45% compared to 2018. The share of illegal fuels is between 9.1% and 11.4%.

Damages on excises and VAT from the illegal market of fuels vary between

435
BGN mil.



505
BGN mil.



Main types of unregistered fuels in 2018 and 2019 (% of total consumption)

■ 2018 ■ 2019

Illegal fuel is often sold in certain neighborhoods and towns to regular customers



Mobile "gas stations"

0.4-0.5 BGN/litre

Primary methods of selling illegal fuel



Through individual gas stations pertaining to one or more of the largest chains of gas stations in the country. It is suspected that this is done through a manipulation to the software (there have been no successful investigations so far).



Through small refineries that sell limited quantities to corporate or trusted public gas stations.



Fuels are sold by farmers who are exempt from excise duty.

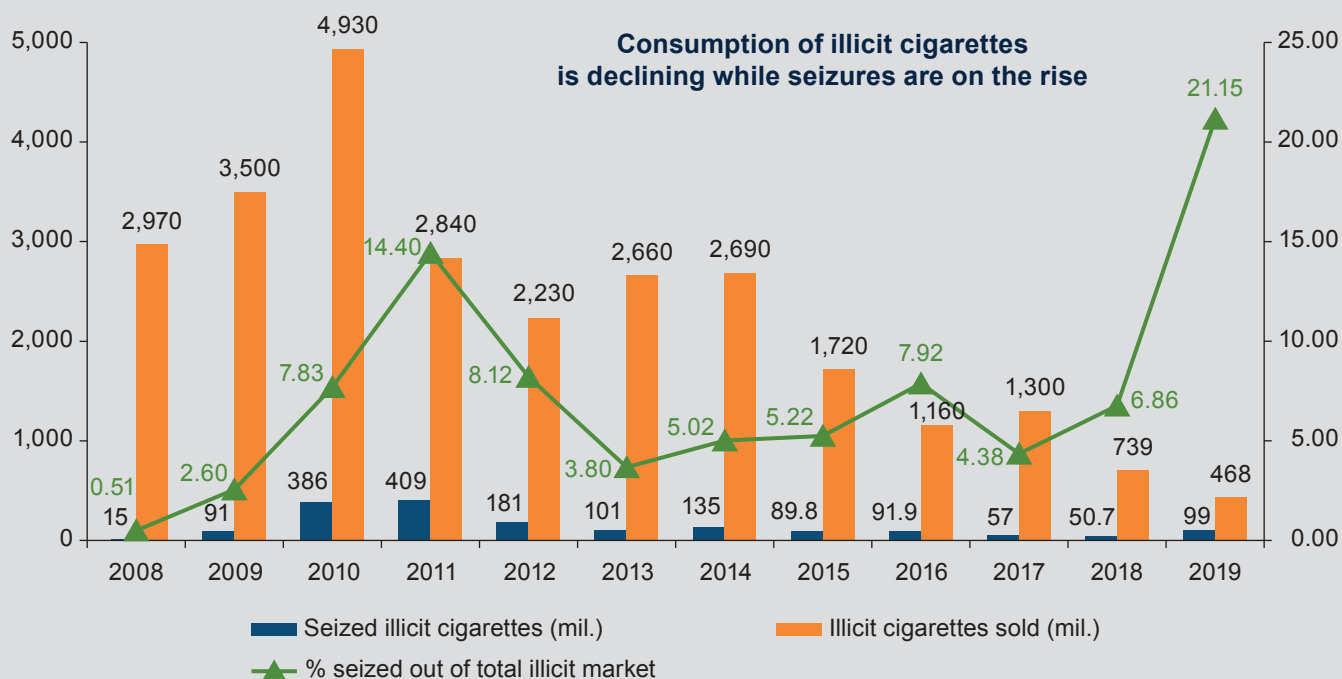


According to experts from the industry, the introduction of the new level meter system and the new electronic system for petrol stations which has fiscal memory severely limits the possibilities for selling illegal fuel.

ILLICIT TRADE IN TOBACCO PRODUCTS (I)



Evolution of the illicit cigarettes market (BGN million)



A downward trend of the percentage of detected illegal packs.

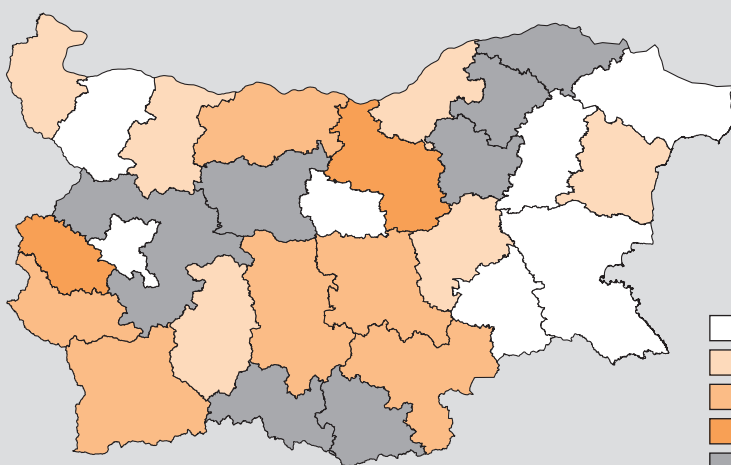


The upward trend in the usage of loose/ chopped tobacco continues in 2019.



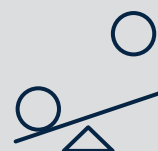
The percentage of illegal cigarettes seized out of the total illicit market is at a record high.

TRENDS

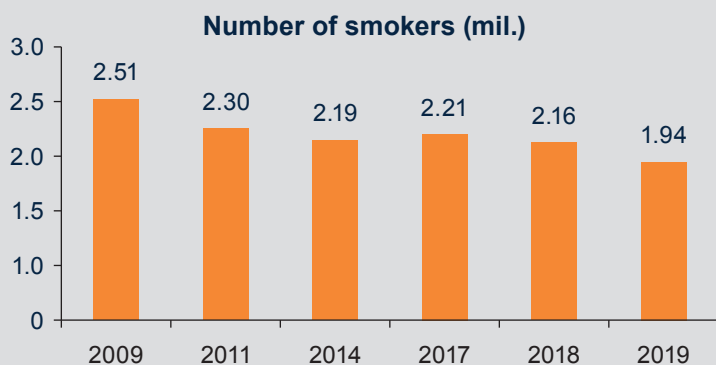


Veliko Tarnovo has registered a level of illicit cigarettes around two times higher than the national average.

Svilengrad shows serious increase in the percentage of detected illegal packs: from 20% in 2018 to 27.2% in 2019.



Consumer trends



10.2% decline in the number of smokers



The steady downward trend of the number of smokers in Bulgaria also limits the market for illegal cigarettes.

ILLICIT TRADE IN TOBACCO PRODUCTS (II)



“Communicating vessels” business model



1

level



Import of non-brand cigarettes from third countries



Production of cigarettes in legal factories in Bulgaria and Greece



Financing the production of cigarettes in small illegal factories in Bulgaria or a neighbouring country

2

level



Regional criminal entrepreneurs buy cigarettes from the “big players”



Delivery of cigarettes in various locations in the country

3

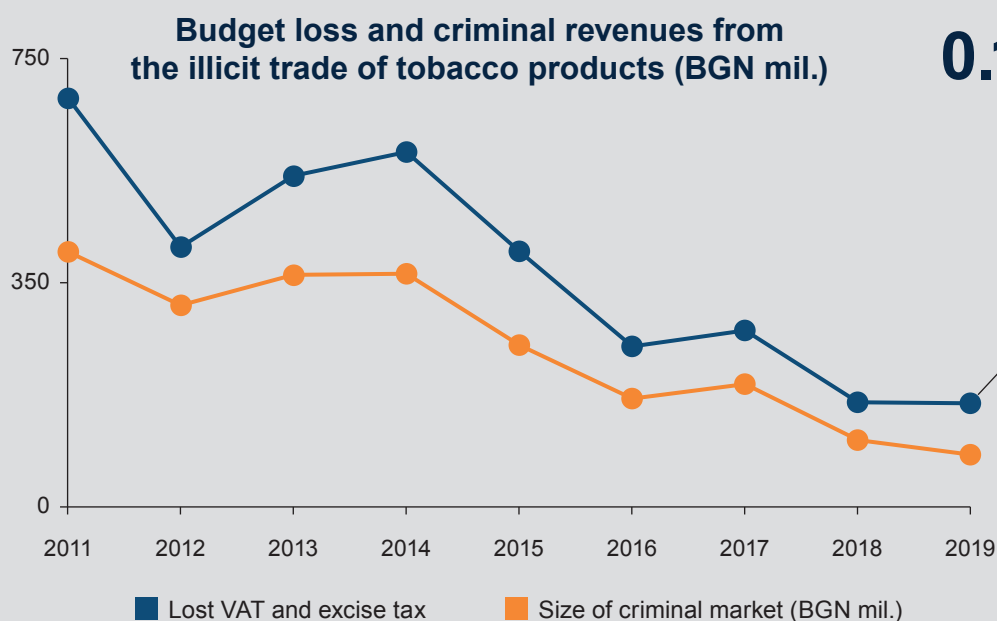
level



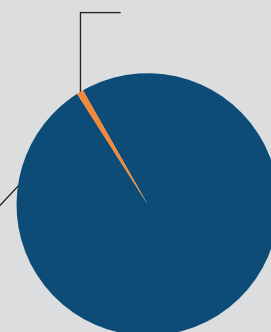
Small traders and low level loose partnerships



Delivery to the retailers



0.14% of GDP



The fragmentation observed in recent years remains with the market consisting of many small participants in network structures.



Despite the shrinking market and reduced consumption, the illegal cigarette market still brings good profits: the end prices for consumers of illegal products in 2019 vary between BGN 3.50 and BGN 4.00 per pack.



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

ORGANISED VAT FRAUD (I)



VAT fraud is one of the criminal activities causing the greatest financial damage to the countries of the European Union.

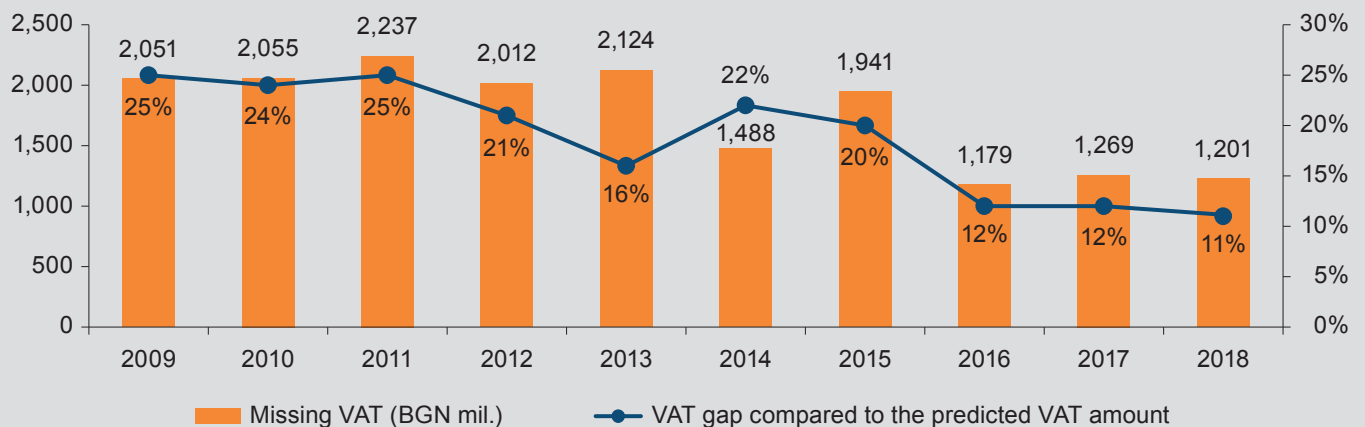


The European Commission makes annual reports on the VAT gap. In 2018, the VAT gap amounted to EUR 130 billion for the 28 EU Member States.



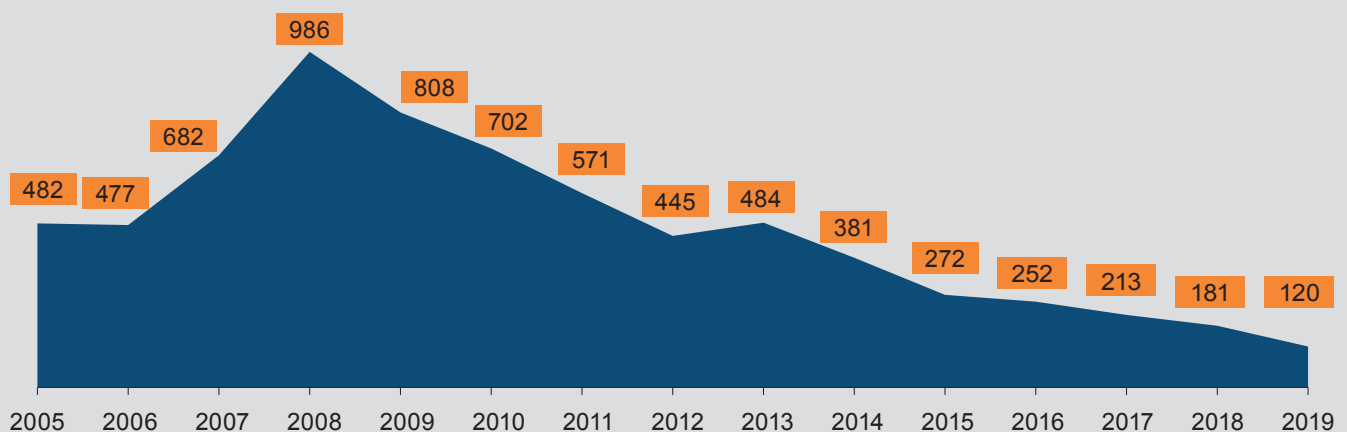
The EU average VAT gap for 2017 is 11.2%. Bulgaria is around this average with 11.8%.

VAT gaps, based on GDP and foreign trade



Source: Study and Reports on the VAT Gap in the EU-28 Member States, CASE, 2019.

Damages caused by organised VAT fraud (BGN mil.)



Source: National Revenue Agency (The NRA evaluation covers only the organised VAT fraud. It is performed after the full check of the VAT gaps of the collected VAT and tracking the chains of organised VAT fraud).



There are three main schemes in organised VAT fraud:

- intra-Community supplies fraud, i.e. imports from EU countries;
- “clearing out VAT” through fictitious invoices for services (advertising, consulting services, repairs).
- “Triangular operations” with EU countries.



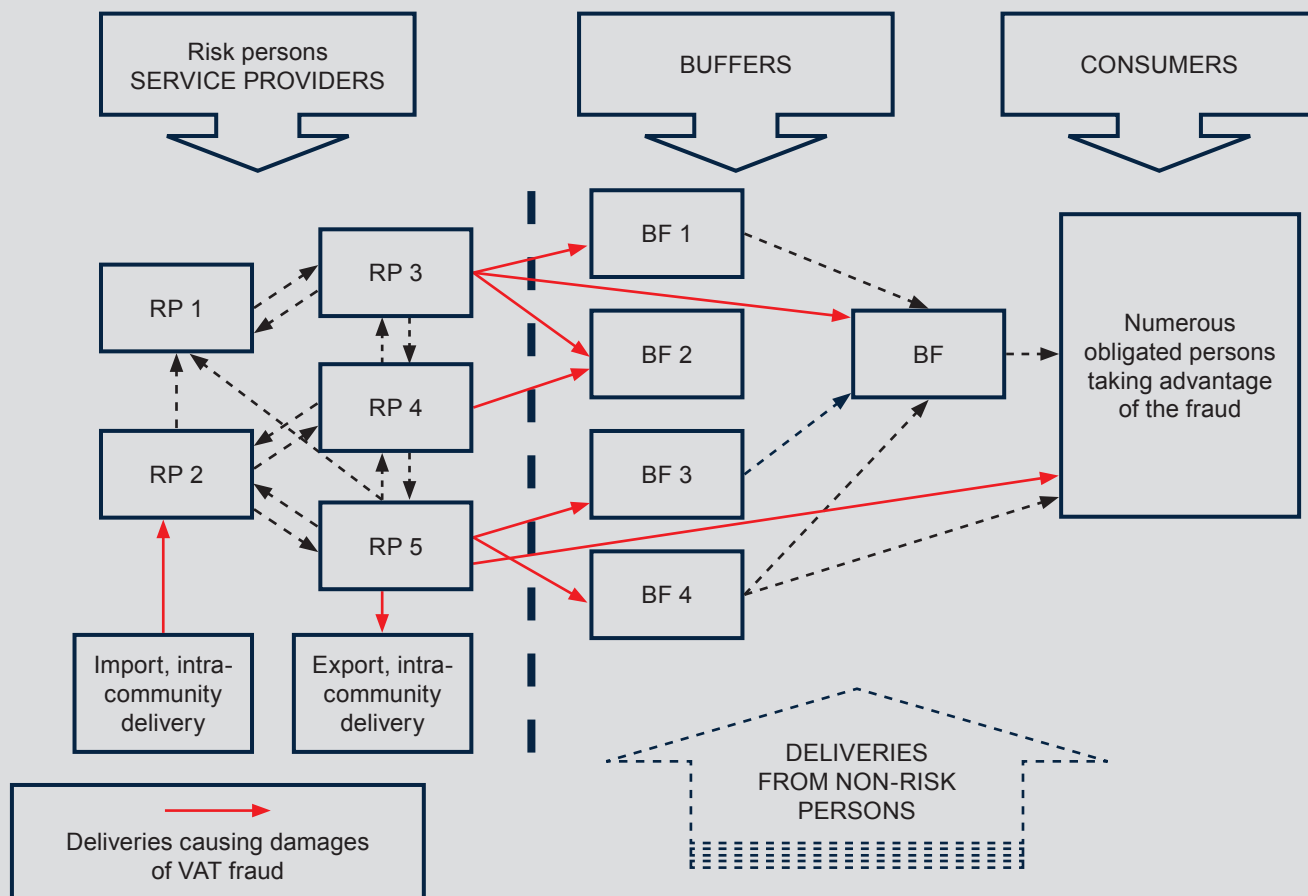
VAT export frauds and complex “carousel” VAT frauds are almost non-existent.



The old “factories” for fake VAT invoices are no longer used in organised VAT fraud.



Schematic view of the participants in VAT chain fraud



Source: National Revenue Agency (The NRA evaluation covers only the organised VAT fraud. It is performed after the full check of the VAT gaps of the collected VAT and tracking the chains of organised VAT fraud).

58

OCGs detected for the 2012 – 2019 period, with 314 people detained (according to data from investigations of DG Combating Organised Crime).

1/3

of the specialised in VAT fraud OCGs, detected between 2012 and 2015, are still active today.

80%

of the OCGs specialised in VAT fraud operate in Sofia. The remaining OCGs are in Plovdiv, Varna, Veliko Tarnovo and Ruse.



The VAT schemes become inherently more complicated using risk person of 3rd and 4th levels.

VAT fraud committed through online businesses.

Manipulation of cash registers when sending information to the NRA.



✓ **24%** of businesses in Bulgaria believe that access to EU funding can be obtained only through illicit payoffs. (In 2018, this percentage is 35.5%)

✓ Only **11%** of businesses have applied in procurement tenders, and **4%** – for EU funds projects.

Frequently used practices for abusing EU funds



Rural development

- false declaration of land ownership
- false claims of owning cattle or poultry
- subsidies for fictitious fruit and vegetable gardens



Guest houses

- 88% of the 288 inspected guest houses turned out to have violations; for 155 of them a 100% refund of the funds received was requested
- abuse of power
- false claims of targeted financing



Energy efficiency programmes for residential buildings

- overcharging by construction companies
- cartel agreements

✓ PROTECTION OF THE EUROPEAN UNION FINANCIAL INTERESTS DIRECTORATE (AFCOS) estimated the irregularities established in 2019 at BGN 10.1 million.

✓ State Fund “Agriculture” estimated the irregularities with guest houses at BGN 46 million (with a total subsidy value for the inspected houses of BGN 81 million).

✓ According to estimates from experts, abuses in EU programmes vary between 5% and 50% of the funded project value.



Bribery



Document fraud



Crime tools



Conflict of interests



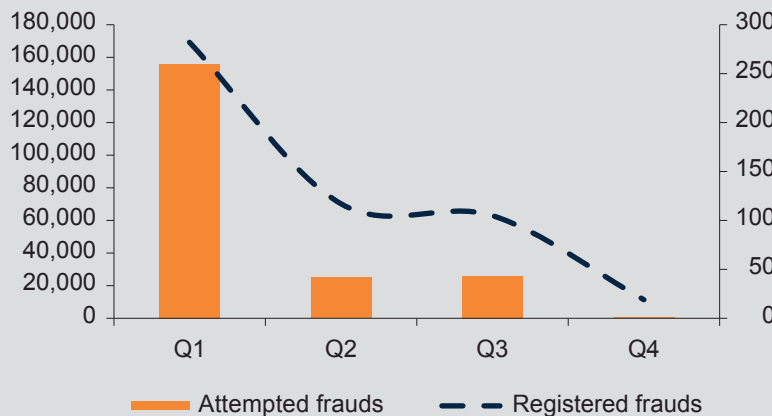
Abuse of power

TELEPHONE FRAUD



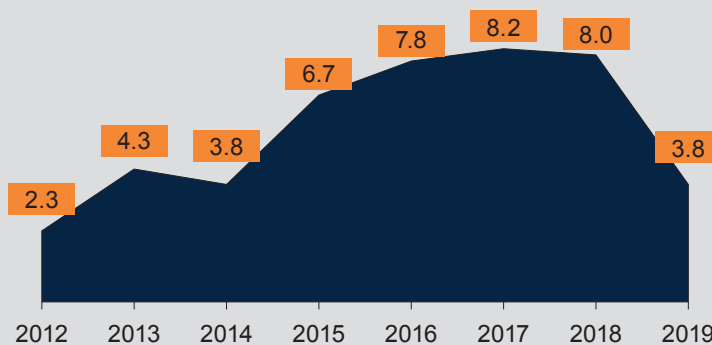
As a result of police actions against organised telephone fraud groups (Gorna Oryahovitsa, Vetovo, Romania), as well as restricting traffic to landlines (Vivacom), attempted fraud has decreased significantly since the beginning of the year.

Attempted frauds: around 207,000
Registered frauds: 544



For each registered telephone fraud there were around 400 failed attempts.

Proceeds from telephone fraud 2012 – 2019 (BGN mil.)



Proceeds in 2019 were more than two times lower than in 2018.



million BGN: the losses from telephone fraud for the period 2012 – 2019 (according to police data)



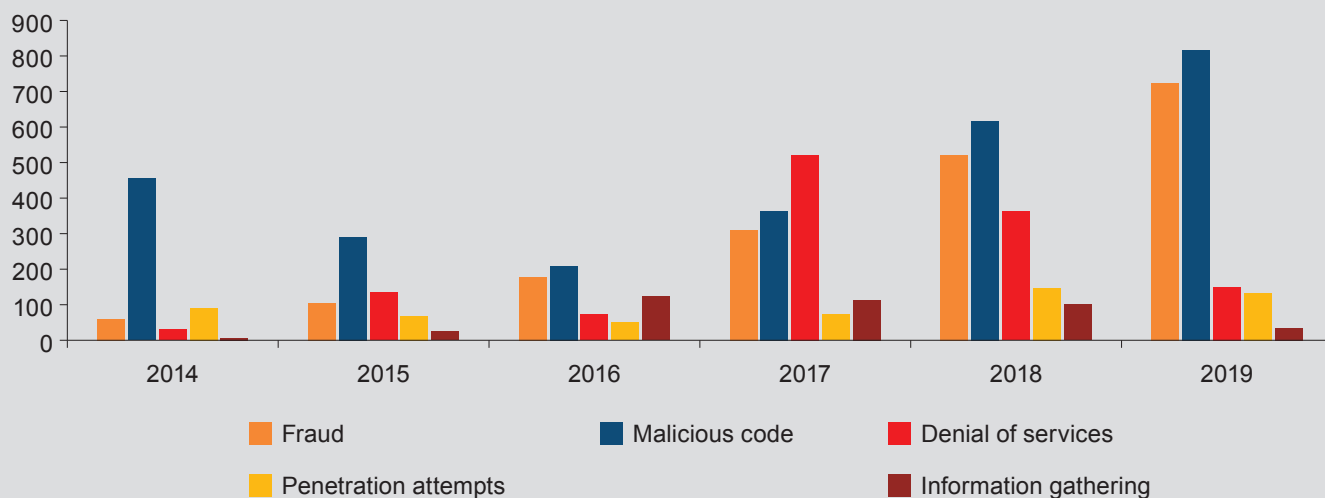
- Continue cooperation between police and telephone operators in disrupting telephone fraud campaigns, following the successful model with Vivacom.
- Continue pursuing the remaining organised telephone fraudsters and monitor the activities of the groups that were neutralised in 2019.
- Monitor emerging forms of telephone fraud, such as proposals for investment schemes, sham donation campaigns, etc.

Bulgarian ICT infrastructure is one of the most vulnerable to cyber attacks in Europe and continues to be used for global cyber attacks



In 2019, 25.2% of all attacks to Microsoft cloud services globally come from Bulgarian IP addresses.

Number of registered incidents 2014 – 2019



Malicious code and fraud remain the most widespread types of incidents.

There is a significant decline in the number of implemented Denial of access to services attacks.

Most frequent targets of cyberattacks:



banks and financial institutions



large internet vendors



trading and cryptocurrency exchange platforms



state institutions



2,290,000

IP addresses were affected by violations in and from the Bulgarian Internet space in 2019.



“Compromised business email” is an increasing cybercrime in Bulgaria. The victims are small and medium enterprises, as well as big companies.



Ransomware (malicious encryption code) attacks are becoming more frequent, where users are forced to pay a ransom to unlock or restore their files. The ransom is most often paid with cryptocurrencies.

Profile of persons involved in organised cybercrime



Young, well-performing professionals from the IT sector, often with higher education and fluent in several foreign languages.

An obvious feeling of self-importance and intellectual superiority over others, a sense of invulnerability.

Effective communication skills, but only superficial and professionally defined social and personal contacts.

Propensity to define all life achievements, especially their own validity, in monetary terms.

Mixing of virtual and real-life reality and a lack of understanding of the consequences of virtual actions in reality.



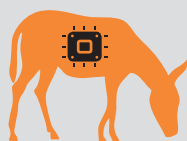
INTERNATIONAL NETWORKS

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



CLANDESTINE COMMUNICATION CHANNELS

Criminals communicate through specialised forums, encrypted or anonymised applications.



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.



LOCAL INVOLVEMENT

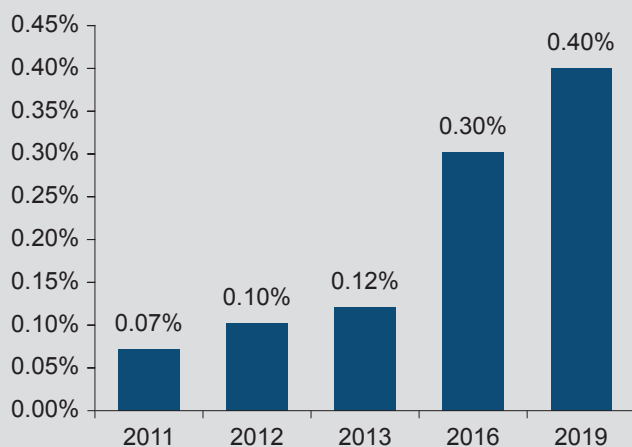
Bulgarian citizens are involved as facilitators in all types of cybercrime for international groups. In 2019, indicators show that there are also groups consisting mostly of Bulgarians and led by Bulgarian leaders.

ELECTRONIC PAYMENT FRAUD

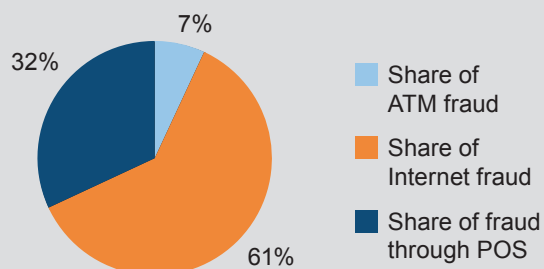


TRENDS

Population share who fell victim of bank card fraud



Main categories of bank card fraud

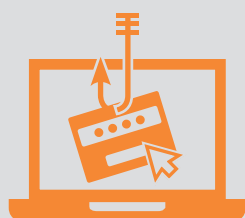


Over the last 10 years, there has been a steady trend of theft of bank data over the Internet, while the classic fraud of copying electronic data from the card and making a duplicate (skimming) is on the decline.

DAMAGES

The total amount of bank card fraud is BGN 5.9 million, of which BGN 3.6 million are related to the theft of bank card data through cybercrime.

ORGANISATION AND STRUCTURE



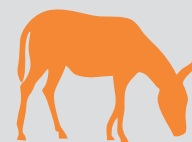
Phishing attack: obtain the victim's data through fraudulent emails and/or websites



Malicious code attack: acquiring the data of victim through an information gathering software



Data is sold in the "dark web"



Mules drain compromised accounts or make purchases on the Internet (aircraft tickets, hotel reservations, goods)



OUTLOOK



The growth of e-commerce and the increase in e-transactions in the context of the COVID-19 pandemic are expected to lead to an increase in cyberfraud with electronic payment instruments.



In coming years, the relative share of skimming attacks will continue to decline compared to other types of electronic payment fraud.



The entry of Fintech products and the growth of mobile and online payments are expected to lead to increased attacks on this new type of service.



The annual size of the illegal logging market is estimated between

70 ⇌ **150**
BGN mln. BGN mln.



There is a decline in households using firewood: from 44% in 2018 to 39% in 2019.

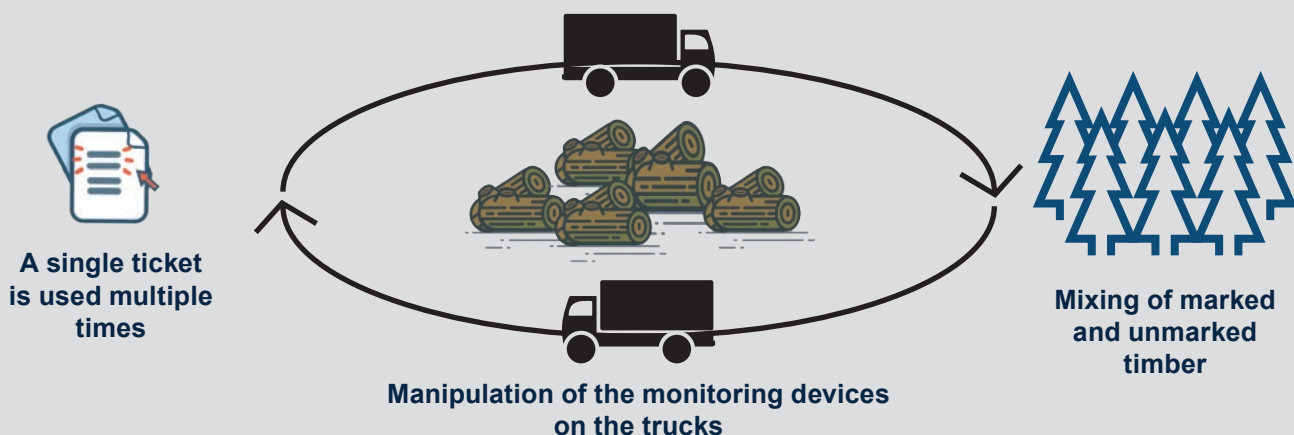


About 15-20% of illegal timber extraction is carried out by criminal networks. Many of them involve local, socially disadvantaged people. Criminal structures provide the local population with firewood below the average price (for example for BGN 40/cubic meter instead of BGN 50/cubic meter).



Legal and illegal extraction is done by the same companies, with 80% of the illegal logging carried out by companies that have a permit.

Scheme for abusing logging permits



During the sale of illegal timber, a complex symbiosis is formed between legal and illegal forms



Instruments of the crime



Corrupt practices at local and regional level



Document fraud



False marking and documenting of timber

ILLEGAL TRADE IN MEDICINES



95%

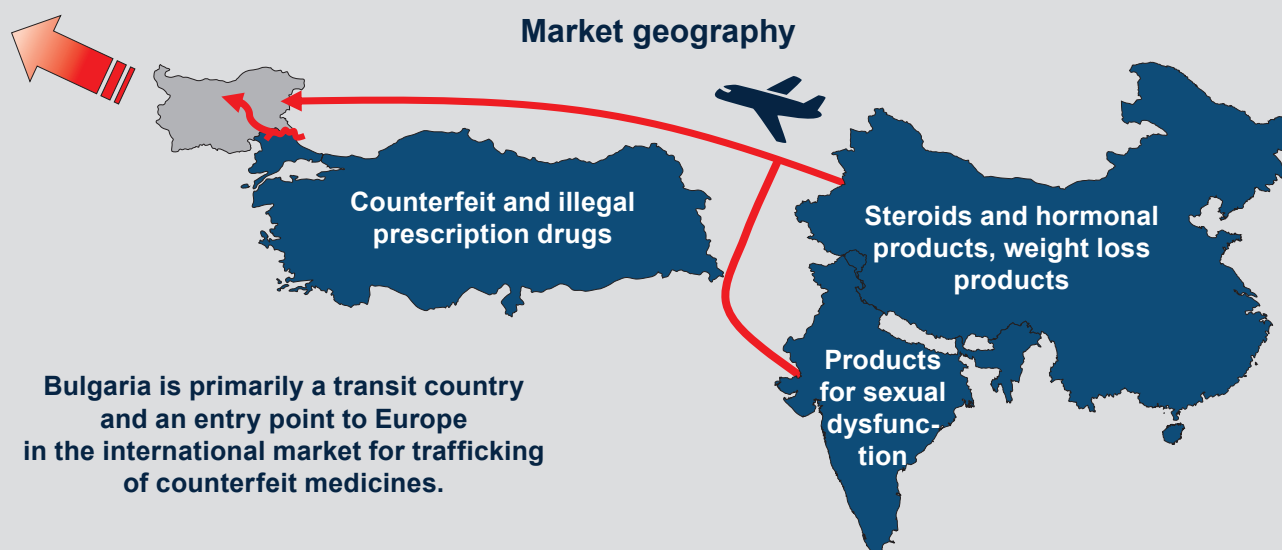
95% of active online “pharmacies” are illegal.

In Bulgaria, websites for ads, social media and forums are being used as trading platforms for illegal drugs.

208

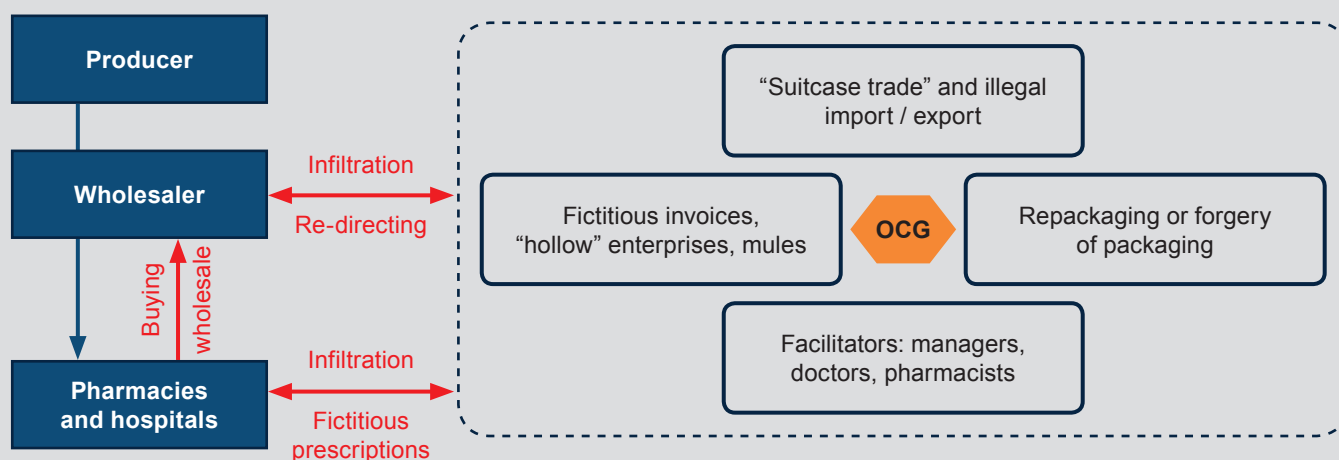
BGN mln.

are the total losses from counterfeit drugs in 2019



Redirection of drugs from and into legal channels

Organised crime groups infiltrate retailers, pharmacies and hospitals in order to redirect original and counterfeit medicines to official trade channels in Western Europe, where drug prices are significantly higher.



The COVID-19 pandemic is increasing both the demand and supply of illicit drugs.

Due to Bulgaria's role as a transit country, Bulgarian law enforcement services will play an important role in combating this growing criminal market.

SOURCES

The organised crime threat assessment is based on three main types of sources: 1) national representative sociological surveys among the population and the business, whose main goal is to measure the degree of victimization and to give an idea on the developing trends of different criminal markets; 2) criminological (in-depth) interviews with representatives of the institutions which have a key role in combating organised crime, as well as with representatives of the private sector and independent experts; and 3) publicly available data, reports and research on both the general state of crime and specific criminal markets.

The sociological surveys for this assessment were conducted among the population over the age of 15 (face-to-face interviews) and among businesses between January and March 2020. The interviews and the data processing were conducted by the Estat agency.

The criminological (in-depth) interviews were conducted with 66 representatives of state institutions, as well as with businessmen and independent experts. Representatives of the following institutions were interviewed: Ministry of the Interior – DG Fight against Organised Crime, DG National Police, DG Border Police, Regional directorates of the Ministry of Interior; Ministry of Finance – Customs Agency, National Revenue Agency; Prosecutor's Office of the Republic of Bulgaria; Bulgarian Drug Agency; Executive Forest Agency. The interviews were conducted by PMG Analytics.

Reports, data and research: public reports and data provided by state institutions for the purposes of this evaluation, as well as the Center for Democracy's own analyses were used in the assessment of individual organised crime markets.

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