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

**Crime tools**:

- Bribes
- Document fraud
- Conflicts of interest
- Abuse of power

**Organisation and structure**
The cannabis route

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

A small part of the cannabis stays in the country for domestic consumption due to local production.

Cannabis from Albania and Kosovo is trafficked by cars through Northern Macedonia to Bulgaria.

Another part of the trafficked cannabis is exported to Turkey.

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.
The illicit drugs market remains fragmented and is served by a multitude of small networks. Bulgaria continues to be an important transit point for heroin trafficking from the Middle East to Western Europe, as well as trafficking of precursors for methamphetamines to Central Europe. Cocaine, cannabis and methamphetamines are trafficked through Bulgaria to the Middle East.

Opium production went down in 2018 due to poor poppy harvest in Afghanistan.

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.

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.
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

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.

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

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

Multicriminality

Human smuggling attracts criminal entrepreneurs from other criminal markets

Number of detected irregular border crossings (entry)

Number of detected irregular border crossings (exit)

179,603

2013 – 2018
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.

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.

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)

- Fraud
- Malicious code
- Denial of service

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
Cybercrime (II)

**Organisation and Structure**

**Local Involvement**

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

**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.

**International Networks**

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

**Cyberattacks directed at Bulgarian businesses continue to grow**

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of businesses targeted by cyberattacks (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>24</td>
</tr>
<tr>
<td>2018</td>
<td>30</td>
</tr>
</tbody>
</table>

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

14,500 mobile devices in Bulgaria have been attacked in 2018 with malicious code in attempt to access bank data.

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

Most frequent targets of cyberattacks:
- banks and financial institutions
- large internet vendors
- cryptocurrency platforms
- state institutions

**Cyberattacks directed at Bulgarian businesses continue to grow**

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of businesses targeted by cyberattacks (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>24</td>
</tr>
<tr>
<td>2018</td>
<td>30</td>
</tr>
</tbody>
</table>

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

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

14,500 mobile devices in Bulgaria have been attacked in 2018 with malicious code in attempt to access bank data.

**Most frequent targets of cyberattacks:**
- banks and financial institutions
- large internet vendors
- cryptocurrency platforms
- state institutions
Consumption of illicit cigarettes is declining, while seizures are on the rise

Evolution of the illicit cigarettes market (BGN million)

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
“Communicating vessels” business model

1. Import of non-brand cigarettes from third countries

2. Production of cigarettes in legal factories in Bulgaria and Greece

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

Regional criminal entrepreneurs buy cigarettes from the “big players”

Small traders and low level loose partnerships

Delivery of cigarettes in various locations in the country

Delivery to the retailers

Budget loss and criminal revenues from the illicit trade of tobacco products (BGN mil.)

0.11% of GDP

Lost VAT and excise tax
Size of criminal market (BGN mil.)

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 4th 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)

Organisers
Dialers and controllers
Mules

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

About 200

41 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 BGN (mil.) ↔ 150 BGN (mil.).

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

Scheme for abusing logging permits

- A single ticket is used multiple times
- Mixing of marked and unmarked timber
- Manipulation of the monitoring devices on the trucks

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

- Timber points and timber processing enterprises
- Individuals who obtain logging permits for a specific territory
- Loggers
- Drivers
- Crime tools
- Corrupt practices at local and regional level
- Document fraud
- False marking and documenting of timber

Drivers

Individuals who obtain logging permits for a specific territory

Loggers

Timber points and timber processing enterprises

Drivers

Crime tools

Corrupt practices at local and regional level

Document fraud

False marking and documenting of timber
TRAFFICKING IN HUMAN BEINGS AND SEX SERVICES

45% of consumers of sex services search for them online

Specialised sites: 68%
Facebook: 26%
Dating apps: 69%

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

Slight decline in market size compared to 2017

Disposable income growth
Consumption in the middle and high segment is on the rise
Easy online access to sex services

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.)

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

Most risky sectors
- Construction
- Fuel trade
- Foods trade (meat, sugar, milk, fruits and vegetables)
- Online trade

The number of VAT fraud involving online trade is growing

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

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
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.

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

- Small refineries/chemical manufacturers
- Import of bitumen with added gas oil from neighbouring countries
- Extraction of fuel from the bitumen
- Construction, transport and agricultural companies

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

- Small and/or corporate fuel stations
- Mobile fuel stations

- **Estimated price range:** 0.4-0.5 BGN/litre

**TRENDS**

- Crime tools
- Expertise in chemical engineering
- VAT evasion
- Manipulation of control devices
- Document fraud

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.
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

PUBLICATIONS OF THE CENTER FOR THE STUDY OF DEMOCRACY


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


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


