

ORGANIZED CRIME AND THE PANDEMIC:THREE CHALLENGES

*Conference on the Economic Impact of O.C. and Money
Laundering. How does the COVID-19 crisis aggravate
the problems? Bruxelles 10/03/2021*

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How does the Covid-19 crisis aggravate the O.C. problems ?

Good choice of the subtitle of this conference: aggravating problems.

In this presentation:

The OC situation pre-pandemic

The OC situation during the pandemic

The three challenges for anticipating analyses and remedies: new approach; good data; monitoring the dynamics

O.C. trends pre-Covid 19: three main overlapping clusters

General trend of O.C. is its fragmentation in multiple clusters with different directions, such as:

- 1) Traditional O.C. groups **moving toward increased infiltration in the licit economy and decreased violence**, keeping a hierarchical organization;
- 2) Local gang-like groups **with increasing violence** keeping a flexible organization;
- 3) Ethnic groups **combining hierarchical and flexible organization.**

All these groups have a transnational dimension differently developed.

O.C. during the pandemic: learning from past experiences



Illegal governance role and activities

2013 - Hurricane Ingrid in Mexico

The Gulf Cartel, distributed relief packages to the affected communities



Corruption and Embezzlement

1980 - Earthquake in Irpinia

Camorra groups intercepted relief funds

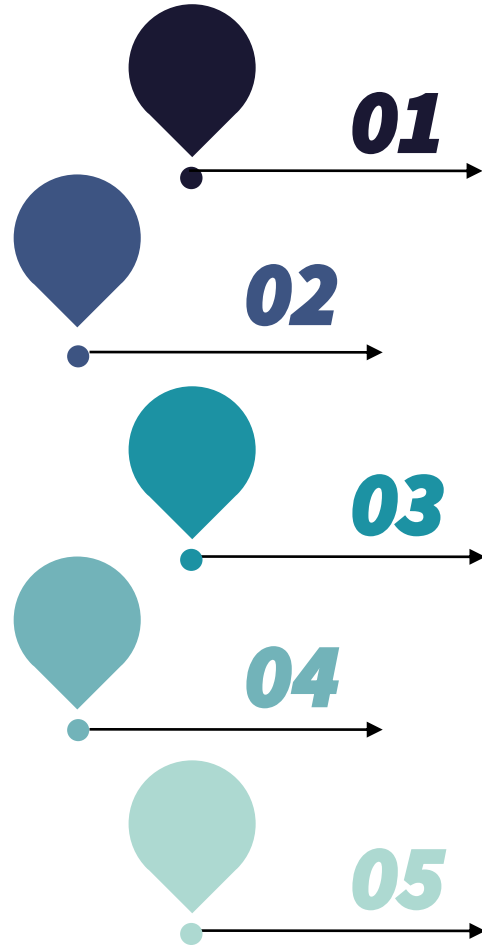


Infiltration of the legal economy

2011 - Earthquake and tsunami in Japan

Yakuza groups exploited their construction companies to carry out the rebuilding.

Impact of COVID-19 on OC activities: questions for today



Which **opportunities** does the pandemic offer for OCGs to exploit?

Which **strategies** have been implemented by OCGs during the pandemic with respect to **infiltration and illegal governance**?

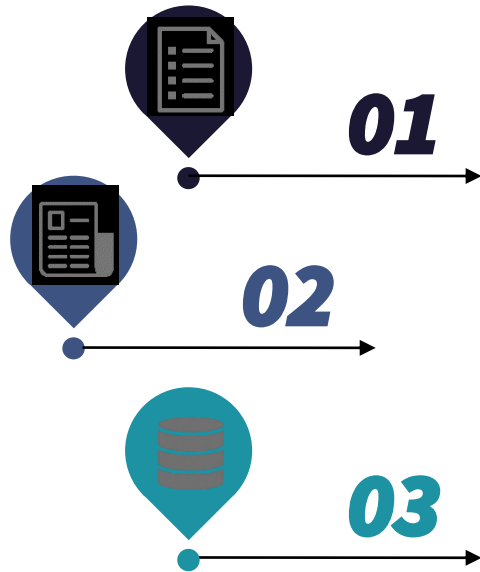
Which economic **sectors are most vulnerable** to OC infiltration?

What **drivers** facilitate embezzlement of public funds by OCGs?

How do OCGs **exploit voids** to strengthen their governance role?

Our approach for answering on what is happening today

- › **Systematic assessment** of case studies reported by the **media** and **institutional reports**
- › International and local sources
- › Time Span: **Mar – Apr 2020 (+)**
- › Four languages: **English, Italian, Spanish** and **French**



- › Official reports: INTERPOL, EUROPOL, GITOC, UNODC, OCCPR, IMF, UNIDO, FAMHP
- › Articles from news aggregators: Google News, Microsoft News, Yahoo! News
- › Articles from digital repositories: LexisNexis® Metabase

The situation

1) struggling companies falling under control of OC

- › Many areas of economic activity have either been **shut down** by governments or have seen **demand collapse**
- › More than **20% of firms worldwide** have been **downgraded** with respect to their credit default risk, according to the rating agency Moody's: Hotels and leisure (60%), Transportation (35%), Retail (30%)

2) High demand coupled with low supply in key sectors opens way for OCGs



Distress businesses

- › Seeking for economic support
- › In debt with or controlled by OCGs



High demand and low supply

- › Profitable and attractive



Further expansion

- › Money laundering
- › Illicit traffics
- › Corruption

Infiltration in financially distressed sectors

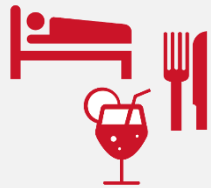
Transportation



- > Airlines and cruise ships
- > Commercial and private buses
- > Regional and intercity trains

Change of **business strategies**: less movement of people, more of products

Tourism and hospitality



Italian mafias lending/buying cafes, restaurants and gelaterias

«Mi hanno offerto prestito di **10 mila euro**» - restaurant in Rome

Retail and marketplaces



- > Small and medium businesses
- > Non-essential businesses
- > Local fairs and marketplaces

Arts, entertainment and recreation



"**Pay up** or we'll slit you from gullet to gizzard" – owner of a beach club in Puglia

Change of **business strategies**: more online events, cooperation

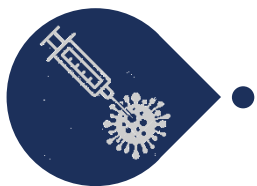
Beauty salon, barbershops



- > Hairdressers
- > Beauty salons
- > Massage centers

Infiltration in highly demanded sectors

Wholesale trade in medical products	Wholesale trade in pharmaceutical products	Logistics and e-commerce	Food retail trade	Cleaning, waste management, funeral services
  <p>Operation PANGEA XIII (INTERPOL) – March 2020</p> <ul style="list-style-type: none"> > 90 countries worldwide, 121 arrests, four million potentially dangerous pharmaceuticals seized > Economic value of USD 14 million involving 37 OCGs > Substandard and falsified masks, hand sanitizers, “corona spray,” “coronavirus packages” and unauthorized antiviral medications <p>Other operations: Belgium, Mexico, Spain, Italy, Ukraine, Iran, Azerbaijan, Serbia, Slovenia, Bosnia and Herzegovina, Japan</p>	 <ul style="list-style-type: none"> > Sectors already heavily infiltrated by OCGs (IARM - TC) > Crisis increasing the infiltration risk 	 <ul style="list-style-type: none"> > Supermarkets, discount stores and food retailers > Increasing of revenues, hence more attractive to OCGs 	 <ul style="list-style-type: none"> > Demanded sectors, not only during the pandemic, but also after > Long-lasting risk 	



It is expected that the market for **prevention products** – vaccines in particular – could be the next area to face high demand and low supply, making it vulnerable to OC

Embezzlement of public funds

- › Governments around the world are investing large sums of money to **reactivate their economies** and to **provide medical and healthcare assistance**
- › Need for **fast economic and regulatory interventions** → procurement procedures in some countries **have been relaxed**
- › Although it is too soon to have robust evidence on the appropriation of public funds, we have found **some evidence**



**Economic
stimulus**



**Public funds for
medical needs**



**Relaxed procurement
procedures**

Embezzlement of public funds

Italy 14/7/20 (la Repubblica)

Hand of 'Ndrangheta on stimulus funds
Seizures of €7.5 millions

Germany 14/4/20 (INTERPOL)

International COVID-19 fraud exposed with links to OCGs
Procurement contracts: €15 million on face masks

Slovenia 3/4/20 (OCCPR)

Opaque Coronavirus procurement: *one-day bids*
€80 millions to gambling mogul



THREE CHALLENGES

The first challenge: a methodology for anticipating problems

Moving toward risk analyses funded on real data at different levels:

Macro (Country level), meso (Sector level) and micro (Subject level)

Extended use of AI and Big Data as it has happening in the area of AML

Perceptions of experts only as introductory to real data

The second challenge: collecting real data

Collecting real data at these three (Macro, Meso and Micro) levels using proxy data such as statistics and OSINT data

The third challenge: monitoring O.C. impacts

Policies against crime and specifically against O.C. need to be monitored in time and space to understand if wanted and unwanted consequences arise and, in order to avoid the duplication of instruments (laws and other policies), we need to measure how the outputs and their changes produce a measurable outcome.

Concluding

O.C. together with its activities (Money Laundering, Corruption etc.) is becoming more transnational and more connected with economic and financial crime. Its trend towards increased infiltration in the licit economy has been accelerated by the pandemic. **We need to accelerate reactions and remedies. I welcome the new action plan on O.C. the EU Commission DG HOME will prepare.**

The approach for monitoring these dynamics **should be based on real data provided by single countries through a common template.** The EU Commission DG HOME is doing a relevant effort in this direction.

Policies against O.C. and its crimes should be focused on the **simplification** of the EU legislative landscape, facilitating international cooperation to make it more effective and efficient. **This is an urgent priority.**