

# 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 ?**

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**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

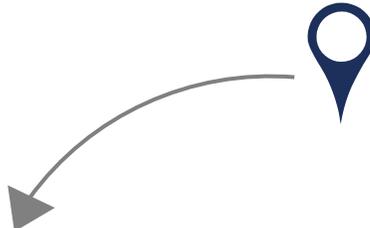
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**General trend of O.C. is its fragmentation in multiple clusters with different directions, such as:**

- 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



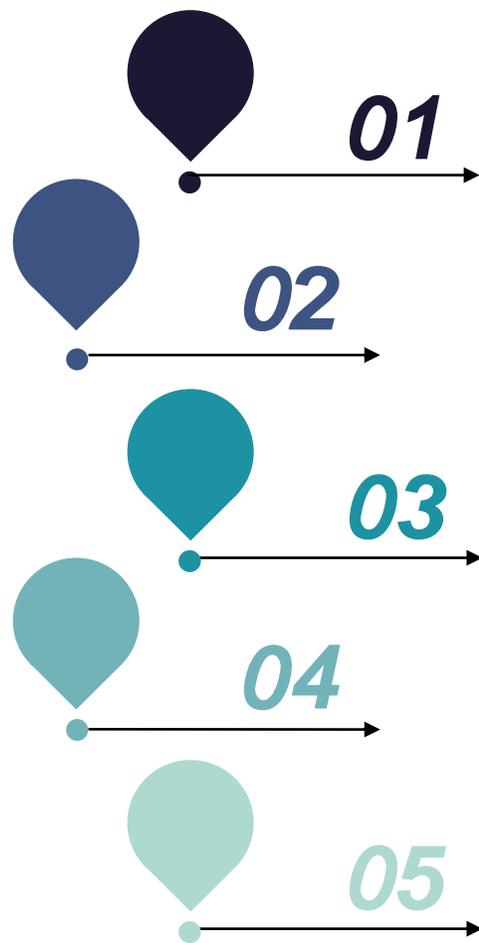
## Infiltration of the legal economy

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

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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**?

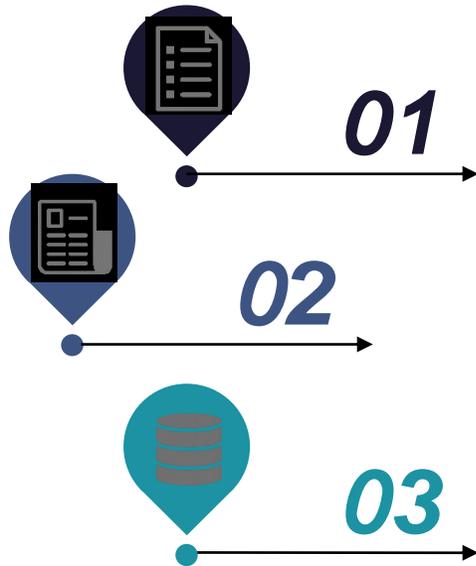
Which economic **sectors are most vulnerable** to OC infiltration?

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

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## 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



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### Distress businesses

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



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### High demand and low supply

- › Profitable and attractive



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### 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



Operation PANGEA XIII (INTERPOL) – March 2020

- › **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

Other operations: Belgium, Mexico, Spain, Italy, Ukraine, Iran, Azerbaijan, Serbia, Slovenia, Bosnia and Herzegovina, Japan



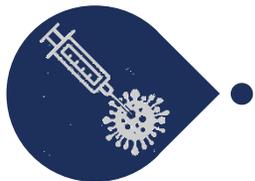
- › Sectors **already heavily infiltrated** by OCGs (IARM - TC)
- › Crisis increasing the infiltration risk



- › Supermarkets, discount stores and food retailers
- › **Increasing of revenues**, hence more attractive to OCGs



- › 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

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- › 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**



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**Economic  
stimulus**



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**Public funds  
for medical  
needs**



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**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



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# THREE CHALLENGES

# The first challenge: a methodology for anticipating problems

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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

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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

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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

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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 **simplication** of the EU legislative landscape, facilitating international cooperation to make it more effective and efficient. **This is an urgent priority.**