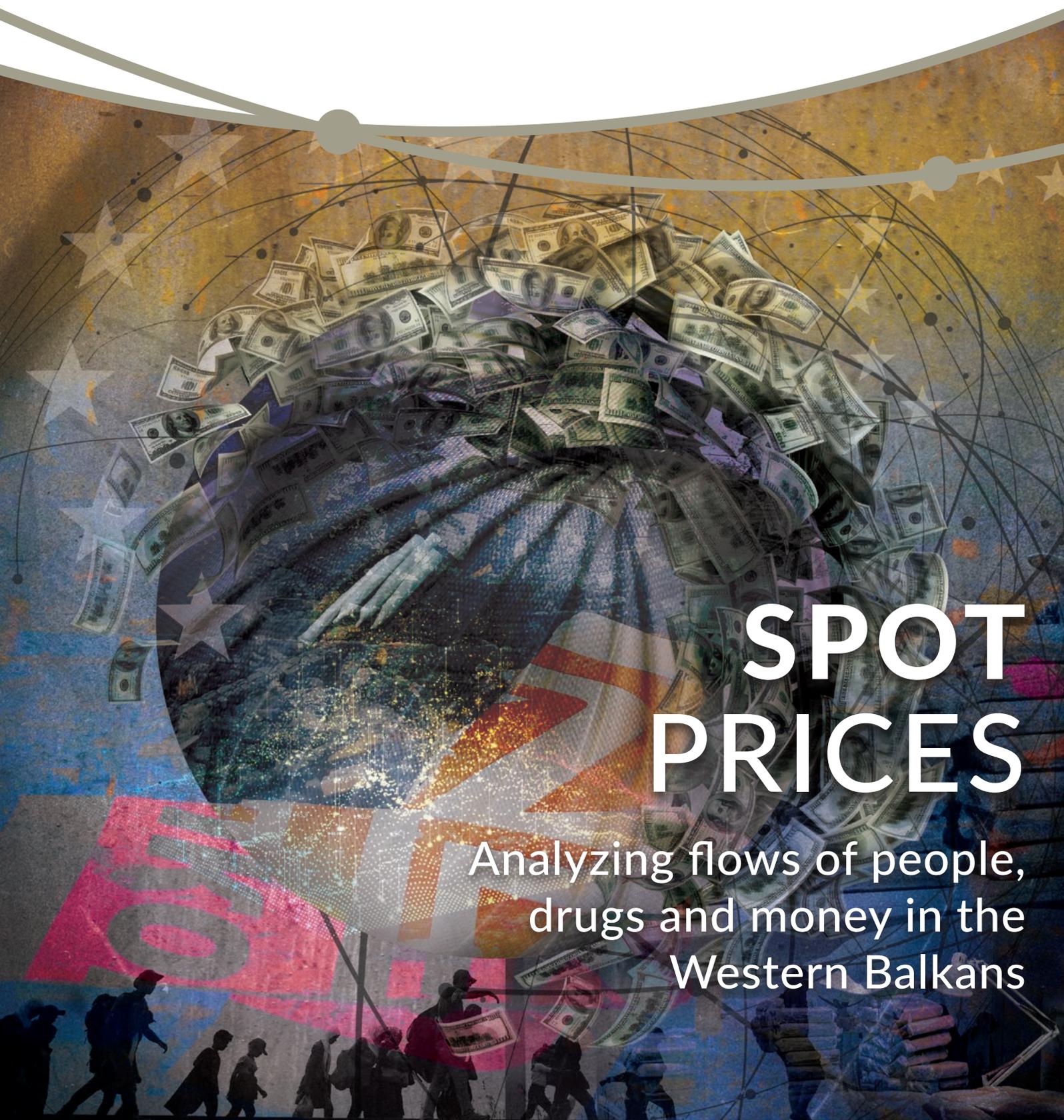


# GLOBAL INITIATIVE

AGAINST TRANSNATIONAL  
ORGANIZED CRIME



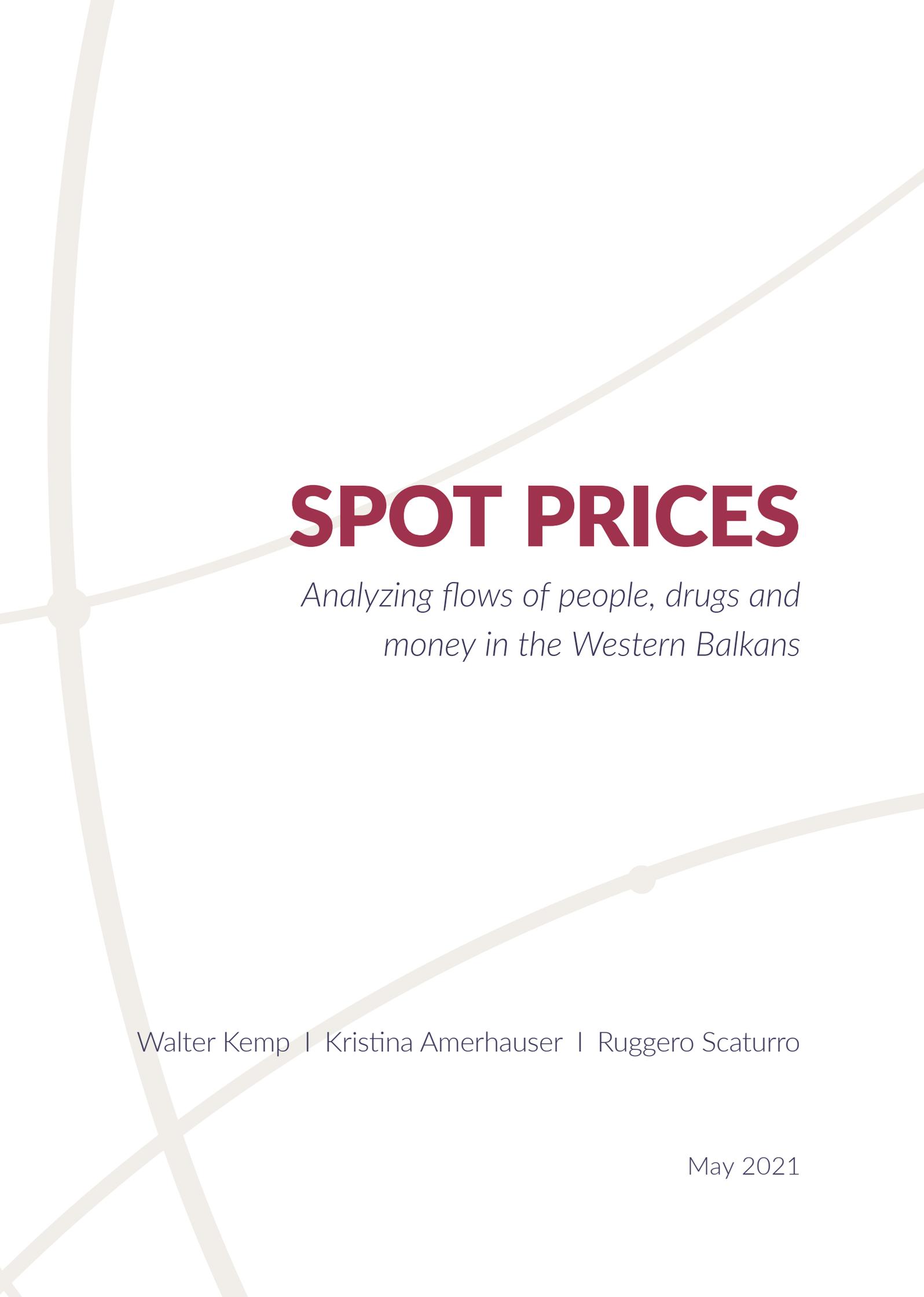
# SPOT PRICES

Analyzing flows of people,  
drugs and money in the  
Western Balkans

WALTER KEMP | KRISTINA AMERHAUSER | RUGGERO SCATURRO

MAY 2021





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money in the Western Balkans*

Walter Kemp | Kristina Amerhauser | Ruggero Scaturro

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## ABOUT THE AUTHORS

**Walter Kemp** is a Senior Fellow at the GI-TOC and directs the SEE-Obs. He is also Special Adviser to the Cooperative Security Initiative. Previously, he held a number of senior positions in the Organization for Security and Cooperation in Europe, was vice president of the International Peace Institute and spokesman and speechwriter at the UN Office on Drugs and Crime. He has written extensively on conflict prevention, the relationship between crime and conflict, and European security issues.

**Kristina Amerhauser** is an analyst at the GI-TOC conducting research on the Western Balkans and working on the SEE-Obs. She has a master's degree in advanced international studies from the Vienna School of International Studies

**Ruggero Scaturro** is an analyst for the GI-TOC conducting research on the Western Balkans and on Italian mafia-related issues. His main areas of interest and expertise are organized crime in south and south-eastern Europe, with a specific focus on the history of Cosa Nostra and its ties with other criminal networks.

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Design and illustration: Ink Design Publishing Solutions  
Cartography: Rudi de Lange

Please direct inquiries to:  
The Global Initiative Against Transnational Organized Crime  
Avenue de France 23  
Geneva, CH-1202  
Switzerland

[www.globalinitiative.net](http://www.globalinitiative.net)

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# EXECUTIVE SUMMARY

A police officer patrols the Croatia–Serbia border near Tovarnik. © Antonio Bronic/Reuters via Alamy Stock Photo



**T**he Western Balkans is a crossroads for the trafficking of many illicit commodities, and a geographical hub for the smuggling of migrants who are trying to enter Western Europe. While these facts are well known, information on the size of the markets and the potential profits is less evident. And while the Western Balkans has a bad reputation for laundering illicit proceeds, there is not much information on cities or sectors where it is a problem.

This report sheds light on the dark numbers of mixed migrant flows through the Western Balkans, the prices that they pay to be smuggled, as well as the cost of drugs in the region. To do this, it uses an approach pioneered in two previous Global Initiative Against Transnational Organized Crime (GI-TOC) reports on organized crime in the Western Balkans, namely pinpointing and looking at what is going on in selected hotspots, especially high-volume entry and exit routes through which migrants are smuggled, and key drug trafficking nodes. Focusing on illicit activity in these hotspots provides a close-up look at the drivers and enablers of organized crime. At the same time, an analysis of these hotspots in a regional context gives an indication of the volume of illicit trade and the potential profits being made.

After looking at the amounts of money being made in these hotspots and showing where and how the smuggling of migrants and drugs is taking place, the report looks at a third flow – money. The third section of the report explains how money laundering works in the region both in terms of cleaning small amounts in the informal economy as well as bigger volumes generated by serious organized crime and large-scale corruption. It identifies sectors and industries as well as particular hotspots in the Western Balkans that are particularly vulnerable to money laundering.

This report contains a wealth of information that was gathered in the fourth quarter of 2020 – despite the COVID-19 pandemic. The findings are based on field research and interviews carried out with current and former law enforcement officials; investigative journalists; researchers; local officials; asylum seekers and migrants; drug users; humanitarian agencies; international organizations; and representatives of civil society in the hotspots. It also draws on secondary sources, such as analytical and media reports, and official government information. To make this information more user-friendly, a number of maps and graphics have been specially produced for this report.

We hope that this report can lead to a greater understanding of illicit economies in the Western Balkans, so that more effective measures can be taken to reduce the incentives and profits of organized crime.



# SMUGGLING OF MIGRANTS

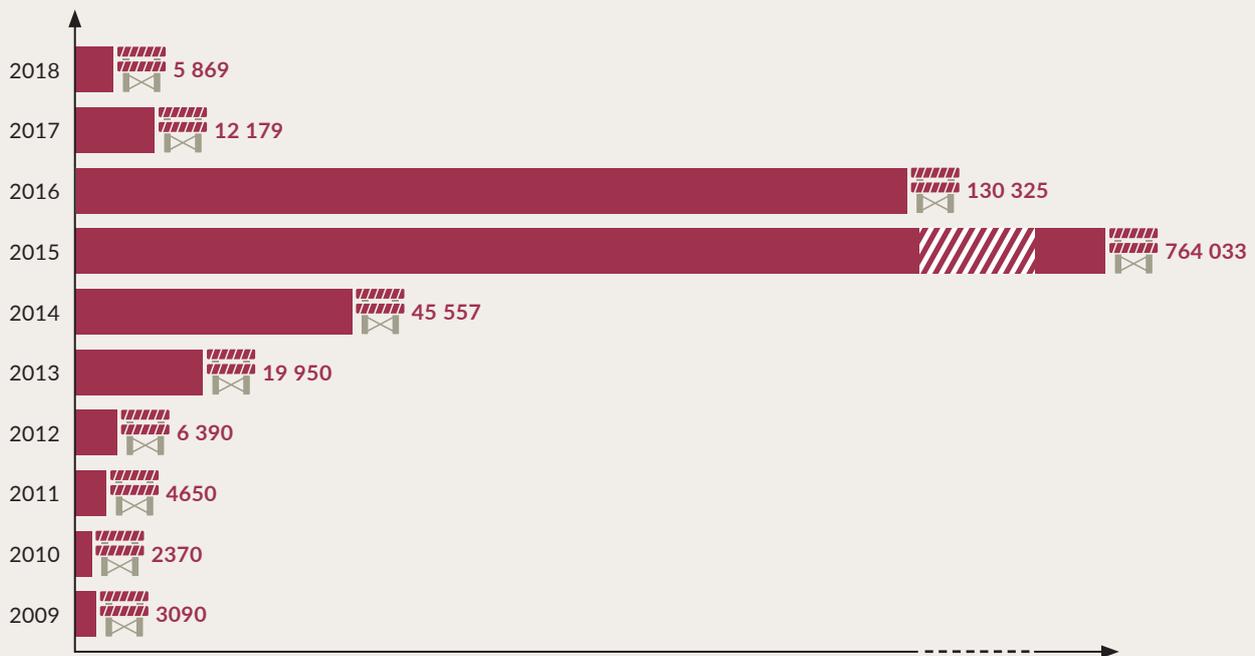
Members of a family from Afghanistan take a break in north-eastern Bosnia and Herzegovina before attempting to cross the border into Croatia. © *Damir Sagolj/Getty Images*



**T**his section looks at the smuggling of migrants through the Western Balkans. It explains the context, particularly the impact on this illicit market of the closure of the so-called 'Balkan route' in 2016 after the major migratory flow of 2015. It provides an overview of the main routes, gives a profile of the asylum seekers and migrants and then focuses on the hotspots where migrant smuggling is taking place in the six countries of the Western Balkans (WB6). In particular, it focuses on the main entry points to the region (via North Macedonia and Albania) and the main exit points (on the border between Bosnia and Herzegovina and Croatia, and between Serbia and Hungary). A profile of the smugglers is also included, as is an overview of the prices that they charge. This information on prices, combined with data and estimates on the number of people on the move, are factored into a unique calculation that gives an indication of the size and value of the market, particularly at key border-crossing points.

## **The context: drivers, barriers and incentives**

Since the 1970s, the Balkan route has been a notorious trail for smuggling drugs (mostly heroin) from east to west. But in 2015, it took on a new meaning as an estimated 1.5 million asylum seekers and migrants – triggered in part by the war in Syria – made their way through Turkey and Greece to the Western Balkans and then on to Western Europe.



**FIGURE 1** Illegal border crossings on the Balkan route in numbers, 2009–2018.

SOURCE: Frontex, Migratory routes, <https://frontex.europa.eu/we-know/migratory-routes/western-balkan-route>.

Some people from the Balkans – particularly from Kosovo<sup>1</sup> – took advantage of the chaos to join the crowds passing through the region and seek asylum in the West. Most were soon sent back home. While governments in Western Europe were initially caught off guard, the sheer weight of numbers and populist fears of being overwhelmed by ‘swarms’ of foreigners led to the closure of the Balkan route in March 2016. This was achieved by erecting fences along key border crossings, increasing border controls – including by deploying Frontex – and speeding up asylum procedures.<sup>2</sup>

Although the number of asylum seekers and migrants dropped significantly in 2016, the flow of people did not stop, since many of the drivers of this movement – like war in Syria, Afghanistan and Libya; instability in the Horn of Africa and North–South inequality – remained. Furthermore, while asylum seekers and migrants were able to move quite freely across Europe in 2015, the erection of barriers in 2016 created a market for migrant smuggling. Once some popular routes, such as those from Greece to North Macedonia and from Serbia to Hungary, became harder to cross, migrants sought alternative routes, for example via Albania.

The COVID-19 pandemic did not reduce the flow. On the contrary, the number of asylum seekers and migrants coming into the Western Balkans increased in 2020.<sup>3</sup> Moreover, declarations of emergency and border closures have created humanitarian emergencies in some locations (particularly close to key border crossings) and limited freedom of movement within and between countries, while increasing the incentives for smuggling.

Country	2015	2016	2017	2018	2019	2020	Top 4 nationalities
Albania	2 047	915	1 049	5 730	10 561	11 971	Syria, Afghanistan, Morocco, Iraq
Bosnia and Herzegovina	133	766	4 489	23 902	29 196	16 211	Pakistan, Afghanistan, Morocco, Bangladesh
Kosovo	N/A	16	147	590	2 081	1 910	Syria, Afghanistan, Algeria, Iraq
Montenegro	N/A	167	807	4 753	8 695	2 898	Morocco, Afghanistan, Iran, Algeria
North Macedonia	428 597	127 358	4129	16 895	40 887	41 257	Afghanistan, Pakistan, Bangladesh, Syria
Serbia	579 518	more than 60 000	69 900	45 400	30 419	39 648	Afghanistan, Pakistan, Bangladesh, Syria

**FIGURE 2** Number of migrants and asylum seekers in each of the six Western Balkan countries between 2015 and 2020.

SOURCES: UNHCR reports on refugees, asylum-seekers and other mixed movements in the Western Balkans, 2015–2020.<sup>4</sup>

As shown in Figure 2, in some countries the number of migrants and asylum seekers at the end of 2020 was higher than at the end of 2019.

## The routes

In 2015, the main route taken by asylum seekers and migrants was through Turkey and Greece to North Macedonia and Serbia, towards Hungary and then further into the European Union (EU).

The route started to shift when Hungary erected a border barrier with Serbia between July and September 2015.<sup>5</sup> Hungary also completed a fence along its border with Croatia in October 2015.<sup>6</sup> Further south, border controls were tightened in North Macedonia. In November 2015, the Macedonian army started constructing a fence along the border with Greece. This fence is now over 30 kilometres long. Border management has also been enhanced thanks to cooperation with Frontex.<sup>7</sup>

After the closure of the Balkan route in March 2016, which was facilitated by an agreement between Turkey and the EU, the route shifted towards Bosnia and Herzegovina. In 2017, there was a noticeable increase in asylum seekers and migrants in Bosnia and Herzegovina and, to a lesser extent, in Montenegro.<sup>8</sup> Since it was harder for people to move north crossing the border between Serbia and Hungary, they turned west instead to go via Serbia and Montenegro into Bosnia and Herzegovina. They were encouraged to move through the Republic of Srpska, but often got stuck in north-western Bosnia and Herzegovina because of robust border controls by Croatia. This has created a humanitarian crisis in and around refugee camps in the Una-Sana canton of Bosnia and Herzegovina, close to the Croatian border.

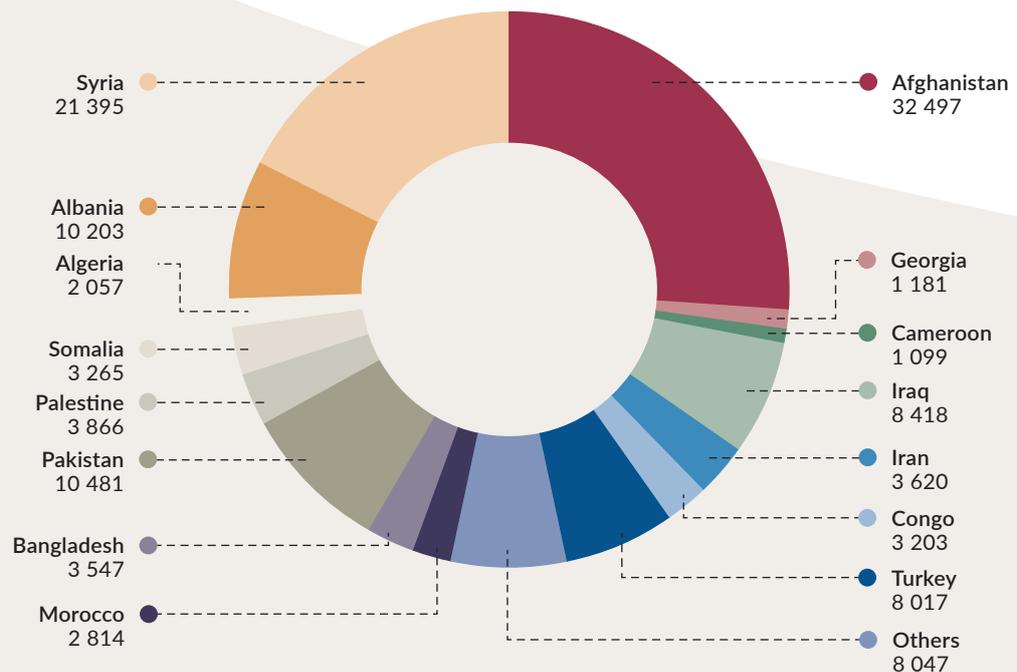
Since 2019, there has been a clear increase in the number of asylum seekers and migrants entering Albania.<sup>9</sup> There are also signs that migrants are trying to enter the EU by moving east rather than west, going from Serbia into Bulgaria and Romania.

## Asylum seekers and migrants

The majority of asylum seekers and migrants moving through the Western Balkans are from the Middle East and North Africa. Some are fleeing conflict, while others are economic migrants. The majority are from Syria, Afghanistan, Pakistan, Iran, Iraq and Morocco.<sup>10</sup> Asylum seekers and migrants have also been reported from Algeria, Ethiopia and Eritrea, while others are Kurds from Turkey.

For a brief period, quite a few people from Iran, India and Bangladesh were reported to be coming through Montenegro and Bosnia and Herzegovina – probably due in part to the visa-free arrangement that Serbia had made with Iran and India. Others are allegedly flying from the Gulf region (where they were working illegally) to Turkey, before trying to enter the Western Balkans.

Most migrants are young men between the ages of 15 and 30, while women and children are more common among asylum seekers.<sup>11</sup> The latter, particularly those from Syria, tend to travel as families. However, there are reports of women and minors travelling alone, which makes them highly vulnerable.



**FIGURE 3** Countries of origin and numbers of illegal migrants arrested in Greece in 2019.

SOURCE: Greek Police Annual Crime Report 2020, [http://www.astynomia.gr/index.php?option=ozo\\_content&lang=&perform=view&id=93710&Itemid=2443&lang=](http://www.astynomia.gr/index.php?option=ozo_content&lang=&perform=view&id=93710&Itemid=2443&lang=).



# The human smuggling hotspots



**FIGURE 4** Hotspots of human smuggling in the Western Balkans.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

One of the most critical hotspots for the smuggling of migrants through the Western Balkans is actually outside the region, namely Thessaloniki in neighbouring Greece. Asylum seekers and migrants tend to congregate in this city whether they are moving north from camps on the Greek islands or travelling across land from Turkey. The main hub in Thessaloniki for making smuggling arrangements is the train station, where it is possible to find a driver for passage to the Western Balkans, at least as far as the Greek border with North Macedonia. The following section follows the hotspots along the main trajectory of the journey from south to north.

## North Macedonia

While border security between Greece and North Macedonia has been strengthened, the latter remains a key transit route for mixed migration flows.<sup>12</sup> The route through North Macedonia is particularly popular with migrants from Pakistan and Afghanistan, who draw on the services of local smugglers and compatriots. The main entry points are around Gevgelija and Star Dojran close to the Greek border. Migrants are usually dropped off just before the border, which they cross through a forested area. They are picked up by smugglers on the other side and head north along Corridor 10, which runs from Gevgelija through Veles to Skopje.

According to the police, border authorities prevented nearly 25 000 attempts by migrants to illegally enter North Macedonia from Greece from January to September 2020.<sup>13</sup> According to the official statistics for that period, 27 445 migrants were placed in registered camps in North Macedonia – 1 801 in Tabanovce and 25 644 in Vinograd – before being deported back to Greece.

Migrants passing through North Macedonia are usually heading for Serbia or Kosovo. They mostly exit North Macedonia through Staro Nagoričane or Kumanovo in the north of the country on their way to Serbia or via Čučer-Sandevo, Jegunovce or Gostivar on their way to Kosovo. Some migrants that enter the Western Balkans in Albania move across the border into North Macedonia around Stenje or Struga or farther north at Dibra. Migrants also enter North Macedonia from Bulgaria around Strumica, Berovo, Delchevo and Kriva Palanka.

## Albania

The number of illegal migrants in Albania increased from 1 978 in 2013<sup>14</sup> to 11 971 in 2020.<sup>15</sup> The increase has been particularly dramatic since 2018, when it became more difficult for asylum seekers and migrants to cross from Greece into North Macedonia, therefore pushing them farther west to Albania. The most popular entry points to Albania for asylum seekers and migrants are at Kakavia in Gjirokastra and Kapshtica in Korca. Once they are in the country, they tend to head towards the capital, Tirana (where there is a camp on the outskirts at Babrru), and then north via Shkodra to the Hani i Hotit/Bozaj crossing into Montenegro or to Morine at the Kosovo border. A more expensive alternative is to travel to Durres or Vlora and try to reach Italy by boat.

## Kosovo

Asylum seekers and migrants enter Kosovo from Albania and North Macedonia mostly on foot close to the official border crossings at Vermice<sup>16</sup> and Hani i Elezit.<sup>17</sup> They usually take taxis to the border with Kosovo and then from the border farther inland, for example to receiving centres in Magura, Lipljan, Vranidoll or Pristina. Within seven days, they are provided with an ID card that enables them to move freely in the country. Most asylum seekers do not stay long. Some head for Montenegro or Serbia. But increased border controls have apparently caused a shift in the route, causing migrants to head towards the small town of Vushtrri in the municipality of Mitrovica in North Kosovo. From there, they take taxis to the city of Mitrovica and then travel into Serbia, heading north to Subotica.

## Montenegro

Montenegro has been on the Balkan route for migrants since 2018. The number of migrants registered in the country jumped from 807 in 2017 to 7 593 in 2019. However, there was a decrease in 2020 to 2 832 (as of 10 December 2020), perhaps due in part to the COVID-19 pandemic. The hotspots are the border zone with Albania near the Hani i Hotit/Bozaj border crossing, close to Podgorica and the border zone around Pljevlja, where migrants leave Montenegro and enter Bosnia and Herzegovina.<sup>18</sup> There have also been reported cases of migrants entering Montenegro from Serbia.

Some asylum seekers and migrants opt to stay for a while at reception centres in Spuz or Bozaj near Podgorica. Others head towards Niksic and Pljevlja on their way to Bosnia and Herzegovina. From Niksic, migrants continue towards the Scepan Polje border crossing near Foca or the Bileca and Trebinje border crossings. They tend to use mountain roads to enter Bosnia and Herzegovina and then cross the Drina river around Foca. Another favoured option is to travel from Podgorica to Pljevlja by regular bus. They then take a taxi close to the Metaljka border crossing near Cajnice and try to enter Bosnia following a path across the mountains. In a few cases, migrants have left Montenegro through Herceg Novi via Prevlaka to Dubrovnik in Croatia.

## Bosnia and Herzegovina

Migration into Bosnia and Herzegovina has increased since 2018.<sup>19</sup> Interviews conducted with migrants, law enforcement authorities and journalists show that southern Bosnian borders are rather porous.<sup>20</sup> In the south-eastern part of the country, asylum seekers and migrants come from Montenegro towards Trebinje, Bileca and Foca. From there, they often head towards – or are brought to – Mostar. The border between Serbia and Bosnia and Herzegovina is 363 kilometres long, 261 kilometres of which is along the Drina river, which is a well-established illegal smuggling route. After crossing the river, mixed migrant groups usually move towards Cajnice, Rudo, Visegrad, Zvornik and Bijeljina and on to Tuzla. They do not stay long, but move towards Sarajevo or to the Una-Sana canton in the north-west of the country, close to the border with Croatia. Currently, there are more than 3 500 migrants in camps around Sarajevo.<sup>21</sup>

However, the biggest hotspot for the smuggling of migrants in Bosnia and Herzegovina is in Una-Sana canton, especially the cities of Bihac and Velika Kladusa and, to a lesser extent, Cazin. According to data from the Service for Foreigners' Affairs, as of December 2020 there were more than 3 200 migrants in the temporary reception centres in the area.<sup>22</sup> Volunteers estimate that another 1 500 migrants are living outside the accommodation facilities, often in the open, which is creating a humanitarian disaster.<sup>23</sup> Almost all of the asylum seekers and migrants in the country are on the territory of the Federation of Bosnia and Herzegovina, since the Republic of Srpska refuses to have them.

From Una-Sana canton, asylum seekers and migrants either try to cross the border into Croatia on foot or pay smugglers to take them by truck to Croatia or Slovenia. For example, on 24 February 2021, police in Slovenia found 13 migrants from Iraq, including two children, hidden in a truck with number plates from Bosnia and Herzegovina. The migrants were dehydrated and lacking oxygen.<sup>24</sup>

Since the middle of 2020, the police have noticed increased attempts by smugglers to move people across the northern border of Bosnia and Herzegovina into Croatia, particularly around Odzak, Derventa, Gradiska and Brod, as well as through the Brcko district, which is a separate administrative unit within Bosnia and Herzegovina.

## Serbia

Serbia is a popular destination for asylum seekers and migrants as it borders four EU countries: Croatia, Hungary, Romania and Bulgaria. According to the UNHCR, in 2019, 30 216 migrants entered Serbia – almost twice as many as in 2018. The Minister of Interior indicated that in 2020 more than 8 500 migrants had been stopped while trying to cross the Serbian border illegally.<sup>25</sup>

Most asylum seekers and migrants trying to enter Serbia come via North Macedonia. They cross the border near the towns of Presevo and Trgoviste. Families usually head towards the reception centres at Vranje, Presevo and Bujanovac, while single men often continue their journey heading for Belgrade. There are also cases of migrants entering Serbia from Kosovo, particularly northern Kosovo, and from Montenegro through the municipalities of Tutin, Djerekare and Pljevlja. Migrants have also been seen entering Serbia from Bulgaria near the cities of Bosilegrad, Surdulica, Dimitrovgrad and Zajecar.

Once in Serbia, migrants are usually smuggled in one of three possible directions: north towards the Hungarian border; west towards Bosnia and Herzegovina (across the Sava or Drina rivers into the Republic of Srpska); or north-west to Croatia (particularly via Sid or Sombor). While Hungary used to be the most popular destination, tougher border security since 2016 has made it more difficult to enter. Still, some migrants head north via Subotica towards the border crossing

at Horgos or attempt crossing the Danube to reach Hungary. Others head east to Romania via the municipality of Novi Knezevac (particularly around the villages of Majdan and Rabe), and then try from there to cross into Hungary. Recent reports suggest that some migrants are endeavouring to enter Romania from Serbia farther south around Kikinda.<sup>26</sup> Police have also discovered several tunnels (3–7 metres deep and 15–30 metres long) under the wire fence along the Serbian-Hungarian border in the vicinity of Szeged, Ásotthalom and Kelebija. These tunnels are considered relatively risky because of the likelihood of being caught or the danger of the tunnel collapsing.<sup>27</sup> Depending on the safety of the tunnel and the likelihood of success, prices range from €500 to €5 000.<sup>28</sup>

## The smugglers

*While some asylum seekers and migrants follow a self-help approach, most rely on smugglers.*

While some asylum seekers and migrants follow a self-help approach, most rely on smugglers. There are roughly three categories of smugglers: fixers, gatekeepers and package dealers.

### Fixers

Much of the smuggling of migrants in the Western Balkans seems relatively small-scale. For example, there are many reports of taxis (some of them improvised or unlicensed) driving migrants from the countryside to big cities, from cities to settlements close to borders or picking them up at the borders. Rarely do they cross borders.

It is also quite common for private citizens or truck drivers to move small numbers of asylum seekers or migrants for a fee. One recent trend is to hire 'accompanying personnel' for truck drivers. The migrants are given a real letter from a company based in Western Europe and travel documents for a person that resembles – but is not – the bearer. These documents can be shown to the police as proof that the migrant is 'returning home'. Fixers also put migrants in touch with smugglers or taxi drivers, suggest routes and safe houses, and warn them about police patrols. Some fixers also act as lookouts or scouts. They wait at bus and train stations to meet expected arrivals. When new groups of migrants arrive in a town, the fixers pass the information on to smugglers about the size and composition of the group. If the fixers share the same ethnicity as members of the migrant group, they may act as a go-between between the group and the smugglers.

Fixers usually operate within the borders of one country, unlike gatekeepers who help people cross borders. They are characterized by low levels of operational sophistication. The fact that there is such a prominent role for all kinds of fixers suggests that the migrant-smuggling market is relatively open.

Figure 5 shows a sample of prices charged for transporting asylum seekers and migrants within the six Western Balkan countries, usually by taxi. Prices range from a minimum of €20 per person registered in Montenegro for transport from the countryside to settlements close to the border with Bosnia and Herzegovina, to a maximum of €500 to €700 per vehicle for crossing the entire territory of North Macedonia from the Gevgelija area (close to the border with Greece) all the way to Kumanovo, at the border with Serbia.

Country	From	Via	To	Price (euros)	Conditions
Albania	Pogradec	Tirana	border with Montenegro	70	per person
Bosnia and Herzegovina (BiH)	internal Federation	internal Federation	internal Federation	200–500	per person
BiH	Trebinje, Bileca and Foca (Montenegrin border)	Mostar, Sarajevo, Travnik, Prozor or Jajce	Una-Sana canton	100–300	per person
BiH	Foca, Cajnice, Rudo, Visegrad	Sarajevo	Una-Sana canton	100–300	per person
BiH	Zvornik, Bijeljina	Tuzla, Banja Luka or Sarajevo	Una-Sana canton	100–300	per person
BiH	internal The Republic of Srpska	internal The Republic of Srpska	internal The Republic of Srpska	20–100	per person
BiH	The Republic of Srpska countryside	internal Federation	Sarajevo	150–200	per person
Montenegro	Metaljika	15 km of forest	Serbian border	100	per vehicle (taxi)
Montenegro	Pljevlja	N/A	Bosnian border	50–150	per person
Montenegro	internal Montenegro	N/A	villages close to BiH border	20	per person
North Macedonia	Gevgelija and Star Dojran areas	Veles	Kumanovo area	500–700	unknown
Serbia	Internal Serbia	Djala, Srpski Krstur and Banatsko Arandjelovo settlements or Vrbica and Majdan settlements	border with Hungary and/or Romania	50–100	per person
Serbia	Presevo	N/A	Belgrade	200	per person
Serbia	Belgrade	N/A	Subotica	200–250	per person
Serbia	internal Serbia	N/A	border with Hungary	50–200	per person

**FIGURE 5** Price list for internal movement within the Western Balkan countries.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

Prices vary according to the distance covered and the number of passengers (children accompanying their parents often travel for free). Riskier journeys may cost more. For example, some migrants in Montenegro have been charged €100 to travel the final 15 kilometres to a forest near the Serbian border. Overall, prices are relatively low, since in many cases there is competition from regular train and bus lines.

Although the smuggling of migrants is illegal, we heard many stories from migrants and people living in or familiar with migrant-smuggling hotspots about how the police and border guards often act as fixers. For a fee, they can agree to either not be in a particular place at a given time or to transport asylum seekers and migrants across the border. Corrupt police and border officials have been arrested in a number of locations. For example, in November 2020 the head of the border post in Zvornik, Bosnia and Herzegovina, was arrested for smuggling migrants.<sup>29</sup> Similarly, in August 2020 a policeman from Tirana was arrested in Pogradec, close to the border with North Macedonia, while transporting two Syrian citizens in his car for €70 each.<sup>30</sup> Several cases have also been reported in Montenegro and North Macedonia.<sup>31</sup>



Many migrants, particularly young men, take a self-help approach when moving through the region. © Sakis Mitrolidis/AFP via Getty Images

A lawyer in Albania who helps clients apply for asylum noted: 'It is impossible to move immigrants from one country to another or to ensure their transportation within the country without the support of the local police. Considering the fact that there are police checkpoints on all major highways, how can it be that these immigrants, who can be recognized not only by their language, but also by their physical appearance, are not stopped along the way? This is an indication and confirmation that senior officials of local police directorates are informed in advance by the traffickers and take measures to clear the path to their destination.<sup>32</sup> Indeed, at one point the whole chain of command of the Tirana Regional Directorate of Border and Emigration was dismissed; four police officials were arrested on suspicion of being involved in the trafficking of illegal immigrants in cooperation with travel agencies.<sup>33</sup>

## Gatekeepers

The most organized and lucrative forms of smuggling appear to be around the borders that are the hardest to cross: between Greece and North Macedonia; North Macedonia and Serbia; Serbia and Hungary; and Croatia and Bosnia and Herzegovina. These key border crossings are relatively well protected and therefore riskier to cross. This makes it lucrative for smugglers to charge people for safe passage. The criminal groups at these locations seem to be a mix of locals with a knowledge of the terrain and the movements of the police, as well as nationals of countries where the asylum seekers and migrants originate (like Afghanistan,

Pakistan, Morocco and Syria). They fit the description of an organized-crime group, sometimes even with transborder criminal networks. Some smugglers are well-equipped and well-connected, including with contacts in the police and border services. They are also highly adaptable; even during the COVID-19 crisis, smugglers have found ways to reach migrants and organize smuggling operations.

Gatekeepers open the door to the next country along the route, the most pivotal being entry into an EU country, like Croatia or Hungary. In some cases, access is gained on foot: the gatekeepers act as guides, leading a group of their compatriots across a green border and then returning across the border to help the next group. For example, in Una-Sana canton, where many people are held in refugee camps, smugglers who are themselves migrants infiltrate the camps and negotiate the details of a smuggling attempt. They then act as guides for small groups of approximately five migrants to move on foot through the forest to Croatia. These smugglers then return to Bosnia and Herzegovina, hoping to earn enough money to be able to pay other smugglers to transport them in relative safety to a western European country. Another example is Afghans or Pakistanis moving compatriots from North Macedonia into southern Serbia.

Gatekeepers also arrange transportation using ferry boats and rafts across blue borders, such as from Serbia to Bosnia and Herzegovina across the Drina and Sava rivers, or from Sombor in northern Serbia across the Danube river to Hungary. Crossing a river can cost from €100 to €500 per person.

Gatekeepers also control access to tunnels, like the one between Serbia and Hungary. Smugglers send GPS coordinates to migrants to identify entry points to the tunnels. The smugglers controlling this access are usually from the countries of origin of migrants.<sup>34</sup> They may also own several second-hand or stolen cars, as well as number plates from different countries in order to look less conspicuous. Operation Riviera in Greece in January 2021 took down a smuggling ring that owned a fleet of 130 vehicles.<sup>35</sup>

The prices paid to this category of smugglers are generally higher than those paid to fixers, because gatekeepers help asylum seekers and migrants to move across borders, including challenging natural barriers like rivers and mountains. The cost may include other benefits, such as a temporary safe haven. For instance, migrants pay approximately €2 500 to travel from Subotica in northern Serbia to a settlement near

the Hungarian border where they were accommodated in abandoned farmhouses and factories before being smuggled into Hungary. To cross from Greece into Albania, migrants pay from €1 000 to €2 500: these prices include transportation services from the southern areas of Korca and Gjirokastra to either the Adriatic ports of Vlora and Durres or the northern cities of Shkodra and Kukes. Even short trips can be relatively expensive, especially to cross well-managed borders. Migrants reportedly pay approximately €700 per person to be smuggled from Greece or Bulgaria on foot over the Belasica mountain range to Strumica, in the south of North Macedonia. Prices can vary depending on the season, the size of the group and the smugglers' perception of the group's capacity to pay.

Figure 6 shows the prices that smugglers charge to cross international borders.

From	Via	To	Price (euros)	Conditions
Korca and Gjirokastra (Greece/Albania border)	Tirana	Vlora, Durres, Shkodra, Kukes (North)	3 000–5 000	includes bribes to border officials
Pljevlja (Montenegro)	N/A	Foca (BiH)	350–400	per person
Niksic area (Montenegro)	N/A	Trebinje (BiH)	350	per person
Veles (North Macedonia)	N/A	Kumanovo, then Serbia	800–1 000	per person (includes car)
Veles (North Macedonia)	N/A	Kumanovo, then Serbia	1 000–2 500	per vehicle
Belgrade (Serbia)	Drina river	Bihac	1 500	package price (group/family)
Thessaloniki (Greece)	N/A	Kumanovo, then Serbia	700	per person
Subotica (Serbia)	N/A	Hungary	2 500	includes accommodation in hidden places
Horgos (Serbia)	Tisa river	Mórahalom (Hungary)	100–300	per person
Novi Kneževac (Serbia)	Rabe, Majdan, Banatsko Arandjelovo, Mokrin, Nakovo, Banatsko Veliko Selo and Novi Kozarci	Romania, Hungary	200–500	per person
Inland Serbia	Djala, Srpski Krstur and Banatsko Arandjelovo settlements or Vrbica and Majdan settlements	inhabited settlements in Hungary or Romania	150–200	per person
Serbia	Drina river	BiH	500	per person
Kumanovo (North Macedonia)	N/A	Serbia (surrounding Vranje)	500–600	per person
Kukes (Albania)	N/A	Kosovo (Prizren area)	200	per person
Mitrovica (Kosovo)	N/A	Serbia	300	per person
Kelebija (Serbia)	N/A	Szeged and Ásotthalom (Hungary)	800–2 400	tunnel fee

**FIGURE 6** Cost of being smuggled across an international border.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

## Package dealers

The big money from smuggling is made through package deals. Pulling off such deals requires a high degree of sophistication and planning, as well as transnational networks, documents and access to vehicles. For several thousand euros, migrants in Greece or Turkey are promised a package deal that will get them to Western Europe. Crossing multiple international borders in the region can cost anywhere from €600 to €20 000 per person, depending on the starting point and the destination (see Figure 3). In this way, migrants can reach Croatia, Slovenia or ideally Austria from any of the Western Balkans entry spots, including Kakavia and Kapshtica in southern Albania, Strumica and Gevgelija in southern North Macedonia and Nis in southern Serbia. The price paid to get from Iran or Afghanistan into any EU country ranges from €3 000 to €3 500 per person. Migrants interviewed in Bosnia and Herzegovina trying to get to Croatia reported having paid around €6 000 from Pakistan.

The deals are often made in Greece or Turkey. Smugglers use contacts in refugee camps or big cities (often around ports) where asylum seekers and migrants congregate or migrants come to them (for example, around train and bus stations or ports).<sup>36</sup> They offer to arrange travel either to the border of one of the six Western Balkan countries or all the way into central or Western Europe. The package dealers act as trip advisers, explaining the route, accommodation and transportation. In some cases, for an additional fee, the package deal may also include procuring travel documents. These can either be forgeries or legitimate documents of someone who resembles the user. The payments are often arranged in advance.

Smugglers in Greece or Turkey rely on contacts in the Western Balkan region and in the countries of destination. A report of the Albanian ministry of interior noted that 'organized networks of traffickers, composed of Greek and Albanian citizens, are frequently involved in organizing their passage to Italy or to the border with Albania, in exchange for payment'.<sup>37</sup>

Networks based in Turkey allegedly play a significant role in smuggling. Over the years, Turkey has hosted a large number of Syrian and Iraqi asylum seekers who have frequently relied on Turkish smugglers who charge from €6 000 to €20 000 to get to Western Europe

through Greece and the Balkan route, depending on the number and composition of the group of individuals to be smuggled.<sup>38</sup> Recently, there have also been cases of smugglers trying to move asylum seekers from Albanian or Montenegrin ports and marinas to Italian shores across the Adriatic Sea.<sup>39</sup>

In January 2020, 55 migrants were rescued off the coast of Albania. They had each paid the smugglers from US\$2 000 to 4 000 for safe transport to Italy by yacht; instead, they were taken by speedboat.<sup>40</sup> In early January, police in Vlora stopped 21 migrants who were planning to illegally cross the Adriatic.<sup>41</sup> Neighbouring Montenegro is facing a similar challenge. In October 2020, Montenegrin police in the Zelenika marina intercepted a yacht with a Croatian flag and Serbian crew that had originated in Budva and was heading for Italy.<sup>42</sup> Upon inspecting the vessel, the police discovered 52 Kurdish migrants on board.<sup>43</sup> Smugglers in Turkey who had arranged the trip charged between €5 000 and €8 000 per person for the transfer to Italy, according to police sources.<sup>44</sup> That means the smugglers earned around €300 000 from only one group of approximately 50 migrants, with expenses estimated at about €100 000.<sup>45</sup> That enables them to earn a considerable profit from each group.

Package deals seem to be used mostly by families (e.g. from Afghanistan or Syria or Kurds from Turkey) who may have sufficient funds and want to avoid the risk and hassle of a do-it-yourself or point-to-point approach. Couples – especially those with children – have much more to lose than men travelling alone in case of detection or arrest.<sup>46</sup>

Figure 7 lists some of the prices reportedly paid for journeys through the six Western Balkan states.

## Self-help

Finally, some groups rely on their own wits and contacts to make their way across borders and through countries. They also rely on information acquired in refugee camps and safe houses, through local contacts or social media from groups that have gone before. In addition, they use markings left along the way (like tin cans hung in trees, graffiti on buildings, etc.). Some even take regular bus or train services, for example from Podgorica to Pljevlja in Montenegro or Sarajevo to Bihac<sup>47</sup> in Bosnia and Herzegovina, staying at hotels.<sup>48</sup>

From	Via	To	Price (euros)	Conditions
The Republic of Srpska (BiH)	Croatia	Slovenia	1 000	per person
Greece	Albania	Kosovo	600	per person
Turkey	The Republic of Srpska (BiH)	EU	3 000–5 000	per person
Pakistan	N/A	BiH	6 000	per person
Afghanistan, Iran	Montenegro	EU	3 000–3 500	per person
Montenegrin port	Adriatic Sea	Italy	5 000–8 000	per person
Greece	North Macedonia	Serbia	1 000–2 500	per person
Subotica	Romania; Tovarnik (Croatia); or Tisza river near Djala, Tiszasziget (Hungary)	EU	2 000–8 000	per person, can include fake documents, vehicle rent and crossing the border with a fake passport
Serbia	Romania	Austria	5 000	per person
Sombor (Serbia)	Danube river/Bajski canal	Hungary	3 000	per person
Belgrade	N/A	Bihac	1 500	per person
Serbia	N/A	Hungary	1 000	per boat
MENA	Western Balkans	EU	10 000	unknown
Turkey	Western Balkans	EU	15 000–20 000	per family of four
Sabac (Serbia)	BiH, Lika (Croatia)	Slovenia	1 000–2 000	price for unaccompanied minors
Turkey	Greece	Serbia	6 000	per person

**FIGURE 7** Package prices for multiple international border crossings.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

Such groups actively try to avoid the police and smugglers (whom they regard as predatory), and tend to move quickly and under cover of darkness, for example by following train tracks. Some of these self-help groups may occasionally have to rely on the services of fixers or gatekeepers where borders are well-guarded or difficult to cross. Others use the self-help approach out of necessity because they have run out of money or had it taken from them by smugglers, thieves or the police. The sentiments expressed by a young man from Eritrea in a refugee centre in northern Serbia were echoed by many other refugees and migrants whom we interviewed for this report: 'I always tried to cross the border on my own because I do not have much money. Here in the Balkans, everything is about money.'<sup>49</sup> This low-budget approach is sometimes risky. For instance, sometimes the self-help groups try to cross a border using a technique that they call 'the game': several men (potentially minors) from a group of perhaps 20, rush the border first, knowing that there

is a high chance they will get caught. This manoeuvre diverts the attention of the police, letting the others cross. The minors or people in the front of the group who are caught are sent back over the border.<sup>50</sup> The understanding is that in the future, it will be their turn to be in relative safety at the back of the group. But this 'game' is not fun for those who get caught: there are reports of beatings and other human rights violations by the police, particularly on the border with Croatia.<sup>51</sup> Furthermore, it seems to be becoming increasingly difficult to 'win' the game. Several migrants whom we interviewed in Una-Sana county, Bosnia and Herzegovina, as well as in Subotica, Serbia, mentioned that they had tried the game between five and twenty times but had been successful. Some, however, expressed frustration and were looking for alternative routes while others, like a young man from Tunisia, after trying five times to cross the border from Serbia into Hungary or Romania said 'I am used to a hard life in my country. This is nothing for me, and I will do it again'.<sup>52</sup>



## Modalities of smuggling and payments

Some arrangements for smuggling migrants through the Western Balkans are made outside of the region, particularly for package deals or the first leg of the trip. Sometimes deals are arranged using the hawala system (more of which later in the report). Services are contracted in Turkey or in the country of origin, where the migrants pay the full amount of the requested money in advance to an agreed account. After that, the travel organizers gradually withdraw funds from the account after each successful crossing of a certain border. Another business model that is more advantageous to the client involves payment of a percentage of the fee (e.g. 50%) upfront at the beginning of the journey. The remainder is paid at the end of the journey, as a kind of completion fee, for instance by family or friends back home or in the country of destination.

Unlike in 2015–2016, asylum seekers and migrants now seem to be wary of carrying large amounts of cash for fear of being robbed by thieves or the police. They tend to access money along the way by using money transfer services, such as Western Union or Moneygram. The money is usually sent by family members in their countries of origin or from family and friends in Western Europe.<sup>53</sup> An employee in one such office in Pristina said that the migrants generally only withdraw relatively small amounts of money, between €50 and €200.<sup>54</sup> This shows that they are paying to move point-to-point. Another way to transfer money and pay for smuggling services is to deposit money into accounts made on online bookmakers. The smugglers, using a code given to them by the migrants, deduct the fee from the account once the migrants cross the border.

Migrants tend to travel in small groups of around 15 people. They find their way using apps like Google Maps and often save the routes in their phones with GPS coordinates. They communicate using social media, such as WhatsApp, Facebook and Viber.<sup>55</sup> Some groups have even posted 'tutorials' on YouTube on how to travel from Albania to Montenegro and then on to Croatia, even providing information about the National Centre for Asylum seekers in Babrru, near Tirana.<sup>56</sup> Others rely on more analogue methods, like following rivers or train tracks, as well as the markings left by those who have gone before.

Migrants encounter smugglers in camps, through pre-arranged contacts or the Internet, phone or social networks, as well as at well-known meeting places in towns and cities (like parks, transport hubs or car parks) where they make 'connections for departure' for the onward journey.<sup>57</sup>

Smuggling is mainly used by migrants when they seek to cross borders. Where the chance of detection is high, asylum seekers and migrants tend to move on foot and usually at night. They are driven to a green area by the border and then use a smuggler (or their own wits) to cross the border. They are often met at the other side, either by a pre-arranged contact or a freelancing enabler, such as a taxi driver.<sup>58</sup> Court cases, for example in Serbia, show that it is extremely difficult to convict a taxi driver of smuggling, as he or she could claim to be transporting a paying client.

Sometimes smugglers use specially adapted motor vehicles with a double-bottom or a redesigned trunk. Other migrants are smuggled in the trunks of cars or by truck, hidden under a tarpaulin. Occasionally, this is done with the knowledge of the driver in return for a fee; in other cases, a migrant crawls into a truck or trailer of a freight vehicle when the driver is not looking. In North Macedonia, there have been many reported cases of migrants trying to jump onto moving trains, sometimes with fatal consequences.

Some asylum seekers and migrants avoid at least one dangerous border crossing by flying straight into the capital of one of the six Western Balkan countries. Some nationalities that have visa-free arrangements, including citizens of Iran and Turkey, fly into a capital like Belgrade or Podgorica and start their journey from there. There also reports that Kurds from Turkey have opened companies in Montenegro that operate as fronts for migrant smuggling. These companies are often used to issue letters guaranteeing employment, but then close soon after. The fact that the prices charged to Kurds are relatively high (between €5 000 and €10 000 per person) suggests a degree of sophistication. People on the move tend to stay in refugee camps, where available, or safe houses like private homes, empty houses or abandoned buildings. Some can even afford to stay in local hotels.

People on the move often apply for asylum even if they know that they have little chance of success. This enables them to buy time to stay in the country until their claim is processed. The numbers in Albania are illustrative. According to a report of the interior ministry, there were 6 703 applications for asylum in 2019, 56.3% of the total number of 11 890 immigrants. And yet, as many as 5 831 or 87% of these applicants left the asylum seekers' centre in Babrru before finalization of their asylum process. From January to March 2020, there were 2 088 asylum requests, representing 49.5% of the detained immigrants. As many as 1 124 of these immigrants left the asylum seekers' centre. As the data shows, there is a widespread tendency to abuse the right to asylum.<sup>59</sup>

*Smuggling is mainly used to cross borders. Where the risk of detection is high, asylum seekers and migrants tend to move on foot and usually at night.*

Migrants squatting in an abandoned building in Belgrade. © Pierre Crom/Getty Images



## The dangers of smuggling

Being smuggled is inherently dangerous. The most obvious is the risk of getting caught. At some borders, like between Bosnia and Herzegovina and Croatia, the police and border guards have a fierce reputation, including for beating migrants who are caught and taking their money and belongings.<sup>60</sup>

Theft is also a risk. As noted by a humanitarian worker in North Macedonia, 'very often smugglers take all the money from the refugees and then they just leave them on the road or on some mountain path so the migrants can't orient where they are'.<sup>61</sup> There are even reports of extortion, kidnapping and blackmail. Indeed, some migrants refer to North Macedonia as 'Mafidonia' because of its reputation for crime – not only that committed by Macedonian citizens, but also by smugglers from the Middle East and North Africa.<sup>62</sup>

There are sometimes reports of robbery of and fights among migrants, for example in the camps. There are also reports of some migrants, particularly from Afghanistan and Morocco, using or dealing drugs.<sup>63</sup>

Smugglers sometimes drive recklessly to avoid being caught by the police. In one of several accidents involving migrants in North Macedonia in 2020, a car carrying 12 migrants crashed into a police vehicle; two of the migrants were killed. Migrants have also

been killed on train tracks, either through contact with high-voltage cables or being hit by a train.<sup>64</sup> In 2015, 14 migrants who had fallen asleep on the train tracks, were killed by a train travelling from Thessaloniki to Belgrade.<sup>65</sup> There have also been reports of migrants drowning while attempting to cross a river.<sup>66</sup>

Women, particularly those travelling alone, are vulnerable to being raped or forced to pay for their journey with sexual favours. An investigation of one case of migrant smuggling near Mostar in Bosnia and Herzegovina showed that smugglers used a migrant woman from Iran (with an underage child) as an in-kind payment for a smuggling operation. She was kept in an apartment for several months and was forced to clean it and prepare food for dozens of migrants who stayed there temporarily.<sup>67</sup> In places where migrants are held up on their journey, there are increasing reports of desperate migrants becoming vulnerable to human trafficking, including begging, petty crime, forced labour and sexual exploitation.

Most people on the move do not seek help from the police, humanitarian organizations or civil society for fear of being caught or separated from their groups. As an NGO representative in North Macedonia said: 'They always have that scared look in their eyes. They simply want to reach Europe and any harassment they experience they don't want to report.'<sup>68</sup>

## Estimating the size and value of the market

How lucrative is the market for the smuggling of migrants through the Western Balkans? This is difficult to answer because, in addition to information about the total population migrating through the region and the prices paid to smugglers, one needs to consider several intervening variables such as whether the migrants are travelling alone or as a family; additional fees for travel documents and bribes; and how many times a person has to cross the same border before reaching his destination. Nevertheless, by focusing on the hotspots, it is possible to get a sense of the size of illicit economy.

One impediment to calculating the scope of the illicit economy for the smuggling of migrants through the Western Balkans is that the people on the move have a wide range of experiences. As demonstrated in this

report, there is a diversity of routes, different modes of travel and a wide range of costs. There are stories of migrants literally walking through the Balkans and incurring almost no expenses, while others have paid thousands of euros to travel from Turkey to the EU. There is also an element of luck: some migrants are caught at borders or get stuck in transit (in camps or because of COVID-19), whereas others are able to move quickly. Another challenge is to estimate how much of the money earned from smuggling actually stays in the region: as noted in this report, many of the more lucrative deals are made before asylum seekers and migrants enter the Western Balkans, while some of the payments are made only after they reach their destination outside the region.

One method of calculating the market is to take a longitudinal approach: to follow a select group of migrants from the beginning of their journey to the end. This would make sense if there was one high-volume flow of people. However, as demonstrated in this report, the people on the move who are travelling through the Western Balkans are coming from a wide range of countries using various routes. Therefore, we chose to focus on the markets in the places most frequented by the mixed migrants. Calculating the illicit economy in these specific locations over a limited period of time provides a sharp focus on a cross-section of the market against an otherwise blurry background. By using this approach in the main entry and exit hotspots in the region, we develop a good idea of the market in these key locations and form an impression of the potential illicit economy for the smuggling of migrants. That is mainly because interviews with different stakeholders suggest that once entering the Western Balkans either through North Macedonia or Albania, migrants do not spend more than two to three weeks to get to the borders with Croatia, Hungary or Romania.<sup>69</sup>

The formula created to figure out the value (V) of the market for smuggling of migrants in the six countries of the Western Balkans for 2020 multiplies the total population moving through the region (t) by the prices (p) paid to the traffickers. Demonstrated as an equation, the formula can be written as:

$$V = t \times p$$

Rather than the total number of individuals, t (i.e., total population) is a variable meant to represent the total number of attempts made by those migrants who try to cross the border and thus actively contribute to the generation of the market. Each total takes into account information which can be gathered using data from

international organizations like the IOM and UNHCR, as well as interviews with migrants and officials at reception centres.

For triangulation purposes, another round of calculations of t is based on publicly available information on total pushbacks carried out by border police officers, as well as deportations and prevented attempts.<sup>i</sup>

Concerning p for the prices, information is scarce and subject to misinterpretation. The values used for this report have been directly collected in the field through interviews with relevant stakeholders, including migrants, community leaders, humanitarian NGOs, journalists and law-enforcement officials.<sup>ii</sup>

However, this generic formula does not take into account the fact that migrants may face impediments along the way. Therefore, a third variable (R) needs to be introduced to represent the success (or failure) coefficient of the smuggling process. With this in mind, the updated formula is:

$$V = t \times p \times R$$

For each hotspot there is a corresponding price, and for each price a corresponding specific success/failure coefficient based on the level of risk.

As noted, since 2016 many of the borders traversed by asylum seekers and migrants in 2015 have become increasingly better protected. Restrictions introduced as a result of the COVID-19 pandemic have also constrained mobility. Natural barriers like mountains and rivers also need to be factored in when calculating risk. To illustrate this as an equation, R is determined by weighting the chances of success between 0% and 100% where y is a number between zero and one. For example, 0.1 corresponds to a 10% success coefficient, 0.5 to 50% success coefficient and so on, up to the

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i Triangulation is necessary to overcome the following limitations of the information sources. Data from international migration organizations tells us how many people are in or around camps for asylum seekers and migrants at any particular time, but there is a shadow number of people who avoid such places. Moreover, if most migrants and asylum seekers are travelling from North Macedonia and Albania in a northerly direction and transit the region within less than a year, they may travel through three or four countries of the Western Balkans during their journey, with the likelihood that they will be counted more than once. As for police data, it tells us how many people were caught, but not how many successfully crossed undetected. Nor does it help us ascertain if those who were stopped and sent back – for example from Croatia to Bosnia and Herzegovina or from Hungary to Serbia – tried again (and again).

ii The figures quoted should be seen within a certain margin of error, given the lack of trust, particularly among asylum seekers and migrants, in sharing too much information on the one hand and the tendency of law enforcement and some journalists to inflate the numbers on the other. For this report, the values have been defined by calculating the weighted mean of the different estimates provided, distributing more weight to migrants' calculations wherever available.

maximum of one, corresponding to a success of 100%. In the latter case, the price paid would correspond to the successful smuggling procedure on the first attempt for all individuals counted in  $t$ .

$$\mathbb{R} = \frac{1}{\gamma} \text{ with } 0 \geq \gamma \geq 1$$

In each case, we have determined  $\gamma$  based on information provided at the local level by migrants, NGOs, the police and other people familiar with the risks associated with particular trafficking routes.

Each variable has to be considered in the local context and in relation to the other two variables. For example, paying a fee to a gatekeeper to cross the Drina river might be relatively expensive but also have a high rate of success, whereas the cost of hiring an enabler to help get through the forest from the Una-Sana canton in Bosnia and Herzegovina to Croatia may be relatively low, but so too is the chance of success.

As noted above, to reduce the number of 'known unknowns' – or intervening variables – we decided to focus on specific hotspots where it appears that most of the smuggling of migrants is taking place. These can be divided into three zones, some of which entail more than one border crossing: zone one, the borders between Greece and North Macedonia, and Greece and Albania (the entry points to the Western Balkans); zone two, the border between Bosnia and Herzegovina and Croatia (also taking into account journeys arranged in Una-Sana canton via Croatia to Slovenia or Italy); and zone three, the borders between Serbia and Hungary and Romania, which are a key exit to the EU.

### **Zone 1: Borders between Greece and North Macedonia, and Greece and Albania**

Most migrants and asylum seekers enter the Western Balkans from Greece either around Gevgelija in North Macedonia or near Kakavia and Kapshtica in Albania. Separate calculations are made for the two Albanian crossings because of different prices and success rates. In the case of the border between Greece and North Macedonia, the success rate  $\mathbb{R}$  and prices along this particular route are affected by improved border security (and therefore greater risk), resulting from increased cooperation between North Macedonian and Greek border authorities as well as the deployment of additional border police from eight Western European countries.<sup>70</sup>

A conservative estimate of the market for smuggling of migrants at the southern border of the Western Balkans ranges from €11.8 to €17.7 million on the border between Greece and North Macedonia, and €7.5 to €11.5 million between Greece and Albania.<sup>71</sup>

In total, in 2020 the migrant-smuggling business at the main entry points to the Western Balkans at the borders between Greece and neighbouring North Macedonia and Albania can be estimated to be in the range of €19.5 to €29 million.

### **Zone 2: Border between Bosnia and Herzegovina and the EU**

One of the biggest hotspots is the border between Bosnia and Herzegovina and Croatia, particularly around the city of Bihac in Una-Sana canton. In this zone, we have factored in the fact that deals are also made in Una-Sana canton to smuggle migrants via Croatia to Slovenia and Italy. A less-travelled route is to head north rather than north-east, particularly across the Gradiska river to the north-east of Banja Luka, then around the Brcko district and across the border into Croatia.<sup>72</sup> These are the key exit points for migrants transiting the Western Balkans and seeking to enter the EU. As a result, the total number of people, the cost and the risks are all relatively high. Our estimate is that the market in this region was worth around €7 million to €10.5 million in 2020, the vast majority of which was generated in Una-Sana canton.

This may seem low, but it should be kept in mind that these are mostly young men paying inexpensive fees or trying to cross the border on their own.

### **Zone 3: Border between Serbia and Hungary and Romania**

The other main exit from the Western Balkans to the EU is from northern Serbia to Hungary and Romania. The main hotspots are Horgos, the area around Subotica, Sombor, tunnels in the Kelebija area and across the Tisza river for those people moving east towards Romania and then back into Hungary. But increasingly, because of tight border controls between Serbia and Hungary, migrants are trying to move from Serbia to Hungary via Romania. The estimated value of the market in this area ranges from €8.5 million to €10.5 million in 2020.

## Conclusion

With a margin error of  $\pm 20\%$ , the total market value at the entry points in the south ranges from €20 million to €28 million, while the estimated value at the exit points is between €14.4 million and €21.4 million. The discrepancy could be attributed in part to the fact that more people are using the services or smugglers to enter the Western Balkans rather than to exit, not least since they have run out of money by the time they move north.<sup>73</sup> The data would also suggest that there are more attempts and pushbacks on the northern borders between Bosnia and Herzegovina and Croatia as well as between Serbia, Hungary and Romania, though it might also imply a tendency to underestimate pushbacks operated at the southern Western Balkan borders.

By applying the same  $\pm 20\%$  margin of error, our conservative estimate for the total value of the migrant-smuggling market, calculated as the average between potential attempts and pushbacks, throughout the three zones is between €33.7 million and €50.6 million. The total for the Western Balkans is no doubt slightly higher, as some people may be taking routes other than those covered in the four main zones, for example from Albania to Italy by boat.

When calculating the value chain, it should be kept in mind that the portion of the journey through the Western Balkans is part of a longer route. Additional money is being made both upstream and downstream from the Western Balkans. Furthermore, it is our sense that the Western Balkans is considered a low-budget route. People with more resources are seeking other routes and modes of transportation, for example in boats from Turkey or Greece to Western European countries (particularly Italy). Alternatively, they might fly from one of Greece's many airports (or from Turkey or Serbia) to the EU using counterfeit or real travel documents of similar-looking people. In addition, money being paid for package deals to transit the Western Balkans is changing hands outside the region, albeit with payoffs to local facilitators. In conclusion, an annual turnover of at least €50 million is a sizeable illicit market, especially in economically disadvantaged border regions. But the big money for smuggling migrants through the Western Balkans is being made elsewhere.

Desperate migrants often face pushbacks from police at borders to the European Union. © Federico Scoppa/AFP via Getty Images





# DRUGS

Heroin seized at the Serbia-Bulgaria border hidden in a truck travelling from Turkey and destined for Austria. © STR/AFP via Getty Images



**T**he six Western Balkan countries remain a major transit region for the trafficking of cannabis and heroin and, increasingly, cocaine and synthetic drugs. Recent seizures show how drugs are being brought into the region, stored (usually close to logistics hubs), cut, repackaged and distributed to markets farther afield. In general, cannabis moves eastwards from Albania, while heroin moves west from Turkey, criss-crossing North Macedonia and Kosovo before being sent north to Western and central Europe. Emerging regional trends include:

- Increased cannabis cultivation (particularly indoors) in countries other than Albania, like Bosnia and Herzegovina, North Macedonia and Serbia.
- A major flow of cannabis from the WB6 to Bulgaria.
- An influx of cocaine from several directions, including Croatia, Greece and Black Sea ports in Bulgaria and Romania.
- An increase in the production and use of synthetic drugs.

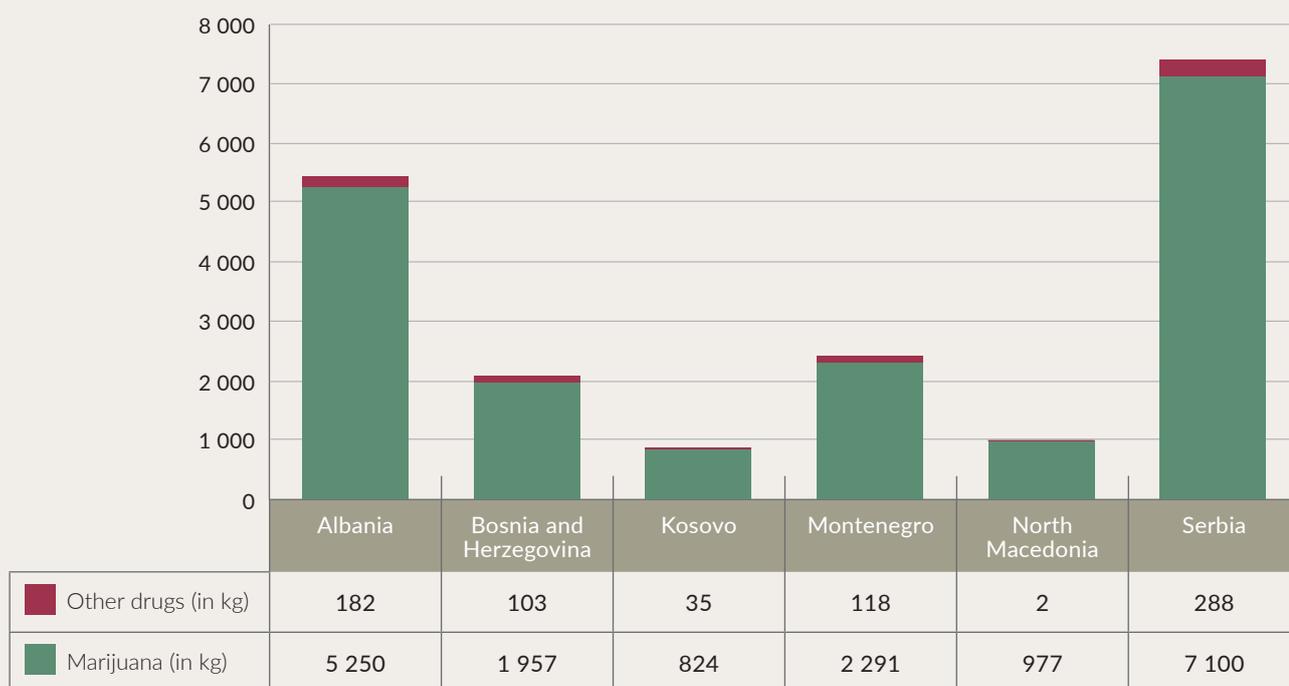
This section gives an overview of the markets, prices and trafficking routes for cannabis, heroin, cocaine and synthetic drugs. It also looks at the major hotspots of drug trafficking in the region and the modalities of this illicit activity. Primary information is based on interviews in the hotspots with former and current officials in the police and interior ministry, prosecutors, local investigative journalists, civil society activists, lawyers and people who are either part of or familiar with the drug milieu.<sup>74</sup>

## Cannabis

Cannabis is the most commonly used drug in the Western Balkans, as well as the most frequently seized.<sup>75</sup> Unlike other drugs, cannabis is produced in the Western Balkans. While Albania has traditionally been the largest producer, cultivation there declined significantly since the peak in 2016, following a major crackdown by Albanian law enforcement. Furthermore, there is evidence to suggest that cannabis cultivation – particularly indoors – is increasing in other countries of the region.

In Albania, cannabis is mostly grown around the Dukagjin and Kruja highlands, and in the Vlora region. It is also grown in the area around Memaliaj, Tepelena and Gjirokastra, as well as around Fier, Librazhd, Lezha, Mallakastra, Bulqize, Devoll and Lac.<sup>76</sup> In the production market, a kilogram of cannabis sells for between €1 200 and €1 400, while higher-quality skunk (a hybrid variety) grown indoors costs €1 600 to €2 000 per kilogram.

Cannabis from Albania is trafficked in several directions. Some is transported by boat to Italy (from Vlora, Fier, Himara or Lezha). A six-month-old Albanian cannabis plant is worth €1 800 to €2 000 in Italy. Another popular trafficking route goes south through Ohrid and Bitola in North Macedonia towards Greece. Cannabis is also trafficked from Albania to Greece by boat, across the mountains or through crossing points at Qafe Bote/Sagiada, Kapshtica/Krystallopigi, and Kakavia/Ktismata. After crossing the border from Albania into North Macedonia, the price for a kilogram of cannabis increases by 10% to €2 000 to €2 200. Cannabis grown indoors in Albania has a higher THC (the active compound, tetrahydrocannabinol) concentration and quality than that grown outdoors, meaning that a kilogram can sell in Greece for around €2 800 and in Italy for €3 200.



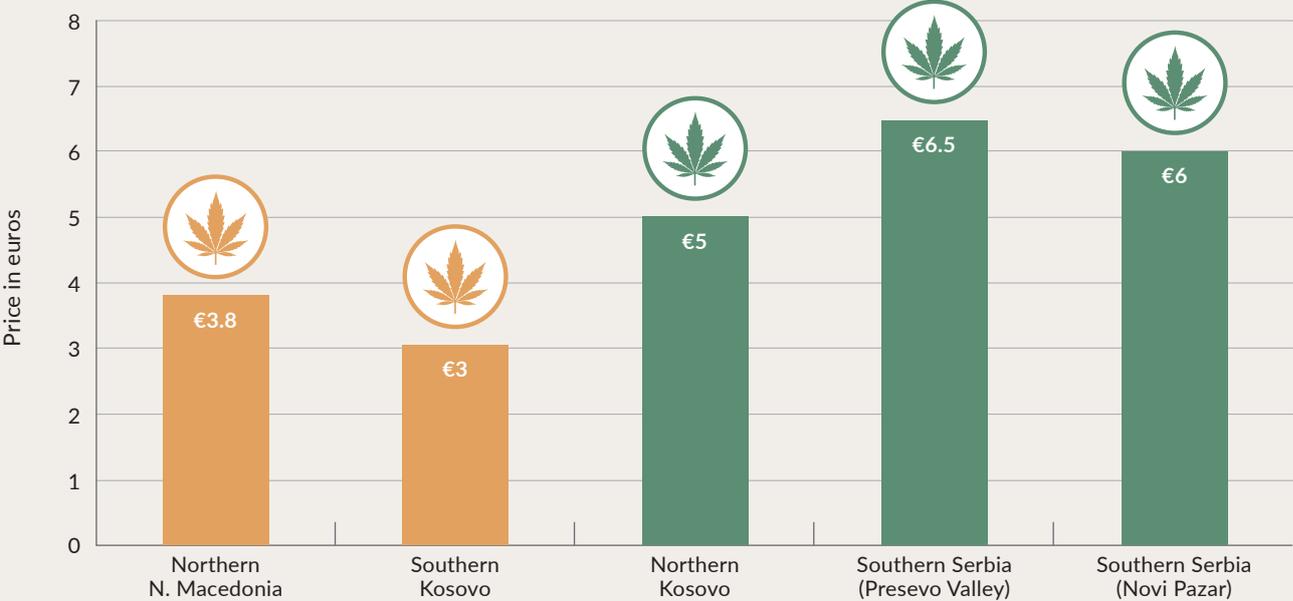
**FIGURE 8** Amount of cannabis and other drugs seized in 2019 in the WB6.

SOURCE: Data compiled from annual police reports of the Western Balkans.<sup>77</sup>

Some cannabis also moves east for consumption in the region or in Turkey or for export north to the EU. From Albania, the drugs are trafficked through Kukes or Prizren, then via Ferizaj and Gjilan in Kosovo. From there, the most common route is to Serbia via the crossing points of Karaçevë e Ulët and Stubline, which have no scanners or customs officials. On the Kosovar side of the border, prices range from around €1 100 to €1 300 per kilogram and twice as much for high-quality skunk grown indoors.

Cannabis is grown legally in North Macedonia for medical use. It is possible that some of this is making its way onto the black market, which may account for why wholesale and retail prices for cannabis are relatively low in Kosovo. At the beginning of December 2020, two tonnes of cannabis were stolen from the warehouse of a licensed company in the village of Josifovo, in Valandovo municipality, North Macedonia.<sup>78</sup> Allegedly, some of this cannabis ended up in Kosovo.<sup>79</sup> In a separate case, four men (two from Skopje and one each from Albania and Kosovo) stole 60 kilograms of cannabis from the warehouse of a licensed cannabis producer in the region of Krushevo.<sup>80</sup> As illustrated in Figure 9, prices for cannabis in southern Kosovo, around Prizren, are similar to those in North Macedonia, while those in the north of Kosovo are similar to those in Serbia. The low prices in southern Kosovo can also be explained by the fact that the local market is supplied by cannabis from Albania and North Macedonia. In addition, skunk is allegedly being grown in central Kosovo.<sup>81</sup>

*Cannabis is the most commonly used drug in the Western Balkans, as well as the most frequently seized.*



**FIGURE 9** Price of one gram of cannabis in selected hotspots.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

From southern Serbia, cannabis either moves south via Presevo to Kumanovo in North Macedonia or north through Bujanovac and Vranje. In Vranje, some of the drugs are picked up by groups from Nis, Belgrade or Novi Sad, partly to supply sizeable local markets; others are delivered to them by local smugglers from around Presevo for further distribution. Some cannabis produced in North Macedonia is also coming into the Presevo Valley. The wholesale price of a kilogram of cannabis increases from around €2 000 in northern North Macedonia, to between €2 200 and €2 400 in the Presevo Valley. Once the cannabis reaches Belgrade, the wholesale price for a kilogram is between €2 000 and €2 500, which is on a par with active central and western European drug markets.

As can be seen from Figure 10, cannabis from the region increases in value the further it moves from the Western Balkans and into more affluent markets in western and central Europe. This can be attributed to the risks of crossing borders, the cost of transport and higher purchasing power in western European markets, although in some markets there is also competition from other sources of supply like the Netherlands and Morocco.

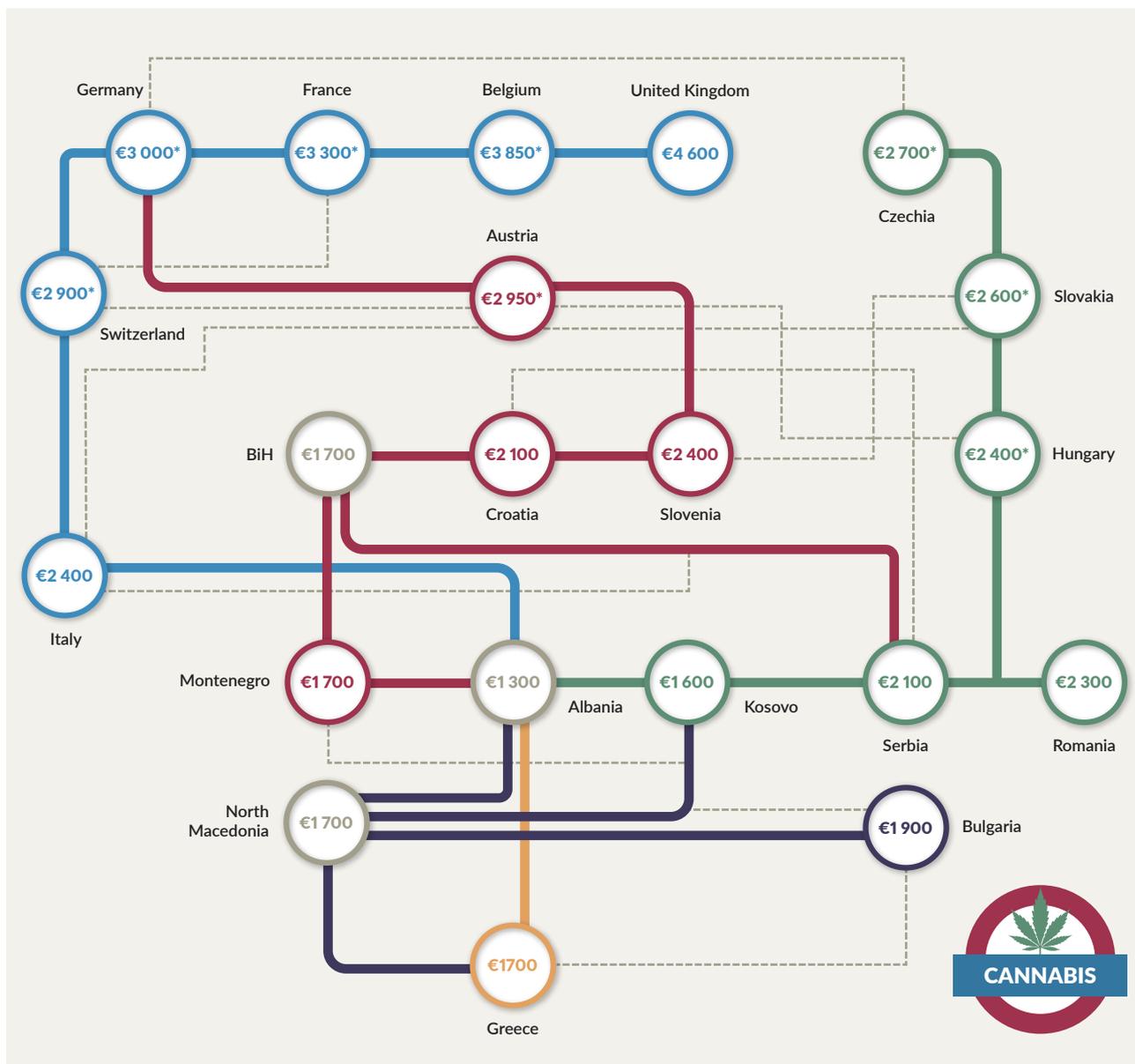
Based on data from seizures, it is evident that from Serbia cannabis is either transported north via Subotica to Hungary or east to Bulgaria along the routes around Pirot and Gradina, which are used to bring heroin to the west. In August 2018, 600 kilograms of cannabis were seized at Gradinje/Kalotina; in March 2019, more than a tonne was discovered in a truck at the same crossing point. In September of that year, 1.5 tonnes were found in bags with fodder, while in July 2020, 205 kilograms of cannabis were seized in an Italian camper at the same crossing. The price per kilogram in this area ranges between €2 000 and €2 300.

Cannabis seizures also suggest that the drug is being trafficked from Serbia to Romania around the border crossing Vatin/Stamora Moravita. Indeed, in March 2020, 750 kilograms of cannabis were seized in a truck at the border. Another 137 kilograms were seized at this crossing in October 2020.

**Anti-drug operation in the village of Lazarat, Albania, in 2014 in which 39 tonnes of marijuana were seized.**

© Albanian Interior Ministry/  
Anadolu Agency/Getty Images





— Western Line — Eastern Line — Southern Line — North Eastern Line — Mid-Western Line — Alternative Line

**FIGURE 10** The cannabis underground.

NOTE: Where available, prices are the weighted mean of the different amounts gathered through interviews in the field with law enforcement authorities, drug dealers, civil society organizations, and persons who use drugs. In the remaining cases, prices have been extrapolated from UNODC estimates on cannabis wholesale prices available here: <https://dataunodc.un.org/drugs/prices>. These prices are marked with an asterisk.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020; UNODC.

Figure 11 shows how cannabis accounts for more than 90% of the total amount of drugs seized in the last ten years by Serbian police. From the geographical analysis of seizures of loads of 10 kilograms or more, one can see the significance of hotspots: more than 60% of these seizures took place in southern Serbia.

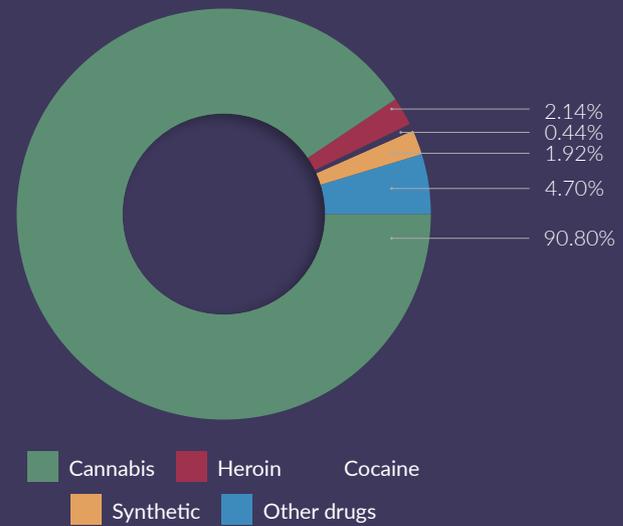


FIGURE 11 A geographical analysis of cannabis seizures in Serbia.

SOURCE: Serbian Ministry of Internal Affairs<sup>92</sup>

Because of transportation corridors and the drug flows, many of the hotspots for cannabis trafficking are the same as for heroin: Novi Pazar, Vranje, Nis and Novi Sad. For example, in December 2020, Serbian police seized 220 kilograms of cannabis in Nis, which they suspected was destined for the local market. In February 2020, police found 140 kilograms of cannabis in a truck trailer carrying straw in Blace, which is just off the main road from Pristina to Nis.

As with heroin, there are also warehouses to store, repackage and distribute cannabis. These are usually close to key transportation arteries or hubs, but often in inconspicuous places. For example, in April 2020, Macedonian police discovered 1.2 tonnes of cannabis in a warehouse just outside of Skopje. In November 2020, Serbian police seized 628 kilograms of skunk from an abandoned hanger in Arandjelovac, 80 kilometres south of Belgrade. The drugs were being packaged for further distribution in Western Europe. Another example is from the area of Gorni Vakuf–Uskoplje in Bosnia and Herzegovina. This logistics hub, in the middle of nowhere (on the road from Mostar to Bugojno), seems to be a storage and shipping point for cannabis coming from Albania via Montenegro to Croatia. In January 2020, the head of a transportation company was arrested with over 400 kilograms of cannabis.

### **Greater diversity of supply**

There is a trend towards indoor cultivation of cannabis in many places in the region. In November 2019, 650 kilograms of dried cannabis and skunk along with 65 000 plant stems were seized at an organic farm in Stara Pazova, Serbia. According to members of the Serbian Interior Ministry, cannabis is also cultivated in significant amounts in Novi Sad, Nis, Subotica and Sremska Mitrovica in houses, apartments, sheds, backyards and garages. Cannabis-growing facilities have also been discovered in Bosnia and Herzegovina, for example in Srbac, close to the border with Croatia, in July 2019 and in Banja Luka in June 2020. Cannabis is also allegedly cultivated in the Prijedor region, as well as around Posavina and Semberija in the north of the country.

In November 2020, less than 50 kilometres from the Serbian capital, police discovered the largest cannabis plantation in Europe at a high-profile organic farm known as Jovanjica, which is owned by businessman Predrag Koluvića. A search of the property revealed almost four tonnes of raw cannabis, including 650 kilograms of ready-to-sell product. An underground complex with dozens of basements had been converted into skunk cannabis laboratories. Cannabis was also grown in nine above-ground hangars, and packed and stored in the fillers, warehouses and offices. Mobile-phone jammers had allegedly been installed on the property. No one could approach without undergoing a strict check. Armed security, including former members of the Special Anti-Terrorist Unit, were deployed at the property. They were equipped with handguns, thermal-imaging cameras for night surveillance and anti-drone rifles. The trial against Koluvića and his associates is ongoing.<sup>83</sup>

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## Heroin

*According to UNODC estimates, around 60 to 65 tonnes of heroin flow through south-eastern Europe every year.*

According to UNODC estimates, around 60 to 65 tonnes of heroin flow through south-eastern Europe every year.<sup>84</sup> There are indications that large shipments of heroin are stored in the region before being broken down into smaller consignments and shipped north from Serbia to Hungary or east via North Macedonia and Kosovo into Albania. From there, the drugs are sent to Italy or through Montenegro into Bosnia and Herzegovina and then into Croatia.

Heroin enters the Western Balkans from Turkey via Bulgaria and, to a lesser extent, Greece. It is estimated that the wholesale price of a kilogram of heroin in Turkey is around €10 000 to €13 000. Deals can reportedly be made with Kurdish groups to buy the drugs at half that price if the trafficker agrees to smuggle a kilogram for the Kurds for each kilogram that is bought.<sup>85</sup>

A main entry point for heroin is the area around Delchevo in North Macedonia. This route goes via Kocani, Shtip and Veles, and from there north towards Skopje. In these regions, a kilogram of heroin is sold wholesale for between €12 000 and €15 000 per kilogram.

Around Skopje, the route splits into three main directions: north towards Kumanovo and then into southern Serbia; north-east towards Kosovo; and west towards Tetovo. Some of the drugs that head to Tetovo then move north towards Kosovo. The main route into Kosovo goes via Ferizaj. From there, one route heads north towards Pristina and then Novi Pazar in Serbia and Cacak on the road to Belgrade. Another route goes west via Peja into Montenegro around Rozaje. It is alleged that Rozaje is a storage and distribution centre where shipments are cut (mixed with other substances) and repackaged. This theory is confirmed by the prices in the region: a kilogram of heroin around Rozaje and Berane sells for between €7 000 and €10 000. The lower price suggests lower purity. The other route from Ferizaj heads east via Gjilan and from there into southern Serbia around Bujanovac. There are thus two main flows of heroin coming into southern Serbia: via Kosovo and North Macedonia. From Bujanovac, the drugs head north via Vranje and Leskovac to Nis.

Another significant entry point to the region for heroin is from Bulgaria, particularly via the Gradinje/Kalotina crossing in Serbia. This route goes to Nis via Pirot.

Nis is therefore a key hub: it is the junction of 'heroin highways' coming from the west (Kosovo), south (North Macedonia) and east (Bulgaria). Police in Nis estimate that a kilogram of heroin sells for €19 000.

From Nis (or the other route via Cacak), the heroin moves north through Novi Sad either into Croatia or via Subotica into Hungary and then west to Austria and Switzerland, where it is sold for €25 000 per kilogram. After it is cut, one kilogram of pure heroin can bring as much as €50 000.

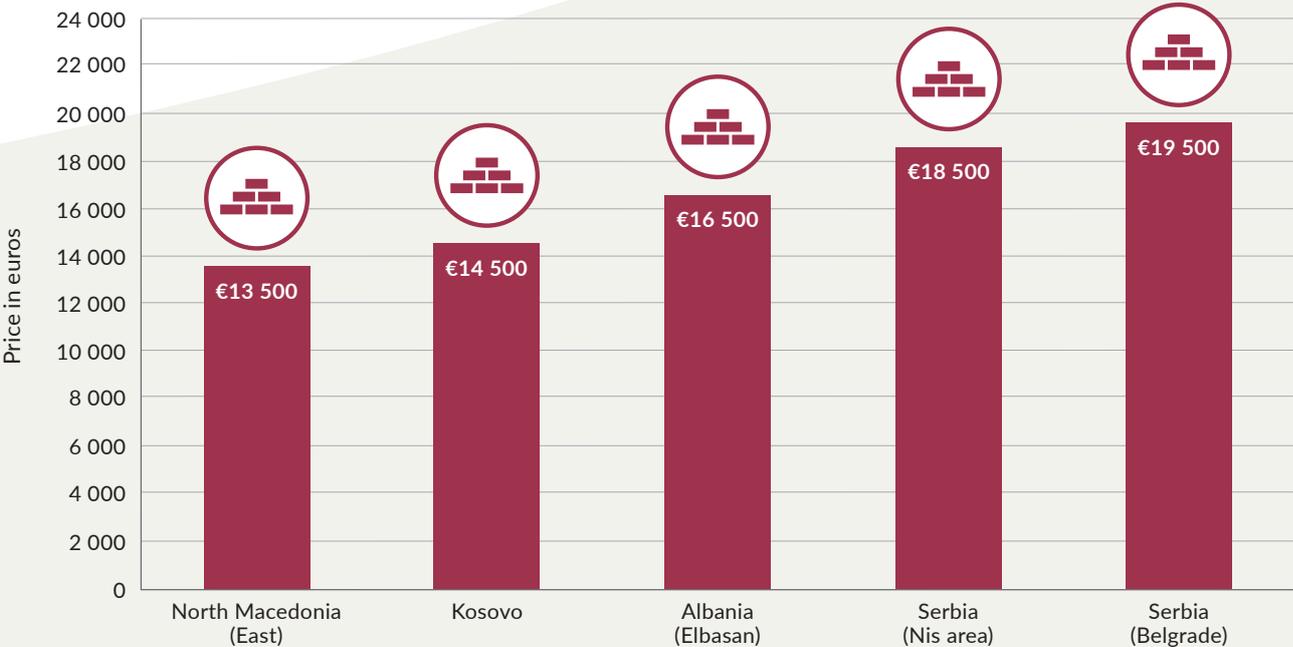
Some heroin from North Macedonia is also trafficked south-west from Veles to Prilep, Bitola, around lake Ohrid and into Albania via the Qafe Thane–Kjafasan border crossing. It is then transported towards Elbasan, where the wholesale price is around €17 000 for a kilogram.

Heroin also enters Albania from Kosovo around Kukes. In the past five years, more than 200 kilograms of heroin have been seized in Albania. Some of the heroin (estimated to be in shipments of 10 to 20 kilograms) is destined for the port of Durrës, where it is smuggled in cars that are transported by ferry to Italy. Heroin also moves north via Shkodra through the Hani i Hotit–Bozaj crossing point into Montenegro. It is then transported through Niksic, where it either heads west to Trebinje in Bosnia and Herzegovina or north-east towards Serbia. Some of it also goes from Podgorica to Rozaje, meaning that it is possible that heroin flows into Rozaje from two directions: from Albania in the south and Kosovo in the east.

The heroin passing through Bosnia and Herzegovina either moves from Trebinje into Croatia or is trafficked to Mostar, Sarajevo or farther north to Tuzla and Banja Luka for local use or smuggling into Croatia or Serbia, for example via Bijeljina. By this point, the wholesale price of a kilogram of heroin is estimated to be around €20 000. Therefore, it is worth almost twice as much in the Western Balkans as in Turkey. The price doubles again once it is sold in the European Union.

An example of how the region is used as a distribution hub is illustrated by the seizure of 77 kilograms of heroin near the town of Mladenovac on the outskirts of Belgrade in November 2019. The head of a criminal group was accused of importing high-purity heroin from Turkey and hiding it in specially designed barrels that were buried in the ground. He allegedly sold the drugs to other criminal groups and distributors in Serbia.

Drug busts usually reveal heroin that is packed in ‘bricks’, often with a distinctive marking and labels that show the weight and purity.



**FIGURE 12** Price of one kilogram of heroin in selected hotspots.

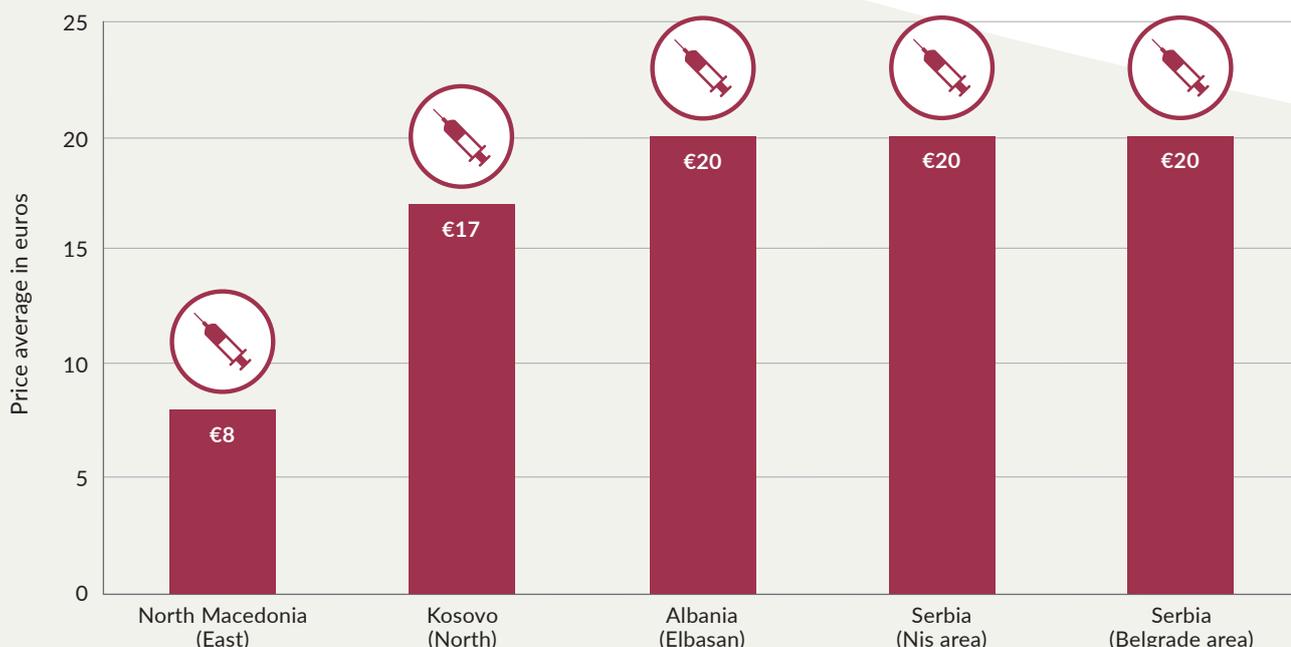
SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

There are also reports of opium being imported into Albania. Heroin labs were discovered in Fushe-Kruja in 2014 and Has in 2018, involving a chemist from Turkey.<sup>86</sup> There might also be labs around Elbasan and Kukes, which are relatively close to border crossing points. Producing heroin domestically from imported opium creates a much bigger profit than reselling imported heroin.<sup>87</sup>

In addition, the police have also detected an increase over the past two years in the amount of heroin arriving by sea from Turkey in small tourist boats and yachts. The heroin is sometimes exchanged for cannabis.<sup>88</sup> Therefore, in addition to the east–west flow of opium and heroin, there is a west–east flow. Elbasan is a key hub since it is on the main route between the Albanian coast and Greece and North Macedonia. Novi Pazar is another hotspot.

Despite the significant amounts of heroin transiting the region, local consumption levels do not appear to be high.<sup>89</sup> Indeed, while there is some spillage into local markets, heroin use seems to be declining. During the early 2000s, the percentage of opioid users in the WB6 was higher than the global average.<sup>90</sup> Recent estimates show that most people entering drug treatment facilities use heroin or other opioids.<sup>91</sup> While there is little official information on the purity of heroin, anecdotal evidence from the street as well as police reports on seizures suggests that drugs reaching local users are low-quality, while the drugs intended for resale are high-quality. This reinforces the impression that the Western Balkans are a transit region rather than a major market.<sup>92</sup> Figure 12 shows how the wholesale value of a kilogram of heroin increases by around €2 000 with every border that it crosses.

Despite the increase in wholesale prices with every border crossed, the retail prices in those locations do not increase accordingly. The retail price data suggests that once heroin enters North Macedonia, the only real markup is between North Macedonia and its neighbours; after that, the price of one gram of heroin on the streets of the region is fairly stable at around €20. This suggests a stable supply situation with relatively low demand.



**FIGURE 13** Price of one gram of heroin in selected hotspots.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.



**FIGURE 14** Flows of cannabis and heroin through the Western Balkans.

NOTE: Cannabis, which is produced in the region, is being trafficked in all directions. Heroin, arriving from Turkey via Bulgaria, is generally moving in a north-easterly direction. It is worth noting that in many cases cannabis and heroin follow similar routes.

## Cocaine

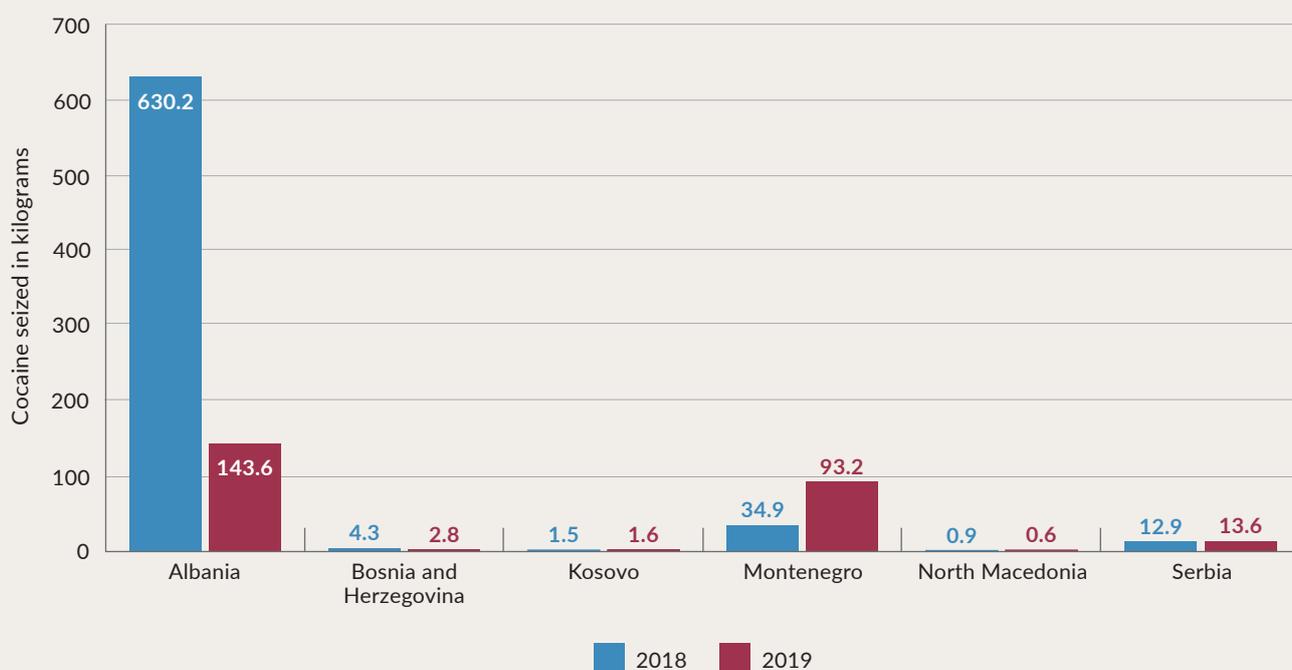
While criminal groups from the Western Balkans are major players in the global cocaine business, information from police seizures suggests that there is relatively little cocaine in the Western Balkans. In 2019, police in the WB6 seized 255.4 kilograms of cocaine, a third less than in 2018. Most of the cocaine seized was in Albania (see Figure 15). This may seem counter-intuitive, since groups from the region have become notorious in the cocaine business in Western Europe over the past decade.<sup>93</sup> Moreover, there has been a bloody feud between two groups originally from Kotor, Montenegro over control of the cocaine market.<sup>94</sup> But since these groups already have a dominant position along the supply chain from the source in Latin America to major markets in Western Europe, there is little need to make a detour through the Western Balkans, except to supply the small but growing local markets.

That said, there is evidence to suggest that Adriatic ports in Albania and Montenegro (like Durrës and Bar) have been used to import large shipments of cocaine – usually concealed in shipments of fruit or animal hides from Latin America. The drugs are usually

stored before being cut with other substances and broken down into small quantities of between three and 10 kilograms each. They are then distributed throughout Europe, mostly in cars and trucks with special hidden compartments.

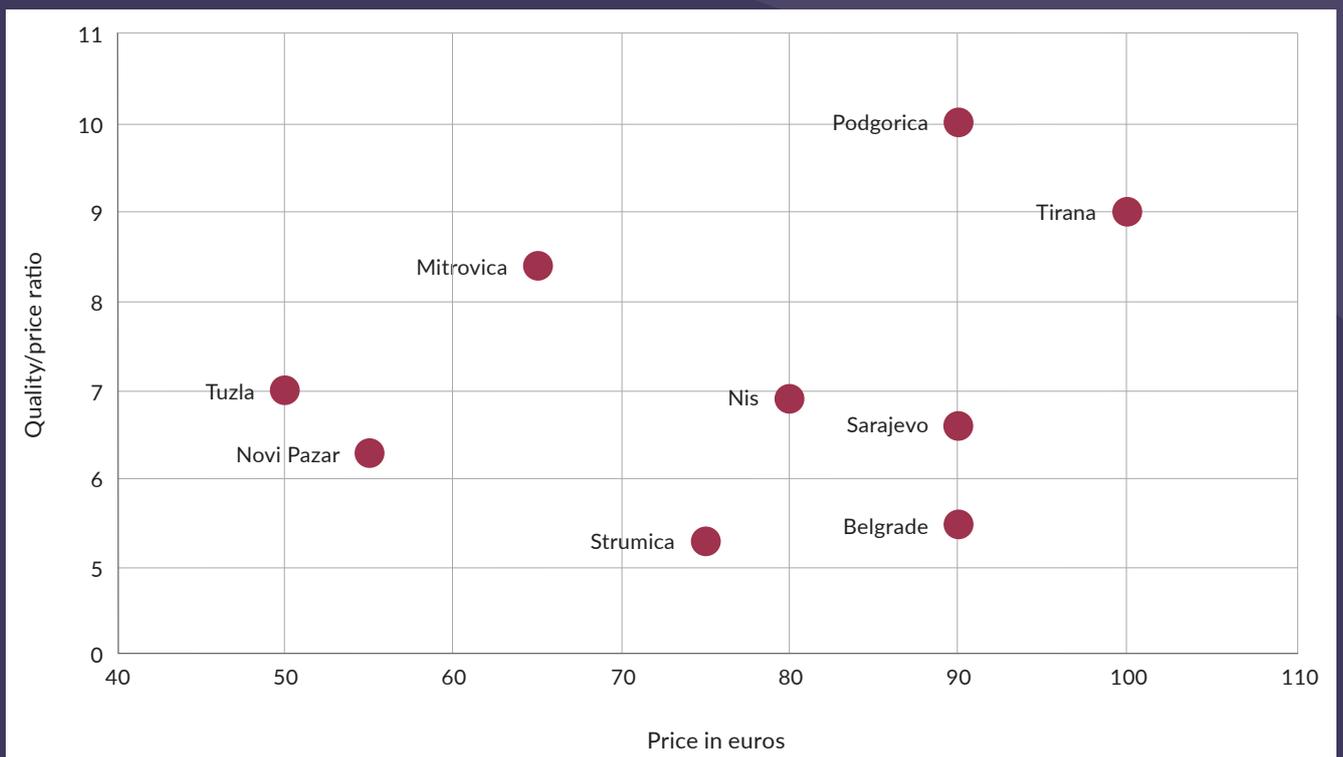
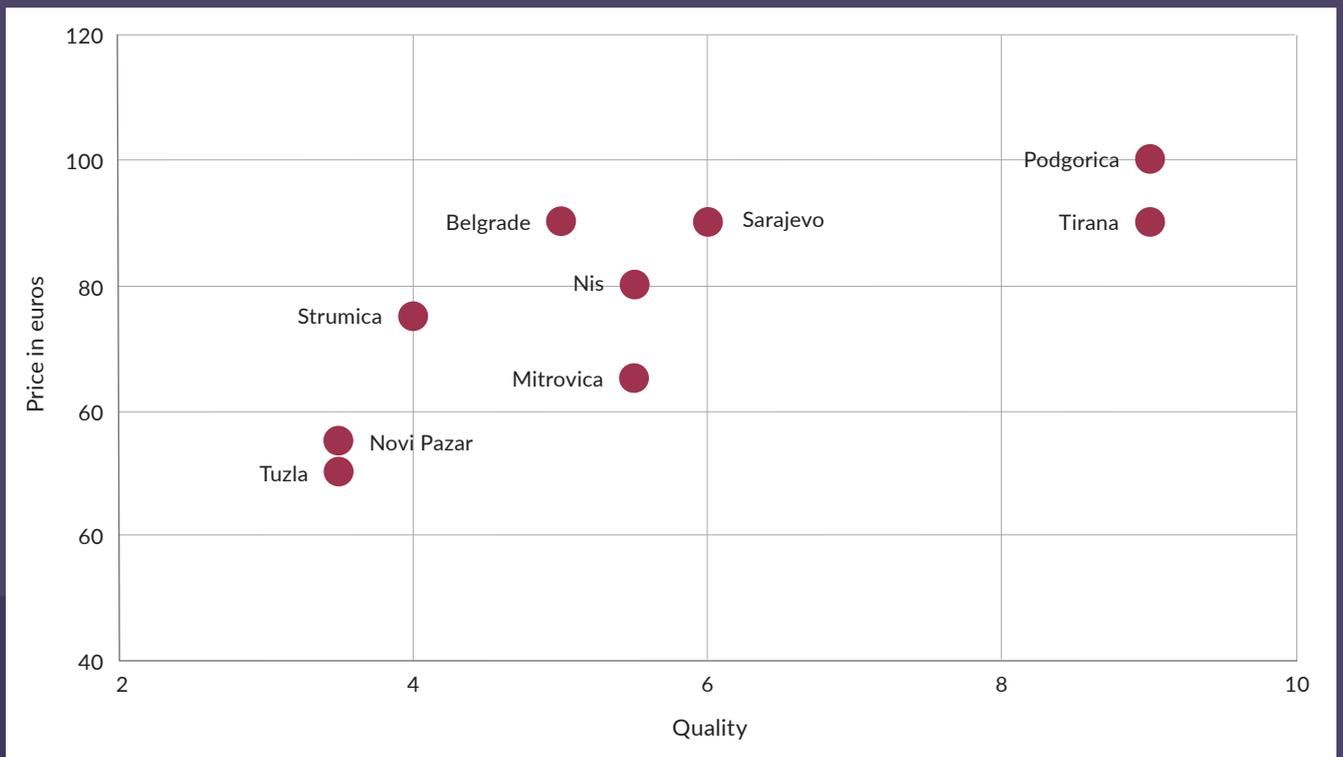
A main entry point for cocaine is the port of Bar in Montenegro. From there, the drugs usually move north towards Nikšić and then into Bosnia and Herzegovina around Trebinje/Bileća. From there, they are transported north to Mostar and Sarajevo and eventually into Croatia. By this point, the wholesale cost per kilogram is €35 000–€38 000.

Alternatively, the drugs are moved from Podgorica to Rozaje and then either north to Novi Pazar in Serbia or east into Kosovo via Peja. From there, the cocaine could move towards big cities in the region for local consumption; the wholesale cost of a kilogram of cocaine in Belgrade is between €35 000 and €50 000. It could also be trafficked east towards Turkey and Bulgaria – often in exchange for heroin – or north towards Hungary, and into Austria and Germany.



**FIGURE 15** Cocaine seizures in the Western Balkans in 2018 and 2019.

SOURCE: Data compiled from annual police reports of the Western Balkans.<sup>95</sup>



**FIGURE 16** Quality and price relation of one gram of cocaine in selected locations.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

Cocaine entering Albania usually comes through the port of Durres. It is estimated that the price per kilogram of approximately 90% pure cocaine on delivery is between €25 000 and €30 000. From there, it can move north towards Podgorica along the same trafficking routes described above or be transported east into North Macedonia and then along the routes used for smuggling other types of drugs. In 2015, a cocaine lab was discovered in the village of Xibraka in Elbasan municipality that was shipping clothes to Germany that had been impregnated with cocaine.<sup>96</sup>

Since most cocaine is entering the region via Albania and Montenegro, it is not surprising that the highest purity and therefore most expensive cocaine is found in Tirana and Podgorica. Figure 16 shows Tirana and Podgorica in comparison with other regional consumption hotspots based on drug price and quality at the disaggregated level. The aggregation of the quality/price ratio on the right shows that the buyer gets better value for money in Nis or Novi Pazar compared to Belgrade or Strumica.

Another route into the region is from Bulgaria into North Macedonia at the Deve Bair–Gyueshevo crossing, towards Kumanovo and from there either north into Serbia or north-west into Kosovo.

A high-profile incident shows that cocaine also enters the Western Balkans from Romania. In March 2019, Romanian police discovered a package with one kilogram of cocaine that had apparently fallen out of a van. Following this lead, they seized around 1.8 tonnes of 90% pure cocaine wrapped in balloons in a capsized boat on the Black Sea coast around the Danube Delta.<sup>97</sup> The estimated value of the seized cocaine is €600 million,<sup>98</sup> but it could have fetched much more (perhaps as much as two to three times as much) after being cut and sold on the streets. To put that in perspective, the entire annual budget of the city of Belgrade in 2019 was just over €1 billion. Romanian police arrested two persons, both truck drivers from Vranje. The investigation showed that the cocaine (originating in Brazil) entered Romania by sea via Turkey and was

supposed to reach Serbia by road,<sup>99</sup> before distribution into markets in Western Europe – primarily Belgium, the Netherlands and Spain.<sup>100</sup>

It is interesting to note that around Presevo (which cocaine enters from different directions) a kilogram of cocaine costs from €40 000 to €50 000. There also seems to be a supply line from Belgrade to North Mitrovica via Cacak. This is a relatively inconvenient route, as reflected in the fact that the wholesale price of a tonne of cocaine is estimated to be around €45 000 to €50 000 per kilogram.

Some of the cocaine entering North Macedonia either from Bulgaria, Albania or Kosovo heads south towards Greece. The cost of a kilogram of cocaine in Strumica (on the road to Thessaloniki) is €45 000 to €50 000. Cocaine also seems to be travelling in the opposite direction. At the end of January 2021, an Albanian, a Croatian and a Greek citizen born in Albania were arrested in Thessaloniki following the seizure of 324 kilograms of cocaine. Since 2018, there have been four cases in which cocaine was discovered in the port of Piraeus that was destined for Albania.<sup>101</sup>

In the past, the impression was that while there was plenty of cannabis and heroin transiting the Western Balkans, the region itself did not have a problem with cocaine. This view seems to be borne out by the very low levels of cocaine seizures. However, cocaine is apparently becoming more prevalent in some markets, particularly urban centres like Belgrade, Nis, Podgorica, Sarajevo, Skopje and Tirana, as well as in the coastal resorts. Some of it may remain in the region as payment in kind for shipments passing through the region or as payment to regional criminal groups. That said, as with heroin, the quality of the cocaine consumed in the region seems to be far inferior to that of the drugs transiting the region (with the exception of Tirana and Podgorica, as noted earlier). As discussed in the third section of this report, the profits from cocaine trafficking that are being laundered in the region impact the political economy of some of the WB6 countries.

## Synthetic drugs

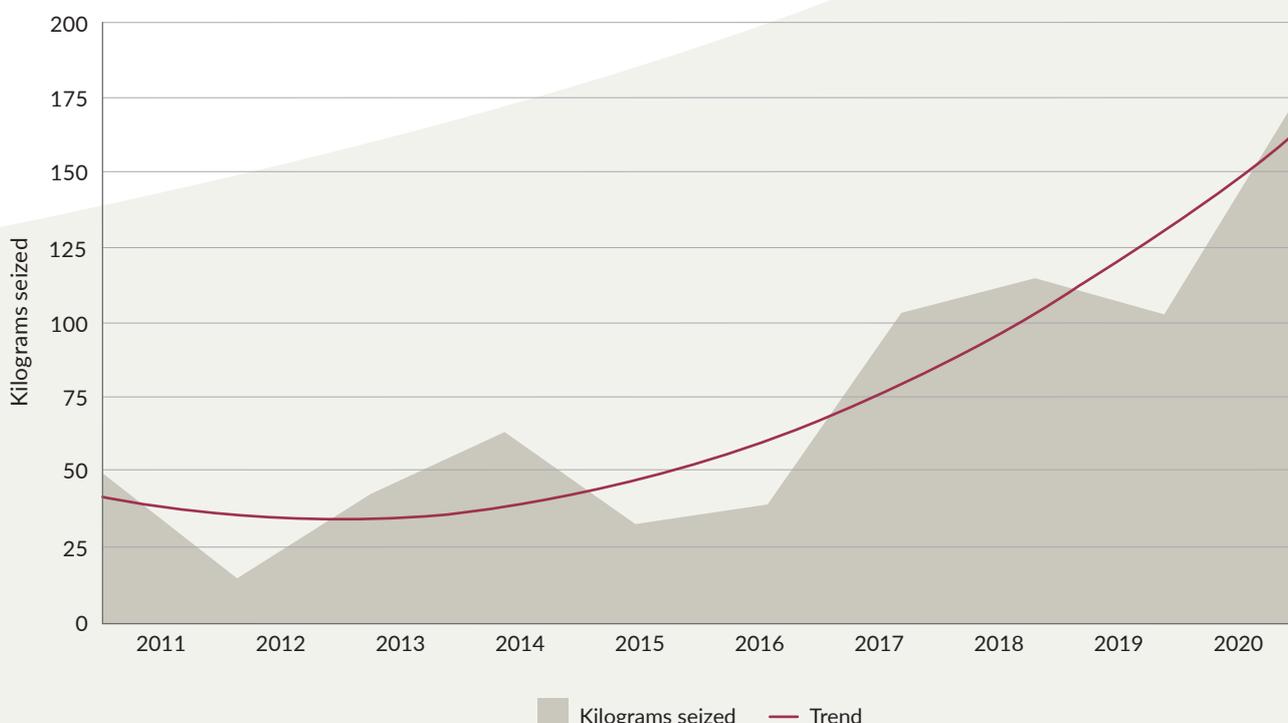
The Western Balkans is often labelled as a transit region for the trafficking of drugs, such as cannabis, cocaine and heroin. But there are signs that the region is also a production source for synthetic drugs, as well as a growing consumer market.

The main synthetic drugs being smuggled into the Western Balkans are amphetamines, methamphetamine and Ecstasy (MDMA), as well as new synthetic versions of cannabis and opioids like heroin. The primary source of the drugs is Western Europe, particularly the Netherlands, Belgium, the Czech Republic and Bulgaria.<sup>102</sup> In Serbia, there is also a growing tendency to import synthetic drugs from the Baltic countries<sup>103</sup> and Eurasia, including Afghanistan, Iran, Kyrgyzstan, Pakistan and Uzbekistan<sup>104</sup>. In North Macedonia, there are even reports that some synthetic drugs are sourced from China.<sup>105</sup>

In addition, local production appears to be increasing, particularly in North Macedonia and Serbia. Between 2009 and 2019, police in Serbia uncovered over 140 illicit drug laboratories, mostly on residential premises.<sup>106</sup> The majority of the main labs in Serbia

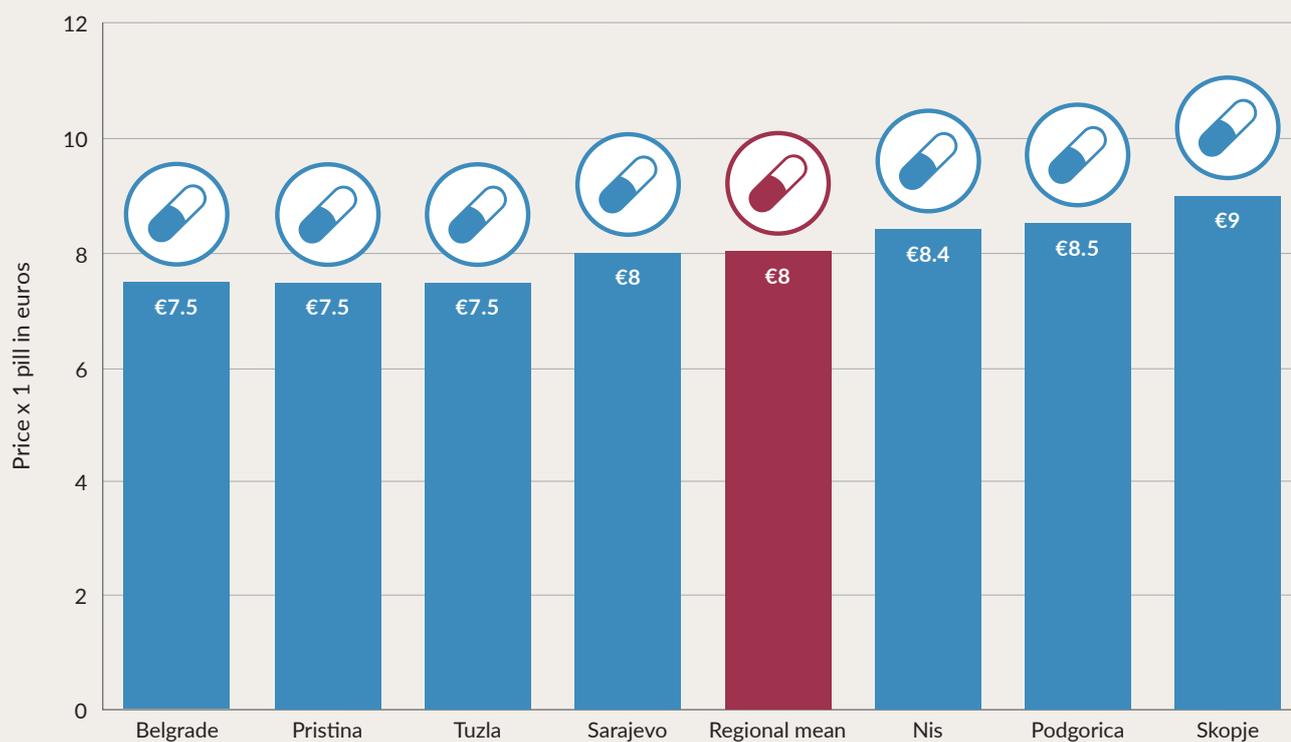
are in the Belgrade suburbs or in Nis.<sup>107</sup> One of the biggest discoveries was in 2003 in the small town of Stara Pazova, Vojvodina, where police found around two million ecstasy tablets valued at over €4 million, as well as approximately 20 tonnes of acid for ecstasy production, estimated to be worth over €10 million. Thus far, only 245 people have been convicted, which is an average of less than two people for each of the 140 illegal laboratories discovered.<sup>108</sup> This suggests that the police are only catching the 'cooks' and not all of those involved in the production and distribution networks. That said, the volume of synthetic drugs seized in Serbia has increased from 25 kilograms in 2011 to more than 170 kilograms in 2020.

In 2020, most seizures of synthetic drugs in Serbia were made in Belgrade and Novi Sad or close to the border with Hungary, for example at the Horgos–Röszke border crossing. Seizures were also made in Kragujevac and Bor.<sup>109</sup> In addition, there is anecdotal evidence that synthetic drugs produced in Serbia are being trafficked to the Republic of Srpska and northern Kosovo.



**FIGURE 17** Seizures of synthetic drugs in Serbia, 2011–2020.

SOURCE: Serbian Ministry of Internal Affairs.<sup>110</sup>



**FIGURE 18** Price of one Ecstasy pill in selected cities.

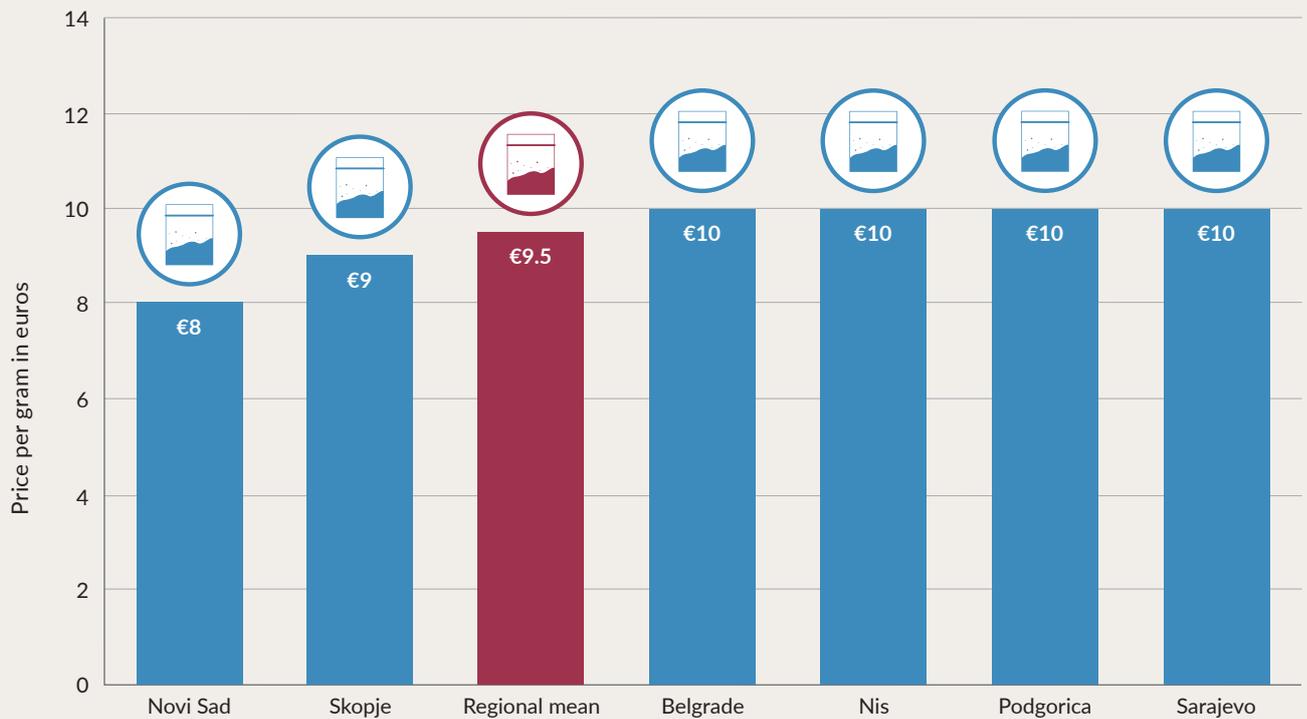
SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

*In addition to trafficking in and production of synthetic drugs, there is a growing consumer market in the WB6.*

Production is not limited to Serbia. In December 2017, the police discovered illegal drug labs in the village of Batinci and at a home near Tetovo in North Macedonia. They seized around 910 000 Captagon tablets, 52 kilograms of pure amphetamine and large quantities of substances used for producing narcotics. The main suspect, Milan Zarubica, had already been convicted in relation to a lab in Stara Pazova.<sup>111</sup> A few months later, Macedonian police found another synthetic-drug laboratory. A drug lab was also discovered in Zubni Potok in northern Kosovo, where the police seized pills, chemicals and equipment.

In addition to trafficking in and production of synthetic drugs, there seems to be a growing local consumer market in many countries of the Western Balkans.<sup>112</sup> New psychoactive substances – mostly synthetic cannabinoids – that mimic traditional illicit drugs like cannabis, cocaine, MDMA or LSD are emerging in Serbia. Nevertheless, ecstasy and speed are the most commonly used synthetic drugs.

In Serbia and North Macedonia, the prices for synthetic drugs are relatively low, which is a major factor in their increasing market share compared to plant-based drugs.<sup>113</sup> It is possible to buy five Ecstasy pills for around €25.<sup>114</sup> With some exceptions, the retail prices for an Ecstasy pill or for a gram of amphetamines (often referred to as speed) are relatively stable across the region. The outlier is Albania, where the costs are twice the regional mean, mainly due to low demand.<sup>115</sup>



**FIGURE 19** Price of one gram of amphetamines in selected cities.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

Figures 18 and 19 show the cost of one Ecstasy pill and one gram of speed in selected cities in the region. With a regional mean of €8 per pill, prices in the region do not significantly differ by location, ranging from a low of €7.50 in Belgrade to a high of €9 in Skopje. Similar to Ecstasy, there is no significant variation in regional prices for one gram of speed; all are close to the regional mean of €9.50.

That said, there are also substances like the amphetamine Tucibi (2C-B), which is known as an 'elite drug' because of its high cost and strong psychedelic effects. The drug is usually sold on the black market in the form of pills or capsules, but can also be mixed with ecstasy.<sup>116</sup> In 2019, the police in Nis arrested a person in possession of almost 175 grams of Tucibi.<sup>117</sup>

Synthetic drugs are easily accessible, particularly in large cities,<sup>118</sup> and are part of the club scene and places frequented by tourists. Their availability is also facilitated by the fact that they can be ordered online and delivered by post.

It is unclear how COVID-19 has affected the synthetic-drug market in the Western Balkans, but there is a sense that the market is relatively resilient, as some synthetic drugs are being used as a substitute for heroin.<sup>119</sup> In addition, users are turning to the internet to access suppliers since they cannot meet dealers in clubs or at festivals like in the past.<sup>120</sup>

## Hotspots

While a map illustrating the main drug-trafficking routes through the Western Balkans can be seen alongside, it is worth highlighting key hotspots of drug trafficking in order to understand the local routes and dynamics. Many of these places were identified in the January 2019 report on Hotspots of Organized Crime in the Western Balkans.<sup>121</sup> What is different about these maps is the way in which they show the relationship of key nodes to each other. Usually, one town or city has a corresponding partner on the other side of a border. Where three borders meet, there is often a triangular relationship between hotspots. These towns create an axis of transnational transactions, which together form links in a value chain stretching across the region.



FIGURE 20 Hotspots of drug trafficking in the Western Balkans.

SOURCE: Interviews conducted by GI-TOC country experts in the fourth quarter of 2020.

## Kukes–Prizren–Tetovo

The corridor between Kukes and Prizren is a key axis for the smuggling of cannabis east and heroin to the west. Groups from Prizren are said to have good links with distributors in Turkey. Drug use in Prizren is said to be on the rise, particularly among young people. Drugs from Tetovo pass into Albania and vice versa.

## Peja–Rozaje–Novi Pazar

Peja in western Kosovo is situated on the main flow of drugs (like heroin and cannabis) moving from east to west, and from west to east (particularly cocaine and cannabis). There are also reports of cannabis cultivation around Peja. Rozaje is a small town in north-eastern Montenegro (population around 23 000) close to the border with Kosovo and Serbia. Most inhabitants are Muslims (Bosniaks). It is on the road both to Peja (47 kilometres to the east) and Novi Pazar (62 kilometres north). It is considered a key hub for heroin storage and transit. Novi Pazar is located in south-western Serbia close to Montenegro, Kosovo and Bosnia and Herzegovina. Because of its location, the Bosniak-majority city, which suffers from underdevelopment, has traditionally been a hub for trade and trafficking. In the 1990s and early 2000s the city was considered one of the main heroin storage and distribution areas in Europe. While heroin and cannabis are still trafficked through Novi Pazar the volume is said to be lower than in the past. Nevertheless, in late December 2020 a number of violent incidents took place in the city.

## Niksic–Trebinje

Niksic is an industrial town in north-western Montenegro. It is the second largest city in the country, situated between Podgorica and roads leading north to Bosnia and Herzegovina, as well as Trebinje which is just over one hour (68 kilometres) east, and then Dubrovnik. Niksic is home to a number of powerful criminal groups linked to smuggling drugs and cigarettes. Trebinje is close to both the borders of Montenegro and Croatia and is seen as a hub for the trafficking of cannabis (both domestic and skunk), cocaine and heroin. Despite its small size (population of around 30 000), the city is seen as one of the largest transit centres for drugs in all of Bosnia and Herzegovina.

## Banja Luka–Prijedor

Banja Luka and Prijedor are key transit points for the smuggling of drugs (particularly cannabis) from Bosnia and Herzegovina either north or north-west to Croatia. There have been discoveries of cannabis growing facilities in the region. It is thought that some of the drugs coming to the region (including cocaine) are a payment in kind for assistance provided by local groups for transportation of drug shipments. It has also been suggested that weapons from the region are sometimes traded for drugs. In the past local police have been linked to drug trafficking and the criminal milieu in both locations.

## Tuzla–Zvornik–Bijeljina–Sabc–Sremska Mitrovica

The border area between Serbia and the Republic of Srpska in Bosnia and Herzegovina is a hotspot for the smuggling of drugs, particularly synthetic drugs, cocaine and heroin coming from Serbia and cannabis going in the other direction. Cannabis is also reportedly grown in the region around Bijeljina. Bijeljina is considered such a significant hub that it is referred to locally as the 'Bosnian Belgrade' for drugs. Some drugs are in transit while others are destined for the supply local markets. There is a sizeable market for heroin and cannabis in Tuzla.

## Eastern North Macedonia

The east of North Macedonia includes hotspots for drugs coming from Bulgaria (heroin and synthetic drugs) from Blagoevgrad into Delchevo and cannabis in the other direction, as well as drugs (cannabis and heroin) heading south via Strumica to Greece as well as cocaine in both directions. A key node for both routes is Veles since it is situated along the road going east-west and corridor 10 going north-south.

## Presevo Valley

The Presevo valley is located along Corridor 10 and at the border triangle between Kosovo, North Macedonia and Bulgaria. It is an ideal location for the trafficking of drugs in all directions. Cannabis is coming from Ferizaj, often smuggled inside furniture that is

shipped to Western Europe. Cannabis also passes from Gjilan through the Korminjan–Konculj border crossing to Bujanovac. Drugs (mostly heroin) are also coming across the border from North Macedonia. The town of Velilki Trnovac near Bujanovac has also been known as a drug centre. Presevo and Bujanovac are key hubs, including for the storage of drugs. Vranje has emerged as a drug trafficking centre where several criminal groups are known to operate, including for cocaine trafficking.

### **Nis area**

The corridor between Nis and the border between Serbia and Bulgaria is a hotspot for drug trafficking. Cannabis is heading east from Albania and Kosovo while heroin and synthetic drugs are entering from Bulgaria

## **The business and actors**

Drug trafficking is commonly carried out by groups located in the respective hotspots. The groups usually control the territory rather than a particular substance. They may smuggle several types of drugs and even be engaged in poly-criminal activity, including trading drugs for weapons and laundering money. While most groups have a local focus, they often have good links to criminal groups in other hotspots, particularly close to their supply sources. They may also have alliances or business relations with major criminal groups that operate within or outside the Western Balkans. Conversely, since most of the drugs moving through the region are destined for markets further afield, many of the criminal groups in the hotspots do not get engaged in dealing drugs on local markets. This is left to smaller operators.

Although there is clearly intra-ethnic cooperation, for example among ethnic Albanian groups in an arc from Albania, Kosovo and North Macedonia into the Presevo Valley in southern Serbia, there is no inter-ethnic conflict between criminal groups. Indeed, there seems to be good cooperation among criminal groups from a wide range of ethnicities in the region: Albanians, Bosniaks, Macedonians, Serbs and Montenegrins.

Trafficking of drugs on the scale that is going on in the Western Balkans is only possible with collusion from

and going west, as is heroin and cannabis coming up from North Macedonia. While Nis is an active trafficking hub, there is also a relatively large local market for all types of drugs. A number of arrests have been made in Switzerland of traffickers originating in Nis.

### **Belgrade**

Belgrade is a significant market for cannabis, heroin, cocaine and synthetic drugs, as well as being a key hub for trafficking because of its location in relation to key highways going north-south and east-west. More than a tonne of drugs of different types were seized in Belgrade in 2019. Major busts have also been made in the vicinity of Belgrade, for example in Mladenovac and Arandjelovac where drugs were being stored and repackaged for shipment.

state structures. This 'protection economy' ranges from corrupt border officials being absent or looking the other way at key border crossings, to police ignoring or even being engaged in trafficking. It can also include politicians who protect key players for a cut of the business. The fact that there are relatively few drug seizures in the region suggests a degree of either negligence or corruption among law enforcement. As a source interviewed in Tuzla remarked when asked why so few notorious criminals are arrested, 'they are aware of police raids in advance'.<sup>122</sup> The fact that certain places have been notorious hotspots for years, with little action from the authorities suggests that there are powerful vested interests that profit from the status quo. As one interview partner in Novi Pazar said, 'everybody knows who is involved in the business, but the local authorities do nothing'.<sup>123</sup> Similar sentiments were expressed in interviews in other hotspots, from Banja Luka to Sarajevo and from Elbasan to Pirot.

The scale of the business also suggests a high degree of sophistication and collusion with logistics companies. Most of the drugs are moving in trucks, ships or buses working for legal companies. As noted in this report, the size of some of these loads requires significant storage space and facilities to cut and repackage drugs.

## Prices and drug use

This report has mainly provided information on wholesale prices of drugs coming from or transiting the WB6. However, looking at the retail price of drugs on local markets also tells a story.

In collecting data and conducting research for this report, interviewers talked to drug users, health workers, civil society organizations and police officers about drug use and prices. There are clearly diverse patterns of drug use in the region, even between different parts of the same country – for example between urban and rural areas, or places where affluent people (including tourists), as opposed to poor people, congregate and use drugs. There is also a demographic factor, namely the higher prevalence of drug use among young people. That said, there seems to be a dearth of data on drug use habits in the WB6.<sup>124</sup> One reason may be because of rather unsympathetic views towards drug users within society. A more health-care related response and closer cooperation with civil society could help to destigmatize drug use and enable more effective data collection and remedial measures.

While this report is focused mostly on drug markets controlled by organized criminal groups and the illicit economies that they generate, more granular data collected at the street level can give some indications as to the demand side of the local drug markets in the region.

For each type of drug, the report collected data on the retail price per gram. Although the data is not comprehensive enough to give a clear picture of the prevalence and habits of drug use in the region, it highlights the existence of an active and dynamic consumption market, with a supply side able to react to changes in demand, irrespective of its level and composition.

### Cannabis

The vast majority of consumers across the WB6 buy cannabis in quantities ranging from 0.8 to 1.2 grams. However, different options are also available in markets across the region. In Albania, for instance, which is a major cannabis-producing country, it is possible to buy one joint of regular outdoor-cultivated cannabis for €4 or €5 or packages of two or three joints for €8 to €10. Prices are similar in southern Serbia, Sarajevo and Tuzla, but cheaper in Montenegro where, for example on the streets of Podgorica or Niksic, you can buy two joints for €5.

The Albanian market also offers a variety of cannabis-derived products such as hashish (approximately €7 for one gram), cannabis oil (€8 for one litre) and cannabis wax (€40 for one gram).

Skunk (a type of cannabis particularly rich in THC) is also available across the region with an average price approximately 50% to 70% higher than outdoor-cultivated cannabis.

## Cocaine

The cocaine consumption market is relatively homogenous and the existence of smaller niche markets in capital cities seems to be a common pattern in the region. In capitals, cocaine is available (and often more common) in portions usually smaller than the conventional gram. In Montenegro, for instance, you can buy half a gram of cocaine for €40–€45. In Kosovo, the most popular deal is 0.6 gram for around €55–€60. Similar options are available in North Macedonia and Bosnia and Herzegovina. In Albania, it is also possible to find crack cocaine (to smoke) at a cost of about €20 to €25 for 0.2 grams. As unofficial reports of cocaine use suggest that consumption in some urban centres in the WB6 is higher than officially reported, and since the use of this drug is often hidden and hard to measure, there could be scope for greater wastewater analysis.

## Heroin

As highlighted throughout the report, the WB6 are mainly seen as a transit region for heroin entering the region from the south-east. With the exception of North Macedonia, where heroin is cheapest, one gram is sold for approximately €17 to €20 across the whole region. However, it is also possible to find alternative deals. In Mitrovica, for instance, heroin is reportedly sold in portions of 0.25 grams for €5. Similar dynamics have been observed in Belgrade and Novi Sad, where 0.2 grams (a so-called 'shot') is sold for around €7–€8. In Montenegro, the most common deal is the so-called 'half': half a gram for €5–€10, depending on the quality. The fact that heroin is sold in such consumer-friendly amounts suggests that while there is an active market, users have relatively limited resources.

## Synthetic drugs

Local synthetic-drug markets seem highly dynamic. Supplies from outside the region integrate with local production. Ecstasy and speed (amphetamine), are the most common synthetic drugs in the region, but local markets also offer a variety of other products.

Methadone is largely available in North Macedonia and its price ranges from €1 to €15 per gram, depending on quality.

Hallucinogenic drugs are also present in the Balkans: LSD, for instance, is sold for around €15, while three grams of psilocybin mushrooms from western European labs can be bought for €48 to €50.

It is clear from the trafficking routes described in this report that a full understanding of the illicit economies in the Western Balkans requires more than looking at criminal markets, groups and activities in the six countries of the region. The field of vision needs to be broadened to include Bulgaria, Croatia, Greece, Hungary, Italy, Romania and Turkey.

This section has focused on drug prices and trafficking routes. No attempt has been made to estimate the value of the drugs market in the Western Balkans or the amount of money being made by criminal groups from the region that are engaged in lucrative drug markets around the world. Nevertheless, it is safe to say that they are earning billions of euros. This begs the question, where is that money going? That is the focus of section three of this report.



# MONEY LAUNDERING

A building site in Pristina, Kosovo. © Chris McGrath/Getty Images

The background features a large, faint image of Euro banknotes falling from the top right towards the bottom left. Overlaid on this is a network diagram consisting of several grey lines that intersect at circular nodes. One node is located at the top left, another at the top right, and a third at the bottom left. The lines connect these nodes, creating a partial network structure.

**T**he previous sections provided an indication of the money generated by migrant smuggling and drug trafficking across selected hotspots in the Western Balkans. While these numbers are already significant in themselves, it is important to keep in mind that the calculations refer to specific hotspots and do not provide an estimate of the entire market. In addition, they are based on just two of many income-generating illicit activities conducted by criminal networks across the region. As demonstrated in previous reports, significant amounts of money are also generated through trade in counterfeit goods, corruption and tax evasion (among other predicate crimes).<sup>125</sup> Furthermore, Western Balkan criminal groups do not limit their operations to the Western Balkans.<sup>126</sup> In fact, it is assumed that they generate a large percentage of their profits outside of the region.

It is important to note that the market size of migrant smuggling in the region, which was estimated in the first section to be between €33.7 and €50.6 million in 2020, is not the profit generated by organized-crime groups. In fact, the cost of organized-crime operations is substantial, including raw materials for producing drugs; workers to grow cannabis; local distribution networks; transportation costs; and payments for group members, security and bribes. There is, however, little reliable data available on the profit margins of criminal activities. While cannabis trafficking and migrant smuggling are reportedly at the lower end of the profit spectrum, cocaine trafficking – where margins of up to €20 000 per kilogram are achieved – provides sizeable reinvestment and corruption opportunities.<sup>127</sup>

Despite the significant operating costs, organized crime and illicit trade in both licit and illicit goods undoubtedly generate billions of euros every year in illicit global financial flows that are channelled abroad, laundered into local economies or reinvested in other criminal activities.<sup>128</sup> For example, revenue generated from cannabis smuggling in Albania is reported to have been reinvested in stronger drugs, like cocaine, thereby enabling criminal groups to gain a considerable share of the drug market in Western Europe and make a higher profit. It is also widely accepted that proceeds from drug trafficking underpin other crimes, such as the smuggling of firearms and human trafficking.<sup>129</sup>

*Money laundering is often the result of large profit-generating crimes in which the criminal has to break the link to the crime in order to hide the proceeds.*

Money laundering is often the result of large profit-generating crimes in which the criminal has to break the link to the original crime in order to successfully hide the illicit proceeds. It is in fact the 'natural' consequence of crimes aimed at profit generation, as it describes the process by which criminals attempt to disguise the illegal origin of the profits, distance themselves from the original transgression and inject the funds into the economy so that they appear to be from a legitimate source and are rendered usable. The link between the original criminal activity and the funds is thus broken, enhancing the criminal's security.<sup>130</sup>

Criminals launder their illegal funds by disguising the sources, changing their form or moving them to a place where they are less likely to attract attention.<sup>131</sup> The UNODC has estimated that money laundering accounts for approximately 2.7% of global GDP or US\$1.6 trillion.<sup>132</sup> Other estimates, particularly by the IMF, refer to about 2% to 5% of global GDP.<sup>133</sup> While it is not possible (nor the purpose of this chapter) to put a concrete number on how much illicit money generated in the Western Balkans and abroad is actually laundered in the region, if these global percentages are applied to the WB6, the estimate ranges between €1.8 billion and €4.6 billion in money laundered annually.<sup>134</sup> These numbers are remarkable, especially when put in perspective: for example, in 2021, the budgets of the interior ministries of North Macedonia and Albania each amount to €168 million;<sup>135</sup> the Kosovo police force has only €87 million at its disposal.<sup>136</sup>

Keeping in mind that methods and techniques used by criminal actors are constantly changing and adapting to new circumstances, this section provides an overview of how money generated from organized crime is laundered in the Western Balkans. It is important to note that money generated illegally in the WB6 may be laundered locally or transferred to offshore accounts. In addition, money earned illicitly outside the region by criminal groups from the Western Balkans is often laundered outside the region, for instance in the market where it was generated or in the Persian Gulf. With the current data available, it is not possible to estimate how much money is channelled outside of the region to offshore accounts and how much stays and/or possibly even returns to the region.

This section is structured according to the amounts of money that need laundering and the relevant methods used to integrate them into the legal economy. First, we look at money-laundering techniques used by criminal actors with a lower profit margin or lower-level distributors and facilitators who require relatively quick money-laundering processes, as large sums of money are used to purchase new drugs or to cover the cost of previously accumulated debts. Some of the most common methods here include laundering through cash-intensive businesses, gambling and the banking system.

In the second part, we look at schemes that allow criminals to hide larger amounts of money, including through the use of import-export companies as well as investment in luxury items and real estate. It is important to keep in mind that many of the methods overlap; criminal actors may make use of several different methods to layer and integrate their illicit proceeds. Just like in other parts of the world, money laundering has become a key industry in the Western Balkans, which provides a variety of options to make illicit funds 'disappear'. As shown below, this industry has become more sophisticated, especially in selected hotspots across the region.

## Corruption and bribery

Corruption and bribery are often seen as part of the overhead or fixed costs of running an organized criminal organization. They are a key expense to keep the business flourishing. In fact, field reports provide insight into the extent to which bribes are being paid both for the predicate offence and/or the money-laundering activity afterwards. For example, interviews conducted around the area of Gjirokastra, Albania, suggest that many smuggling fees paid by migrants include a quota to bribe senior border officials.<sup>137</sup> Civil society actors across the region also explained that bribes to high-ranking officials are common practice in order to obtain construction permits.<sup>138</sup> According to the Open Society Foundation, the Western Balkans spend an average of €7 billion annually on public procurement, of which €2 billion (approximately 30%) disappears due to corruption.<sup>139</sup> In this sense, corruption and money laundering facilitate and reinforce each other.

The proceeds from corruption must be laundered into the formal economy to appear legitimate – just like the proceeds from organized crime. In fact, many of the methods that will be described in this chapter are also used to launder money from corruption and tax evasion more broadly. Cash handed to corrupt officials is usually out of any official record and can be easily spent, deposited in bank accounts and/or transferred abroad to offshore accounts.

Finally, corruption can also be understood as a money-laundering method in itself, for example when it is linked to political-party financing, which is poorly regulated and monitored across the region.<sup>140</sup> Indeed, throughout the Western Balkans, political parties and entities have received (and continue to receive) financial support during electoral campaigns. For example, investigations into crime boss Naser Kalmendi uncovered significant donations to the ruling party in Montenegro that had not been recorded in official reports.<sup>141</sup> In Kosovo, a former employee of the EU Rule of Law Mission in Kosovo (EULEX) stated that political parties conceal their finances and spend far more on elections than their declared income.<sup>142</sup> In North Macedonia, former president Nikola Gruevski and members of his party are under investigation for illegal campaign financing and money laundering.<sup>143</sup> The situation is similar in Serbia, where the Administration for the Prevention of Money Laundering determined that a total of 5.4 million dinars (about €45 700) was donated to the Serbian Progressive Party with no explanation of the money's origin; nevertheless, the pre-procedure investigation, launched in 2017 by the Public Prosecutors Office based on a request by the Anti-Corruption Agency, is still ongoing.<sup>144</sup> In Albania, vote-rigging was reported during the 2016 local elections in the Dibra Municipality, as well as during the 2017 parliamentary elections in Durrës, Kavaja and Lezha.<sup>145</sup> The activities allegedly included collusion with criminal groups to buy votes, intimidation of teachers and other public-administration employees to vote for party candidates and police interference with potential opposition voters.<sup>146</sup> These are only a few examples but, given the neglect of this topic in most societies across there region, it is likely that the phenomenon is largely underreported.<sup>147</sup>

## Laundering smaller amounts

Much of the economic activity in the Western Balkans takes place in the informal economy. According to various reports compiled by the European Commission, informality in the Western Balkans accounts for between at least 25% and 33% of GDP. As previously noted in the chapter on migrant smuggling, informal transactions are often either made in cash or through informal transfer mechanisms, such as the hawala system or money-transfer companies. Although the banking sector functions well in the Western Balkans, most daily transactions continue to be made in cash.

Country	Percentage of informality
Albania	≥ 33.3% of GDP
Bosnia and Herzegovina	25–35% of GDP
Kosovo	± 30% of GDP
Montenegro	± 24.5% of GDP
North Macedonia	20–40% of GDP
Serbia	± 27% of GDP

**FIGURE 21** Informality in the Western Balkans.

SOURCE: Various estimates by the European Commission.<sup>148</sup>

While many of these payments are per se informal and not illegal, it provides a permissive environment for criminal actors to move illicit funds (especially smaller amounts) into the formal economy without much scrutiny. It also provides liquidity to the financial system and easy money for those who would otherwise struggle to obtain funds in the formal economy.

According to information obtained from the police across the region, many organized criminal groups do not have substantial financial reserves. Especially if the crime generates only small amounts of money, there is little need to engage in the difficult and expensive process of disguising the origin of those funds. Small amounts can often be readily moved across borders and used without raising too much suspicion.<sup>149</sup> For example, as shown in the section on migrant smuggling, small-time enablers often pocket the hundreds (or at most a few thousand) euros they earn for personal use. This was confirmed also by money-laundering experts in North Macedonia who explained that people engaged in the smuggling of migrants 'often put the funds they obtain into the financial system through cash payments into bank accounts and credit cards. These funds are later used to pay off loan instalments, purchase vehicles and real estate.'<sup>150</sup>

*Small amounts of illicit proceeds can often be readily moved across borders and used without raising too much suspicion.*

These examples also give insight into the limited impact suspicious transaction reports (STRs) can have. Many countries in the Western Balkans like to use STRs to showcase their efforts to identify illicit funds and reduce money laundering. In fact, they have been working to increase their STR filing rates which are reported by individual institutions and submitted to the General Directorate for the Prevention of Money Laundering in each country. For example, Albania has increased its annual reporting from 1 319 STRs in 2015 to 1 424 in 2019,<sup>151</sup> while the Serbian Administration for Money Laundering reported more than 2 000 STRs in 2019 alone.<sup>152</sup> In most cases, the minimum threshold for suspicious activity reports is €10 000, but the reports and requests sent are often broad and of little operational value.<sup>153</sup>

## The hawala system

There is no universal definition on what exactly constitutes a hawala money-transfer service. In fact, hawala can refer to many kinds of informal money-transfer systems that do not involve the physical transfer of cash.<sup>154</sup> Commonly, customers use brokers based in their respective locations to send and receive money, with the senders paying a small commission and the receivers sometimes using a password to release the funds. Traditional hawala networks are based on trust and the honour system, meaning they can function in areas that lack a functional banking system.<sup>155</sup>

In the Western Balkans, the hawala system is most often mentioned for its relevance in facilitating low- to medium-level money laundering between members of criminal groups engaged in drug trafficking and migrant smuggling. For example, migrants crossing the region have stated that they pay for parts of their journey upfront in Turkey and Greece, by depositing money with a hawala operator who only releases the money after their safe arrival.<sup>156</sup> But it has also been used by larger criminal networks, as was discovered in September 2020 during a Europol investigation. This showed that an Albanian criminal group was using an alternative underground remittance system of Chinese origin, similar to hawala, to transfer their funds.<sup>157</sup>

The hawala system offers several advantages, including the system's competitive pricing, fast money transfers and suitability to specific cultural contexts, as well as the deliberate concealment of criminal proceeds and evasion of currency controls, sanctions and taxes. Interestingly, although its origins lie within Arabic communities, it is not confined to the countries with a Muslim-majority population in the Western Balkans.

In addition, it can also be linked to other domestic banking services, including fast money transfer. For example, in early 2021, a politician in Bosnia and Herzegovina published statistics (and launched an official investigation) into money transfers through Western Union. The documents show that between 2018 and 2020, more than 5.8 million Bosnian convertible marks (about €2.9 million) were wired through Western Union to migrants in Bosnia and Herzegovina, although most of them did not have any formal identification documents.<sup>158</sup>

Field research carried out for this report has uncovered several creative examples of how this reporting threshold is explicitly circumvented. For example, a criminal group from Rozaje, Montenegro was indicted for introducing more than €7 million in small tranches into the financial system from 2005 to 2011.<sup>159</sup> Although officially unemployed, the group members opened several companies themselves or used the companies of their close relatives to regularly transfer money earned through drug trafficking.<sup>160</sup> Similarly, the Albanian General Directorate for the Prevention of Money Laundering stated in its 2019 annual report that it observed several suspicious wire transfers involving foreign entities or persons with previous criminal records made to high-risk countries.<sup>161</sup> According to experts, it is common for criminal groups to approach businesses active in the EU, pay them in cash and then 'withdraw' the money back home.<sup>162</sup>

These examples illustrate how cash generated in a particular country in the Western Balkans can easily be spent locally. Foreign currency generated in Western Europe and Greece, on the other hand, is regularly driven across borders, hidden in special compartments of cars and trucks. For example, a truck driver interviewed in Spain explained that cash couriers travel back and forth to the region, each time carrying no more than €10 000 each way to avoid suspicion.<sup>163</sup> With little control at checkpoints – many of them unmanned – the smuggling of cash carries few risks.<sup>164</sup>

However, foreign currencies are often of limited use if the local business is conducted in Serbian dinar, Macedonian denar, Albanian lek or Bosnian convertible marks – one of the possible reasons why the number of currency-exchange offices might have been increasing across the region. In 2018, 58 new exchange offices were registered in Albania alone.<sup>165</sup> Criminal groups that were able to set up businesses that accept euros (such as in tourist destinations) and those in Kosovo or Montenegro, where the national currency is also the euro, seem to have an advantage here.

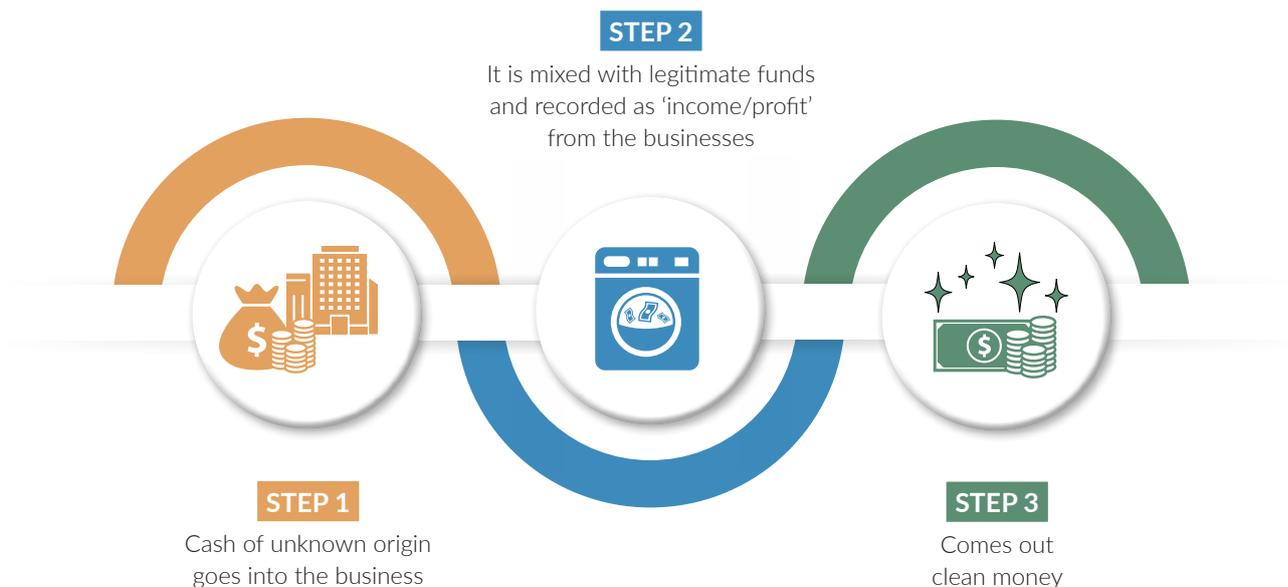
### **Laundering into cash-intensive businesses**

Money laundering of smaller amounts of illicit proceeds often starts with the use of cash-intensive businesses, such as restaurants, bars, gas stations and taxi companies.<sup>166</sup> These are especially convenient to launder smaller amounts of funds which are then also included in the banking system. Throughout the region, illegal funds are mixed in cash-intensive businesses with actual earnings from the running of the business, thereby rendering them indistinguishable from one another. A quick look around the region provides a few examples.

Members of organized criminal groups active in Montenegro are reported to own various companies, including clubs, restaurants, bakeries, coffee shops, hotels and souvenir shops, sport clubs, companies renting and selling vehicles, gas stations and taxi agencies registered in Kotor, Cetinje, Herceg Novi, Pljevlja and Podgorica. They are reportedly often liquidated after several years of operation, without submitting any kind of financial records or declaring an annual income lower than €100 000. One clan member is also assumed to operate a popular food-distribution service, which is suspected of being engaged in the distribution of drugs.<sup>167</sup>

*Taxi agencies are an especially popular tool for money laundering in the Western Balkans.*

Taxi agencies are an especially popular tool for money laundering in the Western Balkans. Given that taxis are constantly moving, it is impossible to accurately measure the number of passengers on a monthly or yearly basis: 'They can declare that they have carried more or fewer passengers than they actually did, pay taxes accordingly and like this easily launder their money'.<sup>168</sup> Of a total of 160 000 businesses registered in Kosovo, more than 11 000 are involved in the 'taxi business'.<sup>169</sup> Many companies only use new expensive European car models. In Bosnia and Herzegovina, it was reported that Montenegrin criminals were operating a taxi agency in Mostar. The owner of the company was killed in 2015 in the conflict between the Škaljari and Kavač clans.<sup>170</sup>



There are many different types of cash-intensive businesses used to launder money across the region, including (but not limited to):

- |   |  |
|---|--|
|  Restaurants, bakeries, catering businesses |  Taxi companies                          |
|  Bars and clubs                            |  Fruit/vegetable stands                 |
|  Hotels and souvenir shops                 |  Sport clubs                            |
|  Gas stations                              |  Companies renting and selling vehicles |

**FIGURE 22** Money laundering through cash-intensive businesses.

The tourism industry has become another key sector for money laundering through investments in bars, restaurants, discos and hotels, especially in the south of Albania and along the Montenegrin coast. Across Serbia, in particular in Zlatibor, Cajetina, Kopaonik, Palic, Vrnjacka Banja and Vranje, the sale of fruit and vegetables (especially mushrooms) and the use of catering businesses for money-laundering purposes was also reported.<sup>171</sup> Indeed, since 2018, observers note that such businesses tend to change owners on a regular basis, which is usually followed by a spike in turnover and earnings.<sup>172</sup>

In North Macedonia, these legal fronts for money laundering were engaged in legitimate business activities as cafeterias, pizzerias, restaurants, hotels and gas stations. The common denominator for all these businesses was the fact that they used cash payments.<sup>173</sup>

## Gambling

Gambling has long been identified as a money-laundering channel in the Western Balkans. Still located at the lower end of the money-laundering spectrum, where the funds that require laundering are comparatively small, exchanging money at the casino or a betting shop may suffice to introduce the illicit proceeds into the legal economy.<sup>174</sup> The high volume of cash and rapid turnover rate make it easy to commingle dirty money with clean.

There are multiple methods to launder money through gambling. The most straightforward is for an individual to walk into a casino, buy chips with illicit cash and then play for a while, preferably on high-odds games. By placing bets on every possible outcome, the gambler will have one or more winners. When cashing in the chips, they will ask for a cheque or receipt so they can claim the proceeds as gambling wins.<sup>175</sup>

Organized-crime groups (or their associates) own casinos expressly for money-laundering purposes. For example, members of the Kavač and Škaljari clans<sup>176</sup> are reported to have owned several licences for online gambling<sup>177</sup> and slot machines.<sup>178</sup> In addition, the only company in Montenegro that holds an official licence to organize 'lottery games of chance' has previously been connected to organized crime.<sup>179</sup> As owners, it is easier for them to launder profits through the tellers.

The growing number of casinos in Serbia has raised serious concern about the industry's vulnerability to money laundering. In 2012, the owner of Max Bet was convicted of malpractice and organization of illegal gambling, which resulted in the confiscation of €350 million worth of his assets.<sup>180</sup> However, his conviction was overturned in 2018 and the court returned all seized assets.<sup>181</sup>

Online-betting accounts, which require limited verification of identity, offer other possibilities. Money launderers can open an account, make a few small bets and then cash out the remainder. Establishing dozens of accounts keeps the transactions below the threshold that would trigger an STR. In Serbia, many betting shops are assumed to be closely connected to political parties and fan groups, which may account for several fights involving hooligans in betting shops.<sup>182</sup>

As previously reported, both Albania and Kosovo banned most forms of gambling in early 2019, including betting shops, slot machines and online sites, in order to mitigate the harms of gambling and to fight organized-crime involvement in the sector.<sup>183</sup> In Albania, only casinos in luxury hotels, televised bingo and the national lottery were allowed to continue their operations. In addition, in September 2020, the Albanian government set the framework for future casino activities, which will permit casinos to operate in the new skyscrapers that are currently being built in the centre of Tirana.<sup>184</sup>

North Macedonia, so far, has shown no intention of following its neighbours' examples and prohibiting gambling. On the contrary, according to data from the Macedonian Ministry of Finance, more than half of the approximately 40 licences that have been issued to companies to conduct gambling activities were issued in 2019 and 2020. Quiet towns like Ohrid and Struga, close to the border with Albania, have seen a dramatic increase in the number of casinos and betting shops.<sup>185</sup>

*The growing number of casinos in Serbia has raised serious concern about the industry's vulnerability to money laundering.*

## The banking sector

Banks play a key role in money laundering, as they often act as gatekeepers to the financial system. Although banks are not the only entry points, the advantage of banks is that they can provide a range of services, including accepting deposits, making loans, exchanging currency and managing wealth. The fact that funds can be withdrawn in cash and readily transferred overseas makes retail banking highly attractive to launderers at both the high and low ends.<sup>186</sup>

Smaller amounts of illicit money are often simply carried to the bank. For example, sources in North Macedonia said that groups involved in migrant smuggling withdrew their proceeds in cash from fast money-transfer agencies which they then deposited in their bank accounts and credit cards, from where it was later spent without further scrutiny.<sup>187</sup>

But the banking system is not only relevant for smaller money-laundering schemes. On the contrary, banks are also an important intermediary in larger transactions and to offshore accounts. In 2019, the Serbian Financial Intelligence Unit (FIU) responded to 105 requests for information by foreign FIUs, mainly involving Serbian citizens holding bank accounts abroad who were suspected to have links to criminal groups.<sup>188</sup> An expert consulted in Serbia explained that in order to increase the notion of legality, funds are first transferred abroad and then back to Serbia.<sup>189</sup> In Bosnia and Herzegovina, there is no tax on monetary transactions to offshore financial centres and it is common that offshore companies appear as founders (and funders) of local companies.<sup>190</sup>

Bank loans and loan guarantees are another method to hide the real origin of illicit money. In Albania, observers have noted that a number of people get together and take out smaller loans (which is comparatively easy), and then act as guarantors to construction companies.<sup>191</sup> Official data obtained from the Bank of Albania shows a steady growth in mortgage loans over the past few years; outstanding mortgage loans increased by 10% during 2020.<sup>192</sup> In Bosnia and Herzegovina, there have been reports of people opening fake companies locally and abroad to transfer money among each other to increase the appearance of legality. In March 2021, an international police operation was launched against a criminal network using this technique in Banja Luka and Prijedor, where criminals withdrew several million euros from company accounts with links to Austria, Hungary and Slovenia.<sup>193</sup> In addition, reports from Bosnia and Herzegovina show that (fictitious) companies often borrow money from abroad, including from companies based in the Persian Gulf, where the source of the funds cannot be established by local authorities. They then use these loans to invest in local real estate, open other companies or buy equipment.<sup>194</sup>

In addition, in Bosnia and Herzegovina and Kosovo there is the phenomenon of 'internal loans', whereby legal entities (allegedly belonging to the same owner, with links to a criminal group) reportedly lend each other money, which are repaid early. In this way, they attempt to justify the origin of the funds.<sup>195</sup> Similarly, in Montenegro, media reported that several companies took out a €3 million loan, secured with the property of a so-called 'connected company'.<sup>196</sup> According to experts, these types of transactions may have also been used to channel funds to Latin America, possibly to finance drug shipments.<sup>197</sup>

*Banks play a key role in money laundering, as they often act as gatekeepers to the financial system.*

In Montenegro, it was also revealed that Prva Bank provided the wife of the leader of a prominent criminal group with a €4.6 million credit line without any paperwork, contract or background check, on the basis of a personal promissory note. In addition, the Central Bank's examiners were not allowed to see the account's transactions, which might have shown that the funds were used to acquire real estate.<sup>198</sup> Similarly, investigations conducted in the context of Operation Balkan Warrior, which probed criminal groups from the region involved in international cocaine-smuggling operations, uncovered links to various businesses in Montenegro. They also discovered that Prva Bank and Austria's Hypo Alpe-Adria-Bank loaned money to two local companies (despite their poor financial records) to buy additional real estate.<sup>199</sup> Eventually, the money was returned by a company based in the US state of Delaware which deposited US\$6 million with Prva Bank.<sup>200</sup> The same scheme (including the two banks and companies registered in Montenegro and Delaware) was also used to buy a sports club in Budva.<sup>201</sup>

## Enablers

Similar to banks, professionals working in the financial arena, such as lawyers, accountants and real estate agents are often involved and vulnerable to being used (or abused) in money-laundering transactions. Part of the vulnerability stems from the fact that these professionals act as enablers to the financial system, providing access to accounts, products and assets while also, by their participation, conferring legitimacy on the laundering process.<sup>202</sup>

Across the Western Balkans, FATF/MONEYVAL reports have identified incidents of collusion for the purpose of money laundering at all points of the chain, including by contractors, real estate agents, notaries, lawyers and bankers. For example, the MONEYVAL report from North Macedonia states that no attempts have been made by notaries, lawyers or accountants to identify the beneficial owner of transactions in which they provide direct or indirect assistance.<sup>203</sup> Other experts consulted at the public prosecution and police in North Macedonia described how a recent investigation uncovered that several notaries assisted an organized criminal from Kumanovo by verifying fictitious sales contracts. In addition, several accountants kept double-entry book-keeping for the legal entities.<sup>204</sup>

Institutions often pay particular attention to notaries, given that all contracts to buy or sell real estate are notarized, yet the control of the value of a certain property remains difficult (over- or under-pricing is frequently reported). However, in Albania for example, following increased awareness-raising among notaries coupled with controls over immovable property transactions, the highest risk is now assumed to be in transactions where notaries and real estate agents are not involved.<sup>205</sup>

Despite the emphasis on decreasing the vulnerabilities of lawyers, notaries and other enabling professions, the problem lies more broadly with the implementation of anti-money laundering legislation and frameworks. Although legal frameworks are often in place across the Western Balkans, Albania continues to be on the FATF grey list of jurisdictions that required increased monitoring.<sup>206</sup>

## More money, more complexity

As the proceeds from organized crime increase, so does the demand for more strategic and sophisticated money-laundering methods that can absorb larger amounts of money. As previously noted, some criminal groups from the Western Balkans have reinvested their returns from smaller-scale criminal activities in high-profit illicit activities, most prominently cocaine trafficking. This is not unique to Albanian criminal groups, but has also been observed with groups from Montenegro (who started out as sailors and subcontractors to other criminal groups before they moved up the value chain) or the Culum brothers in Bosnia and Herzegovina (who in 2004 founded the United Tribunes Motorcycle Club in Germany and have been linked to human trafficking, prostitution and assassinations).<sup>207</sup> These high-profit activities opened new doors for many criminal groups, which enabled them to gradually evolve to become global players in the international drug market. It also created a need for additional money-laundering methods.

Money laundering into luxury goods or through construction and real estate or import-export companies is described in more detail below. This is not an exhaustive overview of all possible techniques, but is a list selected based on an analysis of data gained in more than 50 interviews conducted with police and government officials and people working in the industries in question, as well as with people close to criminal groups. Places previously identified as hotspots for drug trafficking reappear in this section as they are also hotspots for money laundering, especially in the construction and real estate sectors. Other sectors that merit in-depth investigation and analysis in the future include the privatization process in Serbia, the IT sector in Bosnia and Herzegovina and public-private partnerships in Albania, as well as infrastructure investment and the link to foreign direct investments across the region.<sup>208</sup>

### Construction and real estate

Property is an important integration target, as it can be a place to store a significant amount of capital, potentially appreciate in value and enhance the quality of the criminal's lifestyle.<sup>209</sup> As described in other GI-TOC reports, investments in construction and real estate have a long history of absorbing illegal revenue in the Western Balkans, given that the sector is both meaningful in terms of economic share and poorly regulated.<sup>210</sup> Municipalities across the region provide permits for construction, yet they do not have the means to monitor what takes place. Also, for historic reasons, land registries and construction permit records are incomplete and poorly archived.<sup>211</sup>

Residential property is generally recognized to be at greater risk than commercial property because of its turnover potential.<sup>212</sup> In fact, many property markets across the region have been skewed by laundered money as prices are artificially driven up by criminals who want to launder their assets there. Although real estate prices dropped across the region in 2020 due to COVID-19, as Figure 23 shows, many places still showed gains since 2017.

*Property is an important integration target, as it can be a place to store a significant amount of capital, potentially appreciate in value and enhance the quality of the criminal's lifestyle.*

Location	Price per square metre	
	2017	2020
<b>Albania</b>		
Tirana (city centre)	€861	€1 400–€2 000 (prices reach €4 000 in the newly built skyscrapers in the city centre)
Vlora (waterfront)	€700–€800	€1 000–€1 200
Durres (residential complexes)	€850–€900	€850–€900
<b>Bosnia and Herzegovina</b>		
Sarajevo (old town and centre)	€600–€2 250	€575–€2 750
Banja Luka	€750–€1 250	€978–€1 183
Tuzla (city center)	€1 150	n/a
<b>Kosovo</b>		
Pristina	€600–€2 500	€1 000–€1 100
Peja	n/a	€500–€550
Prizren	n/a	€600–€660
<b>Montenegro</b>		
Podgorica	€1 123	€966
Coastal region	€1 159	€1 401
Northern region	€639	€720
<b>North Macedonia</b>		
Skopje (centre)	€887	€973–€1 021
Bitola	€376	€559–€612
Strumica	€500	€472–€534
<b>Serbia</b>		
Stari Grad, Belgrade	€1 878	€2 499
Nis	€794	€914
Novi Sad	€1 007	€1 204

**FIGURE 23** Comparative real-estate prices of selected cities across the Western Balkans region.

SOURCE: Information was obtained from local real-estate agencies, national statistical offices and media analyses.<sup>213</sup>

## SELECTED CASE STUDIES FROM THE REGION

### Albania



**FIGURE 24** Selected hotspots where money laundering takes place in Albania.

Between 2017 and 2020, Tirana experienced a construction boom and a spike in property prices. While the square-metre price of an average residential apartment in Tirana was around €861 in 2017, it was €1 400–€2 000 in 2020 – almost double the amount.<sup>214</sup> In Vlorë, criminal groups have allegedly invested in the tourism sector, including in luxury hotels at the seaside. Prices have increased from €600 to €700 per square metre in 2017 at the waterfront to €1 000 to €1 200 in early 2021.<sup>215</sup> Experts have argued that this increase could not be explained by higher demand from the real economy or the growth of formal revenue, but instead is largely driven by cash from organized crime and corruption which has been invested in construction and real estate.<sup>216</sup> In Tirana, additional luxury projects are currently planned in the city centre which do not reflect market forces.<sup>217</sup>

Construction activity continued throughout 2020. In fact, despite the COVID-19 pandemic, INSTAT (Albanian Institute for Statistics) recorded a historic peak in the overall area approved through construction permits in the second quarter of 2020, the highest since it began keeping records in 2008. While in 2020 the Albanian economy contracted on average by 10.2%, real estate activity continued to expand by 5.5%.<sup>218</sup>

## Montenegro



**FIGURE 25** Selected hotspots where money laundering takes place in Montenegro.

The Kavač and Škaljari clans reputedly own different types of real estate across the country.<sup>219</sup> Sailors engaged in the shipment of cocaine from Latin America to Montenegro have also purchased apartments or houses from locals who do not question the source of the income.<sup>220</sup> The prosecution estimated the total value of real estate owned by the Kavač and Škaljari clans at €27 million (which is probably a significant underestimate).<sup>221</sup> Members of the clans allegedly also own construction companies which are connected to others owned by organized-crime groups from abroad.

Experts interviewed in Montenegro additionally report that a large construction company is currently suspected of laundering money from drug trafficking and cigarette smuggling.<sup>222</sup> Sources confirmed that the company's informal owners used to be engaged in cigarette smuggling and have connections to various criminal groups in Albania, Kosovo, Serbia, Bosnia, Russia and Azerbaijan;<sup>223</sup> they are also connected to former crime boss Naser Kelmendi.<sup>224</sup> Indeed, records show that Kelmendi used a large amount of cash to construct a hotel in Ulcinj with the support of this company.<sup>225</sup> It also reportedly procured construction machines in a very short period of time, under suspicious circumstances.<sup>226</sup> It is currently under investigation regarding several high-value procurement contracts granted under the previous government. The company is also involved in the construction of the new highway, one of the largest infrastructure projects in the country.<sup>227</sup>

## Bosnia and Herzegovina



**FIGURE 26** Selected hotspots where money laundering takes place in Bosnia and Herzegovina.

As political and economic centres of the country, Sarajevo and Banja Luka attract criminals that engage with (corrupt) politicians, pay bribes to companies and need a place to launder their money. Bosnia and Herzegovina still lacks a unified comprehensive real estate register.<sup>228</sup>

The country's real estate market, particularly in Sarajevo, has not only attracted local criminal actors, but also internationally-operating drug-trafficking groups and Arab investors.<sup>229</sup> The latter's involvement has drawn attention, especially after the spike in visitors from the Gulf states in 2015–2016, when many of them reportedly purchased land, holiday homes and apartments in or around Sarajevo. A substantial portion of these transactions (possibly worth hundreds of millions of euros) were allegedly made in cash, circumventing local legal regulations and establishing fictitious companies through which they purchased and registered this property.<sup>230</sup> Today, many of these facilities are left half-built; those that were completed remain mostly closed and unused.<sup>231</sup>

This case also confirms the broader vulnerability that the Western Balkans offer an attractive location for foreign businesses to launder their money. An official from the Bosnian Federal police expressed it this way: 'Almost every investment from abroad, especially if the investor is tied to one of [the] local politicians ... all of this is suspicious from the perspective of possible money laundering'.<sup>232</sup>

## Serbia



**FIGURE 27** Selected hotspots where money laundering takes place in Serbia.

The real estate industry in Serbia experienced unusually high growth between 2018 and 2020, although many of the newly-constructed buildings remain empty. Similar to Albania, the construction industry continued to grow during the COVID-19 pandemic despite the contraction of the general economy. An example is the increasing employment and procurement of materials for the Belgrade waterfront project.<sup>233</sup> Figure 23 shows the boom experienced across various cities in Serbia and the increase in price per square metre, despite an already oversaturated housing market.<sup>234</sup> Experts argue that this increase is most likely the consequence of a significant amount of illicit funds being injected into the market. They suggest that the Serbian real estate market has become the regional hub for money laundering through real estate.<sup>235</sup>

## Kosovo



**FIGURE 28** Selected hotspots where money laundering takes place in Kosovo.

According to a senior official of the Central Bank of Kosovo, there was a boom in the construction sector in various cities across the country between 2016 and 2019, when the total investments in the construction sector were around €1 billion. Nevertheless, approximately 350 000 buildings constructed after the war still do not have a permit.<sup>236</sup> A large part of these investments are allegedly funds generated through criminal activities, including corruption, tax evasion and drug trafficking, by people close to the ruling elite. An expert also explained that local organized-crime groups, together with their Albanian and Turkish counterparts, particularly focus on Pristina and Prizren, the country's two largest cities. This is because of their general active construction sector (and demand), as well as Prizren's proximity to Albania. Another hotspot appears to be Ferizaj, also located in the south of Kosovo, with money invested mainly in the construction and hotel sectors.<sup>237</sup>

## North Macedonia



**FIGURE 29** Selected hotspots where money laundering takes place in North Macedonia.

In 2014, the police arrested several members of a criminal group active in drug trafficking and usury in Kumanovo during 'Operation Calabria'. The group had laundered more than €4 million, first through various bank accounts and fast money-transfer services,<sup>238</sup> then through cash-intensive businesses and finally through luxury items and real estate in Romanovce (Kumanovo)<sup>239</sup> and Kosovo.<sup>240</sup>

Construction has been booming across North Macedonia, with most construction taking place in the regions of Skopje, Polog (Tetovo and Gostivar), and the south-west (Bitola, Struga and Ohrid).<sup>241</sup> At the moment, there are several open investigations for money laundering through the real estate industry, including by Nikola Gruevski, the country's former Prime Minister, and his associates.<sup>242</sup> Over 1 000 illegal constructions were recorded in 2020 in Ohrid, of which more than 400 lie in the UNESCO world heritage-protected zone, threatening the city's heritage status.<sup>243</sup>

Laundering money through construction and real estate businesses is popular because it remains relatively easy and can absorb large amounts of capital. For example, in several countries across the region, companies that apply for a construction permit are not obliged by law to show proof of their capital or its origin. They just need to pay the infrastructure tax, which depends on the value of the construction.<sup>244</sup> There are several ways to hide illicit money, some of which are:

- Prepayments by clients. This is often used in connection with reducing the real value of the property purchased. Clients usually start paying before the apartment is ready.
- High liabilities to suppliers. In the construction industry, the barter system (e.g. exchange of construction materials for apartments) and cash payments for materials and salaries continues to be very common.
- Declaration of large loans from other parties, rather than banks or financial institutions.
- Direct transactions/brokerage between the buyer and the investors or constructors of the newly-constructed building. By cutting out facilitators and middlemen, it is easier to 'rearrange' cash flows and make deals for money laundering.

These methods enable companies to pretend that the whole investment is carried out based on the payments from customers and suppliers and loans from third parties, thus allowing for the completion of the cycle of laundering of criminal proceeds. Commonly, individuals invest in the construction of residential facilities with building permits and other relevant documentation in place, since investing in residential or business facilities that do not have a construction permit raises even more suspicion of money laundering and corruption.<sup>245</sup>

A real-estate agent in Albania observed that a large percentage of people who buy luxury apartments use illicit money and pay in cash.<sup>246</sup> However, even when payments are not made in cash (but via the financial system), experts argue that the verification of the source remains rather sporadic. Although transactions of more than €10 000 are required to be made via bank transfer, construction companies make it possible to divide payments into small instalments of less than €10 000 each and to declare a fictitious price lower than the real one, thus making it possible for individuals to hide the real origin of their money.<sup>247</sup>

Gambling is a well-known way of laundering money. Although gambling has been banned in Kosovo, casinos are still allowed in luxury hotels in Albania, and gambling is booming in some countries of the region, including North Macedonia and Serbia. © Mbbirdy/Getty Images



## Luxury assets

Luxury assets, such as works of art, jewellery, cars and yachts, may also be used for money laundering. Several law enforcement agencies across the region have previously reported that persons with criminal records (and no justified income) are investing in luxury goods.<sup>248</sup> An investigation into the Frankfurt mafia revealed that many members had converted their criminal proceeds into luxury cars. A total of 14 luxury cars, two motorbikes, as well as €50 000 and 157 000 Macedonian denars were confiscated. In addition, money transfers in the amount of €265 000 were determined.<sup>249</sup>

Luxury assets are also commonly used to bring illicit proceeds across borders. Reports from North Macedonia have shown that foreign nationals used forged IDs and payment cards to buy expensive items, technical equipment like cell phones and computers and jewellery, which can then be worn or carried as personal items across the state border and converted into cash.<sup>250</sup>

## Import-export and fictitious invoices

There are multiple ways to abuse trade transactions and how they are financed, but the core idea remains the same: the deliberate falsification of the value, volume and/or type of commodity in an international commercial transaction of goods or services in order to manipulate the value for customs purposes. The differential between the actual value and the stated value becomes a way of both avoiding tax and moving large amounts of money across international borders. The growth in trade across the region and through the global economy has amplified the extent and value of trade-based money laundering. Special attention should be given to import-export companies.

Under-invoicing of products most often occurs at the request of an importer, in order to pay lower import duties. This is also in the exporter's interest, as it reduces the taxable value of the invoice. A well-known example is the import of used cars to Serbia. Especially in 2018 and 2019, numerous irregularities were observed in the trade of and payments for used cars. Funds of unknown origin were used to provide a 'liquidity loan' to the company trading in used cars. This company then transferred the money using fictitious invoices to another legal entity, which transferred it to car companies abroad in order to purchase the actual cars.<sup>251</sup>

In these complex schemes, it is common to use shell companies or limited liability companies. These companies then transfer money to each other on the basis of fictitious legal transactions, without any apparent economic justification other than money laundering.<sup>252</sup> This model appears to also have been used by Darko Saric – known as the 'cocaine king' until his arrest in 2014 – who is reported to have invested money from drug trafficking in the lease and ownership of certain companies (including in the US and Montenegro). This allowed him to transfer an undetermined amount of money, in a way that did not raise the suspicions of the authorities, which he then laundered into agriculture and real estate, mostly in Vojvodina, Serbia. Similarly, financial operations through non-resident accounts held by foreign legal and natural persons are a growing trend in the North Macedonian and Serbian banking sectors.<sup>253</sup> These practices raise issues and suspicion with respect to their purpose and the economic and legal justifiability of financial operations of some non-residents when engaging in re-export operations.

## Moving forward

Money-laundering schemes are changing rapidly and criminals are often quick to adapt to new technologies and techniques. Moving forward, it will be important to keep an eye out for emerging developments. According to a Europol representative, criminal actors around the world are already making large-scale investments of their proceeds in cryptocurrency assets.<sup>254</sup> Pushed online by COVID-19, this could also be a trend in Serbia where throughout 2020 the trading, purchasing and mining of crypto-currencies increased.<sup>255</sup> Although cash is important, it may not remain the main medium of exchange.

In the past few years, the governments of the Western Balkans have made various efforts to address money laundering, including through the adoption of a revised anti-money laundering framework. However, there are still several gaps, especially with regards to the implementation of these frameworks. Institutions across the region continue to have a poor track record of investigations, prosecutions, and convictions of stand-alone money laundering cases.

Moving forward, it will be important to increase awareness of the different types, magnitudes and risks related to money laundering in the Western Balkans. Although research into the topic is increasing, more information is needed in order to successfully respond and prevent its proliferation. This is not only key for well-known areas of vulnerability but also new technologies. For example, the Albanian government is already in the process of creating infrastructure and legislation for blockchain technology, but experts fear that the institutions' low levels of capacity and control could lead to its misuse for money-laundering.<sup>256</sup> This is why in June 2020, the president of Albania returned the law to the parliament for further review, arguing that money laundering was a key concern related to virtual currencies, which currently lacks effective prevention, tracking and punishment measures. This could not only jeopardize the investments of individual citizens, but the financial system and Albania's European integration.<sup>257</sup>

Use of online- and electronic-banking applications increased during COVID-19, engaging more people in the financial systems. While this may initially appear to be a positive step, making an important contribution to reducing the region's large informal economies, it has also created opportunities for criminal actors that should not be underestimated (e.g. additional exposure to online scams and data leaks). In addition, online banking is often not sufficiently regulated across the region, leaving loopholes for criminal actors to transfer cash to electronic-banking zones through anonymous channels.<sup>258</sup> To address some of these issues, more international and regional harmonization will be required, as well as cooperative and coordinated action, particularly within the EU enlargement process. However, so far, there has been little response by the governments across the region to confront this heightened risk. As a journalist in Serbia remarked: 'It seems like the state of emergency and the crisis response to COVID-19 was put in place in a way that does not endanger those close to the authorities who launder money.'<sup>259</sup>

*Money-laundering schemes are changing rapidly and criminals are often quick to adapt to new technologies and techniques.*



# CONCLUSION

A worker incinerates drugs at an aluminium plant in the Montenegrin capital, Podgorica. © Avo Prelevic/AFP via Getty Images



**T**his report has provided an indication of where migrants, drugs and money are flowing through the Western Balkans. It has shed light on markets that operate in the shadows and tried to provide numbers that are often in the dark.

One overall conclusion is that flows of people, drugs and money through the Western Balkans do not follow straight lines, like vectors on a map. They move often over short distances, and take different paths depending on obstacles and opportunities. They are attracted to certain entry points that are low risk and require collaborators – both in the underworld and the upperworld – to move further.

The findings in the report might suggest that in some of the hotspots the size of the illicit economy is relatively small. This reinforces a point made in the GI-TOC report ‘Transnational tentacles: Global hotspots of Balkan organized crime’, that the big money from drug trafficking is made by criminal groups from the Western Balkans operating outside the region. Similarly, concerning money laundering, the major assets of crime seem to be laundered outside the region, for example in Spain, the United Kingdom and Dubai. The same pattern seems to repeat itself in relation to the smuggling of migrants, although the main operators are not from the Western Balkans. It was striking when talking to desperate migrants and those familiar with their journeys how most of them, once they reach northern Serbia or north-western Bosnia and Herzegovina, have run out of money but not of hope. Indeed, by the time they have reached these borders they have come so far and travelled so long that they are determined to make it over the finish line (with or without the help of smugglers), even if it means being pushed back again and again.

But while the amounts of money may, in some cases, be relatively small they can have a significant impact on local economies, as demonstrated in the section on money laundering. After all, as noted in the first hotspots report, criminal activity is often concentrated in localities of socio-economic vulnerability. Money laundering can drive up real-estate prices to make housing unaffordable; it strengthens patronage networks and reduces fairness in the marketplace; it has an impact on access to various types of services, and – if left unpunished – it creates incentives for others to follow suit. Furthermore, the dirty money being made and laundered in the region is perpetuating an ecosystem of crime and corruption that weakens the rule of law and hampers the ability of institutions to deal with the problem.

*The number of seizures compared to the amount of drugs transiting the region tells a story about the need for improvements in law enforcement cooperation in south-eastern Europe.*

While this report adds to our knowledge of two illicit markets in the region and gives a better sense of where and how money is laundered, it also reveals that more information is needed, particularly from official sources. When preparing this report, it was striking how little authorities knew – or were willing to share – about data on drug prices, purity, seizures and consumption habits. Part of the reason may be that data is usually collected on a national rather than a local level. So, while this report helps us to know more, it also reminds us how little is known. Therefore, as observed in a report by the UNODC on measuring organized crime in the Balkans, ‘increasing the ability to produce and share data specific to organized crime within the region is a crucial step to enhance the response’.<sup>260</sup> Greater support is needed to assist Western Balkan countries in the gathering and analyzing of crime statistics, and to share this information at the regional level.

The number of seizures compared to the amount of drugs transiting the region also tells a story about the need for improvements in law enforcement cooperation in south-eastern Europe. Perhaps some of the information on hotspots in this report can contribute to improved intelligence-led policing in disrupting the migrant smuggling schemes and drug traffic networks, and catalyze more effective financial intelligence in tracking the laundering of the assets of crime. There is also clearly a need for greater understanding and capacity in the region to deal with illicit financial flows and money laundering, from old-fashioned systems, like hawala, to modern cryptocurrencies since there are few successful prosecutions. Going after the assets of crime and cracking down on beneficial ownership would make it a riskier business. After all, money laundering is not just the result of organized crime, it is a crime in itself.

In conclusion, to reduce the illicit flows rather than just following them, there is a need for more information and greater coordination among law enforcement within and between countries of the WB6, and with countries upstream and downstream from flows that have not stopped, despite the ‘closure’ of the Balkan route during the COVID-19 pandemic.

**A lab worker in Skopje inspects a package of cocaine seized at the North Macedonia border.**

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## NOTES

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# GLOBAL INITIATIVE

AGAINST TRANSNATIONAL  
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The Global Initiative Against Transnational Organized Crime is a global network with over 500 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

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