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ORGANIZED CRIME

WASHING AWAY CRIME

MONEY LAUNDERING
IN THE WESTERN BALKANS

Anesa Agović

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ACRONYMS AND ABBREVIATIONS

AML	Anti-money laundering
BiH	Bosnia and Herzegovina
BD	Brčko district (BiH)
CC	Criminal code
FATF	Financial Action Task Force
FBiH	Federation of Bosnia and Herzegovina
FID	Financial Intelligence Department, Bosnia and Herzegovina
FIU	Financial intelligence unit
GI-TOC	Global Initiative Against Transnational Organized Crime
IFFs	Illicit financial flows
LPMLFTA	Law on the Prevention of Money Laundering and Financing of Terrorist Activities, Bosnia and Herzegovina
ML/TF	Money laundering and terrorist funding
MONEYVAL	EU Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NGO MANS	Mreža za afirmaciju nevladinog sektora/Network for the Affirmation of the NGO Sector, Montenegro
RS	Republic of Srpska, BiH
SIPA	State Investigation and Protection Agency, Bosnia and Herzegovina
SOCTA	Serious and organized crime threat assessment
SPAK	Special Structure Against Corruption and Organized Crime, Albania
UAE	United Arab Emirates
UNODC	United Nations Office on Drugs and Crime
VASP	Virtual asset service provider



EXECUTIVE SUMMARY

Money laundering is a central element of organized crime, allowing criminal networks to conceal illegal profits and incorporate them into the legitimate economy. This report examines the current trends, vulnerabilities and typologies of money laundering in the Western Balkans, where systemic corruption and weak regulatory oversight pose significant challenges for enforcement. Key sectors such as construction, real estate and cash-intensive businesses are often exploited, with laundering activities employing methods like bulk cash smuggling, corporate layering and trade-based schemes.

Criminal markets produce illicit proceeds from activities such as the trafficking of drugs, firearms and human beings, migrant smuggling, as well as tax evasion, with professional enablers like attorneys, notaries and accountants frequently assisting laundering schemes. There is a widespread belief that political influence over financial intelligence units (FIUs), low investigation rates and low indictment rates suggest organized crime's influence on law enforcement agencies and other authorities involved in countering money laundering. The integrity of police officers and government officials involved in detecting and prosecuting money laundering cases is frequently questioned.

Geopolitical developments, such as the war in Ukraine, have introduced new dynamics, including an influx of foreign capital, complicating anti-money laundering (AML) efforts. Additionally, technology poses new challenges, as criminals increasingly utilize encrypted communications, digital currencies and other emerging tools to evade detection. Recent investigations highlight the infiltration of law enforcement by criminal actors and the exploitation of private businesses for laundering proceeds from organized crime. Enhanced understanding of these processes empowers governments, policymakers, law enforcement agencies, prosecutors and the judiciary to effectively disrupt and dismantle criminal networks.

The report also highlights the often-overlooked role of gender in money laundering, emphasizing the growing participation of women in both direct and supportive roles within criminal networks. This dynamic underscores the need for more comprehensive research and gender-inclusive policies in combating illicit finance.

Recommendations include intensifying prosecutions of money laundering as a standalone crime, strengthening asset-recovery mechanisms and improving transparency in financial systems. The report calls for enhanced international and regional cooperation to address transnational laundering schemes, as well as reforms to increase the independence and effectiveness of regulatory and enforcement institutions.

This publication is the first of a two-part study of illicit finance and AML in the Western Balkans, and is supported financially by the UK government's Integrated Security Fund.¹ It builds on previous analyses of illicit flows by the Global Initiative Against Transnational Organized Crime (GI-TOC),² focusing on money laundering in the Western Balkans and its methods and sectors.

Money laundering typologies

Criminal networks use money laundering to legitimize illegal gains, and understanding these processes is crucial for authorities to dismantle these networks. Key findings highlight three elements: the sectors criminals exploit for money laundering, the typologies enabled within these sectors and specific money laundering hotspots in the region. The Western Balkans features diverse money laundering typologies, ranging from bulk cash smuggling in Albania, Bosnia and Herzegovina and Kosovo to the use of legitimate remittance channels and informal money transfer systems like hawala for laundering drug trade profits.

Corporate layering and trade-based money laundering are prevalent across Albania, Bosnia and Herzegovina, North Macedonia and Serbia. Criminals create complex legal networks and manipulate trade transactions to disguise illegal proceeds. Real estate investment also serves as a significant money laundering avenue, with illicit funds funnelled into properties by public officials and criminal actors. In Bosnia and Herzegovina, cash-intensive businesses, including beauty salons and fitness centres, are often used to mix illicit funds with legitimate earnings.

In construction and real estate, typologies include applying for building permits without proof of capital, leading to inflated sales of completed properties. Payments for construction might be made in cash to bypass payroll detection. In North Macedonia and Serbia, illegal real estate investments exploit cash-intensive projects, sometimes legalizing illicitly constructed buildings through corruption. Loans are fictitiously arranged to aid in these transactions, obscuring the true origin of funds.

Property values are manipulated to launder money through loan mechanisms, sometimes using falsified documentation to facilitate bigger loans than the market value would justify. Underpriced real estate purchases and flipping are also prevalent, often with buyers from high-risk regions purchasing luxury properties through untraceable payments. Overall, it is evident that these activities exploit regulatory gaps, financial mechanisms and the cash-intensive nature of the construction and real estate sectors in the region, making it challenging for authorities to trace and intercept illicit funds.

Additionally, the use of digital currencies and social media influencers, as found in Kosovo, highlights the adaptation of modern technologies to traditional money laundering practices, exploiting the anonymity and global reach of these platforms. A citizenship-by-investment scheme was also reported in the region, specifically in Montenegro, while authorities are indecisive in abolishing its manifestation.

Overall, the modes of money laundering identified in the Western Balkans illustrate a blend of old and new methods, exploiting local economic conditions and global financial systems to obscure the origins of illicit funds and integrate them into the legitimate economy.

Glossary of money laundering typologies

Cash deposits: structuring and smurfing – Large amounts of cash are deposited into the financial system in smaller deposits (structuring), sometimes by numerous individuals (smurfing), to evade AML regulations and to conceal the total value of the transactions and the parties involved.³ This methodology can also involve taking out loans or mortgages which are repaid through structured cash deposits, often just below the reporting threshold to avoid detection by financial institutions and authorities.⁴

Corporate layering – Corporate layering money launderers use a sophisticated method to obscure illicit funds' true ownership and origin through a complex network of legal entities, including shell companies and offshore entities in Albania, Bosnia and Herzegovina, and North Macedonia.⁵ Offshore entities, shell companies and intermediaries serve as key components of money laundering schemes, allowing criminals to exploit gaps in regulatory oversight and financial transparency.

False or fictitious contracts – Payments are made for specified services – such as consulting, management or marketing – whose value or market price cannot be determined, and which may not have been provided. This practice often involves fictitious contracts and the absence of legitimate business activities to support them.⁶

False or fictitious invoicing – Advance payments are made on a simulated invoice and later written off.⁷ Alternatively, fictitious invoices are issued for services purportedly rendered, such as market research, software maintenance and upgrades or training.⁸ Both methods were recorded in Serbia and Bosnia and Herzegovina.

Loan-back schemes – Foreign individuals and legal entities enter the ownership structure of domestic legal entities and use the bank accounts of the domestic entity to transfer funds of illegal origin, purportedly for performed services or for granting short-term loans. The money may be transferred through several domestic legal entities as loans or withdrawn in cash for material expenses and then moved across the border.⁹

Money transfer channels – Legitimate money transfer channels, such as those used for remittances, are also exploited to launder money.¹⁰ While not typically used for large-scale illicit transfers, the extensive volume of their transactions creates a capillary network through which money originating from criminal activities can infiltrate key sectors of the economy. In Albania, for example, such funds primarily enter the country through money transfer operators.¹¹

Real estate: overpricing and loan repayments – This typology exploits real estate transactions and loan mechanisms to launder money by inflating property values and using loans to introduce illicit funds into the financial system. Real estate is purchased at a price well above market value in order to obtain the largest possible loan. The larger the loan, the greater the amount of money that can be laundered through loan repayments. Falsified documentation may be submitted to the financial institution to support the inflated value, facilitating the loan acquisition. The loan is then prematurely repaid with illicit money, completing the laundering process.¹²

Real estate: property flipping – The property is sold immediately after purchase at a significantly inflated price. Typically, the property is fictitiously sold to a relative or the proceeds used to cover rental expenses or maintenance expenses, creating the appearance of a cost-neutral or self-sustaining operation.¹³

Real estate: underpricing and cash payments – The contractual price of the real estate is lower than market value and is partly paid in cash. This cash payment is often not recorded in the official contract, allowing for the concealment of the transaction's true financial details.¹⁴ The buyer's profile may match that of an expected purchaser of such property, reducing suspicion. The cash, originating from illicit sources, is used for the undisclosed portion of the payment. If the buyer subsequently flips the property at a much higher (true) price, this also allows for money laundering.¹⁵ ■

Methodology

Following the Global Initiative's previous report on illicit financial flows,¹⁶ this study dives deeper into understanding money laundering and its diverse methods of exploitation.

The research methodology was designed to bring innovative and comprehensive insight into the current situation and to ensure the validity of the data obtained. Data was primarily collected through content analysis of available documents, case law and relevant literature, and thus is based largely on secondary sources. Primary data was gathered through 99 extensive expert interviews.¹⁷ These were carried out in late 2023 and early 2024 in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The interviews were conducted with a range of experts from relevant organizations and industries (see Figure 1).

This in-depth approach to data collection provided us with an adequate basis for the analysis, identification and comparison of money laundering trends in the region. This in turn enabled us to identify emerging trends and map vulnerabilities within sectors commonly exploited for money laundering purposes.

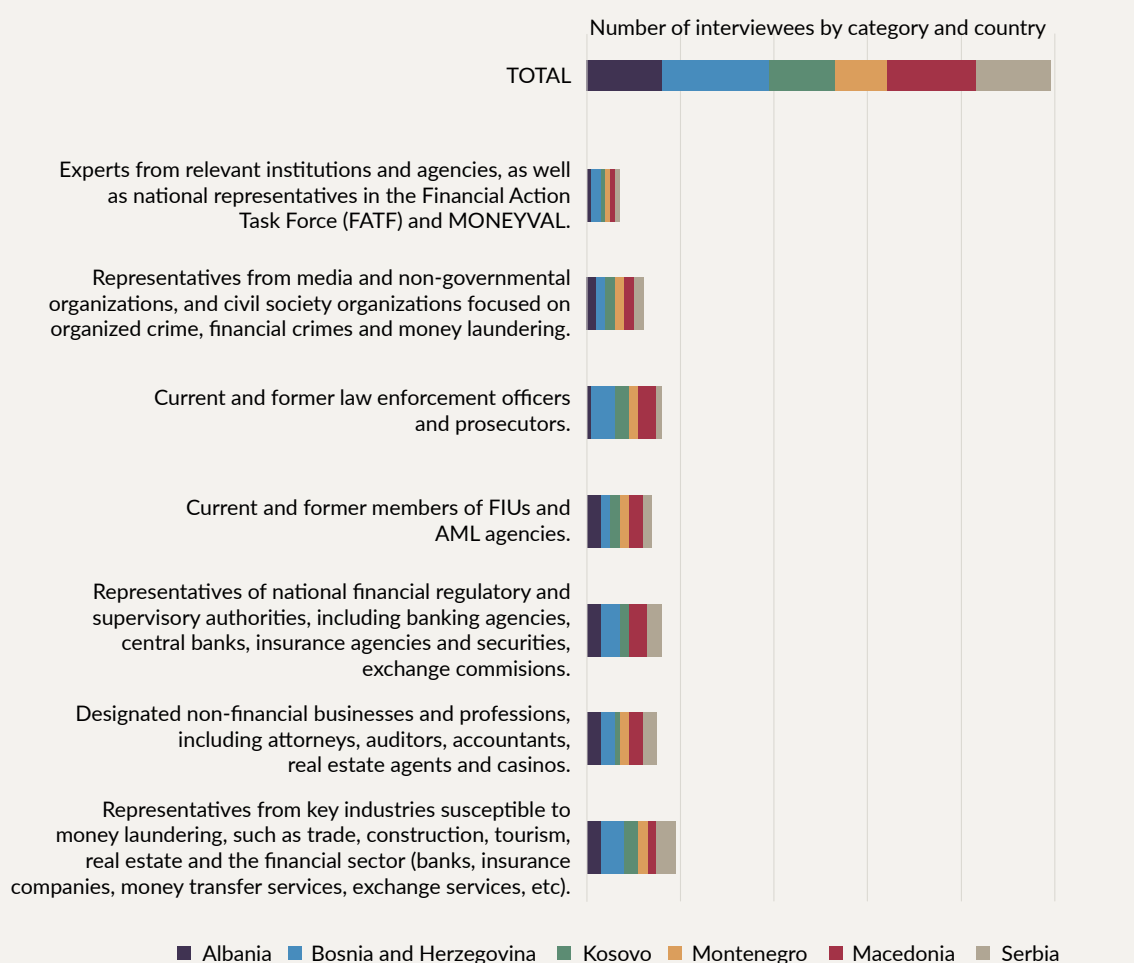


FIGURE 1 Breakdown of interviewees by sector and country.

Key findings

- **Criminal networks frequently utilize money laundering to legitimize and hide the profits of illegal activities.** Criminal markets in the Western Balkans generate illicit proceeds through drug trafficking, firearms smuggling, human trafficking and migrant smuggling. Loan-sharking, a crime that often goes under the radar, facilitates millions of euros. Tax evasion or tax fraud is another major threat, with corporations employing sophisticated methods to evade taxes.
- **Construction and real estate sectors and cash-intensive businesses are the primary facilitators of money laundering in the Western Balkans.** Common typologies include bulk cash smuggling, corporate layering and trade-based money laundering. Money laundering is concentrated in capitals, major cities and tourist areas in the Western Balkans, driven by the legal economic activities, organized crime and high-value real estate transactions in these locations.
- **Corruption is widespread across various levels of public administration in the Western Balkans, posing a high risk for money laundering.** National risk assessments in the region emphasize the vulnerability of financial crime prosecutors and the judiciary to money laundering threats. Recent operations in the Western Balkans have revealed challenges to public administration that include the criminal infiltration of law enforcement and the exploitation of private businesses and civil society organizations for laundering drug trafficking proceeds.
- **The prosecution of money laundering as a standalone crime should be intensified, especially in organized crime cases, and asset seizure must be pursued.** In the Western Balkans, legal frameworks for money laundering offences include penalties such as conditional sentences, fines, house arrest and imprisonment. However, the penalties are often lenient, and the enforcement of financial investigations is inconsistent across the region.
- **Technology has brought additional challenges for law enforcement efforts to disrupt organized crime and prosecute criminals who are adept at adapting to new trends.** The decryption of Sky ECC messages in 2021, which unveiled the breadth of criminal activities and their connections with state actors, highlights the need for coordinated national and international responses.
- **Money laundering typologies blend old methods with new innovations, leveraging local economic vulnerabilities and global financial systems to obscure the origins of criminal proceeds.** Recent typologies, including underpriced real estate purchases, fictitious loans and property flipping, exploit weak regulatory oversight. Modern technologies, such as digital currencies and the use of social media influencers, are increasingly adapted to laundering practices.



INTRODUCTION

As a key channel of illicit financial flows (IFFs), money laundering poses challenges to law enforcement agencies and financial institutions, thus presenting a pervasive threat to national and global financial systems and security. The UN Office on Drugs and Crime (UNODC) defines money laundering as ‘the processing of criminal proceeds to disguise their illegal origin’.¹⁸ Essentially, it involves the conversion of ‘dirty’ money or other forms of property acquired through profit-generating criminal activity into ‘clean’, legally acquired assets. Money laundering underpins most forms of organized crime, allowing criminal groups to distance themselves from the original transgression, to conceal their assets and render them usable and to expand their operations.¹⁹

The laundering process is commonly described in three stages: placement (moving the funds away from direct association with the crime), layering (using complex transactions to disguise the trail) and integration (creating the appearance of legitimate sources to render the assets available to the criminal).²⁰

However, in practice, these stages are not always distinct – they can be repeated, bypassed or occur simultaneously, depending on the laundering methods used. For example, informal value-transfer systems such as hawala and other underground banking systems allow illicit funds to move across borders without going through the conventional three-stage process. Criminal organizations also increasingly leverage digital assets, trade-based laundering and professional enablers to obscure financial trails.

While the three-stage model provides a useful conceptual framework, it is important to recognize that modern money laundering is highly adaptive, often utilizing methods that do not fit neatly into this structure.²¹

Researchers have attempted to quantify the scale of money laundering using such methods as field and case studies, surveys and interviews, tracking reported suspicious or unusual transactions and analysis of statistical discrepancies and latent variable models.²² The limitations of these methods and the accuracy of their results have been heavily debated.²³ However, the UNODC estimates that between 2 and 5 per cent of global GDP is laundered annually. That’s between €715 million and €1.87 trillion (US\$800 million–US\$2 trillion) each year.²⁴ In the Western Balkans, IFFs are estimated to be even

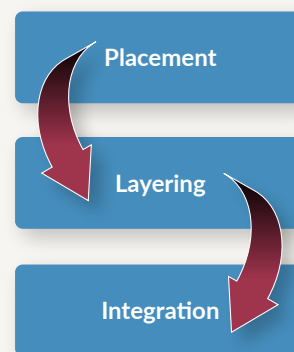


FIGURE 2 Stages of money laundering.

higher – about 6 per cent of the region's GDP.²⁵ The UK's National Crime Agency has estimated that money laundering could reach hundreds of billions of pounds annually in the UK alone.²⁶

The countries of the Western Balkans are especially vulnerable to IFFs due to their geographic location, widespread corruption, informal economies, weak political oversight and the limited presence of independent media and civil society organizations. The countries' responses to money laundering are detailed in the Annex, which reviews the AML frameworks, focusing on legislative efforts and alignment with international standards like FATF and EU directives. The analysis covers asset confiscation, financial investigations, prosecution and indictment processes, noting progress from updated laws and institutions along with challenges such as legal inconsistencies and enforcement issues.

Previous GI-TOC reports on IFFs in Albania, Kosovo and North Macedonia, and in Bosnia and Herzegovina, Montenegro and Serbia, showed how they deplete resources and stimulate money laundering and corruption.²⁷ However, experts acknowledge formidable challenges not only to curb them but even to define and measure them.²⁸

In the Western Balkans, proceeds from the drug trade, cocaine and cannabis predominantly, are a main source for IFFs, along with corrupt practices in public procurement and the evasion of both direct and indirect taxes. Human trafficking, arms trade and art-related offences further contribute to the illicit landscape. High profits are laundered through cash-intensive transactions, the involvement of transnational organized crime groups, pervasive corruption, intricate laundering techniques and strategies like direct and indirect tax evasion.

Vulnerabilities of the Western Balkans

Even though the economies of the Western Balkan countries differ, they all have slow economic growth with high unemployment levels and low investment rates,²⁹ and are strongly affected by unstable political settings. Economic growth has decelerated due to the war in Ukraine, sticky inflation and tighter financial conditions as global demand has weakened.³⁰ Reforms are needed to increase market competition, attract higher-quality investments and address barriers that limit labour force participation (especially among women).³¹

Negotiations with the EU have the potential to bolster economic prospects in the region, but progress in the countries' accession to the eurozone is lagging and ambivalent.³² Every improvement in this context is simultaneously countered by adverse developments which relativize and even minimize it. For example, while peaceful elections were held in 2022 and 2023, they were frequently tainted by misuse of state resources, reported coercion of voters and public-sector workers, allegations of vote-buying and legal uncertainty.³³

The poor functioning of judicial systems in the region continues to undermine citizens' enjoyment of rights and the fight against corruption and organized crime. Efficiency and professionalism are not at acceptable levels,³⁴ nor is access to justice and judicial integrity, independence and impartiality.³⁵ In the observed period, judicial systems were vexed with serious issues, including charges against the highest judicial officials in most Western Balkan countries.³⁶

Despite some modest progress in the fight against corruption, it is still a serious concern and remains prevalent in many areas of public and business life.³⁷ Strengthening the work of civil society organizations and media is crucial here. Civil society organizations lack sufficient capacity to grapple with this issue and have even been misused to extract public money.³⁸ The infamous 'Tito and Dino' cartel

planned to exploit civil society organizations in Bosnia and Herzegovina to launder its illicit profits.³⁹ In Serbia, a network of phantom civil society associations allegedly falsified reports and took millions of euros from the state budget for tenders that were meant to assist young people, families and abused women. A close associate of the current mayor of Belgrade was also reportedly involved in the network.⁴⁰

Professional money launderers

Recent trends in money laundering in the region suggest a rise in the engagement of enablers and facilitators such as professional money launderers and money mules.⁴¹ Although not directly involved in the generation of illicit proceeds, they provide their services to criminal groups and networks to launder them.⁴² Operating as individuals or through business entities, professional money launderers work with qualified notaries, attorneys and accountants,⁴³ as well as collaborators within financial institutions and law enforcement agencies.⁴⁴ Well-versed in the domestic AML framework, they create a complex and hard-to-detect web of operations to legitimize illicit funds.

In Kosovo, an interviewee highlighted the involvement of lawyers, entertainment celebrities and accountants who act as professional money laundering facilitators.⁴⁵ In Bosnia and Herzegovina, notaries and accountants reportedly advise criminals on ways to integrate their illicit proceeds. In one case, a millionaire economist apparently serves as an adviser to criminal groups in both Bosnia and Herzegovina and Serbia, charging a fee of 10 to 15 per cent of the money to be laundered.⁴⁶

Research for this report confirmed that a deeper examination is needed to understand the role of professional money launderers and how they operate in the region.⁴⁷ Law enforcement agencies have had limited success in uncovering the activities of such persons. The FATF has also found that, where AML strategies focus their investigations on 'self-launderers' (criminals who launder their own proceeds), the activities of third-party professional money launderers can thrive unnoticed.⁴⁸ ■



Montenegrin customs officers seize illicit tobacco in the Port of Bar. The proceeds of cigarette smuggling are believed to be laundered through the construction sector in Montenegro. Photo: Government of Montenegro, via Balkan Insight



GENERATORS OF DIRTY MONEY

In the crime of money laundering, the activities that first generate the illegal or illicit funds are typically called ‘predicate’ offences. These criminal markets are shaped by economic, geopolitical, historical, international, legal, political, social and technological factors that must be understood in order to develop effective strategies to combat organized crime and other illicit activities in any region.

The following is an analysis of the sources of illicit funds that are being laundered in the Western Balkan region, with direct examples from the fieldwork conducted for this report and other sources.

Criminal markets

Criminal markets fuel large IFFs in the Western Balkans, as the region is a major trafficking route linking Asia and Europe. Illicit proceeds are generated by the trafficking of heroin, cannabis, cocaine and synthetic drugs as well as the illegal domestic production of cannabis and synthetic drugs.⁴⁹ The region is also a major route for human trafficking and smuggling migrants, which generate millions of euros, although mostly outside of the region, in Turkey, Greece and countries of origin.⁵⁰

Albania's strategic geographical position between the East and the West has facilitated its role as a transit point for trafficking and various criminal activities.⁵¹ According to Europol, Albanian criminal networks are actively involved in drug and firearms trafficking, robberies and migrant smuggling across numerous EU member states, including Germany, Italy, Spain, Belgium, Portugal and the Netherlands, as well as the UK, Norway, Switzerland and several Latin American countries.⁵² These networks, functioning as familial structures, also operate within Albania itself, where they aim to repatriate and launder illicit proceeds.⁵³

The challenges of organized crime in Bosnia and Herzegovina are exacerbated by the infiltration of criminal organizations into its political, legal and economic systems. According to a 2023 EU report, these organizations exploit legal and administrative weaknesses within law enforcement agencies that are susceptible to political interference. Financial investigations and asset seizures have also proven largely ineffective against organized crime groups.⁵⁴ The Tito and Dino cartel is under investigation for money laundering operations between Bosnia and Herzegovina, Dubai and the British Virgin Islands. The International Consortium of Investigative Journalists reported that drug kingpin Edin ‘Tito’ Gaćanin, the cartel's leader, set up shell companies in the latter territories around 2014.⁵⁵ Gaćanin was convicted in absentia of drug trafficking in the Netherlands, but was not extradited from the United Arab Emirates (UAE), where he reportedly resides.

In Kosovo, organized crime is involved with drug trafficking, usury, human trafficking, cybercrime, corruption, tax evasion and money laundering.⁵⁶ Kosovo's political instability and weak governance have allowed criminal groups to establish the country as a strategic hub for illicit activities.⁵⁷ The evolving nature of criminal networks, mainly involved in drug trafficking, is highlighted by a noticeable shift towards South America.⁵⁸

The complexity of organized crime in the Western Balkans is apparent in Montenegro, where official information indicates that 11 organized criminal groups are currently operating.⁵⁹ Various criminal organizations from the region, particularly Serbia, but also Kosovo and Bosnia and Herzegovina, have been active in Montenegro for years, maintaining close ties with local decision-makers and law enforcement personnel.⁶⁰ Russian organized crime groups, which include prominent political, intelligence and criminal figures, are also present, as are foreign criminal organizations from Italy, Albania, China, Turkey, Azerbaijan and numerous other countries.⁶¹ In 2023, the EU's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) reported that the main money laundering threats were drug trafficking, loan-sharking, tax evasion and corruption.⁶²

North Macedonia also faces serious organized crime challenges, with 26 identified groups engaged in illicit drug trafficking, smuggling of migrants, cigarettes and other goods, and counterfeiting money. The crime rate reflects these groups' flexibility and adaptability to the demands of criminal markets. The country's geographical location facilitates two major criminal markets: illicit drug trafficking and migrant smuggling. Thirteen organized criminal groups are involved in drug trafficking. The country serves as a transit route for large quantities of marijuana from Albania en route to Turkey. It is not a route for heroin and plays only a limited role in the cocaine trade, primarily as a transit country and, to a lesser extent, a destination. Despite this, cocaine seizures have increased in recent years. Money laundering and corruption are major enablers for organized criminal groups which operate within loosely connected networks.⁶³

In Serbia, criminal groups engage in a range of illicit activities, including drug trafficking, human smuggling and arms trading, exploiting its strategic location as a transit country, establishing connections with international markets and fuelling the proliferation of illegal goods across borders.⁶⁴

The following subsections describe the main criminal markets in the region: drug trafficking, firearms smuggling, human trafficking and migrant smuggling, loan-sharking, illegal gambling and cyber-enabled crime.

Drug trafficking

In the early 2020s, various law enforcement operations successfully accessed and decrypted extensive caches of messages from secure communication apps like EncroChat, Sky ECC and Anom, which were predominantly used by criminal actors. This led to the exposure of organized crime networks and current trends in drug trafficking, particularly large-scale cocaine trafficking, financing and distribution from Latin America to West and South Africa towards various destinations in Europe and beyond. Europol led major operations in collaboration with the United States' FBI and Drug Enforcement Administration and national police agencies across Europe. These dealt a blow to such criminal activities globally.⁶⁵

In Albania, the subsequent indictments and trials sent shockwaves through the criminal and political spheres. In May 2024, the Special Structure Against Corruption and Organized Crime (SPAK), with support from Europol, Eurojust and EU law enforcement agencies, targeted seven criminal groups.

The investigation was enabled by Sky ECC communications which were obtained by French police and shared with Albanian authorities. The operation resulted in charges of murder, attempted murder, drug cultivation, drug trafficking, money laundering, organized crime and police corruption, along with the seizure of assets worth over €4.5 million and the arrest of 50 individuals.⁶⁶ The SPAK has issued numerous arrest orders: some individuals have been extradited to Albania, while others face trial in Belgium and other jurisdictions.

The involvement of police officials and prosecutors was also exposed, leading the Minister of Interior to order Albanian police to complete self-declaration forms, including questions about their use of Sky ECC and EncroChat.⁶⁷ As new details emerge, Belgian media have reported allegations of high-level Albanian government connections with criminal organizations, including alleged bribery involving a €400 000 watch and officials allegedly flying to Aruba on a private jet for a meeting about building permits for a Tirana skyscraper.⁶⁸

Some citizens of Bosnia and Herzegovina, primarily residing outside the country, orchestrate smuggling operations within the country and internationally, even from prison. One example is a Bosnian who was coordinating criminal activities across the Western Balkan region and EU while serving a four-year sentence in an Italian prison.⁶⁹ Another is the previously mentioned Edin Gačanin, who lives freely in Dubai.⁷⁰ Their crime groups are structured hierarchically and include members from Bosnia and Herzegovina and various EU countries who oversee drug trafficking within the country. Members of the migrant population are also recruited to aid in distribution. The various products – cocaine, heroin, marijuana, skunk and speed – reflect varying levels of organization among criminal individuals and groups at local, regional and global scales. Cocaine smuggling remains rampant, with the drugs sourced from Colombia, Peru, Ecuador and Brazil and primarily targeting European destinations. Indoor and outdoor cannabis cultivation across the country is another challenge. August 2024 saw a record seizure of outdoor-cultivated cannabis worth more than €1.5 million.⁷¹

Kosovo, which borders four other Western Balkan countries – Serbia, Montenegro, Albania and North Macedonia – has a large and possibly expanding drug trafficking market.⁷² New routes for trafficking cocaine and synthetic drugs are appearing, along with the established routes for cannabis and heroin.⁷³ Here as well, a growing connection with South America calls for a dynamic approach to monitor and combat these activities.



Proceeds from the cannabis trade are a main source of illicit financial flows in the Western Balkans. © Albanian Interior Ministry/Anadolu Agency/Getty Images

Two widely reported cases indicate a broader trend in criminal activities in Kosovo. The first involves the interception of a 400-kilogram cocaine shipment, which the media linked to the Albanian company MC Food, in 2021.⁷⁴ This case is still ongoing, with seven individuals having been arrested, and most defendants pleading not guilty to trafficking charges.⁷⁵ The second is the 2022 arrest in Durrës of the son of the owner of *Apetit*, a large meat distribution company, who was in possession of 45 kilograms of cocaine hidden in a container along with a shipment of meat.⁷⁶ He was also listed as a senior executive responsible for sales management and import shipments at *Apetit* at the time. The case is still ongoing and he has denied the allegations.⁷⁷ Alongside other incidents in ports in Barcelona and Valencia,⁷⁸ this suggests a possible shift in criminal dynamics, with South America emerging as a starting point for drug trafficking activities that consequently affect Kosovo. The origins of the seized drugs and the established trafficking routes that appear to make use of food distribution networks bolster this assertion, warranting further investigation and analysis.⁷⁹

According to an investigative journalist, the first Albanian individuals to establish a network in Ecuador, specifically in Guayaquil, were Remzi Azemi and Fadil Kaçaniku, both from Kosovo.⁸⁰ Other sources, including Kosovo's FIU,⁸¹ argue that Kosovo lacks the infrastructure and conditions necessary to become a central hub like Albania or Serbia for drug smuggling from South America. They consider Azemi and Kaçaniku to be isolated examples rather than indicators of a drug trafficking pattern from South America through Kosovo.

Organized criminal groups in North Macedonia, particularly the Grčec/Ducandzik faction in Skopje, used the Sky ECC app to coordinate drug trafficking operations using direct contacts and encrypted communication.⁸² This was uncovered in 2021 during a Belgian police raid.⁸³

The Sky ECC communications also uncovered Serbian drug traffickers, as noted following the arrest of members of the Veljko Belivuk organized crime group.⁸⁴ Zoran Jakšić, a Serbian leader of the cocaine-smuggling Group America criminal group (also known as the Balkan cartel), was arrested in Peru in 2016 and imprisoned there. He used the Sky ECC app from prison to organize cocaine trafficking.⁸⁵

Firearms smuggling

The smuggling of firearms in the Western Balkans is driven by the region's history of conflict and the abundance of military-grade weapons. The region has become a crucial hub for the illegal arms trade, with weapons often flowing into Western Europe, including the UK, Sweden, France and Germany.⁸⁶ The ongoing conflict and instability in Ukraine have created opportunities for smugglers to acquire and distribute weapons more easily, posing a new risk for increased firearms trafficking in the Western Balkans.⁸⁷ The shifting geopolitical landscape and the high demand for weapons in various conflict areas further fuel the illegal arms trade.⁸⁸

In 2023, the Bosnia and Herzegovina Minister of Security called firearms smuggling the biggest security threat.⁸⁹ Bosnian citizens have also been known to work with international organized crime groups that smuggle firearms. In June 2024, the public prosecutor's office in Lyon indicted seven people, mostly citizens of Bosnia and Herzegovina and France, for smuggling weapons of war, including rifles and grenades, from the Balkans. The accused were charged with the transport of war armaments between several Balkan countries – Serbia, Montenegro and Bosnia and Herzegovina – and the department of Haute-Savoie in France.⁹⁰

Firearms smuggling networks in the Western Balkans are becoming increasingly sophisticated.⁹¹ They have learned to avoid law enforcement efforts, often adopting new routes and technologies. The demand for Western Balkan weapons remains strong: they are the 'criminals' choice' for illicit arms.⁹²

Human trafficking and migrant smuggling

Human trafficking and migrant smuggling on the key Western Balkan route are driven by organized criminal networks that exploit the vulnerabilities of people from the Middle East, Africa and Asia attempting to reach Western Europe. More than 35 000 migrants used the Balkan route in 2023.⁹³ Using remote, less-policed areas to evade authorities, smugglers guide migrants through Bosnia and Herzegovina, Serbia, Croatia and Romania, usually ending up in Germany, Austria or Italy.

The smuggling networks are highly organized, with connections spanning multiple countries.⁹⁴ Many are also involved in other illegal activities, such as drug trafficking, money laundering and document forgery. Europol has emphasized that migrant smuggling and human trafficking networks are highly adaptive, exploiting crises for profit while increasingly using social media, mobile apps and cryptocurrencies to manage their operations and secure illegal gains.⁹⁵ The involvement of local criminal groups, often in coordination with larger international networks, further complicates efforts to dismantle these operations.

Europol-led operations reveal the extent, sophistication and financial aspects of human trafficking and migrant smuggling in the region, particularly the involvement of transnational networks and their methods.⁹⁶ In 2024, a year-long investigation involving Bosnia and Herzegovina, Croatia, Slovenia and Germany led to the arrest of 19 noteworthy members of one smuggling network, including its leader – a woman from Bosnia and Herzegovina. Its intelligence suggested that around 40 networks were at work in the region.⁹⁷

Often, foreigners are smuggling migrants in collaboration with Bosnian citizens.⁹⁸ Bosnian law enforcement apprehended a Dutch citizen of Iraqi descent who was suspected of running a criminal network that smuggled more than 1 500 Iraqi nationals to the EU.⁹⁹ Moldavian and Ukrainian citizens have used Bosnian rental vehicles to smuggle migrants through Croatia and onward to the EU.¹⁰⁰ Migrants are charged around €2 000 for passage through Croatia alone.¹⁰¹

North Macedonia is a country of origin, transit and destination for women and children trafficked into sexual exploitation and forced labour. It is also a route for migrant smuggling, especially of Iranian and other Middle Eastern citizens attempting to enter Greece from Serbia or to access Western European countries. The country's 2020 National Risk Assessment estimates that these activities generated around €3 million.¹⁰²

Migrant smuggling along the Western Balkan route generates substantial profits for organized criminal groups, who increasingly use cryptocurrency to manage their illicit gains. © Barbara Zanon/Getty Images



Loan-sharking

Usury or loan-sharking – the practice of lending money at exorbitantly high interest rates – was a common crime in the Western Balkans decades ago. It now seems to be making a more sophisticated comeback, with an enhanced network of collaborators that includes professional money launderers. However, media and research reports about law enforcement responses have been sporadic and few.

In Albania, where the criminal code forbids the granting of loans without a licence from the central bank, sophisticated black-market loans linked to public notaries and corrupt politicians have also become widespread. In this scheme, the perpetrator aims to take over real estate or a business entity by granting short-term loans, typically for a week, a month, three months or a year and often in emergency situations. Interest rates range from 5 to 10 per cent per month, which is equivalent to an annual rate of 60 to 120 per cent.¹⁰³

Between 2018 and 2020, police agencies in Bosnia and Herzegovina documented at least 12 organized criminal groups involved in property crime, with operational data indicating an even greater number. Nearly all of these groups are also engaged in other criminal activities.¹⁰⁴ Another issue is that police officers often borrow money from criminals, becoming victims of loan-sharking themselves, and are subsequently blackmailed into providing the criminals with official information on investigations.¹⁰⁵

In Kosovo, loan-sharking activities have proliferated, creating a significant criminal market that facilitates money laundering. The FIU found that even well-established companies with substantial turnovers are implicated.¹⁰⁶ That loan-sharking takes place in most major towns indicates a systemic issue that will require comprehensive strategies and interventions at various levels to combat it effectively.¹⁰⁷

Loan-sharking seems to be underestimated and under-reported in Serbia, where it has a long history.¹⁰⁸ Individuals typically borrow €1 000–€10 000 and businesspeople €100 000–€500 000, and debts can escalate up to tenfold. Loan sharks are well connected with lawyers and notaries, ensuring the arrangements are formal and certified.¹⁰⁹ In March 2022, Serbia's first action to combat loan-sharking resulted in the arrest of eight individuals accused of money laundering, loan-sharking and other crimes. The suspects allegedly secured their high-interest loans with pledges on real estate. In cases of non-payment, the professionally certified loan contracts and receipts were then used to take ownership of the pledged real estate. The total value of temporarily confiscated property and assets was approximately €5 million.¹¹⁰

Illegal gambling

In January 2019, Albania implemented a ban on all gambling activities, except for casinos in luxury hotels. A considerable number of businesses continue to offer illegal services, mainly through online websites, creating illegal money flows that need to be laundered.

There has also been increased interest in starting new casinos, along with suspicions about where the capital comes from. In February 2024, the Albanian Parliament voted to bring back online sports betting, with all players required to be identified and all transactions monitored.¹¹¹

Illegal gambling is flourishing in Kosovo, which also banned all forms of gambling in 2019. Often facilitated by organized crime networks, Kosovo's illegal gambling scene includes underground casinos and betting shops and online gambling platforms. Estimates suggest that illegal gambling generates billions in unreported revenue, which is often funnelled into other criminal enterprises, including money



A sign is taken down from a betting shop in Tirana. Illegal betting continues despite Albania's ban on all gambling activities in 2019. © Gent Shkullaku/AFP via Getty Images

laundering and drug trafficking, compounding the challenges faced by law enforcement.¹¹² Exploiting these weaknesses, criminal networks continue to operate with relative impunity.

In Montenegro, illegal casinos and betting shops are predominantly owned by criminal organizations.¹¹³ They launder large amounts of cash originating from their own criminal activities as well as from other criminal groups.¹¹⁴

Cyber-enabled crime

Cyber-enabled crime in the Western Balkans has also become increasingly sophisticated, with criminal networks leveraging technology to commit large-scale fraud.¹¹⁵ One of the most prominent examples is the rise of scam call centres, which have been used to defraud victims across Europe. Europol revealed that perpetrators across multiple countries engaged in various forms of telephone fraud, impersonating relatives, bank employees, customer service agents or police officers to deceive victims. Using manipulation tactics, they exploited victims through fake lottery wins, investment scams, debt collection fraud and prepaid card schemes. As the investigation expanded, authorities identified call centres in Albania, Bosnia and Herzegovina, Kosovo and Lebanon, each specializing in different fraud types: debt collection fraud in Bosnia, online banking scams in Kosovo, investment fraud in Albania and prepaid card fraud in Lebanon.¹¹⁶

The German police, working with police from Albania, Bosnia, Kosovo and Lebanon in a sting operation called 'Pandora', recently dismantled what may have been Europe's largest scam call centre network. In a four-month period, they monitored 1.3 million calls from 12 centres and prevented €10 million in damages in 6 000 cases of attempted fraud.¹¹⁷ Europol and national police forces have also taken down call centres in Bulgaria, Serbia and Cyprus which were selling fake cryptocurrency investments.¹¹⁸ In 2023, authorities in Bulgaria and Serbia dismantled another cryptocurrency fraud gang that had scammed victims across Europe for €2 million, using online platforms and fake call centres to push

fake investments.¹¹⁹ These operations highlight the cross-border nature of cybercrime, with criminal networks operating in multiple countries to evade detection and maximize their illicit profits.

In addition to traditional polycriminal activities, Kosovo has seen a notable increase in predicate offences related to cybercrime, with recent estimates from the FIU tracing approximately €400 000 to these activities.¹²⁰

Corruption

Corruption is a key vulnerability of the Western Balkans' transition economies and an endemic feature of regional culture. The term 'organized corruption' has been used to capture the span of corrupt activities that require 'organization, division of labour and [...] people who act, launder and in the end legalize the profits'.¹²¹

The 2023 SPAK work report focused extensively on corruption and identified numerous cases of abuse of public funds by state officials in Albania, including within the police and judiciary.¹²² In July 2024, the media uncovered millions of euros worth of undeclared assets of two highly placed education officials from Elbasan, one of the largest cities in Albania.¹²³ Also in Elbasan, the police awarded a public tender for the reconstruction of several buildings to Nazif Bajrami, a prominent businessperson who has been flagged by Swiss authorities since 2019 for suspected involvement in drug trafficking.¹²⁴ In 2018, the wealth of one of the main prosecutors in Durrës was investigated when her husband was accused of money laundering. In 2023, he was appointed to the board of the State Cadastre Agency, and no public records indicate any subsequent indictment or conviction. Meanwhile, the prosecutor was dismissed by Albania's Independent Qualification Commission after failing to pass mandatory asset verification, underscoring persistent judicial accountability efforts.¹²⁵ In August 2024, the Durrës police chief was arrested for abuse of duty and corruption, and SPAK requested that the case proceed to trial in February 2025.¹²⁶

Still in its early stages of combating corruption,¹²⁷ Bosnia and Herzegovina continues to grapple with significant challenges. Efforts to prevent and prosecute corruption, especially at high levels, have shown limited effectiveness. The judiciary's handling of corruption cases is selective, lacks transparency and is often marred by pressure and intimidation tactics. There is also notable inefficiency in the cooperation and coordination of anti-corruption authorities across the nation.

An intriguing nexus between corruption and organized crime came to light in the 2020 'Profit' case and its ongoing trial.¹²⁸ Nineteen people were charged with organized crime, abuse of office, money laundering and fraud in business operations which illegally took in about €15 million between 2006 and 2014.¹²⁹ The accused was the former president of the Securities Commission – the national regulator.¹³⁰ The president of the state court, Ranko Debevec, was arrested in December 2023 on charges of abuse of office and falsification of official documents, highlighting the presence of corruption within the judiciary. Debevec was arrested with Osman Mehmedagić, the former director of the Intelligence and Security Agency, for abuse of office. At the time of writing, Debevec and Mehmedagić have been in custody for three months, and the case is ongoing. According to media reporting, an indictment is expected soon.¹³¹ Mehmedagić had previously been blacklisted by the US Treasury for engaging in corruption, misusing state resources and obstructing democratic processes.¹³²

In another case based on decrypted Sky ECC messages, a former mayor of Sarajevo's Old Town municipality, Ibrahim Hadžibajrić, has been indicted along with other well-positioned politicians for

organized crime involving corruption and misuse of public office in connection with illegal contracts and transactions during his tenure.¹³³ Code-named 'Black Tie', the operation involved collaboration between Europol and law enforcement and prosecution agencies in Bosnia and Herzegovina and led to the arrest of 23 people from the law enforcement, intelligence, politics, private and civil society sectors who were linked to Gačanin, leader of the Tito and Dino cartel.¹³⁴

The Kosovo Police's 2022 serious and organized crime threat assessment (SOCTA) indicates that corruption is a primary activity for organized crime groups.¹³⁵ Although legal frameworks have been put in place and the perception levels of corruption are declining, the justice system still faces key concerns.¹³⁶ The Anti-Corruption Agency reports that courts and prosecutors have not taken decisive action in response to the disclosure of public officials with suspicious wealth and that this lack of accountability has created a sense of impunity among those in power.¹³⁷

In Montenegro as well, Sky ECC communications revealed links between criminal structures and top-level officials, with a former president of the Supreme Court, two former directors of the police, the current director of the police and his deputy, and some special prosecutors for organized crime facing various criminal charges.¹³⁸ These individuals were allegedly assisting organized crime groups both in their criminal activities and in obstructing investigations, although some individuals have publicly denied the allegations.¹³⁹ Most of the cases are ongoing, but the case against the former president of the Supreme Court ended in a guilty verdict and a six-month prison sentence.¹⁴⁰

Facilitators of money laundering in Montenegro include local and foreign criminal organizations. The mysterious death of a top Gazprom manager may be tied to a money laundering scheme and a luxury hotel there. Corrupt politicians, police officers, prosecutors and judges, and professional enablers (lawyers, accountants and auditors) have all been accused of being involved in money laundering.¹⁴¹ Corrupt notaries seem to be a crucial link in money laundering through investments in real estate.¹⁴² Corrupt officials in the cadastre office are also perceived as important enablers in hiding criminal proceeds.¹⁴³ Investigations revealed that former public prosecutor Savo Čadenović strongly supported the Škaljari criminal clan, using his position to prevent criminal proceedings against key members of the group.¹⁴⁴ In June 2023, the Special State Prosecutor formally indicted Čadenović on criminal organization formation and six counts of official abuse; Čadenović has denied all accusations.¹⁴⁵

While acknowledging North Macedonia's ongoing efforts to tackle corruption, the 2021 report of the Council of Europe's Group of States against Corruption also highlights deficiencies in asset declaration, periodic integrity reviews and the implementation of risk management procedures.¹⁴⁶ Moreover, the most recent Transparency International Index indicates that the perceived level of corruption in the public sector remains moderately high. Corruption is pervasive throughout the public administration to varying degrees.¹⁴⁷ Perpetrators include officials, foreign officials, responsible individuals and foreign counterparts, and those performing public-interest roles. In most instances, these abuses involve public procurement, where budgetary funds are misused through tenders favouring individuals in privileged positions who exploit their authority under legal guises.¹⁴⁸

In July 2023, the North Macedonian Criminal Court convicted the former general secretary of the government, Dragi Rashkovski, for 'abuse of official position and authority' and 'money laundering and other proceeds from criminal offences'. Rashkovski illicitly procured software and paid unauthorized royalties, causing approximately €300 000 in budgetary losses.¹⁴⁹ Similarly, in December 2023, the previous general secretary, Muhammad Zeqiri, received a two-and-a-half-year sentence for abusing his



Serbia's state-owned energy company, Elektroprivreda Srbije – operator of the Nikola Tesla power station complex seen here – has been accused of paying millions of dollars to private companies for unfinished work.

© Oliver Bunic/Bloomberg via Getty Images

official position and authority by procuring consulting services without following the proper procedure, costing the country 57 million denars (approximately €925 000).¹⁵⁰

MONEYVAL has assessed the integrity and independence of North Macedonia's financial crime prosecutors and the judiciary as moderately vulnerable to money laundering threats.¹⁵¹

Corruption is also a problem in Serbia, where the prevalence of bribery exceeds the regional average.¹⁵² A recent survey found that Serbians perceive judges, prosecutors and politicians as the most corrupt officials in the country, highlighting the difficulties of sustaining trust in the legal and political systems.¹⁵³ One recent example of corruption comes from the state energy company, Elektroprivreda Srbije. In 2023, prosecutors noted widespread abuse of power and illegal financial activities, including almost US\$7.5 million in payments to private companies for unfinished work.¹⁵⁴ Transparency International's report draws attention to systemic issues such as the misuse of public resources, lack of transparency and weak enforcement of anti-corruption laws.¹⁵⁵

Tax offences

Tax evasion and fraud by legal entities also contribute to illicit financial flows in the region, complicating compliance and enforcement efforts.¹⁵⁶ Common tactics include concealing turnover by failing to issue invoices, as observed in Bosnia and Herzegovina's 'Kasa' case, where restaurant owners used specialized 'black cash register' software to keep track of unreported sales.¹⁵⁷ Taxable income is also reduced by fictitious employment practices, inflated payments for consulting services, reimbursement claims for unsubstantiated business expenses and using service contracts to minimize social security contributions for workers.

Where employees receive up to 50 per cent of their wages in cash, as in Bosnia and Herzegovina, income tax evasion is common.¹⁵⁸ Entrepreneurs use fake invoices and employment contracts to under-report their profits, while freelancers have also avoided taxes in the context of negligible freelancing regulations.¹⁵⁹

Indirect tax evasion methods are equally diverse, with businesses often under-reporting sales by not recording invoices or falsely claiming lower values through manipulated discounts. Another prevalent practice is the fraudulent use of input VAT, where fictitious credits or transactions involving 'phantom firms' are recorded to reduce VAT liabilities or secure refunds.

According to North Macedonia's 2018–2022 National Risk Assessment, a total of 363 identified cases of tax evasion yielded illicit proceeds exceeding €16 million. The predominant methods involve VAT fraud, where businesses exploit legal loopholes to channel illegal funds into offshore tax havens or through fictitious invoicing between legal entities. Other tax evasion schemes used tactics such as undocumented cash sales of goods, fictitious transfers of ownership to individuals with limited financial means and cash payments dispersed to multiple individuals under the guise of contract payments.¹⁶⁰

Between 2019 and 2023, a criminal organization in Serbia controlled 14 business entities: seven domestic and seven abroad. The group fabricated documentation as directed by the freight forwarder to facilitate the importation of used motor vehicles. This resulted in the loss of more than €18 million to the state budget.¹⁶¹

In two recent cases of money laundering in Serbia, substantial sums were illicitly moved through complex schemes involving fake companies and real estate investments. In the first, individuals were arrested for laundering money through a large retail chain in Belgrade by extracting funds with fake invoices and then funnelling part of these funds abroad and investing in a large real estate project in Surčin.¹⁶² The second involved a major retail chain, where suspects allegedly laundered billions of dinars through a network of shell companies. The laundered funds were primarily invested in high-value real estate and large construction projects.¹⁶³

The informal economy

Compared to the EU, countries of the Western Balkans have larger informal economies, which the International Monetary Fund has defined as 'comprising activities that have market value and would add to tax revenue and GDP if they were recorded'.¹⁶⁴ In Albania, the informal economy accounts for about 32 per cent of GDP.¹⁶⁵ The informal economy's reliance on cash is a major vulnerability for money laundering.¹⁶⁶ For example, cash transactions constitute around 30 per cent of Kosovo's GDP.¹⁶⁷ Transactions often lack proper documentation, complicating authorities' efforts to track the flow of funds.¹⁶⁸ Criminal organizations exploit this environment to obscure the origins of illicit funds and integrate them into the formal economy.

International trade from China to Kosovo offers a revealing example of unconventional financial practices. Some businesses bypass traditional banking channels by using a well-established and financially robust corporation that runs a hawala-style cash transfer system across multiple countries.¹⁶⁹ Funds are channelled to the corporation's operation in Kosovo, which facilitates an equivalent transfer to the counterpart in China. This has raised concerns about financial transparency and regulatory compliance. Real estate transactions in Kosovo are also notorious for unreported cash payments, enabling money launderers to acquire properties without leaving a paper trail.¹⁷⁰

In North Macedonia, the informal economy is similarly perceived as a leading contributor to money laundering vulnerability. According to the International Labour Organization's latest labour force survey, an estimated 13.8 per cent of the country's overall employment occurs within the informal economy, primarily in the agriculture and construction sectors. The informal economy and employment sector in North Macedonia are large-scale and represent a complex issue.¹⁷¹



TRENDS AND DYNAMICS OF MONEY LAUNDERING

This section provides information on the primary sectors used for money laundering in the Western Balkans; identifies hotspots and techniques that facilitate different phases of money laundering; and explores the impact of global events and the uncharted role of women in money laundering and financial institutions in the Western Balkans.

Sectors facilitating money laundering

Illicit funds flow from criminal groups within the region and from high-risk countries such as the UAE, China and, in particular, Russia, after international sanctions were imposed following its invasion of Ukraine.¹⁷² Money from these countries enters via SWIFT transfers from individuals, offering banking AML officers limited opportunity to verify the source of funds as banks and other transfer agencies often restrict clients' personal information.

Proceeds from illicit activities are laundered by reinvestment in sectors ranging from energy, real estate, construction, private companies, sports clubs, betting establishments and artwork to election campaigns and political lobbying, including the manipulation of urban planning documentation. This integration allows organized crime to establish itself as a player within the government, gradually corrupting the system.

Figure 3 indicates the sectors that are vulnerable to money laundering in the region, according to national assessments, along with their level of vulnerability. The sectors found to be at 'high' or 'extremely high' risk are:

- banks: Bosnia and Herzegovina, Kosovo, Serbia, Albania and Montenegro
- construction: Albania and North Macedonia
- real estate: Bosnia and Herzegovina, Kosovo, Montenegro and Serbia
- legal services: Montenegro
- online casinos: Serbia
- casinos: Serbia
- games of chance: Kosovo and Montenegro


























Sector	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Banks	 High	 Extremely high	 Extremely high	 High	 Medium to high	 Extremely high
Casinos	 Medium	 Low			 Medium	 High
Construction	 High				 Extremely high	
Games of chance			 High	 High	 Medium	
Online casinos			 Low		 Medium	 Extremely high
Real estate	 Medium	 Extremely high	 Extremely high	 Extremely high	 Medium	 Extremely high
Virtual assets service providers						 High

FIGURE 3 Overview of sectoral vulnerability to money laundering in Western Balkan countries.

NOTE: Construction and real estate include legal entities and physical persons with investments in the sector. The Albanian risk assessment categorizes 'games of chance' under 'casinos'. For the period of the 2019–2021 and 2022–2023 assessments, there were no online casinos or virtual asset service providers licensed in Albania.

SOURCE: National risk assessments.¹⁷³

The following analysis explores how these sectors are exploited for money laundering. Each sector's vulnerabilities are highlighted with examples of typologies in place from specific countries, illustrating the complex and multifaceted nature of money laundering in the region.

Construction and real estate

In recent years, the technique of laundering money through investment in construction and real estate has become common, especially in Albania, Bosnia and Herzegovina, Montenegro and Serbia.¹⁷⁴

While official reports on Albania suggest some success in reducing IFFs overall,¹⁷⁵ practical observation and expert opinion indicate otherwise. It is still feasible to buy real estate for cash without providing proof of the money's origin. In addition, many construction company owners are suspected of criminal ties or being fronts for convicted individuals.¹⁷⁶ The SPAK is also investigating cases where mayors and high municipal officials are suspected of corruption related to construction permits.¹⁷⁷ Another factor in the real estate market's vulnerability to money laundering is that only 40 per cent of properties are bought with mortgages.¹⁷⁸

In Bosnia and Herzegovina, money laundering through construction and real estate investing is a known strategy. Companies that apply for a building permit are not legally required to prove the origin of the capital they intend to invest. The investment is subsequently laundered through the sale of the completed building at a significantly inflated price through payments received for the purchase of apartments under construction.¹⁷⁹

Interviewees in Kosovo, including those from the FIU and private sector companies, unanimously identified the construction sector as the primary industry facilitating money laundering. Its attractiveness to money launderers is underpinned by a trifecta of factors: informal economy, inadequate regulatory oversight and clever manipulation of traditional business contracts. Together, these allow criminals to legitimize their illicit gains while avoiding financial oversight.¹⁸⁰ A representative from the private sector stated that, far from being an exception, entering into contracts with cash payments and misrepresented financial amounts is almost the rule, indicating a systemic issue.¹⁸¹ There is an oversight deficiency from the start as investors who apply for construction permits are not required to prove the source of their funds or give financial details about their companies to the authorities. While the tax administration requires a comprehensive database of buyers, subcontractors and other actors, the authorities are hindered by the absence of an electronic platform for notarial documents: everything remains paper-based.

In Montenegro, criminal structures active in the construction industry threaten their competitors against bidding for public tenders: they not only want to launder their money but also to inflate prices for extra profit. Organized crime groups establish their own companies for construction and do business with large amounts of cash. Alternatively, they use legitimate construction companies to launder proceeds of crime by transferring money from offshore accounts. In some cases, the owners of these companies are aware that they are being used as vehicles for money laundering but do not dare to refuse. There is no publicly available information that the FIU has reported any cases to the prosecution or if any investigations have been initiated.¹⁸²

Many people in Montenegro, including former Prime Minister Dritan Abazović, believe that one of the largest construction companies in the country is owned by an organized crime group that is laundering proceeds from drug and cigarette smuggling.¹⁸³



A public infrastructure project in Kalimash, northern Albania. Albania's construction sector is a common avenue for money laundering. © Gent Shkullaku/AFP via Getty Images

The latest International Monetary Fund report on Montenegro found that a rise in real estate prices was partly due to inadequately controlled financial flows.¹⁸⁴ In the first quarter of 2024, the largest investors in real estate in Montenegro were citizens and companies from other countries, led by:

- Serbia, with a total investment of €14.6 million
- Turkey, €11.2 million
- Russia, €8.05 million
- United States, €8.04 million
- Germany, €7.6 million
- Bosnia and Herzegovina, €7.3 million
- Switzerland, €3.7 million
- UK, €3.6 million¹⁸⁵

The construction sector in North Macedonia is highly vulnerable to money laundering by organized crime groups. Contributing factors include inadequate oversight of inspections, the very large sums of both legal and dirty money being invested and the frequency of cash payments.¹⁸⁶ There is insufficient information available about investigations and prosecutions.

According to Serbia's National Risk Assessment, real estate is one of the sectors most prone to money laundering.¹⁸⁷ The 2023 SOCTA suggests that 68 per cent of money launderers use high-value real estate and goods to clean dirty money.¹⁸⁸ The sector provides a very attractive avenue for money laundering, due to its size, liquidity and perceived stability. Most real estate is bought with liquid assets: in the first six months of 2023, only 7 per cent of sales involved mortgages.¹⁸⁹ Some real estate brokers believe that a substantial amount is related to criminal activities, which is seen as the main reason for a price bubble that could burst at any moment. The risk of money laundering increases when real estate is purchased directly from the investor (such as a property developer or private entity), as this process often involves large cash transactions. Such transactions create vulnerabilities on both sides: the seller might use illicit funds to finance the project, while the buyer could utilize untraceable cash to acquire the property, making it difficult to detect and prevent illicit financial flows.

Buying real estate at a price lower than its actual value is a common practice in Albania, Kosovo and Serbia.¹⁹⁰ This is typically done by the buyer and seller agreeing to a lower price in the sales contract, with further payment to be made in cash, possibly from illicit sources, without documentation. The buyer may portray themselves as a typical legitimate property purchaser, aligning their background, occupation or finances with expectations for such a transaction. This makes it less likely for authorities to flag the purchase as suspicious or tied to illicit activities. Other scenarios include fictitious buying and selling, involving a relative or covering rental expenses, and property flipping, where the property is resold at a much higher price shortly after purchase.

Banking sector and money transfer services

Money laundering practices in the financial services sector include structuring deposits, exploiting correspondent banking relationships and misusing insurance, investment or money services businesses. Several typologies in these sectors were identified in the region.

One common method makes use of legitimate money transfer channels to obscure the origin and nature of illicit funds. The high volume of transactions made through money transfer operators creates a capillary network through which money from criminal activities can infiltrate the economy. Informal hawala money transfers are similarly used. Although hawala's traditional use for remittances

is legitimate, its decentralized trust-based system, informal nature and lack of stringent regulatory oversight make it attractive for criminal purposes. Albanian criminal organizations operating in Ecuador and other distant countries rely heavily on hawala brokers to transfer and distribute profits across the drug trade supply chain from South America to Europe. Their networks include suppliers, smugglers, transportation rings and brokers, and ultimately funnel funds back to Albania. Hawala transfers allow them to operate discreetly and evade detection by law enforcement agencies.¹⁹¹

Corporate layering is another typology used by money launderers in Albania, Bosnia and Herzegovina and North Macedonia.¹⁹² Here, the true origin and ownership of illicit funds are obscured through a network of legal intermediaries, including shell companies and offshore entities. Shell companies created in tax havens or other 'relaxed' jurisdictions have been used in some of the most notorious corruption scandals in Albania, such as the 'incinerator scheme', where the identity of the ultimate beneficiary was hidden.¹⁹³ Shell corporations with complex ownership structures have been used to conduct large financial transactions from bank accounts abroad into business accounts in the country.¹⁹⁴ 'Legitimate' Albanian businesses also serve as intermediaries for money laundering transfers, helping with layering.¹⁹⁵

Structuring large deposits into smaller ones is another widely used method. When the total amount would cross the limit that requires identification or reporting to financial authorities, one person – often a family member, friend, business associate or other 'straw man' front – deposits the money in multiple transactions in a single day.¹⁹⁶ Structuring conducted by several individuals ('smurfs') is known as 'smurfing'. This typology was detected in both Albania and Bosnia and Herzegovina.¹⁹⁷

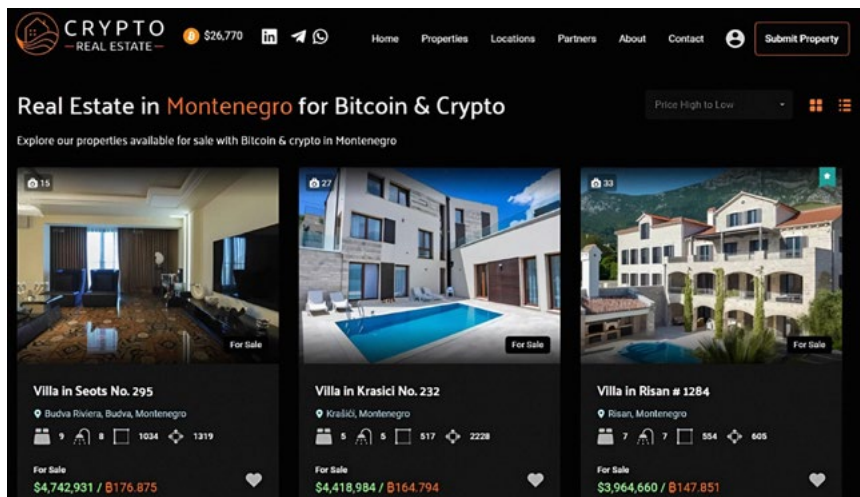
Interviewees from the banking sector said that organized criminal groups are indirectly part of ownership structures in some countries in the region. In Bosnia and Herzegovina, decrypted Sky ECC messages indicated that a bank director was involved in placing illicit proceeds by investing in construction and real estate.¹⁹⁸

In Montenegro, a new risk in this sector is the increased number and volume of bank deposits made by foreign citizens who moved to the country after Russia's aggression against Ukraine. In 2023, foreigners with temporary or permanent residence status made up about 15 per cent of the total population. The largest community is Russian.¹⁹⁹

Cryptocurrencies

Money laundering through cryptocurrencies has emerged as a pressing concern for regulatory bodies and law enforcement agencies, primarily due to their anonymity, the ease of transacting and the lack of stringent regulatory oversight. Since Bitcoin's inception, governments have seized billions of dollars in cryptocurrency globally.²⁰⁰ Chainalysis found that, globally, US\$24.2 billion worth of cryptocurrency was sent from illicit addresses in 2023, suggesting money laundering or other illicit activity.²⁰¹ Total crypto transactions in the Western Balkans, legitimate and otherwise, amounted to US\$25 billion–US\$30 billion in 2023.²⁰² The FATF recommends that all countries create a stronger understanding and supervision of the virtual assets sector, including the virtual asset service providers (VASPs) that conduct exchanges between different virtual assets and between virtual assets and fiat currencies.²⁰³

Criminals use various sophisticated methods to launder their proceeds with cryptocurrencies. As with regular currency, structuring and smurfing are used to break large sums of cryptocurrency into smaller amounts. Techniques to avoid tracking include cryptocurrency mixing services that obscure transaction origins and destinations; chain-hopping, which rapidly exchanges cryptocurrencies across



The use of cryptocurrency in real estate purchases raises the financial crime risks of an already vulnerable sector. *Photo: Screengrab via Bloomberg Adria*

blockchains; and decentralized finance platforms. Privacy coins and crypto ATMs are used to convert illicit funds into cash, effectively laundering funds and returning them to the financial system as legitimate.²⁰⁴

Albania's Financial Intelligence Agency assesses this typology as a medium risk for money laundering but has received only seven suspicious activity reports since 2019.²⁰⁵ Crypto experts believe its extent is broader, pointing to the substantial volume of decentralized finance transactions and police reports linking criminal suspects to crypto wallets.²⁰⁶ The SPAK has observed an increase in the use of crypto assets in money laundering, particularly among criminal groups involved in cyber-enabled scams such as call centres.²⁰⁷ Despite Albania being among the first five countries globally to enact legislation on virtual assets, the legal framework remains insufficient and incomplete.²⁰⁸ The absence of licensed VASPs hinders the initiation of money laundering investigations, which otherwise rely on sporadic official reports from the banking sector.

In February 2024, Bosnia and Herzegovina's first threat assessment of money laundering and terrorist financing related to virtual assets found the percentage of suspicious and crime-related transactions associated with virtual assets to be very small.²⁰⁹

In Kosovo, cryptocurrencies remain unregulated, although there have been recent efforts to draft legislation to do so. Experts noted that the COVID-19 pandemic contributed to a proliferation of money laundering channels utilizing cryptocurrencies.²¹⁰

As Montenegro takes steps to position itself as a crypto haven, offering reduced taxes and floating the idea of a state cryptocurrency, the absence of regulation raises serious and diverse risks. Real estate in Montenegro may be purchased with cryptocurrencies.²¹¹ Money launderers are able to hide behind pseudonyms while dispersing ill-gotten gains through the digital money web.²¹² Illegal ATMs for exchanging cryptocurrency have been found: the latest in Tivat in June 2024, allegedly owned by a criminal from the UK.²¹³ According to media reports, two members of the Kavač clan from Serbia, which is well known for international cocaine trafficking, and some of their family members have been accused of money laundering through real estate and other assets using cryptocurrencies.²¹⁴ Fourteen members of the Slovenian cell of the Kavač clan have been indicted for various crimes, including laundering proceeds of crime through cryptocurrencies, allegedly with a dedicated crypto wallet for this purpose. The group is also suspected of using their crypto wallet for transactions related to cocaine trafficking, weapons smuggling and other criminal activities.²¹⁵

Service companies

Service companies – including financial, legal, IT and marketing services – are used as fronts for laundering money, providing legitimate cover for transactions that may otherwise draw suspicion. One common technique involves the use of shell companies and complex transactions across various services. In one example from Serbia, non-residents from high-risk countries could legally establish resident entities in Serbia with minimal founding capital (less than one euro), open a bank account and process a large volume of transit and re-export transactions. In these transactions, money was received from high-risk countries and then, on the same day, the same amount was sent to offshore destinations. Multiple companies shared the same head office and accountant, suggesting a coordinated effort to manage and control the flow of funds.²¹⁶

'Carousel fraud', with shell companies using fictitious documentation and phantom companies ('laundromats'), was detected in Serbia and North Macedonia.²¹⁷ In these cases, money launderers form legal entities with no employees and no legitimate activity, and open bank accounts. They use the bank accounts to transfer funds based on false documents, usually invoices for consulting services.

Professionals with specific knowledge and official roles are the 'gatekeepers' in financial transactions. Attorneys, accountants, notaries and financial advisers can thus exploit their positions to facilitate the concealment of illicit funds. Attorneys, in particular, can help to create opaque corporate structures or misuse their privileged access to client funds and trust accounts, as well as their duty of confidentiality, to create complex financial structures, making it difficult for authorities to trace the origins of funds. Such professional money launderers were found in Bosnia and Herzegovina, Kosovo, Montenegro and Serbia.²¹⁸

IT companies in North Macedonia have been used to facilitate international money transfers under the guise of legitimate business transactions. These companies often deal in high-value contracts that are paid upfront, providing an opportunity to launder large amounts of money in a single transaction. In Bosnia and Herzegovina, the IT sector is directly linked to service-related money laundering. In this typology, payments are made for services where the value or market price cannot be determined – typically consulting, management or marketing services – or without the support of legitimate business activities. Contracts and invoices are often fictitious, and no actual services have been performed.²¹⁹

A loan buyback scheme was detected in North Macedonia as well. In this method, foreign individuals and legal entities entered the ownership structure of a legal domestic service company and used its bank accounts to transfer funds of illegal origin, based on allegedly performed services. After this, the money was transferred through several domestic legal entities as short-term loans, which were withdrawn in cash, for the purpose of material costs, and then moved across the border in different ways.²²⁰

Cash-intensive businesses

Cash-intensive businesses, including money exchange, tourism and hospitality services, are particularly vulnerable to money laundering. Like its real estate sector, tourism in Albania has enjoyed strong growth in past years. Hotels and restaurants have always seen close ties to the criminal world and have been used for money laundering activities. However, the increasing profitability of the industry has attracted huge investments from illegal sources.²²¹ Costly new hotels have arisen in almost all parts of the country – sometimes in areas with low tourist flows and at such great expense that they are not economically feasible, such as million-euro 'agrotourism' hotels in dying villages.

The tourism and hospitality sectors in Albania, Montenegro and Bosnia and Herzegovina also provide cover for money laundering activities. Hotels, restaurants and travel agencies frequently deal in large cash transactions, making it easier to disguise illicit funds. For example, a hotel in Montenegro might report higher-than-actual occupancy rates to justify large cash deposits, effectively laundering the money. Fraudulent invoicing and phantom billing are both money laundering typologies that manipulate invoices, but they differ in execution. In the former, invoices for real or fake transactions are inflated or fabricated, while the latter involves bills for services or goods that were never provided.²²²

Likewise, cafes, rental cars, taxi services and the like are easy means of money laundering due to the use of cash and the impossibility of accurately measuring the number of clients and the amount of money flowing through. This opacity in financial transactions allows criminals to integrate illicit funds into the legitimate economy without detection.

Beauty salons and fitness centres are effective vehicles for money laundering in Albania and Bosnia and Herzegovina.²²³ Large amounts of cash and frequent small transactions provide the necessary cover and flexibility to mix illicit and legitimate income in deposits. The ability to manipulate financial records and the service-based nature of these businesses further facilitate the laundering process. Reported revenues can be inflated with higher-than-actual customer numbers and services rendered. Payroll and other expenses can be similarly manipulated. A fitness centre can offer expensive personal training packages or long-term memberships for cash or cycle money through equipment purchases and facility upgrades.

In Albania and Kosovo, the money exchange sector is vulnerable to money laundering.²²⁴ AML experts say it is nearly impossible to determine the amount of illegal funds being funnelled through these businesses.²²⁵ Currency exchanges may launder money by blending illicit funds into legitimate cash flows, often by reporting false income and expense figures. The exchange offices do not track money using serial numbers or provide a proper fiscal invoice, but only a simple paper receipt with the amounts received and exchanged. As banks typically do not accept exchange-office receipts as proof of the money's origin, the cash remains outside the formal financial system and cannot be fully laundered.

In Bosnia and Herzegovina, some exchange offices do not charge fees for certain currency exchanges, such as US dollars, and only minimal fees for exchanging euros. Additionally, no identification is currently required for amounts up to €2 500.²²⁶

In Serbia, exchange offices are primarily used for the layering phase of money laundering, where the funds' origins are obscured to prevent tracking by the authorities. Essentially, cash is exchanged for cash in a different currency and smaller denominations are exchanged for larger ones.²²⁷

Gambling

The gambling sector is another area ripe for exploitation by money launderers in the Western Balkans. Casinos, betting shops and online gambling platforms provide numerous opportunities for criminals to launder money.

In Montenegro, Savo Grbović, the majority owner of the Lottery of Montenegro as well as several casinos, is reportedly a well-known associate of controversial businessman Branislav Mićunović, who was recently included on the US sanctions list for engaging in corruption. The US Department of the Treasury's Office of Foreign Assets Control designated Mićunović in November 2023, marking the first official acknowledgment of his role as a leading figure in organized crime.²²⁸ Furthermore,

online gambling, which is not regulated at all by Montenegrin law, is a major area of concern for AML authorities who believe it is an even bigger problem than casinos and betting shops.²²⁹

Albania's new online betting law has officially come into force, permitting licensed operators to provide sports betting exclusively through online platforms.²³⁰ Previously, a near-total gambling ban was introduced on 1 January 2019, limiting legal gambling activities to casinos within luxury hotels.²³¹ Despite these restrictions, illegal gambling, particularly via online platforms, has continued to thrive, facilitating unregulated financial flows and raising concerns about money laundering and other illicit economic activities. The new law aims to address these challenges by creating a regulated framework for online gambling.²³² The anonymity of online platforms makes it easier for criminals to deposit and withdraw funds without arousing suspicion. These platforms often operate across borders, complicating the efforts of local law enforcement to track and intercept illicit transactions.

In Montenegro and North Macedonia,²³³ casinos are often used to launder money by purchasing chips with illicit funds and then cashing out after minimal play. This method provides a relatively straightforward way to convert dirty money into clean funds. In some cases, casinos have been found to collaborate with criminal organizations, allowing large transactions to go unreported.

The gaming sector is also exploited for money laundering in Serbia. The gambler opens an administrative account at a betting shop or online casino, which is assigned a specific code. The individual visits a payment institution and deposits a specified amount into this account, ensuring the game balance is topped up for further play. The payment institution then verifies with the betting shop that the code is associated with the administrative account and confirms that the specified amount has been credited to the account number linked to that code. Subsequently, anyone possessing the code can visit another payment institution (not all institutions offer this service) or a betting shop elsewhere in the country to withdraw cash. At the end of each month, the payment institution and the betting shop reconcile their accounts to settle the total payments made during that month.²³⁴

Structuring and smurfing large amounts of transactions through betting shops has been identified in Bosnia and Herzegovina. Here, a person deposits cash into an account without having to prove the origin of the funds. After making small bets to demonstrate turnover, the remaining funds are either withdrawn in cash or transferred to a legal bank account as winnings. These transactions typically stay below the AML reporting threshold.²³⁵

Energy

The energy sector, including areas like retail fuel and electricity production, can generate large cash flows and profit margins. However, this makes these businesses vulnerable to money laundering and tax evasion schemes which can result in the generation of illicit funds.

In Albania, many fuel stations are owned by people accused of criminal activities, such as the Habilaj gang. In that case, prosecutors alleged that the property was purchased with the proceeds of criminal activity.²³⁶ At the higher end of the retail sector, large fuel import and retail companies have been accused of tax evasion,²³⁷ and at least two company owners appear in the International Consortium of Investigative Journalists' Pandora Papers investigation into offshore accounts.²³⁸ Even though most cases date a few years back, the hydrocarbon fuel sector is still considered one of the largest informal sectors in the country, marked by small-scale, unregulated operations. Moreover, this sector can potentially serve as a vehicle for money laundering rather than just operating informally.

Electricity production, with large capital investments and easy opportunities for overbilling, also presents opportunities for money laundering activities. The usual typology for money laundering in this sector is the use of shell companies and corporate layering, in which the origin of illicit funds is hidden through a network of legal entities. This sector commands millions in investments, especially from abroad and EU countries.

Again in Albania, decrypted Sky ECC messages prompted an investigation into former Tirana deputy police chief Erzen Breçani, who is suspected by SPAK of laundering at least €350 000 from drug profits linked to his son Eralbi, allegedly invested in a hydropower plant.²³⁹

In June 2024, Tirana police seized approximately €50 million in assets related to suspected money laundering and arrested seven individuals.²⁴⁰ The group allegedly laundered criminal proceeds through bank loans, vehicle and real estate purchases and fictitious transactions.

The energy sectors in Serbia and Bosnia and Herzegovina have been identified as important for money laundering.²⁴¹ In North Macedonia, there is also information about infiltration in the energy market, which is even more vulnerable in this period due to the energy crisis.²⁴²

Entertainment and social media

The entertainment industry, including film production, music and event management, is increasingly used for money laundering in the Western Balkans. The high costs associated with production and promotion provide ideal cover for moving large sums of money.

The music industry in Kosovo has been implicated in money laundering, with record labels and concert promoters being used to clean dirty money. These businesses often receive large cash payments for events, providing an easy way to integrate illicit funds into the legitimate economy.²⁴³ Another identified strategy in Kosovo uses celebrities or other individuals within the entertainment industry to facilitate the laundering of illicit funds through their public personas, financial transactions or business ventures.²⁴⁴ Social media influencers with large followings and potential for high-value transactions can serve as intermediaries by promoting products or services in exchange for large sums of money that are difficult to trace, using their platforms to receive payments in cryptocurrencies or other digital assets, or engaging in activities that create layers of transactions.²⁴⁵ Digital platforms and online transactions are used to take advantage of the anonymity and global reach of the internet, bypassing traditional financial institutions and their regulatory oversight and obscuring the origins of illicit funds.²⁴⁶

Criminal organizations and individuals are capitalizing on the complex financing structures involved in film production.²⁴⁷ In Albania, Bosnia and Herzegovina and Serbia, film and music production companies have been used to launder money by inflating production costs and moving excess funds into personal accounts or offshore entities. The entertainment industry often involves sizeable cash transactions, making it harder to distinguish between legitimate business expenses and money laundering activities. Usually, the illicit proceeds are derived from drug trafficking.²⁴⁸

Luxury items

Luxury items, such as jewellery, watches, high-end cars and art, are another avenue for money laundering in the Western Balkans. Their high value and the ease with which they can be moved across borders make them attractive to money launderers. Car dealerships have been marked as a medium threat for money laundering in Montenegro and North Macedonia, and a high threat in Serbia.²⁴⁹

A technique that integrates trade-based money laundering and luxury asset acquisition has been seen in Bosnia and Herzegovina, Serbia and Montenegro.²⁵⁰ For example, luxury car dealerships facilitate money laundering by selling high-end vehicles at inflated prices or accepting large cash payments without questions. These vehicles are often purchased with illicit funds and then resold or exported, completing the laundering process. In leasing agreements, cash payments are usually made by an individual, typically the owner, instead of going through the legal entity associated with the lessee. This practice is common where there are high instalment or advance payments, particularly in procuring high-value luxury cars or transport fleets.

The art market in Serbia has also provided opportunity for money laundering, with criminals purchasing expensive artworks with dirty money and then selling them at auction for clean cash. The subjective nature of art valuation makes it easy to manipulate prices.²⁵¹ INTERPOL and Europol support investigators from 25 countries, including Western Balkan countries, in the fight against criminals exploiting cultural heritage for money laundering.²⁵²

Luxury used watches, including Rolex and Patek, may be worth hundreds of thousands of euros. More than one hundred watches were seized during the arrests of criminal groups in Belgrade in the last three years, mostly from suspected members of the Darko Šarić criminal group.²⁵³ According to the state prosecutor, a highly placed police officer linked to the criminal network of Edin Gačanin received a Rolex as a bribe.²⁵⁴

Cash under the radar

Bulk cash smuggling is a key typology of IFFs in the Western Balkans. A substantial volume of undeclared currency notes – commonly euros, US dollars and British pounds – is physically transported across borders, in and out of the region, to be laundered.²⁵⁵ The process often mirrors other forms of smuggling. For example, a UK investigation uncovered three ‘money mules’ who had made 80 illegal trips over two years, smuggling a total of £7 million from the UK to Albania for an Albanian-born organized crime figure living in the UK.²⁵⁶

Money mules are typically individuals with no criminal record whose appearance would not raise suspicion, and are often recruited unwittingly to transfer illicit funds between accounts or between countries, receiving a small percentage in payment.²⁵⁷ They can face prosecution and penalties of prison, fines or community service.²⁵⁸ In other cases, criminals involve family members or friends to transport cash between countries, travelling by sea or land, sometimes using vehicles with hidden compartments.²⁵⁹

Travellers in the Western Balkans can enter or leave countries with up to €10 000 without declaring it. Individual

money mules typically carry up to that amount of cash for a fee of 5–7 per cent. They travel from London to Tirana directly or to Sarajevo and Belgrade via Istanbul, or from Dubai to various capitals in the region.²⁶⁰ In a recent law enforcement operation, aided by Sky ECC messages from Edin Gačanin, social media influencer Adna Helić was arrested for allegedly transporting €200 000 in cash from Dubai to Bosnia and Herzegovina on behalf of the Tito and Dino cartel, earning a 6–7 per cent commission which she reportedly invested in her businesses in Sarajevo.²⁶¹ An interviewee in Kosovo highlighted the emerging trend of using money mules and couriers to transport illicit funds, mostly using buses and private cars.²⁶² These intermediaries may be unwitting participants or willing accomplices, but it is crucial to identify and disrupt these networks.

Other methods are also utilized for cash smuggling. The more sophisticated the criminal organization, the more advanced the methods they employ to muddy the path and avoid detection. For larger amounts, organizations turn to ‘professional services’, such as individuals who smuggle money for a living. The funds may be broken into portions under the limit,

whether carried by one person making several trips or a group working together in one vehicle or flight.²⁶³ Shipping or bus transportation companies may be used, for a commission. Professional cash smugglers also pay bribes to border police officers.²⁶⁴

According to customs and confiscation agencies in the region, there has been a noticeable increase from 2018 to 2023 in the reporting of declared cash and the seizure of undeclared funds at border crossings in Western Balkan countries.²⁶⁵ In North Macedonia, more than €50 million was declared between 2018 and 2022, predominantly in foreign funds. Hotspots for the entry of declared cash

are Skopje airport and the Blace and Bogorodica border crossings.²⁶⁶

In 2022, nearly €3 million was confiscated at three border crossings that Bosnia and Herzegovina shares with Croatia – that is, with the EU.²⁶⁷ In 2022, Bosnia and Herzegovina authorities recorded 808 cases of money transfers across state borders, with a total value of more than €1.8 billion, mostly related to commercial banks draining cash from the country.²⁶⁸ In addition, efforts to combat money laundering are hindered by weak border control, exemplified by porous borders and inadequate border management, particularly the eastern border with Serbia. ■

Money laundering hotspots

Specific regions and cities in the Western Balkans are hotspots for money laundering because of their economic activity and potential for organized crime groups to prosper, including capitals and major cities, tourist destinations, areas under development and areas known for criminal activity. This section provides an overview of hotspots identified during extensive research from December 2023 to June 2024.

At the same time, it is important to remember that money laundering is always part of larger criminal ecosystems, with complex interactions involving various players, activities and strategies. In the Western Balkans, criminals from capital cities often purchase real estate in smaller cities nearby or in tourist areas to be less visible to authorities. Criminals from smaller cities may prefer to launder money through real estate in the capital where skyrocketing property prices allow for larger transactions. Companies that are established in different cities may ultimately be controlled behind the scenes by criminal groups to facilitate their money laundering.²⁶⁹ Edin Gaćanin and his Tito and Dino cartel allegedly laundered money through operations in both Zenica and Sarajevo.²⁷⁰

Money laundering operations also extend across national borders in the region. Montenegrin criminals purchase real estate in Serbia, not only in Belgrade but also in Novi Sad and tourist resorts like Zlatibor and Kopaonik.²⁷¹ Hundreds of millions of euros have been laundered in Serbia by criminals from Montenegro.²⁷² Bosnian criminals buy real estate in Novi Sad and along the Montenegrin coastline. Criminals from Serbia purchase property in Bosnia and Herzegovina, in the resort area of Jahorina and in Trebinje, a town near the Croatian and Montenegrin borders that is known to be a hub for smuggling illicit goods.²⁷³ Serbians consistently rank as the largest group of investors in Montenegro.²⁷⁴ While much of this is legitimate, a law enforcement interviewee in Montenegro said that criminals from Serbia have purchased properties in Budva, Bar and Podgorica. Criminals from Kosovo launder proceeds of crime in Albania and, to a lesser extent, Montenegro. Criminal groups of Serbian ethnicity in the north of Kosovo have mainly used Serbia to launder money.²⁷⁵ This was additionally enabled by a lack of cooperation between the two countries until recently, when parallel bank offices were opened in the north.²⁷⁶ Criminals in North Macedonia prefer to stay local and launder money through real estate or businesses in Skopje or Ohrid.²⁷⁷



FIGURE 4 Money laundering hotspots in the Western Balkans.

Capitals and major cities in the Western Balkans serve as central nodes for money laundering activities due to their large populations, economic activities and business hubs. Their prominence in illicit financial activities is also tied to their role in regional politics and commerce.

The capital city of Tirana and the port city of Durrës are central to Albania's economy. As the administrative and financial heart of the country, Tirana hosts numerous businesses and financial institutions. Durrës is crucial for trade, including illicit trade. A SPAK report acknowledges both cities as hotspots for laundering money through the purchase of real estate and other goods.²⁷⁸ Drug traffickers typically buy real estate in Durrës in their own or their family's names. In a recent case, the seized assets of a convicted drug trafficker were mostly real estate in Durrës.²⁷⁹ An Albanian prosecutor also described another big city, Elbasan, as a hotspot of gang warfare.²⁸⁰ The international drug-trafficking Çopja brothers cleaned illicit funds with the purchase of real estate (apartments, villas, bars, restaurants and land) in Tirana, Durrës and Elbasan.²⁸¹ The major cities in Albania are also tourist destinations prone to money laundering through tourism.

Belgrade, Serbia's capital and largest city, is the economic centre of the country, with extensive financial services and business activities that can facilitate money laundering.²⁸² Novi Sad, the second-largest city, is another key location, particularly due to its rapid economic growth and strategic

position on the Danube River, which enhances its position for trade. Novi Sad is increasingly popular for criminals from the region to purchase real estate, as it attracts less attention than Belgrade.²⁸³ In a case involving a corrupt police officer implicated in cocaine trafficking from Latin America to the EU, it was alleged that he purchased apartments in Novi Sad instead of Belgrade to avoid detection and to be less conspicuous.²⁸⁴ Besides real estate and construction, the cities are also known for trade-based money laundering.²⁸⁵ In July 2024, shell companies withdrew over €15 million from a company named Aman and then used it for illegal construction and the purchase of real estate abroad, in an attempt to conceal the illicit origin of the property, according to Belgrade prosecutors.²⁸⁶

Similar situations hold true in Bosnia and Herzegovina's capital cities of Sarajevo and Banja Luka, Kosovo's Pristina, Montenegro's Podgorica and North Macedonia's Skopje.²⁸⁷

Resort areas that attract domestic and international tourists are particularly vulnerable to money laundering due to the high volume of cash transactions and the seasonal influx of tourists, which can mask illicit financial activities. Informal economy and luxury real estate transactions further exacerbate money laundering opportunities. The remoteness of some resorts makes regulatory oversight more challenging. The following tourist destinations in the Western Balkans are prone to money laundering:

- Durrës, Vlora, Fier and Saranda on the Albanian coast
- Jahorina, a ski resort, historic Trebinje and coastal Neum in Bosnia and Herzegovina
- Budva, Kotor and Tivat on the Montenegrin coast
- Zlatibor, Stara Planina and Divčibare in the mountains of Serbia

Areas that are experiencing rapid growth may also become hotspots. For example, Fushë-Kosovo, located near Kosovo's capital, Pristina, has become a focus of development and other investments. This has also attracted illicit financial activities, particularly in the real estate sector.

Certain cities and towns may be hotspots for money laundering due to the presence of questionable economic activities, often linked to organized crime. In Serbia, the areas of Novi Sad where organized crime is prevalent also facilitate money laundering. This is also the case in Trstenik, Svilajnac and Zaječar – smaller towns with less transparent economies, where financial activities and transactions are not easily observable, regulated or reported. Such towns are often characterized by weak regulatory oversight and businesses operating in the informal economy.

To sum up, the hotspots for money laundering in the Western Balkans are diverse and spread across capitals, major cities, tourist areas, areas of rapid development and towns with questionable economic activities. These areas are particularly vulnerable due to the combination of high cash flows, real estate transactions and the presence of organized crime, all of which create an environment conducive to money laundering.



The Bosnian ski resort of Jahorina is prone to money laundering because of the high volume of cash-based transactions. © Elvis Barukcic/AFP via Getty Images

Impact of global affairs

Recent global events like the COVID-19 pandemic, the war in Ukraine and sanctions on Russia have profoundly influenced money laundering practices, particularly through the increased use of cryptocurrencies to evade financial restrictions.²⁸⁸ The pandemic provided new opportunities for financial criminals to exploit economic uncertainty and the shift towards digital transactions, with notable increases in cyber-enabled fraud and online scams.²⁸⁹ In Kosovo, for instance, predicate offences linked to cybercrime increased as a direct consequence of COVID-19,²⁹⁰ along with the use of cryptocurrencies as channels for money laundering.²⁹¹

Moreover, changes in consumer behaviour and government stimulus initiatives have reshaped spending patterns, influencing strategies for laundering illicit funds.²⁹² A senior banker described a surge in money laundering through online transactions in Serbia as criminal elements capitalized on the shift to digital business practices.²⁹³ The 'relaxed' application of public procurement rules during the pandemic further heightened the risks of money laundering and corruption, while secrecy around the procurement of critical medical equipment limited public oversight.²⁹⁴

Russia's war in Ukraine acted as an accelerator of the illicit financial flows in the Western Balkan region.²⁹⁵ Initially, it had minimal economic impact on Serbia, which maintained a well-capitalized and liquid banking system. However, by 2023, inflation had surged to 16 per cent.²⁹⁶ The war has also influenced money laundering practices in Serbia.

Given the Serbian government's refusal to impose international sanctions against Russia, it is one of the few remaining places for Russians to establish themselves in the region. Between February and December 2022, 219 153 Russian citizens arrived in Serbia, although they did not all stay. In May 2023, the Ministry of Interior reported that 30 000 Russian citizens had temporary residence permits.²⁹⁷ Between March 2022 and March 2023, Russian citizens registered 1 160 companies and 3 920 entrepreneurs in Serbia.²⁹⁸ By June 2024, they had established approximately 11 081 private entities, many in sectors with high cash flows like IT, catering and service industries.²⁹⁹ Moreover, with most EU-owned banks in Serbia declining to open accounts for Russian citizens or companies, there is a growing trend for them to purchase companies with existing bank accounts.³⁰⁰

This influx has hindered proper regulatory oversight and financial scrutiny, creating opportunities for illicit funds to enter Serbia and increasing the money laundering risk.³⁰¹ Russian citizens, particularly IT entrepreneurs, are purchasing real estate in Serbia, using funds of questionable origin directly from Russia. This spending drove up real estate prices in Belgrade and Novi Sad throughout 2022.

One case illustrates the vulnerabilities in the Serbian financial and real estate sectors, particularly regarding asset valuation, foreign investment and the potential for money laundering and illicit financial flows.

In August 2022, the Deposit Insurance Agency, serving as the bankruptcy trustee for the Beobanka, a state-owned bank that collapsed in the early 2000s, conducted liquidation proceedings for the assets of Nova livnica, a valuable parcel of property in Novi Beograd, Belgrade. The assets were auctioned through a bidding process starting at €26 million. The highest bid offered was €43 160 000 – two-thirds higher than the estimated value. The contract was signed on 12 August 2022, with full payment made. As two journalists summed it up: 'Companies unknown in the world of business purchased the most valuable building land in the country from two state agencies in three transactions.'³⁰² While the purchase was widely reported on in local media for its unusual nature, it should be noted that no criminal charges were brought.

In the Republic of Srpska, one of the two elements of Bosnia and Herzegovina, 12 companies were registered by Russian citizens in 2022, primarily in consulting and IT services and real estate.³⁰³ The Republic of Srpska is noted for irregularities in company registration: in the city of Banja Luka, more than 200 companies are registered at a single address, with many having no employees and only a law firm or an accounting firm managing their affairs.³⁰⁴

Golden passports

Investor citizenship schemes, often referred to as 'golden passports', enable individuals to gain a new nationality through a set payment or investment. These programmes differ from investor residence schemes, or 'golden visas', which grant foreign nationals a residence permit under specific conditions. The European Commission has flagged investor citizenship schemes for risks related to 'security, money laundering, tax evasion and corruption'.³⁰⁵

Starting in 2018, Montenegro's golden passport scheme offered to grant citizenship within a period of 5 to 6 months in exchange for a €200 000 state fund investment and a €250 000 purchase of real estate (€450 000 for those looking to buy in the capital or coastal areas). Due diligence and administrative fees totalled another €22 000 for an individual.³⁰⁶ In 2022, however, in the context of the country's accession negotiations, an EU non-paper recommended that the

scheme be completely phased out as soon as possible.³⁰⁷ It was terminated at the end of 2022, with some pending applications still being considered.³⁰⁸ According to publicly available data, 'honorary' Montenegrin citizenship was provided to 1072 people from 2008 to February 2023.³⁰⁹ More than half (645) were related to the investor citizenship programme, of which 308 were Russian citizens. The country of origin is not provided for the rest, but most appear to have Russian names.

In 2022, apart from Montenegro, the Albanian government announced plans to develop a citizenship-by-investment programme open to international investors.³¹⁰ However, in response to the EU's concerns about potential risks such as security, money laundering, tax evasion, terrorist financing, corruption and organized crime infiltration, the government decided to postpone the launch of its golden passport initiative.³¹¹ ■

Women in money laundering

The role of gender in organized crime has long been overlooked and underestimated. Social norms, culture, traditional beliefs and media influence people's perceptions of organized crime and the role of women within it, shaping both societal and state responses.³¹² Women in the Western Balkans are rarely portrayed as criminals, although they are often depicted as victims. Women can be deeply involved in various roles within criminal operations, including in money laundering.³¹³ For instance, wives and daughters have managed businesses used to launder money for the Sinaloa drug cartel and other criminal groups.³¹⁴

In May 2024, an inter-agency operation led by the Sarajevo Canton Ministry of Interior, with support from Europol, resulted in the arrest of 23 individuals suspected of cocaine trafficking and money laundering for the Tito and Dino cartel. One of these was Aida Halać, a woman accused of leading the money laundering efforts, from placement and layering of illicit funds to collaborating with a bank director, another woman. She is suspected of cash smuggling from the UAE to Bosnia and Herzegovina

and of using her businesses to launder proceeds from cocaine trafficking.³¹⁵ At the time of writing, Halać has spent six months in custody and an indictment is pending.³¹⁶ Media reports at the time claimed that Edin Gaćanin had promised Halać, an employee at the cantonal hospital and member of the Zenica city council, that she would soon be appointed mayor.³¹⁷

There is limited research on how women are affected by, involved in and can help to curb IFFs, yet the topic has been receiving more attention in recent years.³¹⁸ Research shows that IFFs reduce the public resources available for service provision and gender equality programmes, which disproportionately affects women. Women and men are also differently affected by the sources of IFFs, particularly corruption and human trafficking.³¹⁹

However, the women who participate in organized crime often go unrecognized in statistical data, and gender-disaggregated data on investigations and convictions is rarely available. This data gap makes it very hard to assess trends of women's involvement in money laundering: their roles, the extent of their participation and the activities they take part in, whether in illicit activities, placing illicit proceeds or facilitating the overall money laundering process.

	2019	2020	2021	2022
Albania	–	–	–	–
Bosnia and Herzegovina ³²⁰	2	8	11	1
Kosovo	–	–	–	–
Montenegro	–	–	–	–
North Macedonia	0	0	2	2
Serbia ³²¹	1	6	5	8

FIGURE 5 Women convicted of the crime of money laundering in the Western Balkans, 2019–2022.

SOURCE: Bosnia and Herzegovina Ministry of Justice; North Macedonia Financial Intelligence Unit; Statistical Office of the Republic of Serbia.

Only three of the six Western Balkan countries have published statistics on women convicted of money laundering (see Figure 5). In Bosnia and Herzegovina, the number of convictions shows a significant variation over the years. The decrease from 2021 to 2022 could indicate a temporary fluctuation or a shift in enforcement strategies or policy adjustments that may warrant further investigation, especially considering recent investigations into high corruption and money laundering involving women.³²²

Kosovo does not keep gender-disaggregated data on money laundering, but estimates suggest that about 20 per cent of the suspicious transactions reported by banks to the FIU involve women.³²³ This estimate is not supported by indictments or court rulings, as no women have been charged with money laundering in Kosovo.³²⁴

The Pristina Basic Court offers an intriguing exception from Kosovo.³²⁵ A female British citizen was apprehended at Pristina International Airport after a customs inspection found £91 080 in her luggage. She was charged with money laundering and, after consulting with her legal representative, pleaded guilty. She was fined €18 000 and the seized amount was confiscated.

In Serbia, the numbers of women indicted (one in 2019, six each in 2020 and 2021, and nine in 2022) and convicted indicate that law enforcement is increasingly identifying and prosecuting women in money laundering. This trend reflects a growing involvement of women in money laundering networks.³²⁶

Moving beyond quantitative data, a deeper inquiry into qualitative assessments could open up the gender dynamics within money laundering typologies and trends and the experiences of women involved. Interviews with various experts in Serbia found that women are often used as a front in the layering or concealment phase of money laundering: for instance, posing as a beneficial owner of a company.³²⁷ They may be members of an organized crime group, earning illicit funds for money laundering, but generally in much lower positions than men.³²⁸ Research conducted in the Netherlands in 2007–2008 showed that women who were involved with drugs in the earnings phase of money laundering were prosecuted more often than women who put goods in their name in the concealment phase.³²⁹

The lack of data on women's participation in money laundering in Albania, North Macedonia and Montenegro has posed challenges to researching and understanding the gender dynamics of money laundering. Nevertheless, the absence of information does not necessarily imply the absence of women's involvement – it could stem from shortcomings in research, reporting or data-collection methodologies.

This lack of data highlights a gap in understanding the scope of money laundering activities and developing gender-sensitive approaches in AML efforts. Gender-disaggregated data collection should be promoted to tailor awareness and training programmes, to address how women might be involved or coerced, to ensure that AML policies and interventions are inclusive and to consider the different impacts on men and women.

Although the disparity continues between men and women in leadership roles in AML work, particularly within law enforcement, women are emerging as agents of change. In the Western Balkans, women have been appointed as central bank governors in Bosnia and Herzegovina, Serbia, North Macedonia and Montenegro.

Again, very little research has been published on this topic, but elevating women to leadership positions in financial institutions and law enforcement agencies enables them to spearhead efforts against illicit financial activities and enhance gender-sensitive approaches to combating money laundering. An exemplary instance is Elisa de Anda Madrazo, the current president of the FATF, whose stated priorities include financial inclusion, global cohesion and further integration of observers and the private sector in the task force's work.³³⁰ Her appointment as the second woman to hold this position is an inspiring precedent for fostering change globally.



CONCLUSION AND RECOMMENDATIONS

Illicit finance, including money laundering, is a complex challenge influenced by various interconnected factors, as highlighted by GI-TOC research. The GI-TOC analytical framework identifies three main channels – financial flows, trade flows and informality – through which illicit IFFs are generated, moved and held. These flows extend beyond financial crimes, complicating the prosecution of money laundering within this broader context.

To strengthen AML efforts in the Western Balkans and effectively tackle IFFs altogether, the following recommendations are proposed:

- All Western Balkan countries should continue to address strategic shortcomings and ensure full alignment of national laws with pertinent international and national regulations, standards and recommendations. Consistent control over the execution of AML measures must be prioritized, emphasizing the creation of mechanisms to thwart criminal ownership of financial and non-financial businesses. Countries like Albania and Kosovo should adopt legislative measures to reduce cash payments, potentially by setting general limits on cash transactions like those in other European nations.
- The capacities of FIUs and other relevant agencies in the Western Balkans must be significantly enhanced to effectively detect, trace and disrupt illicit financial flows. A major shortcoming across the region is the lack of systematic and proactive financial investigations, which remain reactive and often tied to predicate offences, rarely leading to standalone money laundering prosecutions. Enhancing proactive investigations, fostering cross-border collaboration and regulating digital assets are essential for addressing AML gaps and dismantling organized crime networks.
- Establishing a unified and systematic approach to data collection and statistics dissemination is imperative. The clear lack of reliable and corroborated data – from FIUs, law enforcement agencies, police bodies, prosecutor's offices and courts – across all Western Balkan countries impedes accurate evaluation of the effectiveness and efficiency of implemented AML measures. This in turn hampers institutions' ability to tailor their priorities and perform timely strategic analysis to counter money laundering. For example, the Financial Intelligence Department (FID) in Bosnia and Herzegovina needs to be extracted from the police structure and established as an independent state body/agency, in accordance with the administrative model of FIUs.

- The prosecution of money laundering cases as independent offences should be prioritized, particularly in connection with regional and international organized crime. Guidelines should be developed to enable prosecution without requiring convictions for predicate offences. Financial investigations must systematically accompany criminal investigations, especially in organized crime cases, to trace and detect the origins of unidentified money.
- Regulatory oversight should be strengthened through robust measures to prevent criminals from owning or managing financial and non-financial businesses, especially in areas vulnerable to abuse for money laundering activities. Virtual assets need to be regulated in the region; in some countries, this begins with the adoption of legislation. For example, Bosnia and Herzegovina must regulate its virtual assets sector, while Albania, Montenegro, North Macedonia and Serbia should enhance oversight and introduce proactive monitoring tools. FIUs also need to create proactive monitoring tools to report suspicious cryptocurrency transactions. A specialized professional structure, equipped with appropriate human and technical resources, may need to be established. Additionally, fostering international collaboration on this issue is crucial. For example, the UK, with its advanced regulatory framework and expertise in tracing illicit cryptocurrency transactions, can serve as a key partner in sharing best practices with the Western Balkan region, particularly in strengthening oversight, enhancing FIU capabilities and implementing proactive monitoring tools for virtual assets.

By addressing these strategic, legislative and operational gaps, Western Balkan countries can strengthen their AML frameworks, improve the prosecution of financial crimes and mitigate the broader risks associated with IFFs.



ANNEX: NATIONAL RESPONSES TO COUNTERING MONEY LAUNDERING

Legal framework

Anti-money laundering legislation

The AML frameworks in the Western Balkan countries are grounded in legislation designed to facilitate the prevention and prosecution of money laundering and financing of terrorism activities. This is crucial for combating financial crimes, ensuring the integrity of the financial system and achieving closer integration with the EU. Money laundering has long been included in the criminal codes of Western Balkan countries, which have undergone many revisions to align with international and domestic requirements. Although influenced by international standards, AML legal frameworks in the region are not entirely harmonized with FATF, MONEYVAL and EU laws, standards and recommendations.

In February 2024, the GI-TOC launched an online toolkit to provide a deeper understanding of illicit financial flows. It includes detailed country profiles from the Western Balkans, presenting the overall legal framework for the confiscation of criminal proceeds and highlighting the challenges that these countries face in this regard.³³¹

Country	Criminal code (CC) article
Albania	Laundrying of proceeds of criminal offence or criminal activity (Article 287) ³³²
Bosnia and Herzegovina ³³³	Money laundering (Article 209, CC BiH) ³³⁴ Money laundering (Article 272, CC FBiH) ³³⁵ Money laundering (Article 263, CC RS) ³³⁶ Money laundering (Article 265, CC BD BiH) ³³⁷
Kosovo	Money laundering (Article 302, CC K) ³³⁸ Money laundering (Article 56, Law No. 05/L-096) ³³⁹
North Macedonia	Money laundering and other income from crimes (Article 273, CC NM) ³⁴⁰
Montenegro	Money laundering (Article 268, CC M) ³⁴¹
Serbia	Money laundering (Article 245, CC Serbia) ³⁴²

FIGURE 6 Overview of articles proscribing money laundering in criminal codes in the Western Balkans.

In general, all Western Balkan countries have enacted material criminal legislation that defines money laundering as an autonomous criminal offence. This legislation includes all categories of predicate offences criminalized by their respective criminal codes, which apply to Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia. Additionally, self-laundering is also criminalized across all Western Balkan jurisdictions.

Montenegro and Bosnia and Herzegovina have recently enacted new AML laws.³⁴³ In Montenegro, the new law introduces several changes, such as criminalizing the provision of false information about the beneficial ownership of companies. Notably, it imposes new obligations on construction companies and notaries and prohibits cash payments of €10 000 and higher.³⁴⁴ The authorities anticipate that this will decrease the use of cash in real estate transactions and require notaries to authorize contracts involving such payments. They also expect that more rigorous controls on tax and construction inspections will further limit cash payments between investors, contractors and subcontractors. However, for these changes to be effective, relevant institutions will need to develop appropriate systems and tools, which currently do not exist, and the laws governing their work have not yet been amended to include these new responsibilities. Moreover, the new law does not address virtual assets at all.³⁴⁵ This is a critical gap in the legislative framework, given the rising importance of virtual assets in financial transactions.

In Bosnia and Herzegovina, the recently adopted Law on the Prevention of Money Laundering and Financing of Terrorist Activities (LPMLFTA) was driven by the need to align with FATF recommendations, EU regulations, risk assessments and practical issues in existing legislation.³⁴⁶ Key updates include precise definitions for obliged entities aligned with sectoral laws;³⁴⁷ additional expected measures for these entities; expanded risk-assessment scope for money laundering, terrorism financing and weapons proliferation; clear guidelines for identification and monitoring, especially for high-risk clients; and a new definition for 'politically exposed persons' with an established list of public functions. Non-obligated entities are prohibited from accepting cash payments over BAM30 000 for goods, real estate or services, and cash transactions for real estate valued at this amount or more must be done via bank transfer. Notaries and lawyers must report on real estate transactions and loans of BAM30 000 or higher. Temporary transaction suspensions and safe access have been regulated, allowing client notifications by the FID/FIU. Data protection and confidentiality measures have improved, as has cooperation among supervisory bodies, the FIU and other authorities. Clearer guidelines for law implementation and strict penal provisions have been established. The cooperation and coordination process is now formalized through a permanent coordination body responsible for risk assessments, monitoring international standards and improving collaboration.

While the existing legal frameworks in the Western Balkans provide a foundation for addressing money laundering, challenges persist in their effective implementation and enforcement. For example, in North Macedonia, evidentiary standards have not been definitively established concerning predicate offences in third-party and standalone money laundering cases, and the judiciary has shown reluctance to make the inferences, based on objectively factual circumstances, needed to establish specific elements of such an offence. Thus, the courts expect a predicate offence conviction prior to a third-party money laundering prosecution. Furthermore, the penalties imposed merge the separate penalties determined for the predicate crime and the money laundering offences. Representatives of the judiciary and public prosecutors' offices agreed that the penalties for money laundering are not a significant component of the final sentencing.³⁴⁸

The first conviction in Kosovo solely for money laundering was in 2021, in a case that saw the confiscation of €1 million in assets. However, the two defendants in that case were only sentenced to two years in prison and a €5 000 fine – suspended for two years.³⁴⁹ As in Macedonia, the law in Kosovo does not mandate proof of a predicate offence for a conviction, but many prosecutors and judges continue to view it as indispensable. Consequently, standalone money laundering cases have been dismissed, either by the prosecution or by the court.³⁵⁰ The Supreme Court was thus requested to clarify what constitutes criminal activity in money laundering cases. Its judgment of 26 October 2022 affirmed that conviction for the predicate offence is not a prerequisite for initiating criminal proceedings for money laundering.³⁵¹

The six Western Balkan countries' national laws outline the definitions of money laundering. These definitions guide the implementation of necessary measures, actions and procedures that certain entities must follow to combat such illegal activities as required by these laws. These AML systems mandate obliged entities to report any suspicious activities to relevant authorities, including FIUs. The exception is Kosovo, where prosecution and prevention are based on the definition of money laundering contained in Article 56 of the Law on the Prevention of Money Laundering and Combating Terrorist Financing.³⁵²

Anti-money laundering and financing of terrorism legislation

INTERNATIONAL CONVENTIONS	RATIFIED AND INCORPORATED INTO NATIONAL LEGAL FRAMEWORK					
	ALBANIA	BOSNIA AND HERZEGOVINA	KOSOVO	MONTENEGRO	NORTH MACEDONIA	SERBIA
European convention on laundering, search, seizure and confiscation of the proceeds from crime (Strasbourg Convention) ³⁵³	✓	✓	✗	✓	✓	✓
Convention of the UN against international organized crime (and its two Additional Protocols) (Palermo Convention) ³⁵⁴	✓	✓	✗	✓	✓	✓
Convention of the UN against the illegal trafficking of narcotic drugs and psychotropic substances (1988 UN Drug Convention) ³⁵⁵	✓	✓	✗	✓	✓	✓
The Council of Europe convention on laundering, search, seizure and confiscation of the proceeds from crime and financing of terrorism (Warsaw Convention) ³⁵⁶	✓	✓	✗	✓	✓	✓
The Council of Europe convention on prevention of terrorism ³⁵⁷	✓	✓	✗	✓	✓	✓

FIGURE 7 Overview of international conventions incorporated into national legal frameworks in Western Balkan countries.

All of the Western Balkan countries but Kosovo, which is not a member of the EU or the Council of Europe, have ratified the main international conventions regarding money laundering and financing of terrorism. All six countries have adopted legislation that incorporates the norms of preventive measures such as identifying and reporting suspicious transactions, customer due diligence, record-keeping, data protection, obligations of entities to report, supervision by relevant authorities, established sanctions and the establishment and functioning of national FIUs.

Country	National laws aimed at preventing money laundering and terrorist financing
Albania	<ul style="list-style-type: none"> • Law on the prevention of money laundering and financing of terrorism, No. 9917/2008 (amended by No. 10 391/2011, 66/2012, 44/2017, 33/2019, 120/2021, 62/2023)³⁵⁸ • Law on the administration of seized/confiscated properties, No. 34/2019³⁵⁹ • Law on international restrictive measures in the Republic of Albania, No. 72/2019 (amended by No. 101/2023)³⁶⁰ • Law on the measures against terrorism financing, No. 157/2013 (amended by No. 43/2017 and 32/2019)³⁶¹ • Law on the register of beneficiary owners, No. 112/2020 (updated by Normative Act No. 12/2021 and Law No. 6/2022)³⁶²
Bosnia and Herzegovina	<ul style="list-style-type: none"> • Law on the prevention of money laundering and terrorist financing in BiH (Official Gazette of Bosnia and Herzegovina No. 13/24)
Kosovo	<ul style="list-style-type: none"> • Law No. 05/L-096 on the prevention of money laundering and combating terrorist financing (Official Gazette of the Republic of Kosovo, No. 18/16)
North Macedonia	<ul style="list-style-type: none"> • Law on the prevention of money laundering and financing of terrorism (Official Gazette of the Republic of North Macedonia No. 151/22)
Montenegro	<ul style="list-style-type: none"> • Law on the prevention of money laundering and terrorist financing (Official Gazette of Montenegro, No. 110/23 dd 12 December 2023)
Serbia	<ul style="list-style-type: none"> • Law on the prevention of money laundering and the financing of terrorism (Official Gazette of the Republic of Serbia, No 113 of 17 December 2017, 91 of 24 December 2019, 153 of 21 December 2020, 92 of 27 October 2023) • Law on the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction (Official Gazette of the Republic of Serbia, Nos 29/2015, 113/2017 and 41/2018)

FIGURE 8 Overview of national laws addressing money laundering and terrorist financing in Western Balkan countries.

The prosecution of money laundering is primarily based on the criminal codes, criminal procedural codes and laws on international cooperation in criminal matters, as well as the laws regulating relevant sectors of the economy and state organizations. The key legislative shortcomings in all Western Balkan jurisdictions relate to their lack of harmonization with the EU AML directives,³⁶³ especially Directive 2018/843,³⁶⁴ and implementation of the FATF recommendations. Specific deficiencies are found in Kosovo and North Macedonia, in the criminalization of money laundering, and in North Macedonia, as set out in the MONEYVAL Mutual Evaluation Report.³⁶⁵

Institutional frameworks

Western Balkan countries have established appropriate and comprehensive institutional frameworks to prevent, investigate and prosecute money laundering. The central institutions are their FIUs. Most FIUs in the region function as legal entities within the organizational structure of other state bodies, such as the Ministry of Finance (as in Albania, Kosovo, North Macedonia and Serbia).

The FIUs follow different organizational and operational models. Albania, North Macedonia and Serbia adhere to an administrative model without investigative powers. Bosnia and Herzegovina and Montenegro use a police model which functions independently of law enforcement agencies, focusing on the collection, analysis and dissemination of financial intelligence rather than direct investigation or enforcement activities.

National FIUs carry out responsibilities as stipulated by the respective national legislation. In all countries, the FIU is a vital intermediary between 'obliged entities' in the private sector and investigative bodies. As focal points in the AML systems, they are in continuous cooperation with other national authorities (e.g. prosecutors' offices, law enforcement agencies, financial services supervisors, regulators); obliged entities, as set out by national laws against money laundering and financing of terrorism (e.g. banks and other financial services providers, leasing companies, microcredit organizations, post offices, casino and other games-of-chance businesses, pawnshops, notaries, lawyers, accountants, auditors, real estate agencies); and FIUs in other countries.

In Bosnia and Herzegovina's AML institutional framework, the national FIU is the FID, located within the State Investigation and Protection Agency (SIPA).³⁶⁶ Its organizational structure – a police model coupled with strong political influence and control – has had a strong influence on its operational independence, undermining its integrity and authority.³⁶⁷ Furthermore, reports and expert opinions indicate that the FID has limited capacity to conduct complex financial investigations, primarily due to inadequate personnel capacities, including a lack of expert knowledge and skills in areas such as banking, insurance, securities, accounting, auditing and law.³⁶⁸

Regarding the Kosovo FIU, which has been without a director for nearly three years, concerns have been raised about political influence in the selection of the new director. Two attempts to appoint a director have failed while the ongoing third attempt is being delayed by the FIU board, despite the candidates having been vetted by the committee for reviewing applications and interviewing candidates.³⁶⁹ In 2021, investigative journalists indicated possible direct connections between the FIU director, Dardan Nuhui, certain prosecutors and judicial members and criminal elements.³⁷⁰ As a result of these reports, the FIU director was dismissed from his position and the prosecutor and a judge resigned.³⁷¹ This case suggests that such misgovernance of public institutions may have become systematic and that the political will to address it is lacking.³⁷²

The Montenegro FIU is the Sector for Financial Intelligence Affairs, located within the Police Directorate.³⁷³ Even though it is formally independent,³⁷⁴ its director is proposed by the director of the Police Directorate and appointed by the Minister of Interior upon the approval of the government.³⁷⁵ This level of political influence casts doubt on the FIU's independence. Montenegro needs an integrated approach across all criminal justice bodies to effectively address money laundering and secure more final convictions.³⁷⁶

Prosecution of money laundering

From 2019 to 2022, a modest number of money laundering convictions were recorded in all Western Balkan jurisdictions, as shown in Figure 9. As mentioned above, the high evidentiary standard in third-party and standalone money laundering cases in North Macedonia and Kosovo usually requires a predicate offence conviction.³⁷⁷ In Bosnia and Herzegovina, the criminal offence is 'money laundering (independently or in connection with other criminal offences)'.³⁷⁸ Unfortunately, statistics for 2023 are not publicly available at the time of writing. In Serbia, 132 people were convicted of money laundering between 2021 and 2023.³⁷⁹

	2018	2019	2020	2021	2022
Albania	10	8	4	1	9
Bosnia and Herzegovina	11	36	120	55	54
Kosovo	–	–	3	1	3
Montenegro	0	2	0	2	0
North Macedonia	–	–	–	7	–
Serbia	6	71	11	7	3

FIGURE 9 Overview of money laundering convictions imposed by courts in Western Balkans, 2018–2022.

SOURCE: European Commission, EU country progress reports.³⁸⁰

Penalties and confiscations

The legal framework for money laundering offences includes penalties such as conditional sentences, fines, house arrest and imprisonment. Official sentencing data is only available in Bosnia and Herzegovina and Serbia, where offenders usually receive fines, prison sentences of up to one year or house arrest (see Figure 10). Bosnia and Herzegovina's Criminal Code allows for an alternative to imprisonment, where a prison sentence of up to one year can be converted to a fine of €25–50 per day of the sentence, approximately €9 000–18 000 per year.³⁸¹ This option has become popular with wealthier criminals and corrupt officials. In 2022, 119 individuals paid off their prison sentences for offences such as drug trafficking, theft and domestic violence.³⁸² In a 2023 case, for example, a business owner convicted of tax evasion of over €200 000 paid the fine to avoid a one-year prison sentence.³⁸³ This practice, which is seen to undermine the deterrent effect of imprisonment and encourage repeat offences, has drawn criticism from the Organization for Security and Co-operation in Europe.³⁸⁴

	TYPE OF PENALTY					
	2020		2021		2022	
	FINE	PRISON	FINE	PRISON	FINE	PRISON
Bosnia and Herzegovina	98	7	33	5	48	7
Serbia	1	1	3	3	0	4

FIGURE 10 Overview of penalties imposed by courts in Bosnia and Herzegovina and Serbia, 2020–2022.

SOURCE: Ministry of Justice of Bosnia and Herzegovina; Statistical Office of the Republic of Serbia.³⁸⁵

The confiscation or freezing of criminal proceeds and assets is a basic element in combating financially motivated crimes.³⁸⁶ Although there are comprehensive and appropriate legal frameworks in place for this in the Western Balkans, European Commission reports have found that they are not sufficiently enforced in criminal proceedings.³⁸⁷ Available statistics indicate that the amounts confiscated in money laundering cases were relatively modest during the observed period, as shown in Figure 11. In regard to cryptocurrency seizures, countries have the option to either hold them or sell them.³⁸⁸

	2020	2021	2022
Albania	1 172 886	200 000	2 426 882
Bosnia and Herzegovina	10 124	389 712	199 801
Kosovo	476 490	772 819	669 765
North Macedonia	62 585	30 000	28 508 584
Montenegro	6 596 450	0	–
Serbia	–	–	–

FIGURE 11 Overview of state-confiscated assets related to money laundering in the Western Balkans (in euros).

SOURCES: National risk assessments and interviews with FIUs; public prosecutor's offices (Bosnia and Herzegovina and Montenegro).³⁸⁹

Between 2021 and 2023, Serbia recorded an estimated €1.56 billion in illicit proceeds from various criminal offences, of which €165.18 million (approximately 10.5%) was confiscated.³⁹⁰ Although the 2024 risk assessment does not isolate confiscation data solely for money laundering, it provides relevant figures for predicate offences. For example, €16.5 million was confiscated from an estimated €89.38 million generated through organized crime (~18%), €13.42 million from €166.66 million linked to abuse of authority (~8%), and €5.42 million from €360.7 million in tax-related crimes (~1.5%). These offences are closely tied to money laundering crimes.³⁹¹

There is very little information on whether countries in the Western Balkans are freezing virtual cryptocurrencies and what happens when they do. In Serbia, it has been reported that the Ministry of Justice signed a contract with a US-based company to provide services for managing crypto assets.³⁹² A court official in Bosnia and Herzegovina said that cryptocurrencies have been seized in an ongoing case related to the laundering of illicit proceeds from drug trafficking. In this instance, they were converted to euros and are being held by the country's Central Bank on behalf of the Court of Bosnia and Herzegovina.³⁹³

Financial investigations

Financial investigations scrutinize relevant financial transactions and holdings to identify and document the movement of money in the course of criminal activity. This concept of financial investigation has been established across all jurisdictions in the region, with national FIUs, various law enforcement agencies and prosecution authorities mandated to conduct them. Their effectiveness is essential to the successful prosecution of financial crime cases.

However, beyond this conventional view, financial investigations are increasingly expanding to identify the extent of criminal networks, uncover the scale of criminality and build evidence for criminal proceedings. With regard to money laundering, the FATF recommends that law enforcement agencies proactively launch financial investigations into the predicate and money laundering offences in parallel with criminal investigations.³⁹⁴ In a proactive financial investigation approach, law enforcement agencies and FIUs actively pursue suspicious financial activities and potential money laundering schemes before they are reported as crimes. Such investigations make use of data analysis and monitoring, intelligence-gathering and in-depth risk assessments to identify sectors, business activities and individuals that are more likely to be involved in money laundering activities. They demand a high level of expertise in complex financial analysis and forensic accounting as well as strategic intra- and inter-agency cooperation.

Research for this report found notable differences in financial investigations across the region. In general, financial investigations are rarely proactive and are primarily conducted in relation to predicate offences, thus rarely leading to the prosecution of money laundering offences. Bosnia and Herzegovina, which has no comprehensive policy for systematic and timely financial investigations, conducted only a small number – four in 2022.³⁹⁵ In Montenegro, the number increased until 2021, but there were none in 2022 and 2023. Highlighting the gaps in data gathering, reporting and transparency in the region, North Macedonia only has a total number for financial investigations from 2017 to 2022 and there is no data for Serbia, Kosovo and Albania.

Financial and criminal investigations are typically carried out separately. In North Macedonia, financial investigations are mainly conducted during the pre-investigation phase. Prosecuting authorities in Montenegro and Bosnia and Herzegovina initiate them in the later stages of criminal investigations, most frequently after indictments have been submitted to the court. Consequently, criminal actors know that they are under investigation and take steps to conceal their proceeds. In certain cases, the prosecution takes the lead in conducting the financial investigation and pursues money laundering charges as an independent offence, separate from the underlying criminal activity.³⁹⁶

The combination of these challenges means that, although the AML systems are theoretically sound, practical obstacles prevent them from functioning optimally. This gap between law and practice undermines the overall effectiveness of AML efforts and allows financial crimes to persist with relative impunity.

Limiting factors

The prosecution of money laundering cases in the region remains inefficient. Contributing factors include inadequate implementation of the law, insufficient training and resources for law enforcement and judicial personnel, the complexity of financial crimes and the specialized expertise that their prosecution often requires.

The level of reporting is still low, especially by designated non-financial businesses and professions (e.g. attorneys, auditors, accountants, real estate agents and casino operators). Suspicious transaction reports do not effectively trigger in-depth analysis or dissemination in most countries.

Political interference appears to hinder the independence and effectiveness of the FIUs and other relevant authorities.

The integrity of police officers and government officials is frequently in question, particularly where they appear to enjoy unjustified increases in their wealth,³⁹⁷ raising the perception that organized crime groups play a role in the low rates of investigation and indictment and the lenient sanctions. Only in Montenegro are police officials obliged to submit reports on their income and assets to the Ministry of Interior.³⁹⁸ Certain police officials there are also legally required to declare their assets to the Agency for Prevention of Corruption.³⁹⁹ However, it is not clear how often these reports must be filed or how they are verified as the governing regulation was set to expire in 2016.⁴⁰⁰

Additionally, there is a lack of coordination and cooperation between various national agencies and international bodies, which is crucial for tracking and prosecuting cross-border financial crimes.



NOTES

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