



# MAFIA INVESTMENTS: WHERE MAFIA GROUPS INVEST THEIR MONEY AND WHAT BUSINESS SECTORS THEY PREFER



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## INTRODUCTION

This paper presents the main results of the project 'I beni sequestrati alle organizzazioni criminali nelle regioni dell'Obiettivo Convergenza: dalle strategie d'investimento della criminalità all'impiego di fondi comunitari nel riutilizzo di beni già destinati', carried out, in 2013, by Transcrime/Università Cattolica del Sacro Cuore (Milan, Italy) and funded by the Italian Ministry of Interior — Piano Operativo Nazionale 'Sicurezza per lo sviluppo' (national operative programme 'Security for development').

The project has produced two reports. The first report (Transcrime 2013a) consists of an accurate and in-depth analysis concerning the investments of Italian Mafia-type organised crime groups (Mafia OCGs) in the legal economy and is structured as follows:

- Where Mafia OCGs operate
- How much Mafia OCGs earns from illicit activities
- Where and how Mafia OCGs invest their proceeds

- Mafia OCGs abroad: presence and cases of investment
- Sectors more vulnerable to the Mafia OCGs infiltrations.

The second report (Transcrime 2013b) focuses on projects of reuse of confiscated assets financed by the PON Sicurezza (NOP Security) programme, co-funded by the EU and the Italian Ministry of Interior, in the years 2000–06 and 2007–13.

Both reports can be downloaded (<http://www.investmentioc.it>). This paper will focus on the first report (Mafia investments).

## AN ANALYSIS OF MAFIA INVESTMENTS

### WHERE MAFIA OCGS OPERATE IN ITALY

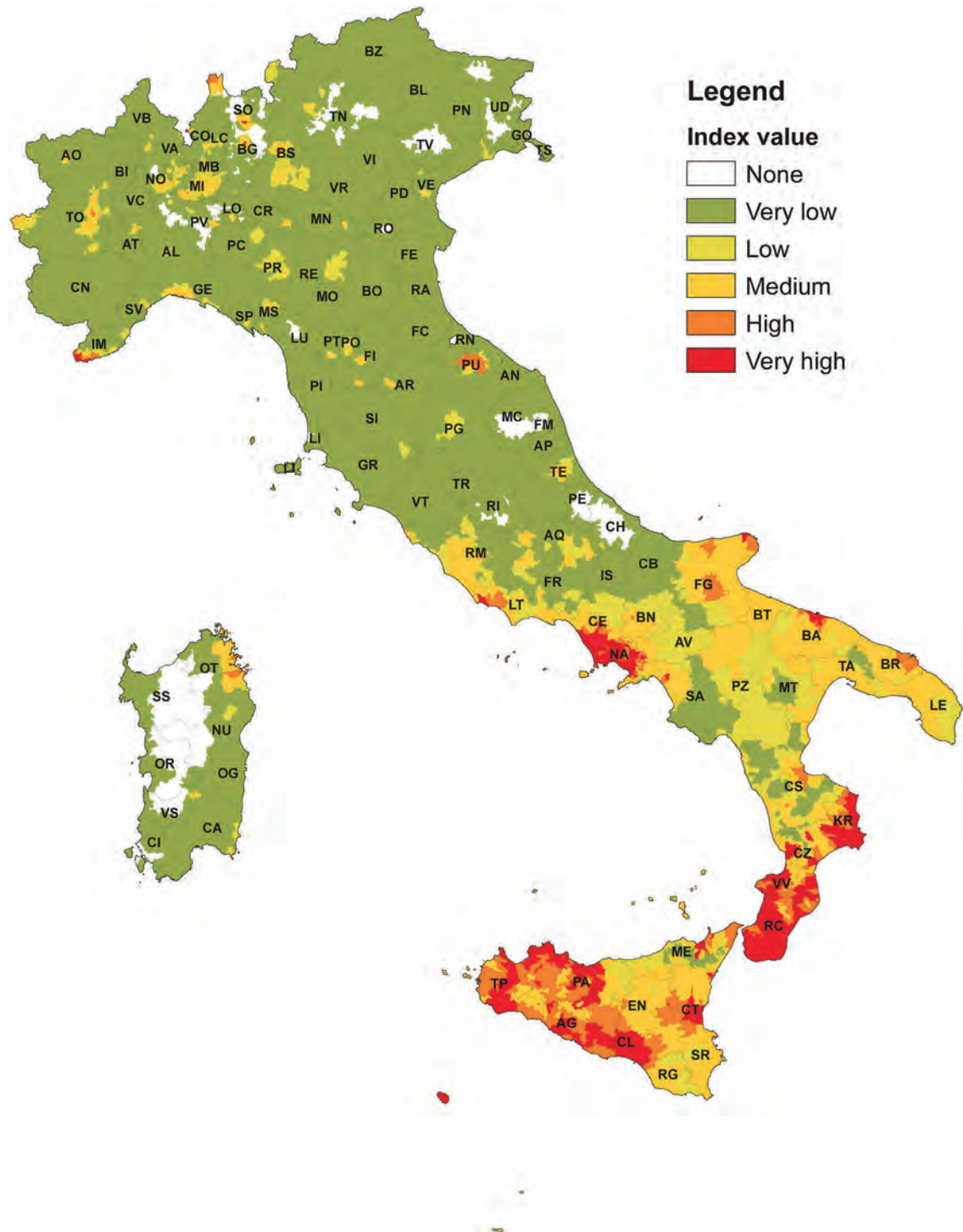
Mafia OCGs are located throughout Italy, although they are more influential in some areas than in others. Mapping the presence of Mafia groups on a regular basis can help to individualise any transformation regarding variation in respect to their geographic



distribution. For this end, the Mafia Presence Index (MPI hereafter), the result of a replicable and scientific methodology measuring for the

first time where and with what intensity Mafia OCGs operate in Italy, has been developed. The maps are at municipal level (Figure 1).

Figure 1: Where Mafia groups are in Italy



Source: Transcrime 2013a.



Looking at the map above, the MPI seems to confirm the presence of Mafia groups in regions (NUTS 2) traditionally under Mafia control, i.e. Apulia, Calabria, Sicily and Campania. The results suggest a strong Mafia presence also in regions not traditionally 'mafiose' such as Basilicata, Lazio, Liguria, Lombardy and Piedmont. In what concerns the analysis of Mafia presence at provincial level (NUTS 3), it is interesting to notice that the first five provinces are Naples, Reggio Calabria, Vibo Valentia, Palermo and Caltanissetta. Rome ranks 13th and Milan 26th (for further information visit the website <http://www.investimentioc.it>).

### HOW MUCH MAFIA OCGS EARN FROM ILLICIT ACTIVITIES IN ITALY

The study presents an estimate of Mafia revenues stemming from illicit activities and their repartition between reallocation and reinvestment using a verifiable and definite methodology.

For comprehensive results concerning Mafia turnover, revenues and profits, nine illegal activities have been considered:

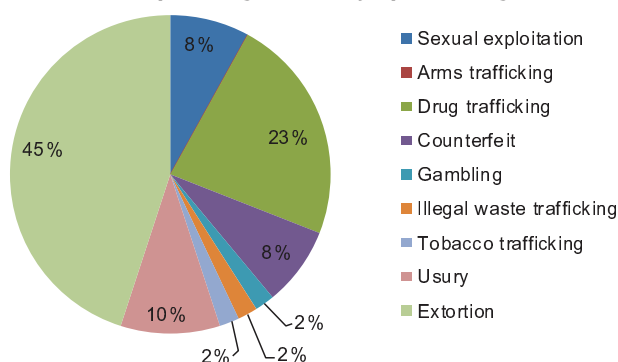
- sex trafficking,
- drug trafficking,
- tobacco smuggling,

- firearms trafficking,
- gambling,
- illicit waste disposal,
- counterfeiting,
- usury,
- extortion.

The turnover of these illegal activities has been calculated as equal to EUR 25.7 billion (on average), approximately 1.7 % of the Italian GDP. Drug trafficking stands out, generating the highest amount of revenues (on average EUR 7.7 billion), followed by extortion (EUR 4.7 billion), sexual exploitation and counterfeiting (respectively EUR 4.6 billion and EUR 4.5 billion).

The results highlight that Mafia OCGs do not have the monopoly of illicit markets. Apart from extortions, which are a traditional Mafia activity, only a share between 32 % and 51 % is considered controlled by Mafia OCGs. As a result, Mafia revenues could be estimated between EUR 8.3 and 13 billion. As the figure below shows, extortions generate 45 % of the total amount of Mafia revenues, followed by drugs (23 %), usury (10 %), counterfeiting and sexual exploitation (8 % each).

Figure 2: Average Mafia revenues per illegal activity (percentage of the total revenues)



Source: Transcrime 2013a.



However, not all Mafia groups play the same role in the illicit market. The Camorra and the 'Ndrangheta, according to the findings, are the groups with the highest illicit turnover, generating altogether 70 % of the total amount of revenues of OCGs from illicit markets. Differently, Cosa Nostra produces only 18 % of illicit revenues belonging to OCGs. It is interesting to note that 'Ndrangheta, unlike other organisations, obtains a significant share of revenues from other areas besides its region of origin (Calabria): in particular, 23 % of revenues are from Calabria, 21 % from Piedmont and 16 % from Lombardy.

The strongest point of this analysis is that the evaluation can be easily replicable and updated. Hence these estimates can play a fundamental role in terms of a better-planning of crime prevention policies.

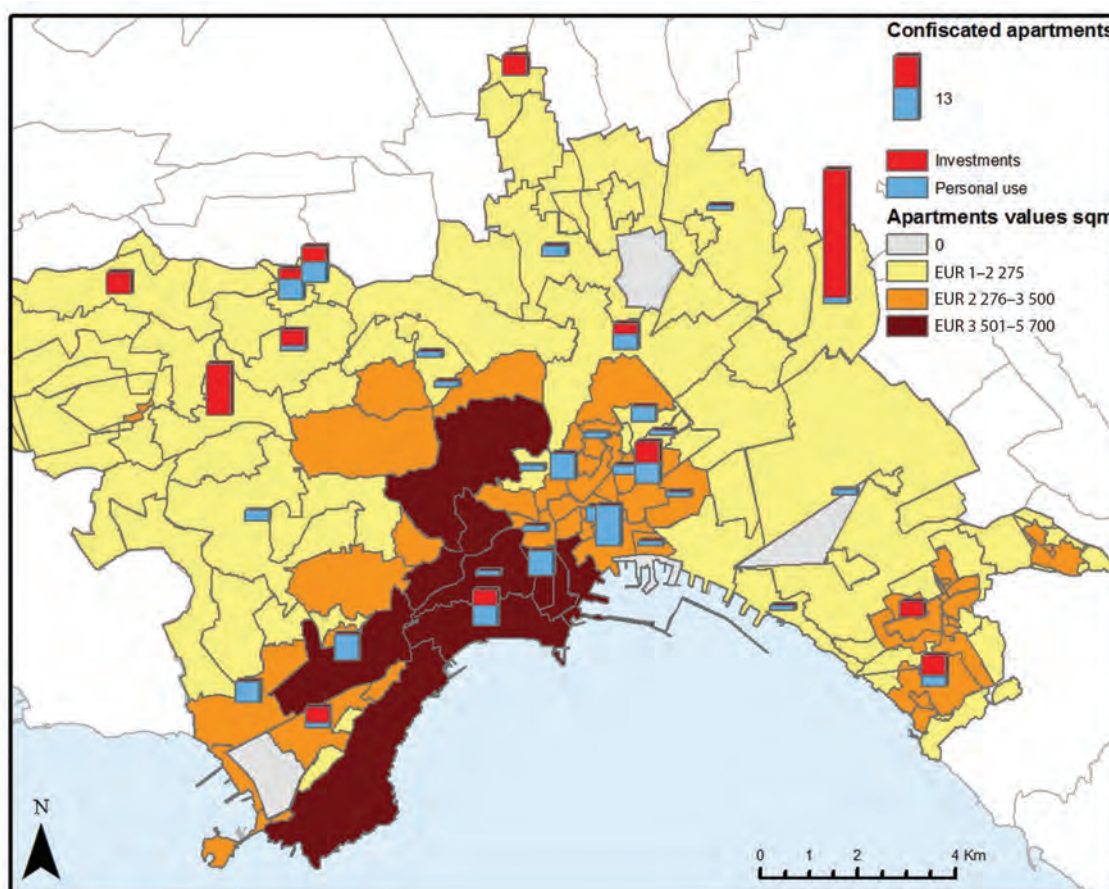
## WHERE AND HOW MAFIA OCGS INVEST THEIR PROCEEDS

The third report concerns Mafia OCGs' investments in the Italian legal economy. Seized and confiscated assets have been used as proxy but also other sources such as judiciary and police evidence, LEA/FIU/ARO reports, data on suspicious transaction reports (STRs), tax evasion, corruption and information from open sources have been considered.

### *Mafia Real estate properties*

The results have shown how more than half of the confiscated assets between 1983 and 2012 (in total 19 987 assets) are real estate (52.3 %) mainly located in the south, followed by registered assets (20.6 %), other movable assets (18.4 %) and companies and stocks (8.7 %).

Figure 3: Mafia investments in real estate and real estate prices in the area of Naples



Source: Transcrime 2013a.



Among real estate, apartments seem the most common type owned by Mafia members (33.8 % of the total real estate), outnumbering independent houses and villas. The Camorra and the 'Ndrangheta seem more 'open' towards new territories; indeed 10 % of confiscated real estate properties are located outside Calabria and Campania. However, only 2 % and 1 % of real estate were confiscated from Cosa Nostra and the Apulian OCGs outside Sicily and Apulia.

Personal/cultural reasons, rather than economic drivers, seem to guide Mafia OCGs in real estate investments, since they seem to mirror a symbolic status. For example, real estate in urban areas tends to be concentrated in the neighbourhoods with a greater Mafia influence, and not where the real estate market shows higher prices (Figure 3).

### *Mafia companies*

Mafia OCGs seem to prefer to invest or constitute limited liability companies (SRL) (46.6 % of the approximately 2 000 companies confiscated from the Mafia since 1983 to 2013) due to advantages both from the management and the money laundering points of view. Individual companies rank second (25.8 %) followed by other types of unlimited companies.

Despite the increasing role of new business sectors (e.g. renewable energy, logistics, call centres, slot machines, etc.), Mafia OCGs still seem to prefer investing in traditional activities. In particular, according to the analysis of confiscated companies, the sector with the highest infiltration rate is mining and quarrying, followed by construction and restaurants. Wholesale and retail trades seem important only with respect to specific goods (e.g. milk products, flowers, clothes).

**Table 1: Rate between confiscated companies and registered companies at national level per 10 000 registered companies**

Business sectors	Rates
Mining and quarrying	45.16
Human health and social work activities	5.31
Construction	4.85
Hotels and restaurants	4.07
Electricity, gas, steam air conditioning supply	3.84
Transporting and storage	3.29
Wholesale and retail trade, repair of motor vehicles and motorcycles	2.90
Other public, social and personal services	2.68
Financial and Insurance activities	2.05
Real estate activities	1.81
Agriculture, Forestry and Fishing	1.18
Manufacturing	0.53
Others	0.05

Source: Transcrime 2013a.



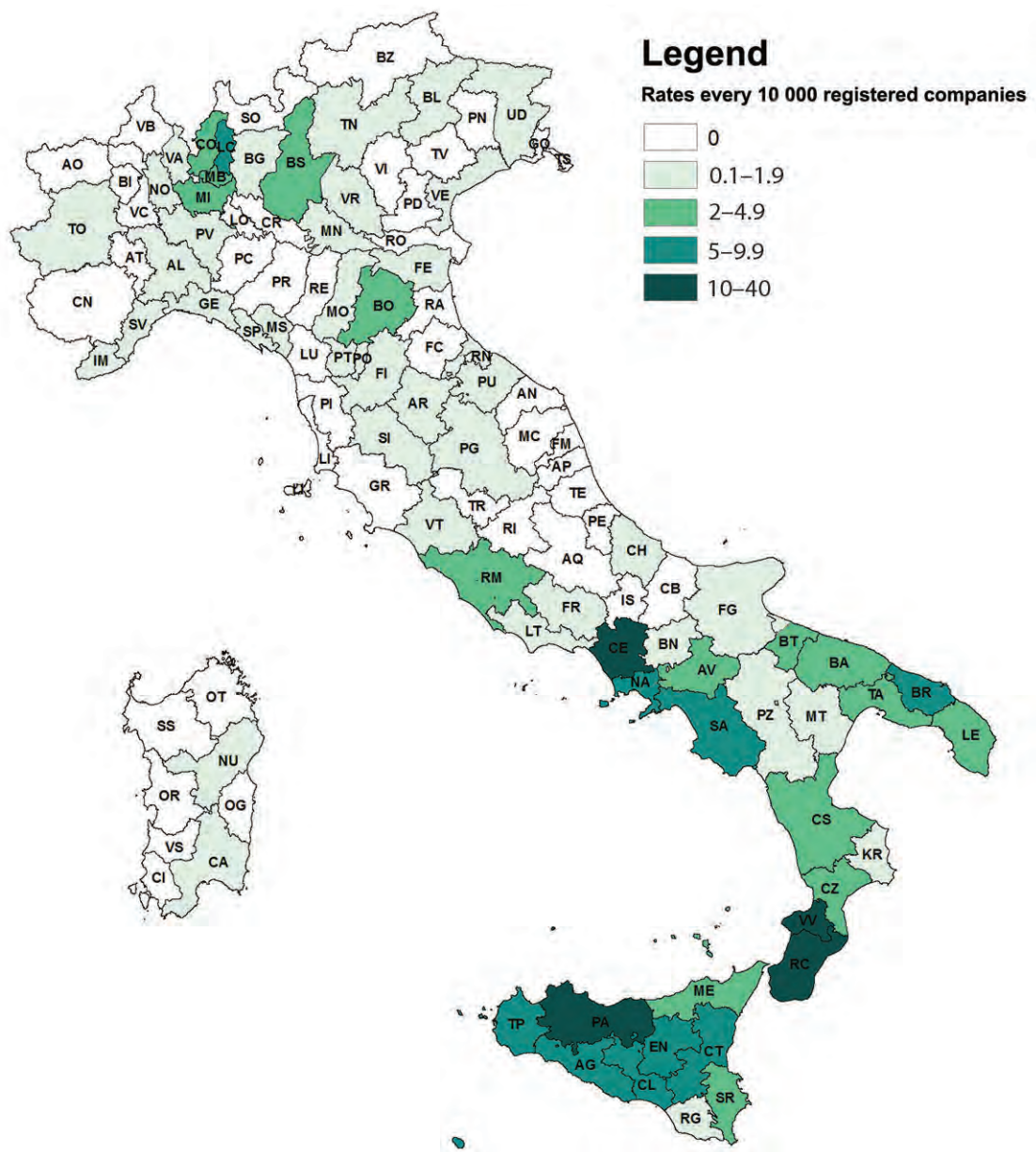


The expansion of Mafia companies outside of traditional territories does not seem homogeneous. Besides the south, main concentrations have been found in the north-west (Lombardy, Piedmont), while the north-east and central regions (excluding Lazio) are present to a much lesser extent.

However, not all Mafia groups invest in the same way. Considering the results, Cosa Nostra seems focused on the construction sector, the Camorra on different businesses including mining and quarrying and waste disposal, while the 'Ndrangheta seems to invest mainly in bars and

restaurants and construction. In spite of their relevant presence of investments in companies, Mafia businessmen cannot always be considered as brilliant entrepreneurs: many Mafia companies are badly managed and even less profitable than legal ones, since, rather than profit, the main purpose seems to be money laundering and control of territory. In this sense, Mafia OCGs often infiltrate legal businesses to take advantage of their strong connections with the economic and political system and to strengthen their control on certain territories and markets.

**Figure 4: Mafia companies in Italy — Rate of confiscated companies every 10 000 registered companies — Province (NUTS 3) level**



Source: Transcrime 2013a.



## THE ITALIAN MAFIA OCGS ABROAD: PRESENCE AND CASES OF INVESTMENT

In order to analyse the presence and investments of Mafia OCGs outside Italy, the reports produced by the Italian Anti-Mafia National Directorate (DNA) and Anti-Mafia Investigative Directorate (DIA) were systematically analysed to identify which countries (and markets) are most frequently mentioned.

Cosa Nostra, the 'Ndrangheta, and the Camorra seem to be present in Germany, Spain and the Netherlands, whereas the Apulian organised crime in Albania, Greece and the Balkans.

In what concerns extra-European countries, Cosa Nostra appears to be active in Canada, Colombia and Venezuela, the 'Ndrangheta in Australia and Canada, the Camorra in China, Colombia and Venezuela and the Apulian's organised crime seems to have connections in Turkey, China and Colombia.

In what concerns investments, Mafia groups seem to replicate the Italian paradigms, namely an interest in the real estate sector, tourism, hotels and restaurants. It is the objective of another project, called OCP — Organised Crime Portfolio — funded by EU Commission's Directorate-General for Home Affairs, to analyse in a more systematic way the investments in Europe of OCGs, not only Italian Mafia-type groups but also foreign OCGs. Some preliminary results and maps are already available on the project website (<http://www.ocportfolio.eu>).

## CONCLUSIONS

This paper has provided a brief overview of the results of a study carried out by Transcrime on Mafia investments, funded by the Italian Ministry of Interior. The results can strengthen positively the know-how of law enforcement agencies (LEA) in countering Italian Mafia OCGs. For the first time in Europe a scientific and replicable methodology to measure the presence, the turnover and the investments of Mafia organisations has been developed.

The results obtained to identify where Mafia groups are located and mapping at regular intervals can help tackling their activities in Italy and abroad. The research has the merit of highlighting different levels of vulnerability of the territories and of economic sectors. Regular follow-ups of this study can systematically identify changes about Mafia investment strategies and infiltrations in the legal economy, improving freezing and confiscation activity of LEA and ARO agencies worldwide. As to investments outside Italy, the study can be defined as the first step towards a systematic supervision of Italian Mafia OCGs abroad.

All the deliverables including the two final reports and their methodological annexes are available (<http://www.investimentioc.it>).

## REFERENCES

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- Transcrime, (2013b), *Il riutilizzo dei beni confiscati*, Milano, ([http://www.investimentioc.it/files/PON-Rapporto\\_Linea\\_2\\_Il\\_riutilizzo\\_dei\\_beni\\_confiscati.pdf](http://www.investimentioc.it/files/PON-Rapporto_Linea_2_Il_riutilizzo_dei_beni_confiscati.pdf)).